



**THE FUTURE**  
**MEETING PRIORITIES SHARING BENEFITS**  
**Fiscal Plan 2001-04**

# Table of Contents

Meeting Priorities – Sharing Benefits.....	7
Alberta Fiscal Advantage.....	8
Alberta Tax Advantage .....	17
Alberta Economic Advantage .....	20
Albertans’ Quality of Life – Sharing the Benefits .....	25
2001-04 Revenue Outlook.....	30

## LIST OF TABLES

Consolidated Fiscal Summary.....	36
Cash Available for Accumulated Debt Repayment.....	36
Allocation of Cash Available for Accumulated Debt Repayment .....	36
Accumulated Debt .....	37
Net Financial Position .....	37
Revenue .....	38
Expense .....	40
Net Increase in Capital Assets Affecting Operations .....	40
Capital Investment .....	42
Capital Amortization .....	43
Support for Infrastructure.....	44
Debt Servicing Costs .....	44
2001-02 Allocation of Lottery Fund Revenue.....	45
Expense by Function .....	46
2001-02 Expense by Function .....	47
2001-02 Expense by Object .....	48
Full-Time Equivalent Employment .....	49
Details of Net Financial Position .....	50
Accumulated Debt Retirement Schedule.....	51
Details of Cash Available for Debt Repayment .....	52
Net Financing Requirements .....	52
2001-04 Term Debt Maturities .....	53
Pension Obligations .....	54
Fee Changes .....	54
Loans and Advances.....	55
Guarantees .....	55
Key Energy and Economic Assumptions.....	56
Sensitivities to Fiscal Year Assumptions, 2001-02 .....	56
Major Provincial Tax Rates, 2001 .....	57
Historical Consolidated Fiscal Summary, 1984-85 to 2003-04 .....	58

# Meeting Priorities – Sharing Benefits

*“Basically it will be more of the same kind of government. A government totally committed to fiscal responsibility. A government that, for the first time in a number of years, is looking at a debt-free province...”*

**Premier Ralph Klein**  
Televised Address  
January 29, 2001

Albertans have led the way in establishing an open and accountable government that lives within its means. Our commitment to balanced budgets and debt elimination has left the province in the strongest fiscal position of any government in Canada.

Matching our fiscal advantage are our economic and tax advantages. Albertans believe initiative and hard work should be rewarded, taxes should be low, and government should stay out of the business of business. This has created an environment in which Alberta has prospered, attracting investment and people to the province. Alberta has:

- the strongest economy in Canada,
- the highest standard of living of any province,
- the lowest unemployment rate in the country,
- the lowest overall taxes and the highest personal disposable incomes.

Fiscal and economic strength has provided the flexibility to meet the priorities of Albertans and share the benefits with them. The accessibility and quality of our health and education systems have been improved. Albertans’ drive for knowledge, innovation and excellence has been encouraged. Those in need of help have continued to receive the assistance they require. Alberta has:

- among the highest life expectancies in the world,
- the best-educated workforce in Canada, and
- the lowest percentage of low-income people in Canada.

## THE FUTURE

Alberta’s future is firmly rooted in the Alberta advantages developed over the last eight years. This government will work hard to build on our advantages by:

- ***Creating a debt-free Alberta*** – Albertans and their children will be freed from the burden of provincial debt.
- ***Increasing the Alberta tax advantage*** – Albertans will continue to pay the lowest taxes in the country and no provincial sales tax. Personal income taxes and school property taxes are being cut. The first step of our four-year plan to cut business taxes is being implemented.
- ***Strengthening the Alberta economic advantage*** – Infrastructure is being upgraded and expanded to meet the growing requirements of Alberta’s population and economy, and keep Alberta at the forefront of the new economy. Protection is being provided from temporary spikes in energy costs. Support is being provided to Alberta’s agriculture industry.
- ***Improving the quality of life of Albertans*** – Health and education services are being enhanced. Additional support is being provided to children, seniors and communities.

*“People have said to us, ‘continue on course and finish off the debt.’ I think that’s a very important legacy to leave our children.”*

**Pat Nelson**  
Minister of Finance  
Calgary Sun  
March 16, 2001

By ensuring Alberta is the best place to live, learn, work and invest, both our generation and our children's generation will have every opportunity to succeed right here in Alberta. Together, we will continue building a future that promises continued economic prosperity, tremendous opportunity and a high quality of life for Albertans.

## Alberta Fiscal Advantage

Alberta has an unmatched fiscal record – seven consecutive years of balanced budgets, debt reduced by nearly two-thirds and debt servicing costs down by approximately \$750 million. We are the only province in Canada whose financial assets exceed its liabilities. We have the lowest overall taxes in the country and the strongest economy.

*“The upgrade reflects the very strong economic and fiscal performance and favorable fiscal policies prevailing in Alberta, which are leading to very rapid debt reduction.”*

Standard & Poor's  
January 29, 2001

The government's sound fiscal management and results have been recognized and rewarded by financial markets. Earlier this year, Moody's Investors Services and Standard & Poor's both raised Alberta's credit rating on our domestic debt to triple A, the highest possible rating.

Alberta's fiscal success since 1993 has been guided by five basic principles. The government will continue to follow these sensible rules. As required by the *Fiscal Responsibility Act* and the *Government Accountability Act*:

- ✓ Budgets will be balanced every year.
- ✓ Debt will be repaid.
- ✓ Revenue forecasts will be prudent.
- ✓ Spending plans will be affordable.
- ✓ The government will be open and accountable to Albertans.

### 2001-04 FISCAL PLAN

In developing a three-year fiscal plan, the first essential is affordability. Spending plans must fit within the province's commitment to balanced budgets and debt repayment. The government must ensure that the dollars allocated to permanent tax reductions and ongoing increases in base program spending are affordable not just in the current year, but also in future years.

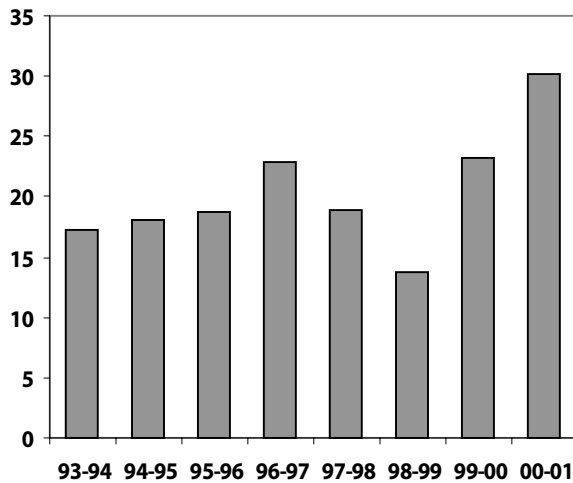
### MANAGING REVENUE VOLATILITY

The major challenge for Alberta is budgeting and planning in the face of continuing revenue volatility. Unlike other governments in Canada, Alberta's revenue can fluctuate significantly – both up and down – in any year.

Over the past eight years, Alberta has witnessed the extremes of the energy markets. Average annual oil prices have ranged between US\$13 and US\$30 per barrel. Natural gas prices, which had consistently remained under Cdn\$2 per thousand cubic feet until the last two years, climbed dramatically to a peak of nearly Cdn\$12 in January 2001. The average price for the 2000-01 fiscal year was over Cdn\$6, three times higher than in 1998-99.

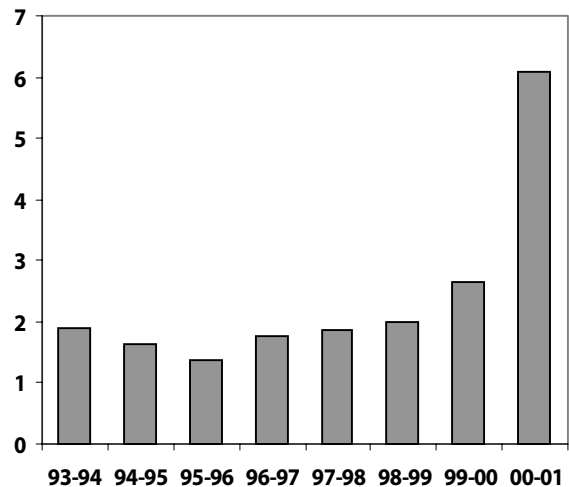
## Oil Prices

WTI Price (US\$/bbl)



## Natural Gas Prices

Alberta Reference Price (Cdn\$/mcf)



The impact on government revenue of these price fluctuations is dramatic. In 2000-01, resource revenue reached \$10.5 billion – over 40% of total government revenue. Two years earlier, in 1998-99, before the spike in energy prices, resource revenue was only \$2.4 billion – accounting for only 14% of total revenue. That is a swing of over \$8 billion in revenue in just two years.

The outlook for energy prices remains very uncertain. Private sector forecasters expect oil and natural gas prices to decline over the next three years, but there is a wide range of forecasts. Some forecasters expect oil prices to remain over US\$24 out to 2003-04 while others see prices dropping to the US\$18 range. Similarly on the natural gas side, some forecasters expect prices to remain over Cdn\$5.50 out to 2003-04 while others forecast prices declining to just over Cdn\$3.00.

The difference between the highest and lowest private sector price forecasts is over \$4 billion a year in government revenue. For example, in 2003-04, the highest energy price forecasts would generate about \$8 billion in resource revenue while the lowest forecasts would generate less than \$4 billion.

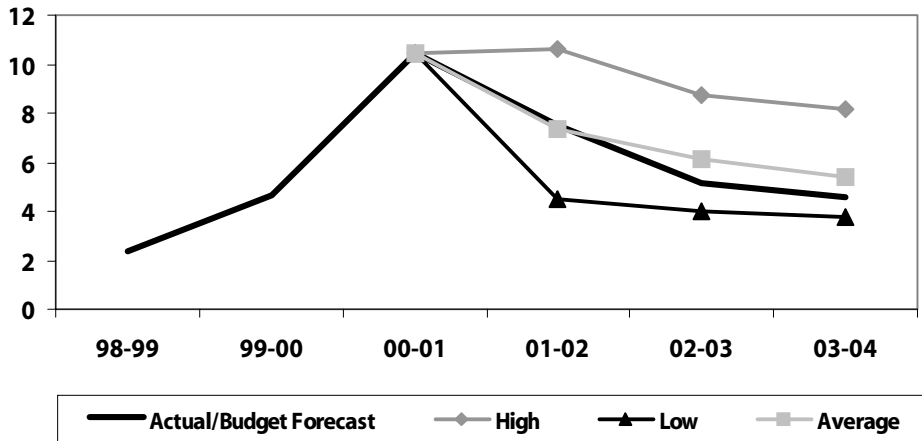
The current spike in energy prices has created high expectations about what the government can afford to do. But past experience has shown that energy prices can decline as quickly as they have gone up. The government will continue its successful approach to managing revenue volatility. Revenue will continue to be forecast on a prudent basis. An economic cushion will be set aside to protect against revenue uncertainties. A clear distinction will be made between what tax cuts and spending are affordable over the longer-term and what can be afforded only on a one-time basis.

*“What we have today isn’t so much a problem as an interesting policy challenge. The crisis will only come if we succumb to the temptation to base tax and spending policy on the rates enjoyed today.”*

Editorial  
Edmonton Journal  
January 28, 2001

## \$4 Billion Resource Revenue Difference Between High and Low Private Sector Energy Price Scenarios<sup>a</sup>

(billions of dollars)



<sup>a</sup> Resource revenue scenarios are based on a survey of oil and natural gas price projections from leading forecasting organizations. Not all of these forecasts are publicly released.

## REVENUE OUTLOOK

The 2001-04 revenue outlook assumes realistic, but prudent, energy prices at or slightly below the average of private sector forecasters:

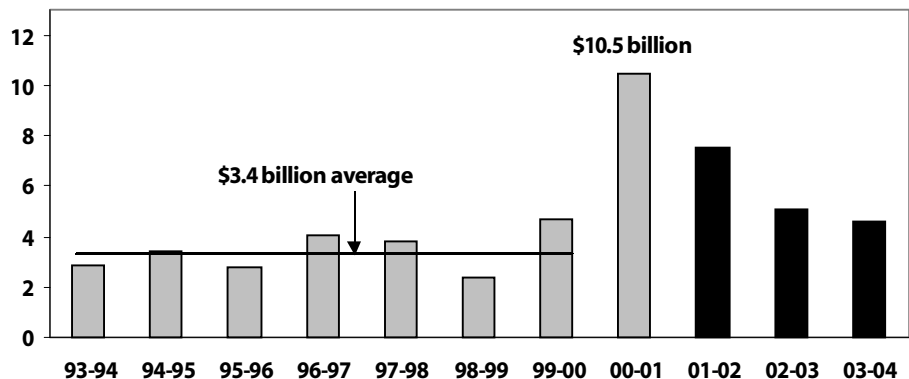
*The 2001-02 revenue forecast assumes energy prices of Cdn \$5.03 per mcf for natural gas and US\$25 per barrel for oil.*

- Natural gas prices are expected to decline from Cdn\$6.07 per thousand cubic feet in 2000-01 to \$5.03 in 2001-02, \$3.75 in 2002-03 and \$3.44 in 2003-04.
- Oil prices are expected to decline from US\$30.20 per barrel in 2000-01 to \$25 in 2001-02, and \$21 in 2002-03 and 2003-04.

As prices fall, resource revenue is expected to decline from \$10.5 billion in 2000-01 to \$4.6 billion by 2003-04.

## Non-Renewable Resource Revenue

(billions of dollars)



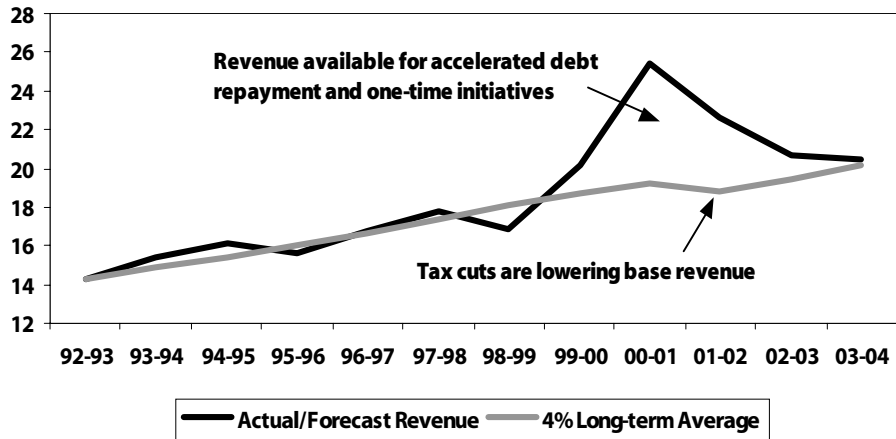
The revenue outlook also builds in the permanent revenue reductions from the government's single-rate personal income tax plan, which was fully implemented on January 1, and the four-year plan to cut business taxes, which began on April 1.

Total revenue is expected to fall from a peak of \$25.4 billion in 2000-01 to \$20.5 billion in 2003-04.

As a result, revenue is projected to decline over the next three years toward the longer-term trend line of revenue growth. Historical revenue trends indicate the government can plan for revenue growth of about 4% per year, on average. Total revenue is expected to fall from a peak of \$25.4 billion in 2000-01 to \$20.5 billion in 2003-04.

### Long-Term Revenue Growth Is About 4% Per Year

(billions of dollars)



Over the next year, the government plans to examine its revenue and investment frameworks and options in more detail. Particular emphasis will be placed on the longer-term trends and revenue outlooks of major revenue sources.

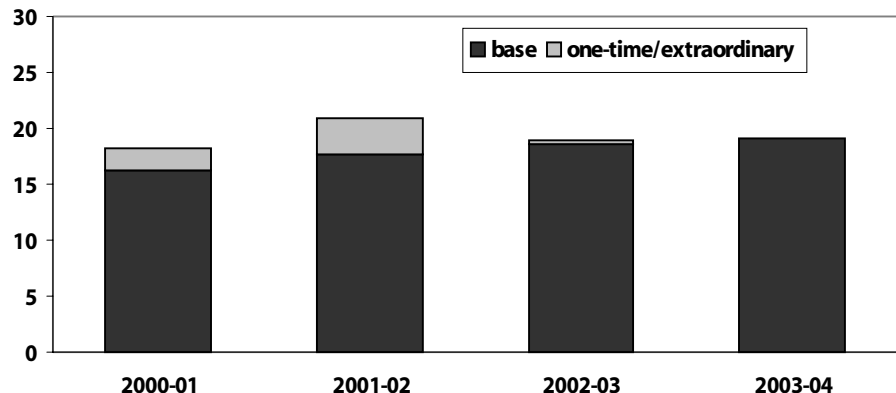
### SPENDING PLAN

As has been the case in the last two years, the government's three-year spending plan has two components:

- ongoing base spending increases that are affordable within the expected base revenue growth of about 4% per year on average, and
- one-time/accelerated spending and extraordinary costs.

### Program Spending

(billions of dollars)



*Base spending is forecast to increase by 13.4% over the next three years, in line with expected base revenue growth.*

Total base spending is forecast to increase by 13.4% over the next three years (an average of 4.3% per year), in line with expected base revenue growth. Base program spending will increase by \$2.8 billion, or 17.2%, by 2003-04, including a \$1.3 billion, or 8.3%, increase in 2001-02. These spending increases are being allocated to Albertans' priorities, primarily health and education. The base program spending increase is partly offset by a decline of \$485 million in debt servicing costs over the next three years, as debt is repaid.

While permanent spending increases cannot be based on short-term revenue surges, the government will continue to allocate some of these shorter-term dollars to fund priorities on a one-time or accelerated basis and address extraordinary costs:

- In 2000-01, almost \$900 million was provided for accelerated infrastructure projects (including one-time capital investment). The fiscal plan includes a further \$3.3 billion in accelerated infrastructure spending over the next three years.
- The government is providing energy cost assistance to help cushion Albertans and Alberta businesses from spikes in energy prices. \$932 million was allocated in 2000-01 and a further \$660 million is available in 2001-02.
- In response to unpredictable world markets, poor weather and income pressures, the government is providing special emergency assistance to farmers and ranchers in 2000-01 and 2001-02. On top of the base ongoing agriculture support of approximately \$630 million per year, an additional \$162 million was provided in 2000-01 and \$254 million will be provided in 2001-02.

## Spending Allocations

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target	3-year Change
<b>Base Spending</b>					
Program	16,279	17,623	18,622	19,080	2,801
Debt servicing costs	1,000	750	620	515	(485)
<b>Total Base Spending</b>	<b>17,279</b>	<b>18,373</b>	<b>19,242</b>	<b>19,595</b>	<b>2,316</b>
<b>One-time/extraordinary costs</b>					
Accelerated infrastructure <sup>a</sup>	815	2,295	300	83	(732)
Energy shielding	932	660	—	—	(932)
Agriculture emergency assistance	162	254	—	—	(162)
<b>Total Expense</b>	<b>19,188</b>	<b>21,582</b>	<b>19,542</b>	<b>19,678</b>	<b>490</b>
<b>Spending Increases (%)</b>					
Base program spending		8.3	5.7	2.5	17.2
Total base spending		6.3	4.7	1.8	13.4
Total expense		12.5	(9.5)	0.7	2.6
<sup>a</sup> Excludes capital investment of:	82	176	380	38	



## ECONOMIC CUSHIONS

An economic cushion of at least 3.5% of revenue has been set aside in each year of the fiscal plan, as required by the *Fiscal Responsibility Act*. The cushions reflect the government's commitment to pay down the province's accumulated debt. They also provide the flexibility to address a possible deeper-than-expected slowing of the North American economy, lower-than-forecast energy prices, or disasters or emergencies.

*An economic cushion of \$817 million is budgeted for 2001-02, \$844 million for 2002-03 and \$742 million for 2003-04.*

An economic cushion of \$817 million is budgeted for 2001-02, \$844 million for 2002-03 and \$742 million for 2003-04.

## Fiscal Outlook

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Revenue	25,393	22,673	20,675	20,468
Expense				
Program	18,188	20,832	18,922	19,163
Debt servicing costs	1,000	750	620	515
Total Expense	19,188	21,582	19,542	19,678
Net Revenue	6,205	1,091	1,133	790
Net increase in capital assets affecting operations	156	274	289	48
Alberta Heritage Science and Engineering Research Endowment Fund	500	—	—	—
<b>Economic Cushion</b>	<b>5,549</b>	<b>817</b>	<b>844</b>	<b>742</b>
Planned allocation of economic cushion				
Debt repayment/increase in assets	5,549	613	633	557
Contingency reserve	—	204	211	185

## CREATING A DEBT-FREE ALBERTA

Alberta is rapidly becoming debt free. Over the four years from 2000-01 to 2003-04, nearly \$7.4 billion will be available for debt repayment and increases in financial assets:

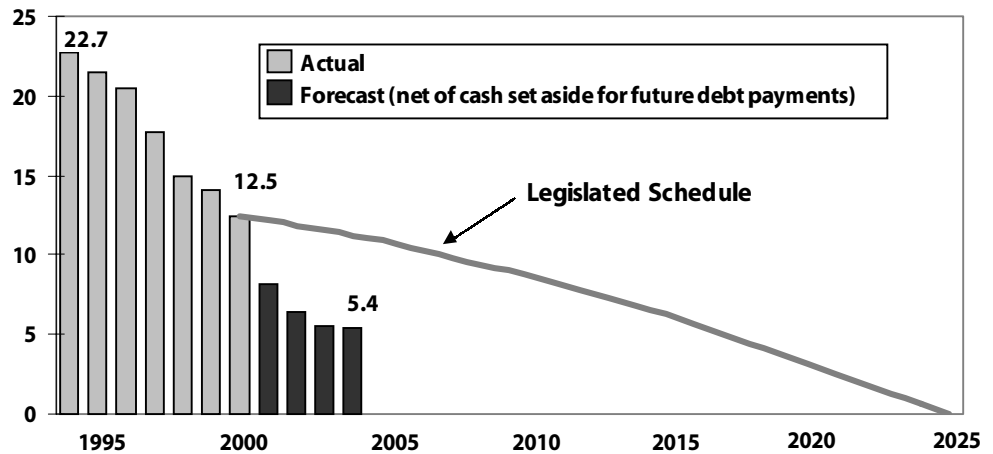
- Over \$6.6 billion is being allocated to debt repayment.
- Nearly \$800 million is being retained by Alberta Treasury Branches, Alberta's endowment funds and other agencies to increase their assets and ensure the continued sustainability of their operations.

Accumulated debt is expected to fall from \$12.5 billion on March 31, 2000 to \$5.4 billion by March 31, 2004. The reduction is funded from the \$6.6 billion allocation in 2000-04 and \$470 million of cash available from 1999-2000. The projected debt pay down puts the government 9 years ahead of the legislated 25-year schedule for debt elimination. However, if energy prices continue at the high levels forecast by some private sector energy analysts, the accumulated debt could be eliminated in two or three years. Eliminating accumulated debt by March 31, 2004 would require oil prices to remain in the US\$25 range and natural gas prices in the Cdn\$5.00 range, with this additional revenue applied to debt.

*Accumulated debt is expected to fall to \$5.4 billion by the end of 2003-04. However, if energy prices continue at the high levels forecast by some private sector energy analysts, the accumulated debt could be eliminated in two or three years.*

### Accumulated Debt at March 31

(billions of dollars)



The amount of accumulated debt actually repaid each fiscal year depends not only on the allocation from the economic cushion but also on when debt matures and when cash becomes available. Because of the large allocation for accumulated debt repayment in 2000-01, more cash was available for repaying debt than actually matured during the year. This extra cash, \$2.1 billion, has been set aside in a special income-earning account until it can be used to pay off maturing debt over the next three years.

Differences between when revenue and expenses are accrued and the cash is actually received and spent also result in adjustments to the allocation for debt repayment. In 2000-01 and 2001-02, these cash adjustments are exceptionally large because of a three-month lag in receiving the cash from the very high natural gas royalties earned in the last quarter of 2000-01.

## Cash Available for Accumulated Debt Repayment

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target	4-year Total
Allocation for debt repayment/assets	5,549	613	633	557	7,352
Retained income	(181)	(163)	(177)	(262)	(783)
Cash adjustments	(1,565)	1,307	480	(171)	51
<b>Current year cash available</b>	<b>3,803</b>	<b>1,757</b>	<b>936</b>	<b>124</b>	<b>6,620</b>
Cash available from previous year	470	2,125	2,120	1,374	
Cash Available	<u>4,273</u>	<u>3,882</u>	<u>3,056</u>	<u>1,498</u>	
Allocation of cash available					
Current year debt maturities	2,148	1,762	1,682	1,498	
Future year debt maturities	2,125	2,120	1,374	—	

## Accumulated Debt

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Accumulated debt (start of year)	12,490	10,342	8,580	6,898
Repayment of debt maturities	2,148	1,762	1,682	1,498
Accumulated debt (end of year)	<u>10,342</u>	<u>8,580</u>	<u>6,898</u>	<u>5,400</u>
Cash set aside for future debt payment	2,125	2,120	1,374	—
<b>Accumulated debt less cash set aside</b>	<b>8,217</b>	<b>6,460</b>	<b>5,524</b>	<b>5,400</b>

## DEBT SERVICING COSTS

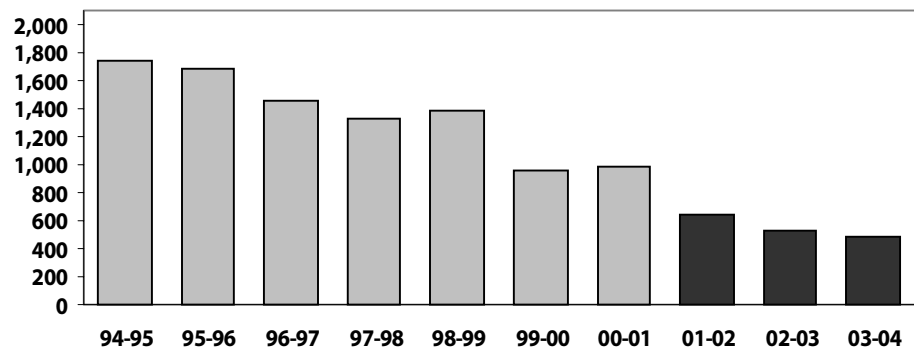
*By 2003-04, the net interest costs on the debt are expected to drop to \$485 million, almost \$1.3 billion less than in 1994-95.*

As debt is repaid, the cost of servicing the debt declines. Debt servicing costs are expected to decline from the peak of \$1.75 billion in 1994-95 to \$750 million in 2001-02. Approximately \$105 million will be earned in 2001-02 on the \$2.1 billion set aside for future debt payments. That will bring the net cost of servicing debt down to about \$645 million.

By 2003-04, net debt servicing costs are expected to drop to about \$485 million, almost \$1.3 billion less than in 1994-95. These interest savings free up money permanently for Albertans' priorities.

## Debt Servicing Costs<sup>a</sup>

(millions of dollars)



<sup>a</sup> Net of interest earned on debt retirement funds.

**IT'S YOUR MONEY SURVEY**

With the possibility of eliminating our debt burden in just two or three years, the government decided that it was the right time to ask Albertans what their priorities will be when Alberta is debt free. In November, the government distributed a survey called *It's Your Money* to Albertans, asking what the government should do with the two different types of extra money that will be available after the debt is gone:

- permanent interest cost savings from eliminating accumulated debt,
- one-time money from revenues spikes.

Over 125,000 Albertans responded, far exceeding the nearly 80,000 responses to the *Talk it Up. Talk it Out.* survey in 1998. Albertans' opinions were clear. They said the top priority was putting money back in their pockets, through permanent tax reductions and one-time rebates. There was also support for saving some of the money from one-time revenue spikes after the debt is repaid.

In allocating the permanent interest savings, 73% of Albertans said tax reductions were important, 44% said more program spending was important and 34% said a budgeted savings plan was important.

Looking at one-time revenues, 57% said one-time tax rebates were important, 52% said saving money for the future was important and 29% said one-time spending was important.

Albertans were also asked to give approval ratings to various specific options for tax cuts or rebates and increased program spending. Permanent personal income tax cuts and more spending on health services and facilities received the strongest approval.

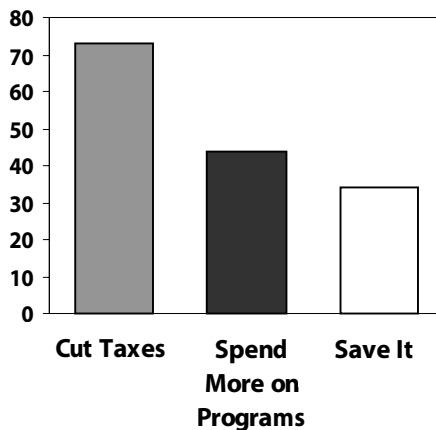
The government will act on what Albertans said. A Future Summit will be convened later this year, bringing together Albertans from all walks of life to discuss what the province's priorities should be once the debt is eliminated.

*"The next step in that consultation will be a Future Summit, a province-wide forum to be held this coming fall... From that Summit, the government will shape a plan for Alberta's priorities and directions in its debt-free future."*

Premier Ralph Klein  
 Calgary Sun  
 March 13, 2001

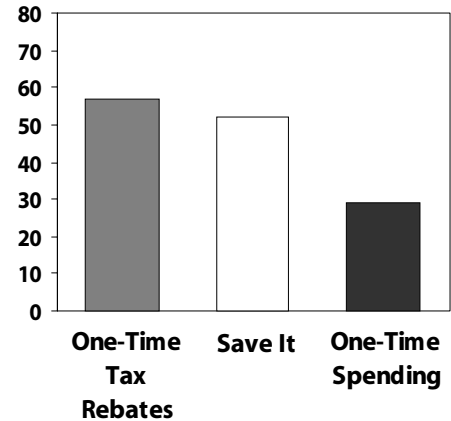
**What to do with Permanent Savings**

(per cent ranking important)



**What to do with One-Time Revenue**

(per cent ranking important)



# Alberta Tax Advantage

*“The only way taxes are going in this province are down. This government is committed to seeing that Albertans have more money in their pockets...”*

Pat Nelson  
Minister of Finance  
Calgary Herald  
March 27, 2001

The Alberta Tax Advantage rewards initiative, spurs economic growth and job creation, and leaves more dollars in Albertans’ pockets. Our tax advantages include:

- the lowest overall tax burden in Canada,
- no provincial sales tax,
- a new single-rate personal income tax system,
- low business taxes that are being cut further, starting April 1, 2001,
- low property taxes, and
- the lowest fuel taxes in Canada.

Over the last eight years, the government has strengthened the Alberta tax advantage. Further steps are being taken in 2001. Major cuts to both personal and corporate income taxes are being implemented. School property taxes are being cut. The Alberta tax advantage will grow. The only way taxes are going in Alberta are down.

Lower taxes not only leave more money in Albertans’ pockets today, they also spur economic growth and put more money in Albertans’ pockets tomorrow. By 2006, the combined effects of the personal and business tax cuts are projected to increase the size of Alberta’s economy by 3.2%, or \$4.3 billion. And that should produce over 40,000 new jobs for Albertans. That is the same as adding one more full year of growth to the Alberta economy over five years.

## **ALBERTA’S NEW PERSONAL INCOME TAX SYSTEM**

On January 1, Albertans began to reap the rewards of Alberta’s new personal income tax system. Albertans will save \$1.1 billion this year, bringing the total personal income tax cut since 1998 to \$1.5 billion, or 23%.

The key features of the new system are:

- basic and spousal exemptions increased to \$12,900 – by far the highest in the country,
- a single rate of 10% on taxable income,
- a tax system indexed to inflation, eliminating bracket creep, and
- continuation of all other non-refundable credits.

The major benefits of the new system are:

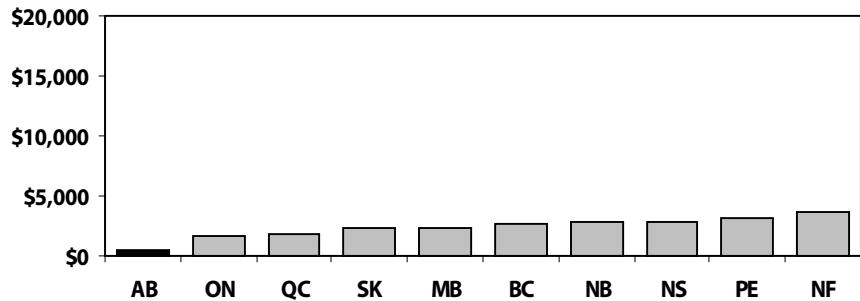
- Albertans in every income group pay less income tax,
- 200,000 more low-income earners are removed from the provincial tax rolls entirely,
- the lowest top marginal provincial tax rate in Canada – 10% compared to an average of 18% in other provinces, and
- fair treatment of single-parent families and families with a stay at home parent.

The Alberta tax advantage compared to other provinces has been enhanced. For example:

- A one-income family earning \$30,000 with two children will pay almost 80% less in provincial taxes and health care insurance premiums than a similar family would pay, on average, in other provinces.
- Two-income families earning \$60,000 or \$100,000 with two children will both pay close to 40% less than similar families would pay, on average, in other provinces.

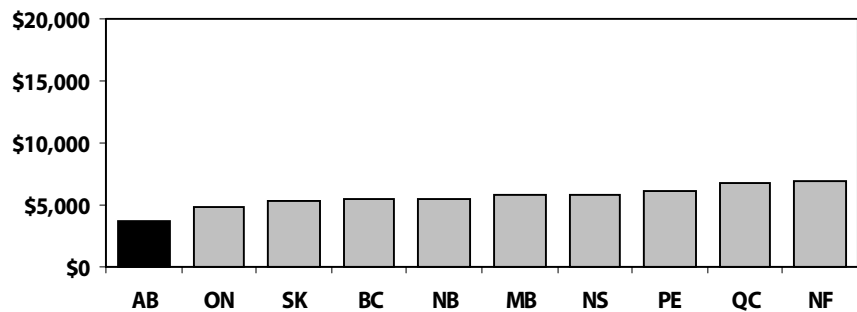
### FAMILY EARNING \$30,000

Taxes and Health Care Insurance Premiums, 2001 (One-income family with two children)



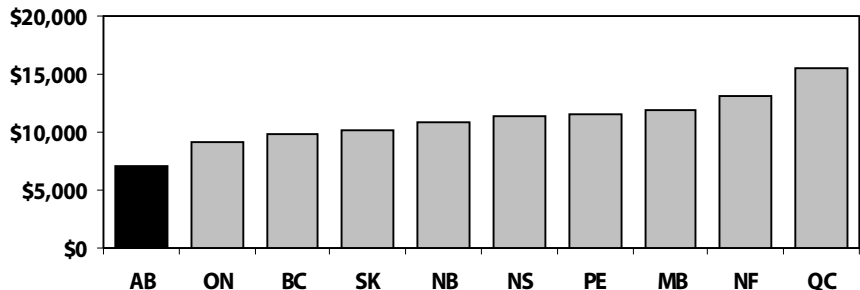
### FAMILY EARNING \$60,000

Taxes and Health Care Insurance Premiums, 2001 (Two-income family with two children)



### FAMILY EARNING \$100,000

Taxes and Health Care Insurance Premiums, 2001 (Two-income family with two children)



*“This is a positive move for all of our businesses large and small and it’s something that’s long overdue. It’s also in keeping with the Premier’s plan that dollars are best left in Albertans’ pockets rather than the government’s.”*

**Pat Nelson**  
**Minister of Finance**  
**Calgary Herald**  
**March 31, 2001**

## BUSINESS TAX CUTS

In February 2000, the government appointed a Business Tax Review Committee to review Alberta’s business taxes. In its September 2000 report, the Committee concluded that Alberta should respond to the world-wide trend to lower corporate income taxes. If we don’t, we risk losing increasingly mobile capital and highly skilled people. While Alberta is already an attractive location for businesses to invest and grow compared to the rest of Canada, we do not stack up as well on the international stage.

The government accepted most of the recommendations of the Business Tax Review Committee. Business tax cuts are being phased in over four years, subject to affordability. The first stage of the tax cuts was implemented on April 1, 2001. The total savings are expected to be \$1 billion by 2004-05.

The tax changes include:

- the small business tax rate is being cut from 6% to 3%,
- the small business income threshold is being increased from \$200,000 to \$400,000,
- the general tax rate of 15.5% and the manufacturing and processing tax rate of 14.5% are being reduced to 8%,
- the capital gains inclusion rate was reduced to 50% on October 18, 2000,
- the railway fuel tax will be reduced from 3 cents to 1.5 cents per litre on May 1, 2001,
- the financial institutions capital tax was eliminated on April 1, 2001, and
- other provinces’ capital taxes are no longer deductible in calculating Alberta corporate income tax.

### Implementation Schedule for the Business Tax Plan

	2000	Implementation on April 1			
		2001	2002	2003	2004
General rate (%)	15.5	13.5	11.5	10.0	8.0
Manufacturing and processing rate (%)	14.5	13.5	11.5	10.0	8.0
Small business rate (%)	6.0	5.0	4.0	3.0	
Small business threshold (\$)	200,000	300,000	400,000		
Capital gains inclusion rate (%)	50 <sup>a</sup>	50			
Railway fuel tax (¢/litre)	3	1.5 <sup>b</sup>			
Capital tax (%)	0.7/1.0	Eliminated			
<b>Cost of Tax Cuts (\$ millions)</b>		<b>286</b>	<b>561</b>	<b>770</b>	<b>1,000</b>

<sup>a</sup> The capital gains inclusion rate was reduced from 75% to 66.7%, effective February 28, 2000, and further reduced to 50%, effective October 18, 2000.

<sup>b</sup> Effective May 1, 2001.

# Alberta Economic Advantage

*“The economic environment in Alberta, with its lower taxes, healthy economy and good entrepreneurial business community, provides a better base for quicker growth than any other province.”*

**Ian Robinson**  
Partner  
Ernst & Young  
March 7, 2001

*By 2004, Alberta is expected to add over 150,000 new jobs.*

The Alberta economy grew by an impressive 6.1% in 2000, the fastest growth among provinces. This reflected more than just a booming energy sector. Over the last eight years, fundamental changes have taken place in Alberta.

New economic forces have increasingly come into play. Energy and agriculture – traditionally the cornerstones of Alberta’s economy – are still important. However, knowledge-based industries and value-added manufacturing, such as agri-food, petrochemicals and forest products, are coming into their own and helping to create and sustain growth.

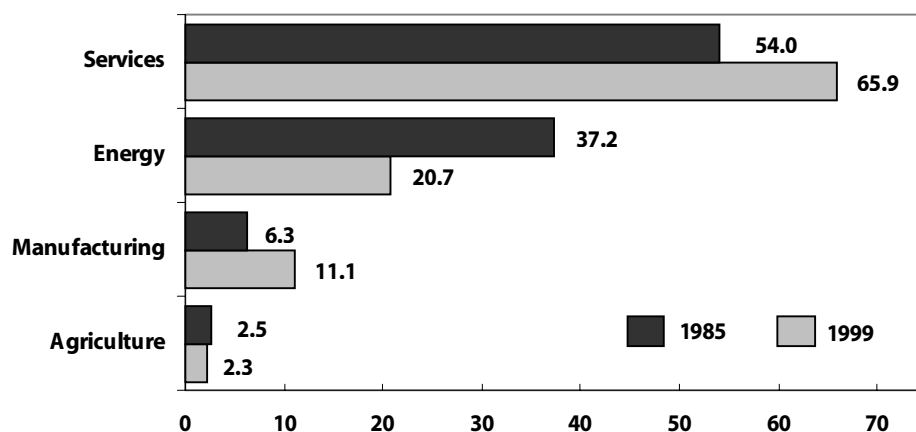
Alberta’s economy has become more diversified and less susceptible to volatile commodity price fluctuations than it was in the 1970s and early 1980s. In 1985, the energy sector accounted for 37% of Alberta’s GDP. In 1999, it accounted for just 21%.

Continued strong economic growth of 4.8% is expected in 2001, spurred by personal and business tax cuts. Although energy prices are expected to decline to more sustainable levels, Alberta’s economy should continue expanding at a healthy 3.2% pace on average over the medium term.

Employment growth is expected to remain strong through the forecast period, averaging about 2.3% per year. By 2004, Alberta is expected to add over 150,000 new jobs.

## Diversification Strengthens Alberta

Nominal GDP by Industry (per cent)



## INCREASED DEMANDS ON INFRASTRUCTURE

Strong economic growth has brought benefits and opportunities to Albertans. It has also attracted more people to the province. Since January 1997, close to 137,000 people have moved to Alberta in order to participate in the Alberta Advantage.



*\$8.4 billion of infrastructure funding over four years.*

This economic and population growth has created some strains. Additional investment is required to meet the increased demands being placed on Alberta's infrastructure.

High energy prices have provided the government with fiscal flexibility to expand and modernize our infrastructure on an accelerated basis. On top of the base budgets of over \$1 billion per year, an additional \$4.2 billion of one-time accelerated funding is being allocated to meet infrastructure needs over the four years from 2000-01 to 2003-04. In total, \$8.4 billion will be provided:

#### **Transportation**

- \$3.6 billion for roads and public transit, including continued work on the North-South Trade Corridor.

#### **Health**

- \$1.5 billion for health facilities and medical equipment, including a new Children's Hospital and a bone and joint centre of excellence in Calgary, redevelopment of the Royal Alexandra Hospital and a new cardiac centre of excellence in Edmonton, redevelopment of the Red Deer Regional Hospital, and significant expansion and redevelopment of long-term care facilities across Alberta.

#### **Schools**

- \$1.3 billion for new schools, the renovation and modernization of existing schools, and computer equipment.

#### **Post-Secondary**

- \$441 million for post-secondary facilities, including a major expansion of Mount Royal College in Calgary, a new Engineering building at the University of Alberta and health research innovation centres in Calgary and Edmonton.

#### **Water and Wastewater**

- \$327 million for water and wastewater facilities, including municipal projects, dam refurbishment and improvements to the irrigation network in southern Alberta.

#### **SUPERNET**

- \$193 million for the government's share of the cost of the Alberta SUPERNET, which will provide access to high-speed broadband Internet services to 420 communities across the province, connecting every hospital, school, library and provincial government facility.

#### **National Infrastructure Program**

- \$171 million for Alberta's share of the new Infrastructure Canada/ Alberta Program which will provide \$513 million to rural and urban municipalities across Alberta, with equal contributions from the federal, provincial and municipal governments.

#### **Other**

- \$901 million for other infrastructure programs, including seniors' lodges, the Community Facility Enhancement program and 2005 Centennial Legacy projects.

Accelerated dollars are flowing to local authorities now, when the government has extra revenue available. The dollars will actually be spent over the next several years to minimize construction cost increases and ensure the dollars are spent prudently on top priorities.

## Spending on Infrastructure

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target	4-year Total
Transportation network	981	1,101	961	562	3,605
Health care facilities and equipment	351	919	81	141	1,492
Schools	290	705	140	160	1,295
Post-secondary institutions	63	256	121	1	441
Water and wastewater management	72	98	82	75	327
SUPERNET	—	46	109	38	193
National infrastructure program	—	138	33	—	171
Other	230	328	167	176	901
<b>Total</b>	<b>1,987</b>	<b>3,591</b>	<b>1,694</b>	<b>1,153</b>	<b>8,425</b>
Base	1,090	1,120	1,014	1,032	4,256
One-time/accelerated	897	2,471	680	121	4,169

## SUPPORT FOR FARMERS AND RANCHERS

The government will continue to support the sustainable growth and diversification of our agriculture sector. Last year, the government hosted Ag Summit 2000 to determine what can be done to maintain and enhance the health, sustainability and profitability of the agriculture and food industry. The outcomes from the Summit will guide the government and the agriculture and food industry toward achieving the long-term vision of \$10 billion in primary production and \$20 billion in value-added activity by 2010.

*The government is committed to helping farmers and ranchers with the risks of unpredictable world markets, poor weather and income pressures.*

The government also remains committed to helping farmers and ranchers with the risks of unpredictable world markets, poor weather and income pressures. The government provided about \$700 million in assistance to farmers and ranchers in the 2000 crop year through its safety net programs, including the Farm Income Assistance Program.

This year's budget includes funding to provide urgently needed support to producers across the province. Recognizing the inadequacy of the federal response on farm-income issues, Alberta will provide producers with direct assistance this spring. The government will also work with the industry to seek opportunities that provide long-term viability in a rapidly changing global market place.

An additional \$24 million is also being provided to support irrigation infrastructure and energy costs. As well, recommendations from the Crop Insurance Review will be implemented for the 2001 and 2002 crop years.

## ADDRESSING HIGH ENERGY COSTS

The government has acted, and will continue to act, to ensure affordable supplies of electricity and natural gas in Alberta. We are helping to protect Albertans, Alberta businesses and farmers, non-profit groups, and our local partners from high energy costs.

### One-time Energy Cost Shielding

Last winter, growing demand and tight supplies drove energy prices up to record levels. The average monthly Alberta wellhead price for natural gas climbed to over \$11 per gigajoule (\$11.82 per mcf) in January 2001, over four times higher than the previous January. Electricity prices also climbed sharply.

The government and the Power Pool Council acted to help all Alberta energy consumers with these higher costs:

- As required by legislation, the Power Pool Council is returning the proceeds of the two electricity auctions held in 2000 to electricity consumers. About \$2 billion will be returned in 2001 through monthly rebates on electricity bills.
- The government is providing up to \$337 million during the first six months of 2001 to assist Alberta businesses paying the default, non-contract rate for electricity and ease their transition into the deregulated market, if needed.
- The government is providing over \$1 billion in natural gas rebates from January to April to assist with high prices in the first half of 2001. Winter natural gas prices for 2001 were reduced to about the same level as in 2000.
- \$690 million is being returned to Albertans through Energy Tax Refunds.
- Special funding has also been set aside to handle hardship cases and ensure learning and health program dollars do not have to be diverted to cover higher energy costs.

### Natural Gas Price Protection Program

Legislation has been introduced to establish a natural gas price protection program. The government will continue to provide rebates on monthly natural gas bills when assistance is needed to help protect Albertans from high prices.

Natural gas prices have already declined from the record highs last winter as the supply-demand balance improves. Consistent with private sector forecasters, the fiscal plan assumes that prices will continue to decline over the next three years.

However, the expected average Alberta wellhead price of \$4.77 per gigajoule (\$5.03 per mcf) in 2001-02 is still higher than in recent years. Therefore, the budget has set aside \$125 million for potential continued natural gas shielding this year.

*The government will continue to provide rebates on natural gas bills when assistance is needed to help protect Albertans from high prices.*

If actual prices are significantly higher this year than currently forecast, further assistance will be provided. Higher prices would mean higher natural gas royalty revenues to the province than currently budgeted, a portion of which would be returned to Albertans through higher rebates.

Each year, the government will reassess the situation and decide whether continued rebates are necessary. The current revenue outlook, which projects that the natural gas price will decline to \$3.56 per gigajoule in 2002-03 and \$3.26 in 2003-04 (\$3.75 and \$3.44 per mcf) indicates that price protection may not be needed after 2001-02. If prices do not decline as forecast, further rebates may be required.

*The government will work to reduce and stabilize electricity prices by streamlining the approval process to bring new generation projects on-stream.*

### **A Reliable and Competitive Electricity Market**

Alberta's deregulated electricity market is less than four months old. As with any product, regulated or not, prices over the medium term will be determined by the overall balance of supply and demand.

Increasing supply in Alberta is a key priority of the government. About 4,300 megawatts of new electricity generation is planned over the next few years, including about 600 megawatts this year. The government will work to reduce and stabilize prices by streamlining the approval process to bring these new generation projects on-stream.

Electricity rebates from the proceeds of the power auctions will continue through 2001. The government will continue to address price concerns and other consumer issues with the advice of the newly created Government Advisory Council on Electricity.

### **Energy Shielding**

(millions of dollars)

	Proceeds of Auctions <sup>a</sup>	Government of Alberta	
		2000-01	2001-02
<b>One-time Assistance</b>			
Energy Tax Refund (\$300 per Albertan aged 16 and over)		345	345
Electricity Rebates	2,000	129	208
Natural Gas, Propane and Heating Oil Rebates		785	265
Special Assistance			
Health and education institutions		13	62
Seniors, low-income persons and non-profit groups		5	—
<b>Total One-Time Assistance</b>	<b>2,000</b>	<b>1,277</b>	<b>880</b>
Natural Gas Price Protection Program	—	—	125
<b>Total Assistance</b>	<b>2,000</b>	<b>1,277</b>	<b>1,005</b>

<sup>a</sup> As required under legislation, the proceeds of the power auctions have been allocated to Alberta consumers. These proceeds are held in a separate fund administered by the Power Pool Council and are not included in the government's revenue and expense.

# Albertans' Quality of Life – Sharing the Benefits

*Fiscal responsibility, debt reduction and a strong economy are providing the flexibility to enhance services in areas important to Albertans' quality of life.*

Fiscal responsibility, debt reduction and a strong economy are providing the flexibility to enhance services in areas important to Albertans' quality of life. The government is committed to:

- Protecting and improving public health care – Base health funding will increase by 28%, or \$1.5 billion, over the next three years. By 2003-04, Health and Wellness spending will account for 35% of total government spending.
- Excellence in education – Fair wage settlements for teachers and addressing the issues of class size, special-needs students, faculty retention and accessibility to post-secondary education. Learning ministry program spending will increase by 19%, or \$854 million, over the next three years. By 2003-04, Learning spending will account for 27% of total government spending.
- Services for children – An 18% increase in funding over three years to support children at risk.
- Assisting seniors – Increased assistance for low-income seniors and new seniors' lodge units.
- Supporting those in need – Increased funding for the Alberta Assured Income for the Severely Handicapped, the homeless and housing programs.
- Protecting the environment – Additional funding has been provided for environmental impact assessments, the Western Canada Flaring Study and to address contamination from underground petroleum storage tanks.
- Strengthening communities – A new First Nations Development Fund and increased funding for RCMP services and legal aid.

## HEALTH AND WELLNESS

The government remains committed to its Six-Point Plan to protect and improve public health care. We will continue to:

1. improve access to quality publicly funded health services,
2. improve the management of the health system,
3. enhance the quality of health services,
4. increase emphasis on wellness promotion, and disease and accident prevention,
5. foster new ideas to improve the health system, and
6. protect the publicly funded and administered health system.

Spending by Health and Wellness will increase by \$646 million in 2001-02 and \$1.35 billion by 2003-04. Adjusting for one-time spending, the Health and Wellness base budget will increase by \$737 million, or 13.5%, in 2001-02 and by over \$1.5 billion, or 28.1%, over the next three years.

*The Health and Wellness base budget will increase by \$737 million, or 13.5%, in 2001-02 and by \$1.5 billion, or 28.1%, over the next three years.*

In the overall health sector, salaries and benefits make up about 75% of total operating costs. During the past year, new agreements with physicians, registered nurses and other health workers have provided substantial salary increases that should help recruit and retain highly skilled health care providers. \$390 million is being provided for these salary increases in 2001-02, growing to \$835 million by 2003-04.

After providing for salary increases, other base funding increases total \$347 million, or 6.4%, in 2001-02 and \$694 million, or 12.7%, over the next three years. These dollars will be allocated to enhanced health services, volume increases and other cost pressures, including:

- province-wide services such as organ and bone marrow transplants, major heart surgeries, and kidney dialysis,
- recruiting more physicians, including an additional \$5 million to recruit and retain highly skilled neurosurgeons, cardio-vascular surgeons and other province-wide medical specialists,
- expanding immunization programs, including a province-wide meningitis immunization program,
- enhancing the Breast Cancer Screening program,
- expanding children's initiatives, such as enhancement of public health nursing to provide support to new mothers and a new province-wide perinatal program,
- enhancing the Tobacco Reduction Initiative,
- operating new MRI machines and increasing the number of scans to 24 per thousand population, the highest rate in Canada,
- forty medical residency positions in the new two-year rural family medicine training program,
- projects to assess changes in the delivery of primary care,
- regional health authority board elections in October 2001, and
- more high-cost drugs used in treating cancer.

---

## Health and Wellness

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target	3-year Change
Base spending	5,445	6,182	6,657	6,974	1,529
Energy assistance	—	40	—	—	—
Medical equipment/other one-time	180	49	—	—	(180)
<b>Ministry spending</b>	<b>5,625</b>	<b>6,271</b>	<b>6,657</b>	<b>6,974</b>	<b>1,349</b>
<b>Base</b>					
Annual increase		737	475	317	1,529
Percentage increase		13.5	7.7	4.8	28.1
<b>Ministry spending</b>					
Annual increase		646	386	317	1,349
Percentage increase		11.5	6.2	4.8	24.0

*Learning's program spending will increase by \$343 million, or 7.7%, in 2001-02 and \$854 million, or 19.1%, over the next three years.*

## LEARNING

Alberta's learning system offers accessible, world-class programs to Albertans. Alberta students consistently out perform others in national and international tests. For instance, our Grade 8 students are among the best in the world according to a 1999 international study of educational achievement in science and mathematics. Graduates from our post-secondary institutions are well recognized for their comprehensive training. Albertans have access to life-long learning, not only in classrooms but also on-line and at the worksite.

The government will build on these strengths over the next three years. Total program spending by Learning will increase by \$343 million, or 7.7%, in 2001-02 and \$854 million, or 19.1%, over the next three years.

Funding for public and separate school boards will increase by \$245 million, or 8.4%, in the 2001-02 fiscal year and \$554 million, or 19.1%, by 2003-04. This will support:

- average enrollment increases of 0.3% per year over the next three years,
- special funding for teacher salary increases of 4% in 2001-02 and an additional 2% in 2002-03,
- basic grant rate increases of 3.5% in 2001-02, 3% in 2002-03 and 2% in 2003-04 that school boards can allocate to their classroom priorities, such as class sizes, and
- increased funding for students with severe disabilities.

Funding for post-secondary institutions will increase by \$79 million, or 8.0%, in 2001-02 and \$187 million, or 19.0%, over the next three years.

This will support:

- 1,200 new post-secondary student spaces each year over the next three years in areas including health, business, teacher education, and information and communication technology,
- an expansion in the number of apprenticeship spaces,
- base operational grant funding increases of 3% in 2001-02 and 2002-03 and 2% in 2003-04,
- \$28.5 million in 2001-02, increasing to \$40 million in the next two years, to attract and retain high-quality faculty, especially in critical areas such as medicine, computer science, engineering and business, and
- \$12 million per year to address past funding inequities and help ensure all post-secondary institutions can fulfil their specific mandates.

With these significant new funding allocations, it is expected that post-secondary institutions will take appropriate steps to limit tuition increases.

Enhancements to Alberta's student finance programs will help ensure that financial need is not a barrier to post-secondary education. Student debt will be reduced automatically for eligible students in their first year of study and again after their final year of study. The program will provide students with over \$70 million in debt reduction in 2001-02. Funding for scholarship programs that reward excellence in learning will increase by 43% to \$33 million by 2003-04, benefiting about 20,000 students each year.

*Funding will be provided for 1,200 new post-secondary student spaces each year over the next three years.*

## Learning

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target	3-year Change
Ministry program spending	4,464	4,807	5,108	5,318	854
Opted-out school boards' property tax revenue	154	146	146	146	(8)
Alberta School Foundation Fund debt servicing costs	6	7	8	8	2
<b>Spending on the learning system</b>	<b>4,624</b>	<b>4,960</b>	<b>5,262</b>	<b>5,472</b>	<b>848</b>
<b>Ministry program spending</b>					
Annual increase		343	301	210	854
Percentage increase		7.7	6.3	4.1	19.1
<b>Spending on the learning system</b>					
Annual increase		336	302	210	848
Percentage increase		7.3	6.1	4.0	18.3

*Children's Services funding will increase by \$105 million, or 18%, over the next three years.*

## SERVICES FOR CHILDREN

Children's Services funding will increase by \$105 million, or 18%, over the next three years to support children at risk and respond to the recommendations of the Alberta Children's Forum and the Task Force on Children at Risk. Major initiatives include:

- expansion of outreach services, and treatment and prevention programs to support the amended *Protection of Children Involved in Prostitution Act*,
- increased funding for the Alberta Partnership on Fetal Alcohol Syndrome, and
- new programs focussed on early intervention strategies and troubled youths, including mobile community response teams and mentoring of youths leaving the child welfare system.

Other ministries are also implementing initiatives to support children and assist adolescents with special health needs.

## ASSISTING SENIORS

Additional dollars have been allocated to ensure seniors have access to the supports they need to live as independently as possible in a secure and dignified way, including:

- an increase of \$15 million over three years for lower-income seniors through the Alberta Seniors Benefit and Special Needs Assistance for Seniors programs, and
- funding to support 300 new seniors' lodge units each year for the next three years.

In 2001-02, the government will continue to build upon recent studies of seniors' programs and services, and provide a vision for government action to meet the needs of the aging population through the creation of a new strategic framework and 10-year action plan.

*300 new seniors' lodge units each year for the next three years.*



*An increase of \$54 million, or 18%, over the next three years for the Alberta Assured Income for the Severely Handicapped.*

## **SUPPORTING THOSE IN NEED**

Funding allocations for Albertans in need include:

- an increase of \$54 million, or 18%, over the next three years for the Alberta Assured Income for the Severely Handicapped (AISH) to support growing demand and costs per client,
- a 50 percent increase to \$18.7 million in 2001-02 for family and special purpose housing providers to assist with maintenance and operating costs, and
- \$13 million per year to address homelessness.

## **PROTECTING THE ENVIRONMENT**

- Municipal Affairs has been allocated \$70 million in 2001-02 to address problems with underground petroleum storage tank sites, on top of the \$10 million allocated in 2000-01.
- Environment will provide additional funding to accelerate environmental impact assessments and fund projects to be undertaken by Climate Change Central.
- \$8.4 million has been allocated in 2001-02 for the Western Canada Flaring Study to determine the effects of air emissions on animal health. Health and Wellness is also contributing funds to a parallel study on human health effects.

## **STRENGTHENING COMMUNITIES**

- The new First Nations Gaming Policy will create a revenue-sharing arrangement for casinos on reserves. The host First Nation will receive a share of the profits as the sponsoring charity. In addition, 40% of the profits from First Nations' slot machines will flow through the Alberta Lottery Fund into a new First Nations Development Fund to support on-reserve programs across Alberta. It is expected that \$75 million will flow through this Fund over the next three years.
- Provincial funding of the RCMP will be increased by \$16.4 million in 2001-02, and \$24.5 million by 2003-04, to ensure an effective level of policing services in smaller communities and rural areas.
- Funding increases of \$4.7 million in 2001-02, and \$7.4 million by 2003-04, will improve the legal aid system and ensure more low-income Albertans have access to it.
- Up to \$10 million will be provided in 2001-02 for the 2001 World Championships in Athletics to be held in Edmonton in August. This brings total provincial funding to up to \$40 million.

*Provincial funding of the RCMP will be increased by \$16.4 million in 2001-02, and \$24.5 million by 2003-04.*

# 2001-04 Revenue Outlook

The revenue outlook for the next three years is based on a number of key economic assumptions – energy prices, interest rates, exchange rates, inflation, and economic growth trends in Alberta, Canada and the rest of the world. To ensure that spending remains affordable, the government will continue to use realistic, but prudent, revenue assumptions.

## TOTAL REVENUE

Government revenue reached a record high of \$25.4 billion in 2000-01. This included a record \$10.5 billion of resource revenue – up \$5.8 billion from 1999-2000 and double the previous record of \$5.2 billion in 1984-85.

Energy prices are expected to decline to more sustainable levels over the next three years. As a result, resource revenue is forecast to decline by \$5.9 billion. This is partly offset by a \$1 billion, or 6.5%, increase in other revenues.

Total revenue is forecast to decline by 10.7%, or \$2.7 billion, to \$22.7 billion in 2001-02. Further declines of 8.8%, or \$2.0 billion, in 2002-03 and 1.0%, or \$0.2 billion, in 2003-04 are expected.

*Total revenue is forecast to decline from \$25.4 billion in 2000-01 to \$22.7 billion in 2001-02 and \$20.5 billion by 2003-04.*

## Revenue Forecast

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Tax revenue	8,476	8,458	8,642	8,747
Non-renewable resource revenue	10,479	7,536	5,111	4,584
Federal transfers	1,751	2,078	2,026	2,078
Investment income	1,439	1,256	1,429	1,512
Other revenue	3,248	3,345	3,467	3,547
<b>Total Revenue</b>	<b>25,393</b>	<b>22,673</b>	<b>20,675</b>	<b>20,468</b>

## RESOURCE REVENUE

Oil and gas prices climbed dramatically in 2000-01. Oil prices averaged US\$30.20 per barrel, far above the ten-year annual average of US\$19.87 per barrel. Gas prices were three and a half times the ten-year annual average of Cdn\$1.76 per thousand cubic feet, averaging \$6.07 for the fiscal year. Resource revenues reached the highest level ever, at \$10.5 billion, or over 40% of total revenue.

Energy prices are one of the most important factors in determining total provincial revenue in any given year and yet, because of their extreme volatility, remain very difficult to predict. Private sector forecasters expect that energy prices will recede from the high levels of 2000-01, although there is a wide range among the forecasts. The government has adopted a realistic, but prudent, forecast after considering the range of private sector forecasts.

*The fiscal plan assumes that oil prices will fall from US\$30.20 per barrel in 2000-01 to US\$25 in 2001-02, with a further decline to US\$21 in 2002-03 and 2003-04.*

*The fiscal plan assumes that natural gas prices will fall from Cdn\$6.07 per mcf in 2000-01 to \$5.03 in 2001-02, with further declines to \$3.75 in 2002-03 and \$3.44 in 2003-04.*

The fiscal plan assumes that oil prices will fall from US\$30.20 per barrel in 2000-01 to US\$25 per barrel in 2001-02, with a further decline to US\$21 per barrel in 2002-03 and 2003-04.

Relatively modest growth in demand, increasing non-OPEC production and higher OPEC capacity are expected to lead to the weakening in prices over the next two years.

While oil is sold on the international market, natural gas is priced in the North American market. Many factors affect this market but none is quite as unpredictable as the weather. Three consecutive mild winters in the United States had masked an underlying tightening of natural gas markets. Then the coldest November and December in the United States in 100 years caused a dramatic climb in natural gas prices across North America. The Alberta Gas Reference price reached a record high of Cdn\$11.82 per mcf in January 2001.

Mild weather since December and the impact of the high prices on consumption has led to a softening of prices to below \$7 per mcf by March 2001. Natural gas prices are expected to continue falling. The size and speed of the decline will be influenced by how hot the summer is in the United States, how fast additional production comes on stream and the strength of the North American economies. The fiscal plan assumes that natural gas prices will fall from Cdn\$6.07 per mcf in 2000-01 to \$5.03 in 2001-02, with further declines to \$3.75 in 2002-03 and \$3.44 in 2003-04.

### **Non-Renewable Resource Revenue**

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Natural gas and by-products royalty	7,083	5,494	3,710	3,276
Crude oil royalty	1,453	881	475	340
Synthetic crude oil and bitumen royalty	784	300	323	451
Coal royalty	11	11	10	9
Bonuses and sales of Crown leases	1,147	845	555	480
Rentals and fees	159	170	170	152
Royalty tax credit	(158)	(165)	(132)	(124)
<b>Total Non-Renewable Resource Revenue</b>	<b>10,479</b>	<b>7,536</b>	<b>5,111</b>	<b>4,584</b>

Natural gas is now much more important than oil to the province's total resource revenues. In 2001-02, natural gas and by-products royalties are forecast to be \$5.5 billion, over 70% of total resource revenue. In comparison, oil royalties account for just over 15% of resource revenue.

*Tax cuts will limit the growth in tax revenue over the next three years to 3.2%.*

## TAX REVENUE

Personal, business and school property tax cuts will limit the growth in tax revenue over the next three years to 3.2% or \$271 million.

**Personal income tax revenue** – Personal income tax revenue is forecast to increase by \$957 million, or 24%, over the next three years, reflecting strong income growth and one-time reductions in 2000-01 revenue.

2000-01 revenue was reduced by the \$345 million Energy Tax Refund and a \$279 million negative prior year adjustment. Underlying growth in base revenue, after adjusting for these items, is about 7.3% over the three years.

Base personal income tax revenue declines by about 3.7% in 2001-02, reflecting personal income tax cuts. In 2002-03 and 2003-04, base revenue grows by an average of 5.5% a year, in line with personal income.

---

### Personal Income Tax Revenue

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Base personal income tax	4,591	4,422	4,658	4,924
Energy Tax Refund	(345)	(345)	—	—
Prior-year adjustment	(279)	—	—	—
Personal income tax revenue	<u>3,967</u>	<u>4,077</u>	<u>4,658</u>	<u>4,924</u>

**Corporate income tax revenue** – Revenue is forecast to decline by \$507 million, or 26%, over the next three years reflecting the four-year plan to cut business taxes by \$1 billion. Over the next three years, the cost of the corporate income tax reductions is expected to total about \$730 million. This is partly offset by the growth in taxable income.

**School property tax revenue** – The government cut school property taxes on January 1, 2001 and will freeze them at the reduced level in future years. Provincial school property taxes will be \$1,048 million per year during the three-year fiscal plan. Taxes collected directly by opted-out school boards are estimated at \$146 million per year, resulting in total school property taxes of about \$1.2 billion annually.

**Other tax revenue** – Other tax revenue is expected to decline by \$96 million, or nearly 7% over the next three years. This is primarily due to the elimination of the financial institutions capital tax on April 1, 2001 and lower revenue from the freehold mineral rights tax as energy prices decline.

---

### Tax Revenue

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Personal income tax	3,967	4,077	4,658	4,924
Corporate income tax	1,978	1,974	1,599	1,471
School property tax	1,131	1,048	1,048	1,048
Other taxes	1,400	1,359	1,337	1,304
Total Tax Revenue	<u>8,476</u>	<u>8,458</u>	<u>8,642</u>	<u>8,747</u>

---

## FEDERAL TRANSFERS

In 2001-02, transfers from the Government of Canada are expected to increase by \$327 million, or 18.7%, and then remain flat for the following two years. Federal transfers account for about 9% of total provincial government revenue.

The September 11, 2000 First Ministers' Meeting has resulted in additional federal funding for health care and social services:

*Cash payments from the Canada Health and Social Transfer are expected to rise by \$310 million over the next three years.*

- Cash payments from the Canada Health and Social Transfer are expected to rise by \$310 million over the next three years,
- \$49 million is being provided in both 2000-01 and 2001-02 for medical diagnostic and treatment equipment, and
- \$14 million per year will be provided through a Health Transition Fund to support innovation and reform in primary care.

Federal support for agriculture is expected to increase by \$165 million in 2001-02, including a one-time payment of about \$127 million. Payments are expected to decline to around \$135 million for the following two years.

### Transfers from the Government of Canada

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Canada Health and Social Transfer	1,331	1,482	1,593	1,641
Medical Equipment Fund	49	49	—	—
Health Transition Fund	—	14	14	14
Agriculture support	79	244	133	135
Labour market development	124	122	122	122
Other	168	167	164	166
<b>Total Transfers</b>	<b>1,751</b>	<b>2,078</b>	<b>2,026</b>	<b>2,078</b>

## INVESTMENT INCOME

Investment income is forecast to fall by \$183 million, or 12.7%, in 2001-02 as a result of weak equity markets. As markets rebound, investment income is forecast to increase by \$256 million over the following two years.

Alberta Municipal Financing Corporation's interest income on outstanding loans to municipalities and school boards is expected to continue to decline as these loans are repaid.

### Investment Income

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Alberta Heritage Savings Trust Fund	733	551	735	874
Alberta Municipal Financing Corporation	407	358	331	305
Endowment funds	125	87	116	135
Debt retirement funds	20	107	86	30
Other	154	153	161	168
<b>Total Investment Income</b>	<b>1,439</b>	<b>1,256</b>	<b>1,429</b>	<b>1,512</b>

## REVENUE FROM OTHER SOURCES

Total revenue from all other sources is forecast to grow by 9.2%, or \$299 million, over the next three years. This includes higher lottery revenues, increased revenue from liquor operations and timber rental fees.

### Revenue from Other Sources

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Lottery revenue	947	1,010	1,087	1,136
Premiums, fees & licenses	1,271	1,314	1,341	1,362
Other	1,030	1,021	1,039	1,049
Total Other Revenue	3,248	3,345	3,467	3,547

## RISKS TO THE FORECAST

As with any budget, there are always risks surrounding the forecast. The key risks to Budget 2001 are energy prices, and economic growth in Canada, the United States and the rest of the world.

Alberta's legal requirement to have an economic cushion equivalent to at least 3.5% of budgeted revenue helps protect against downside risks.

**Energy prices** – The government has adopted realistic, but prudent, oil and gas price assumptions for the next three fiscal years. However, energy prices are highly volatile. Each US\$1 per barrel change in oil prices affects Alberta's revenue by about \$153 million. Each 10 cent swing in natural gas prices affects revenue by about \$142 million.

**Economic growth** – The fiscal plan builds in the current sharp slowing of the economy in the United States and central Canada. It assumes that the central banks successfully engineer a "soft landing" where economic growth slows but begins to rebound later in the year.

Some analysts are now forecasting a "hard landing" with weak growth, or possibly a mild recession, in the United States and the rest of Canada. This would slow Alberta's growth modestly from the current forecast. The impact on the economy and government revenue would be more serious if a hard landing led to a drop in global energy demand and a sharper reduction in energy prices than currently forecast.

*Each US\$1 per barrel change in oil prices affects Alberta's revenue by about \$153 million. Each 10 cent swing in natural gas prices affects revenue by about \$142 million.*



**THE FUTURE**  
**MEETING PRIORITIES SHARING BENEFITS**  
**Fiscal Plan Tables 2001-04**

## Consolidated Fiscal Summary<sup>a</sup>

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
<b>Revenue</b>	20,172	19,075	25,393	22,673	20,675	20,468
<b>Expense</b>						
Program	16,425	16,732	18,188	20,832	18,922	19,163
Debt servicing costs	956	981	1,000	750	620	515
Total Expense	17,381	17,713	19,188	21,582	19,542	19,678
Net Revenue	2,791	1,362	6,205	1,091	1,133	790
Less: Net increase in capital assets affecting operations <sup>b</sup>	74	149	156	274	289	48
	2,717	1,213	6,049	817	844	742
Alberta Heritage Science and Engineering Research Endowment Fund	—	500	500	—	—	—
<b>Economic Cushion</b>	2,717	713	5,549	817	844	742
Planned allocation of economic cushion						
Debt repayment and increase in financial assets	2,717	535	5,549	613	633	557
Contingency reserve	—	178	—	204	211	185

<sup>a</sup> Subject to the *Fiscal Responsibility Act*.

<sup>b</sup> Converts capital expense to a pay-as-you-go basis.

## Cash Available for Accumulated Debt Repayment

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Allocation for debt repayment/increase in assets	2,717	535 <sup>a</sup>	5,549 <sup>a</sup>	613	633	557
Current year cash adjustments/retained income	(631)	(3)	(1,746)	1,144	303	(433)
Current year cash available	2,086	532	3,803	1,757	936	124
Cash available from previous year	—	—	470	2,125	2,120	1,374
<b>Cash Available for Accumulated Debt Repayment</b>	2,086	532	4,273	3,882	3,056	1,498

<sup>a</sup> Excludes the \$500 million allocation for the Alberta Heritage Science and Engineering Research Endowment Fund.

## Allocation of Cash Available for Accumulated Debt Repayment

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
<b>Allocation of Cash Available</b>						
Current year debt maturities and redemptions	1,616	532	2,148	1,762	1,682	1,498
Future year debt maturities and redemptions	470	—	2,125	2,120	1,374	—
<b>Total Allocation</b>	2,086	532	4,273	3,882	3,056	1,498



## Accumulated Debt

(millions of dollars)

	1999-2000 Actual	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Accumulated debt at start of year	14,106	12,490	10,342	8,580	6,898
Less: Repayment of maturities and redemptions	1,616	2,148	1,762	1,682	1,498
Accumulated debt at end of year	12,490	10,342	8,580	6,898	5,400
Cash set aside for future debt repayment	470	2,125	2,120	1,374	—
<b>Accumulated Debt Less Cash Set Aside</b>	<b>12,020</b>	<b>8,217</b>	<b>6,460</b>	<b>5,524</b>	<b>5,400</b>

## Net Financial Position

(millions of dollars)

	At March 31				
	2000 Actual	2001 Forecast	2002 Estimate	2003 Target	2004 Target
<b>Financial Assets</b>					
Heritage Fund external investments	11,678	11,943	12,122	12,156	12,161
Endowment Funds <sup>a</sup>	1,338	1,896	1,894	1,872	1,910
Self-supporting lending organizations <sup>b</sup>	5,495	4,962	4,991	5,033	5,046
Funds available for debt repayment	470	2,125	2,120	1,374	—
Other financial assets	3,006	4,068	2,766	2,414	2,541
<b>Total Financial Assets</b>	<b>21,987</b>	<b>24,994</b>	<b>23,893</b>	<b>22,849</b>	<b>21,658</b>
<b>Liabilities</b>					
Accumulated debt	12,490	10,342	8,580	6,898	5,400
Pension obligations	4,728	4,728	4,758	4,802	4,863
Self-supporting lending organizations <sup>b</sup>	4,251	3,662	3,629	3,593	3,512
Accounts and interest payable and other liabilities	2,892	2,643	2,542	2,519	2,345
Less: Debt held internally by consolidated entities	(300)	(356)	(174)	(110)	(105)
<b>Total Liabilities</b>	<b>24,061</b>	<b>21,019</b>	<b>19,335</b>	<b>17,702</b>	<b>16,015</b>
<b>Net Assets (Debt)</b>	<b>(2,074)</b>	<b>3,975</b>	<b>4,558</b>	<b>5,147</b>	<b>5,643</b>
Pension obligations	4,728	4,728	4,758	4,802	4,863
<b>Net Assets Excluding Pension Obligations</b>	<b>2,654</b>	<b>8,703</b>	<b>9,316</b>	<b>9,949</b>	<b>10,506</b>

<sup>a</sup> Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund, and Alberta Heritage Science and Engineering Research Endowment Fund.

<sup>b</sup> Alberta Municipal Financing Corporation, Agriculture Financial Services Corporation and Alberta Opportunity Company.

# Revenue

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
<b>Income Taxes</b>						
Personal income tax	5,100	4,713	3,967	4,077	4,658	4,924
Corporate income tax	1,255	1,896	1,978	1,974	1,599	1,471
	6,355	6,609	5,945	6,051	6,257	6,395
<b>Other Taxes</b>						
School property tax	1,128	1,157	1,131	1,048	1,048	1,048
Fuel tax	568	559	585	581	583	585
Tobacco tax	339	355	343	344	347	350
Freehold mineral rights tax	134	135	261	253	217	171
Insurance corporations tax	117	127	126	134	142	150
Hotel room tax	48	47	47	47	48	48
Financial institutions capital tax	35	38	38	—	—	—
	2,369	2,418	2,531	2,407	2,385	2,352
<b>Non-Renewable Resource Revenue</b>						
Natural gas and by-products royalty	2,441	2,323	7,083	5,494	3,710	3,276
Crude oil royalty	1,072	632	1,453	881	475	340
Synthetic crude oil and bitumen royalty	426	469	784	300	323	451
Coal royalty	15	14	11	11	10	9
Bonuses and sales of Crown leases	743	650	1,147	845	555	480
Rentals and fees	141	157	159	170	170	152
Royalty tax credit	(188)	(197)	(158)	(165)	(132)	(124)
	4,650	4,048	10,479	7,536	5,111	4,584
<b>Transfers from Government of Canada</b>						
Canada Health and Social Transfer	1,164	1,100	1,331	1,482	1,593	1,641
Medical equipment and primary care	—	—	49	63	14	14
Agriculture support programs	171	53	79	244	133	135
Labour market development	122	124	124	122	122	122
Other	183	168	168	167	164	166
	1,640	1,445	1,751	2,078	2,026	2,078
<b>Investment Income</b>						
Alberta Heritage Savings Trust Fund	1,108	814	733	551	735	874
Alberta Municipal Financing Corporation	438	403	407	358	331	305
Endowment Funds:						
Medical Research	175	74	74	45	61	72
Scholarship	57	21	29	28	29	30
Science and Engineering Research	—	12	22	14	26	33
Interest on debt retirement funds	—	—	20	107	86	30
Agriculture Financial Services Corporation	73	77	86	92	100	107
Other	55	59	68	61	61	61
	1,906	1,460	1,439	1,256	1,429	1,512
<b>Net Income from Commercial Operations</b>						
Alberta Gaming and Liquor Commission:						
Lottery revenue	857	831	947	1,010	1,087	1,136
Liquor operations	470	458	470	478	487	497
Alberta Treasury Branches	228	114	161	151	168	186
Other	18	5	7	4	4	4
	1,573	1,408	1,585	1,643	1,746	1,823
<b>Premiums, Fees and Licences</b>						
Health care insurance premiums	653	660	669	670	681	691
Motor vehicle licences	200	196	206	208	206	210
Timber rentals and fees	101	89	77	90	91	90
Crop and hail insurance premiums	71	77	58	62	79	80
Land titles	56	28	30	31	31	32
Other	248	234	231	253	253	259
	1,329	1,284	1,271	1,314	1,341	1,362
<b>Other</b>						
Alberta Dairy Control Board	63	59	73	62	62	62
Fines and penalties	41	40	41	43	43	43
Sale of capital assets	21	62	34	34	30	3
Miscellaneous	225	242	244	249	245	254
	350	403	392	388	380	362
<b>Total Revenue</b>	<b>20,172</b>	<b>19,075</b>	<b>25,393</b>	<b>22,673</b>	<b>20,675</b>	<b>20,468</b>

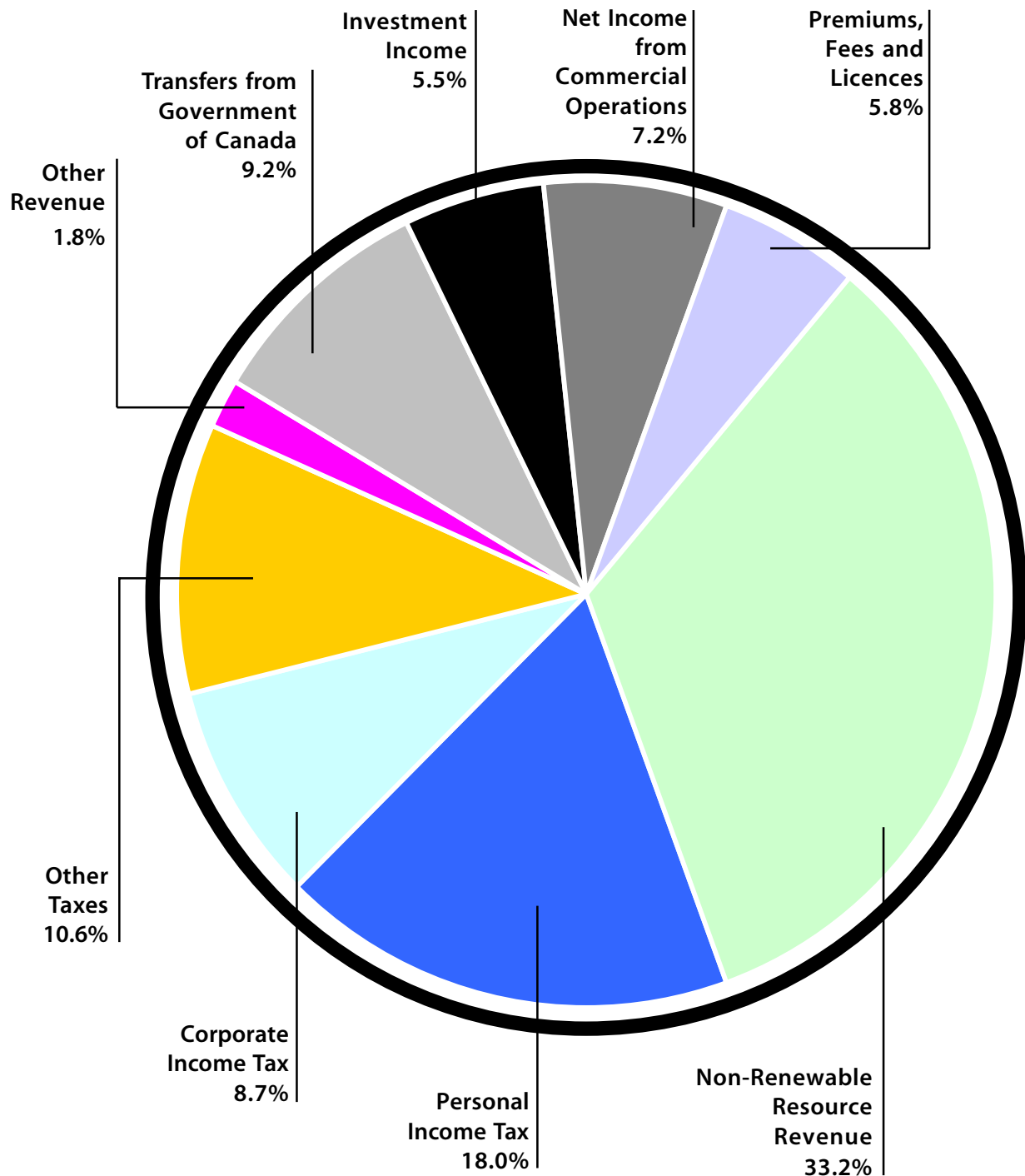
# Revenue

---

**Total Revenue \$22.7 billion**

---

2001-02 ESTIMATE



# Expense<sup>a</sup>

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
<b>Program</b>						
Legislative Assembly	39	56	56	58	54	56
Aboriginal Affairs and Northern Development	35	30	30	30	30	30
Agriculture, Food and Rural Development	765	628	790	883	629	635
Children's Services	507	539	587	648	685	692
Community Development	510	487	554	599	606	666
Economic Development	47	51	51	51	52	52
Energy	136	147	152	175	174	177
Environment	98	102	103	122	106	106
Executive Council	13	13	14	15	15	15
Finance	522	508	503	469	442	416
Gaming	179	183	183	217	246	259
Government Services	49	50	51	51	52	52
Health and Wellness	5,117	5,323	5,625	6,271	6,657	6,974
Human Resources and Employment	977	1,031	1,008	1,055	1,064	1,068
Infrastructure	734	675	1,708	2,768	660	576
Innovation and Science	170	185	180	232	296	230
International and Intergovernmental Relations	5	6	6	6	6	6
Justice	197	229	229	220	223	228
Learning	4,192	4,455	4,464	4,807	5,108	5,318
Municipal Affairs	132	141	161	203	134	135
Revenue	91	116	109	136	185	146
Seniors	236	250	259	299	273	279
Solicitor General	215	228	231	253	259	267
Sustainable Resource Development	332	207	246	204	196	199
Transportation	1,127	1,092	888	1,060	770	581
<b>Total Program Expense</b>	<b>16,425</b>	<b>16,732</b>	<b>18,188</b>	<b>20,832</b>	<b>18,922</b>	<b>19,163</b>
Debt servicing costs	956	981	1,000	750	620	515
<b>Total Expense</b>	<b>17,381</b>	<b>17,713</b>	<b>19,188</b>	<b>21,582</b>	<b>19,542</b>	<b>19,678</b>

<sup>a</sup> Net of internal government transactions.

# Net Increase in Capital Assets Affecting Operations

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Capital investment	305	429	430	588	626	396
Less: Capital amortization	231	280	274	314	337	348
<b>Net Increase in Capital Assets affecting Operations</b>	<b>74</b>	<b>149</b>	<b>156</b>	<b>274</b>	<b>289</b>	<b>48</b>

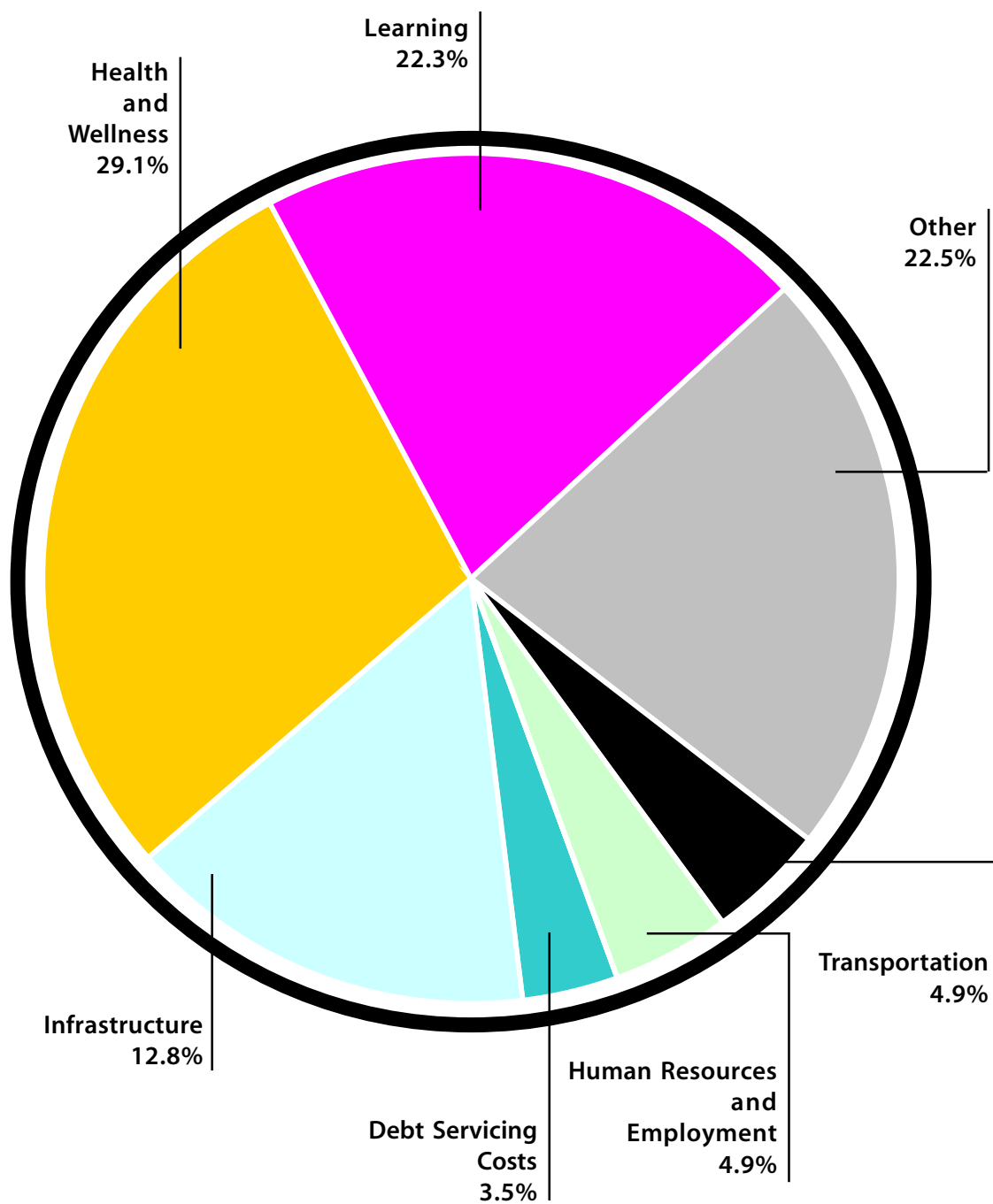
# Expense

---

**Total Expense \$21.6 billion**

---

2001-02 ESTIMATE



# Capital Investment

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Legislative Assembly	—	—	—	1	—	—
Aboriginal Affairs and Northern Development	—	—	—	—	—	—
Agriculture, Food and Rural Development	8	5	9	4	7	3
Children's Services	—	—	—	—	—	—
Community Development	15	4	4	3	3	3
Economic Development	—	—	—	—	—	—
Energy	5	7	11	7	7	7
Environment	1	1	1	1	1	1
Executive Council	—	—	—	—	—	—
Finance	2	4	2	5	3	2
Gaming	—	—	—	—	—	—
Government Services	1	2	2	1	1	1
Health and Wellness	4	2	3	2	2	2
Human Resources and Employment	1	5	2	4	4	4
Infrastructure	14	26	26	52	39	55
Innovation and Science	16	11	10	12	12	12
International and Intergovernmental Relations	—	—	—	—	—	—
Justice	3	1	1	1	2	1
Learning	1	3	3	6	3	3
Municipal Affairs	—	1	2	1	—	—
Revenue	1	2	2	2	1	1
Seniors	3	1	1	1	3	1
Solicitor General	—	—	—	—	—	—
Sustainable Resource Development	3	8	6	3	3	3
Transportation	227	346	345	482	535	297
<b>Total Capital Investment</b>	<b>305</b>	<b>429</b>	<b>430</b>	<b>588</b>	<b>626</b>	<b>396</b>

# Capital Amortization

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Legislative Assembly	—	—	—	—	—	—
Aboriginal Affairs and Northern Development	—	—	—	—	—	—
Agriculture, Food and Rural Development	3	6	6	6	6	6
Children's Services	—	1	1	1	1	1
Community Development	9	10	10	10	10	10
Economic Development	—	—	—	—	—	—
Energy	6	7	7	7	8	8
Environment	15	16	16	16	16	16
Executive Council	—	—	—	—	—	—
Finance	—	2	1	1	2	3
Gaming	—	—	—	—	—	—
Government Services	2	3	2	5	4	4
Health and Wellness	1	1	1	2	3	4
Human Resources and Employment	3	3	3	3	3	3
Infrastructure	47	50	50	54	52	52
Innovation and Science	10	13	10	8	9	9
International and Intergovernmental Relations	—	—	—	—	—	—
Justice	—	1	1	1	1	1
Learning	1	1	1	2	3	3
Municipal Affairs	1	1	1	2	2	2
Revenue	1	2	1	2	2	2
Seniors	25	24	24	24	25	24
Solicitor General	—	—	—	—	—	—
Sustainable Resource Development	6	6	6	6	6	6
Transportation	101	133	133	164	184	194
<b>Total Capital Amortization</b>	<b>231</b>	<b>280</b>	<b>274</b>	<b>314</b>	<b>337</b>	<b>348</b>

## Support for Infrastructure<sup>a</sup>

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Agriculture, Food and Rural Development	27	29	21	29	28	27
Community Development	2	1	50	42	1	1
Environment	8	9	9	9	7	7
Gaming	34	25	25	25	25	25
Health and Wellness	34	56	161	49	—	8
Infrastructure	448	393	499	1,849	357	286
Innovation and Science	—	—	—	46	109	38
Learning	20	60	60	—	—	20
Municipal Affairs	—	10	10	70	—	—
Seniors	32	19	31	54	23	25
Transportation	968	897	693	830	520	320
<b>Total Support for Infrastructure</b>	<b>1,573</b>	<b>1,499</b>	<b>1,559</b>	<b>3,003</b>	<b>1,070</b>	<b>757</b>

<sup>a</sup> Included in program expense.

## Debt Servicing Costs

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Agriculture, Food and Rural Development						
Agriculture Financial Services Corporation	47	60	53	55	51	55
Alberta Opportunity Company	5	5	5	5	6	6
Finance	838	853	882	633	510	403
Learning						
Alberta School Foundation Fund	4	8	6	7	8	8
Seniors						
Alberta Social Housing Corporation	59	55	54	50	45	43
Sustainable Resource Development						
Environmental Protection and Enhancement Fund	3	—	—	—	—	—
<b>Total Debt Servicing Costs</b>	<b>956</b>	<b>981</b>	<b>1,000</b>	<b>750</b>	<b>620</b>	<b>515</b>



# 2001-02 Allocation of Lottery Fund Revenue

(millions of dollars)

<b>Lottery Revenue<sup>a</sup></b>	1,016
Less: Lottery operation costs	(70)
<b>Net Lottery Revenue</b>	<b>946</b>
<b>Agriculture, Food and Rural Development</b>	
Agricultural initiatives	12
<b>Children's Services</b>	
Fetal alcohol initiative	1
<b>Community Development</b>	
Centennial initiatives	41
Alberta Foundation for the Arts	21
Alberta Sport, Recreation, Parks and Wildlife Foundation	15
2001 World Championships in Athletics	10
Assistance to First Nations Development Fund	8
Wild Rose Foundation	7
Alberta Historical Resources Foundation	6
Human Rights, Citizenship and Multiculturalism Education Fund	1
<b>Gaming</b>	
Community Lottery Board grants	53
Community Facility Enhancement Program	25
Racing industry renewal	18
Calgary Exhibition and Stampede	7
Edmonton Northlands	7
Major fairs and exhibitions	3
Alberta Gaming Research Institute and Council	2
Other initiatives	11
<b>Health and Wellness</b>	
Alberta Alcohol and Drug Abuse Commission	46
Alberta Wellnet	13
Practitioner services - alternate compensation strategies	12
Health Innovation Fund	5
Aboriginal health strategies	3
Federal nursing stations	3
Alberta wellness initiative	2
<b>Infrastructure</b>	
School facilities	150
Health care facilities	120
Post-secondary facilities	60
Upgrading of seniors' lodges	10
Centennial projects	5
<b>Innovation and Science</b>	
Alberta SUPERNET	50
Research Investments Program	23
Strategic research initiatives	9
Alberta Agricultural Research Institute	9
<b>Learning</b>	
School support - transportation subsidies	40
Learning Television (ACCESS)	8
Achievement scholarships	3
School support - high speed networking	1
<b>Municipal Affairs</b>	
Municipal sponsorship	12
<b>Transportation</b>	
Canada-Alberta Infrastructure Program	50
Water management infrastructure	20
<b>Finance</b>	
Transfer for debt repayment / contingency reserve	44
<b>Lottery Revenue Allocation<sup>b</sup></b>	<b>946</b>

<sup>a</sup> Includes \$6 million of Lottery Fund interest income.

<sup>b</sup> Included in program expense and capital investment except for \$44 million for debt repayment and contingency reserve.

# Expense by Function

(millions of dollars)

	<b>1999-2000 Actual</b>	<b>2000-01 Budget</b>	<b>2000-01 Forecast</b>	<b>2001-02 Estimate</b>	<b>2002-03 Target</b>	<b>2003-04 Target</b>
Health	5,302	5,491	5,815	7,141	6,739	7,107
Education	4,735	4,966	5,045	6,066	5,665	5,754
Social Services	1,668	1,744	1,794	1,934	2,028	2,085
Agriculture and Economic Development	1,083	980	1,119	1,285	1,209	1,150
Regional Planning and Development	541	516	534	478	452	425
Transportation and Utilities	1,113	1,067	1,782	1,626	748	568
Protection of Persons and Property	503	562	570	648	590	602
Environment and Resource Conservation	541	412	472	465	438	441
Recreation and Culture	271	284	339	349	308	319
Housing	103	94	106	137	103	102
General Government	565	616	612	703	642	610
Debt Servicing Costs	956	981	1,000	750	620	515
<b>Total Expense</b>	<b>17,381</b>	<b>17,713</b>	<b>19,188</b>	<b>21,582</b>	<b>19,542</b>	<b>19,678</b>

## 2001-02 Expense by Function

(millions of dollars)

	Health	Education	Social Services	Agriculture and Economic Development	Regional Planning and Development	Transportation and Utilities	Protection of Persons and Property	Environment and Resource Conservation	Recreation and Culture	Housing	General Government	Debt Servicing Costs	Consolidated Ministry Expense
Legislative Assembly	—	—	—	—	—	—	2	—	—	—	56	—	58
Aboriginal Affairs and Northern Development	—	—	—	2	28	—	—	—	—	—	—	—	30
Agriculture, Food and Rural Development	—	—	—	883	—	—	—	—	—	—	—	60	943
Children's Services	—	—	648	—	—	—	—	—	—	—	—	—	648
Community Development	—	—	383	8	—	—	6	42	164	—	—	—	603
Economic Development	—	—	—	51	—	—	—	—	—	—	—	—	51
Energy	—	—	—	76	—	—	—	99	—	—	—	—	175
Environment	—	—	—	—	—	—	—	124	—	—	—	—	124
Executive Council	—	—	—	—	—	—	—	—	—	—	15	—	15
Finance	—	—	—	2	358	—	2	—	—	—	107	743	1,212
Gaming	207	275	1	96	12	50	1	3	288	10	94	—	1,037
Government Services	—	—	—	—	—	—	51	—	—	—	130	—	181
Health and Wellness	6,271	—	—	—	—	—	—	—	—	—	—	—	6,271
Human Resources and Employment	—	274	723	—	—	—	20	—	—	—	38	—	1,055
Infrastructure	870	964	2	2	—	598	2	2	2	17	321	—	2,780
Innovation and Science	—	21	—	127	—	—	—	—	—	—	98	—	246
International and Intergovernmental Relations	—	—	—	—	—	—	—	—	—	—	6	—	6
Justice	—	—	—	—	—	—	220	—	—	—	—	—	220
Learning	—	4,807	—	—	—	—	—	—	—	—	—	7	4,814
Municipal Affairs	—	—	—	3	92	—	76	—	—	—	32	—	203
Revenue	—	19	—	70	—	—	15	—	—	—	57	—	161
Seniors	—	—	178	—	—	—	—	—	—	129	—	50	357
Solicitor General	—	—	—	—	—	—	253	—	—	—	—	—	253
Sustainable Resource Development	—	—	—	—	—	—	—	216	—	—	—	—	216
Transportation	—	—	—	33	—	1,027	—	—	—	—	—	—	1,060
Inter-Ministry Consolidation Adjustments	(207)	(294)	(1)	(68)	(12)	(49)	—	(21)	(105)	(19)	(251)	(110)	(1,137)
<b>Total Expense</b>	<b>7,141</b>	<b>6,066</b>	<b>1,934</b>	<b>1,285</b>	<b>478</b>	<b>1,626</b>	<b>648</b>	<b>465</b>	<b>349</b>	<b>137</b>	<b>703</b>	<b>750</b>	<b>21,582</b>

## 2001-02 Expense by Object

(millions of dollars)

	Salaries Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers <sup>a</sup>	Financial Transactions and Other	Amortization of Capital Assets	Intra Ministry Consolidation Adjustments	Consolidated Ministry Expense	Inter Ministry Consolidation Adjustments	Total Consolidated Expense
Legislative Assembly	26	22	—	—	10	—	—	58	—	58
Aboriginal Affairs and Northern Development	4	4	22	—	—	—	—	30	—	30
Agriculture, Food and Rural Development	101	47	369	143	420	6	(143)	943	—	943
Children's Services	128	405	111	517	—	1	(514)	648	—	648
Community Development	108	210	274	789	1	10	(789)	603	(4)	599
Economic Development	15	35	1	—	—	—	—	51	—	51
Energy	97	58	13	27	—	7	(27)	175	—	175
Environment	47	40	21	—	—	16	—	124	(2)	122
Executive Council	12	3	—	—	—	—	—	15	—	15
Finance	23	17	80	—	1,104	1	(13)	1,212	(110)	1,102
Gaming	2	2	213	1,016	—	—	(196)	1,037	(820)	217
Government Services	93	82	—	—	1	5	—	181	(130)	51
Health and Wellness	66	139	6,035	46	29	2	(46)	6,271	—	6,271
Human Resources and Employment	109	156	821	—	(34)	3	—	1,055	—	1,055
Infrastructure	55	252	2,422	—	—	51	—	2,780	(12)	2,768
Innovation and Science	58	113	67	90	—	8	(90)	246	(14)	232
International and Intergovernmental Relations	4	2	—	—	—	—	—	6	—	6
Justice	127	36	28	—	28	1	—	220	—	220
Learning	58	78	4,669	—	7	2	—	4,814	—	4,814
Municipal Affairs	21	17	163	—	—	2	—	203	—	203
Revenue	27	24	70	599	21	2	(582)	161	(25)	136
Seniors	12	6	263	72	52	24	(72)	357	(8)	349
Solicitor General	100	138	3	—	12	—	—	253	—	253
Sustainable Resource Development	98	93	59	—	1	6	(41)	216	(12)	204
Transportation	47	372	493	—	—	148	—	1,060	—	1,060
<b>Total Expense</b>	<b>1,438</b>	<b>2,351</b>	<b>16,197</b>	<b>3,299</b>	<b>1,652</b>	<b>295</b>	<b>(2,513)</b>	<b>22,719</b>	<b>(1,137)</b>	<b>21,582</b>

<sup>a</sup> Excluding payments for services.

# Full-Time Equivalent Employment

	2000-01 Budget <sup>a</sup>	ACSC Transfer <sup>b</sup>	Comparable 2000-01 Budget	Increases	2001-02 Estimate
Legislative Assembly	432	—	432	7	439
Aboriginal Affairs and Northern Development	57	—	57	3	60
Agriculture, Food and Rural Development	1,787	(55)	1,732	64	1,796
Children's Services	2,272	(162)	2,110	478	2,588
Community Development	2,333	(94)	2,239	37	2,276
Economic Development	205	(15)	190	—	190
Energy	1,286	(44)	1,242	64	1,306
Environment	845	(78)	767	—	767
Executive Council	191	(13)	178	2	180
Finance	391	(32)	359	4	363
Gaming	29	—	29	3	32
Government Services	410	1,099	1,509	34	1,543
Health and Wellness	1,105	(47)	1,058	130	1,188
Human Resources and Employment	2,003	(118)	1,885	14	1,899
Infrastructure	948	(26)	922	29	951
Innovation and Science	902	(133)	769	8	777
International and Intergovernmental Relations	58	(4)	54	—	54
Justice	2,147	(40)	2,107	3	2,110
Learning	1,003	(73)	930	56	986
Municipal Affairs	318	(15)	303	14	317
Revenue	350	(5)	345	15	360
Seniors	221	(4)	217	11	228
Solicitor General	2,046	(34)	2,012	34	2,046
Sustainable Resource Development	1,969	(37)	1,932	13	1,945
Transportation	720	(70)	650	174	824
<b>Total Full-Time Equivalent Employment</b>	<b>24,028</b>	<b>—</b>	<b>24,028</b>	<b>1,197</b>	<b>25,225</b>

<sup>a</sup> The 2000-01 Budget has been restated by 186 FTEs. Children's Services FTEs have been increased by 106 to correct an understatement in Budget 2000. Innovation and Science FTEs have been increased by 80 from the acquisition of C-FER inc. and the Petroleum Research Institute by the Alberta Science and Research Authority late in 1999-2000.

<sup>b</sup> 1,099 FTEs have been transferred from ministries to Government Services for the Alberta Corporate Service Centre (ACSC). The transfer includes 11 FTEs which were budgeted for ACSC in Executive Council in 2000-01.

# Details of Net Financial Position

(millions of dollars)

	At March 31				
	2000 Actual	2001 Forecast	2002 Estimate	2003 Target	2004 Target
<b>Financial Assets</b>					
Total Heritage Fund equity	12,256	12,256	12,256	12,256	12,256
Less: Internal holdings of debt	(578)	(313)	(134)	(100)	(95)
Heritage Fund external investments	11,678	11,943	12,122	12,156	12,161
Self-supporting lending organizations:					
Alberta Municipal Financing Corporation	4,052	3,596	3,491	3,416	3,334
Agriculture Financial Services Corporation	1,325	1,242	1,378	1,490	1,585
Alberta Opportunity Company	118	124	122	127	127
Funds available for debt repayment	470	2,125	2,120	1,374	—
Endowment Funds:					
Alberta Heritage Foundation for Medical Research	1,023	1,048	1,030	998	1,018
Alberta Heritage Scholarship	315	326	335	344	354
Alberta Heritage Science and Engineering Research	—	522	529	530	538
Equity in commercial enterprises	517	601	758	933	1,127
Farm Credit Stability deposits	185	125	86	62	43
Other cash, marketable securities and accounts receivable	2,304	3,342	1,922	1,419	1,371
<b>Total Financial Assets</b>	<b>21,987</b>	<b>24,994</b>	<b>23,893</b>	<b>22,849</b>	<b>21,658</b>
<b>Liabilities</b>					
General Revenue Fund	11,749	10,025	8,644	7,133	5,784
School construction loans	892	793	698	608	525
Alberta Social Housing Corporation	690	615	521	493	471
Less: General Revenue Fund holdings of provincial corporation debt	(841)	(1,091)	(1,283)	(1,336)	(1,380)
Accumulated Debt <sup>a</sup>	12,490	10,342	8,580	6,898	5,400
Pension obligations	4,728	4,728	4,758	4,802	4,863
Self-supporting lending organizations:					
Alberta Municipal Financing Corporation	4,052	3,596	3,491	3,416	3,334
Agriculture Financial Services Corporation	933	831	994	1,099	1,158
Alberta Opportunity Company	88	92	101	103	105
Less: Debt internally held by consolidated entities	(822)	(857)	(957)	(1,025)	(1,085)
Accounts and interest payable	2,492	2,241	2,136	2,110	1,933
Guarantees, indemnities and remissions	249	251	253	255	257
Other accrued liabilities	151	151	153	154	155
Less: Other debt internally held by consolidated entities	(300)	(356)	(174)	(110)	(105)
<b>Total Liabilities</b>	<b>24,061</b>	<b>21,019</b>	<b>19,335</b>	<b>17,702</b>	<b>16,015</b>
<b>Net Assets (Debt)</b>	<b>(2,074)</b>	<b>3,975</b>	<b>4,558</b>	<b>5,147</b>	<b>5,643</b>
Pension obligations	4,728	4,728	4,758	4,802	4,863
<b>Net Assets Excluding Pension Obligations</b>	<b>2,654</b>	<b>8,703</b>	<b>9,316</b>	<b>9,949</b>	<b>10,506</b>

<sup>a</sup> Subject to the *Fiscal Responsibility Act*.

# Accumulated Debt Retirement Schedule

	<i>Fiscal Responsibility Act</i>		Forecast	
	Required Debt Retirement (percent)	Required Five-year Milestones (\$ millions)	Debt <sup>a</sup> (\$millions)	Debt Retirement (percent)
<b>1999-2000</b>		<b>12,490</b>		
2000-01			8,217	
2001-02			6,460	
2002-03			5,524	
2003-04			5,400	
<b>2004-05</b>	<b>13%</b>	<b>10,867</b>	<b>4,975</b>	<b>60%</b>
2005-06				
2006-07				
2007-08				
2008-09				
<b>2009-10</b>	<b>30%</b>	<b>8,743</b>	<b>2,851</b>	<b>77%</b>
2010-11				
2011-12				
2012-13				
2013-14				
<b>2014-15</b>	<b>50%</b>	<b>6,245</b>	<b>353</b>	<b>97%</b>
2015-16			<b>0</b>	<b>100%</b>
2016-17				
2017-18				
2018-19				
<b>2019-20</b>	<b>75%</b>	<b>3,123</b>		
2020-21				
2021-22				
2022-23				
2023-24				
<b>2024-25</b>	<b>100%</b>	<b>0</b>		

<sup>a</sup> Net of cash set aside for future debt payment. Accumulated debt payment from 2004-05 to 2015-16 assumes reductions equal to minimum scheduled reductions for those years.

## Details of Cash Available for Debt Repayment

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Allocation for debt repayment/increase in assets	2,717	535 <sup>a</sup>	5,549 <sup>a</sup>	613	633	557
Cash adjustments:						
Natural gas royalties	288	78	(2,346)	1,815	552	(7)
Other cash adjustments	(162)	34	781	(508)	(72)	(164)
<b>Total Cash Adjustment</b>	<b>126</b>	<b>112</b>	<b>(1,565)</b>	<b>1,307</b>	<b>480</b>	<b>(171)</b>
Less: Retained income of						
Alberta Treasury Branches	229	114	161	152	168	187
Agriculture Financial Services Corporation	98	23	(31)	13	31	37
Foundation for Medical Research Endowment Fund	136	29	25	(18)	(32)	20
Scholarship Fund	39	4	11	9	9	10
Heritage Savings Trust Fund	230	—	—	—	—	—
Heritage Science and Engineering Research Endowment Fund	—	—	22	7	1	8
Environmental Protection and Enhancement Fund	100	60	43	—	—	—
Other	(75)	(115)	(50)	—	—	—
<b>Total Retained Income</b>	<b>757</b>	<b>115</b>	<b>181</b>	<b>163</b>	<b>177</b>	<b>262</b>
Current year cash available	2,086	532	3,803	1,757	936	124
Cash available from previous year	—	—	470	2,125	2,120	1,374
<b>Cash Available for Accumulated Debt Repayment</b>	<b>2,086</b>	<b>532</b>	<b>4,273</b>	<b>3,882</b>	<b>3,056</b>	<b>1,498</b>
<b>Allocation of cash available</b>						
Current year debt maturities and redemptions	1,616	532	2,148	1,762	1,682	1,498
Future year debt maturities and redemptions	470	—	2,125	2,120	1,374	—
<b>Cash Available for Accumulated Debt Repayment</b>	<b>2,086</b>	<b>532</b>	<b>4,273</b>	<b>3,882</b>	<b>3,056</b>	<b>1,498</b>

<sup>a</sup> Excludes the \$500 million allocation for Alberta Heritage Science and Engineering Research Endowment Fund.

## Net Financing Requirements

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
<b>Requirements</b>						
Term debt maturities and redemptions	2,289	2,760	2,427	1,585	1,575	1,645
School construction loans	102	99	99	95	90	83
Financing of provincial corporations' borrowing	196	248	338	281	134	159
Other	467	5	37	45	12	(43)
	3,054	3,112	2,901	2,006	1,811	1,844
Cash applied to accumulated debt repayment	(1,616)	(532)	(2,148)	(1,762)	(1,682)	(1,498)
<b>Net Financing Requirements</b>	<b>1,438</b>	<b>2,580</b>	<b>753</b>	<b>244</b>	<b>129</b>	<b>346</b>



## 2001-04 Term Debt Maturities<sup>a</sup>

	Par Amount in Cdn. Dollars (\$ millions)	Par Amount in U.S. Dollars (\$ millions)	Coupon Rate (%)	Maturity Date
<b>2001-02 Term Debt Maturities</b>				
Term Debt Issues				
1991 Canadian Debenture	500		10.25	August 2001
1994 Canadian Medium Term Notes	10		8.40	October 2001
1996 Canadian Debenture	350		6.125	October 2001
1997 Euro Australian Dollar Notes <sup>b,c</sup>	112	76	5.25	March 2002
1999 Euro U.S. Dollar Notes <sup>c</sup>	443	300	5.25	March 2002
Callable notes <sup>d</sup>				
1997-99 Canadian Medium Term Notes	102		varied	May 2001 to March 2002
1997-98 Canadian Medium Term Notes <sup>b,c</sup>	68	46	varied	August to November 2001
<b>2001-02 Total Term Debt Maturities</b>	<b>1,585</b>	<b>422</b>		

<b>2002-03 Term Debt Maturities</b>				
Term Debt Issues				
1999 Euro Canadian Dollar Notes	100		5.25	April 2002
1999 Euro Canadian Dollar Note <sup>b,c</sup>	245	169	5.50	July 2002
1999 Euro Canadian Dollar Notes <sup>b,c</sup>	197	137	6.00	November 2002
1998 Euro Canadian Dollar Notes	100		5.00	December 2002
1999 Euro U.S. Dollar Notes <sup>c</sup>	718	500	7.00	February 2003
Callable notes <sup>d</sup>				
1997-99 Canadian Medium Term Notes	215		5.80	April 2002 to March 2003
<b>2002-03 Total Term Debt Maturities</b>	<b>1,575</b>	<b>806</b>		

<b>2003-04 Term Debt Maturities</b>				
Term Debt Issues				
1993 Canadian Debenture	500		7.75	May 2003
1996 Alberta Savings Certificates	35		5.25	June 2003
1998 Global U.S. Dollar Notes <sup>c</sup>	706	500	4.875	October 2003
1998 Canadian Debenture	390		5.10	December 2003
1999 Canadian Dollar Notes	14		5.30	March 2004
<b>2003-04 Total Term Debt Maturities</b>	<b>1,645</b>	<b>500</b>		

<sup>a</sup> Excludes \$51 million in 2001-02, \$77 million in 2002-03 and \$111 million in 2003-04 of principal repayment on notes supported by provincial corporations.

<sup>b</sup> Swapped into a U.S. dollar obligation.

<sup>c</sup> U.S. dollar debt converted to Canadian dollars at forecast foreign exchange rates ranging from 68 cents U.S. in March 2002 to 71 cents U.S. in October 2003.

<sup>d</sup> Assumes callable notes with call dates in 2001-02 and 2002-03 will be called in those years.

# Pension Obligations

(millions of dollars)

	At March 31				
	2000 Actual	2001 Forecast	2002 Estimate	2003 Target	2004 Target
<b>Obligations for Employees of Organizations Outside the Government Reporting Entity</b>					
Teachers' Pension Plan	3,805	3,833	3,885	3,944	4,012
Universities Academic Pension Plan	121	126	131	136	141
Special Forces Pension Plan	55	51	47	43	39
	3,981	4,010	4,063	4,123	4,192
<b>Obligations for Current and Former Government Employees and MLAs</b>					
Public Service Management Pension Plan <sup>a</sup>	654	645	637	629	621
Members of the Legislative Assembly Pension Plan <sup>a</sup>	49	49	49	50	50
Management Employees Pension Plan	39	24	9	—	—
Public Service Pension Plan	5	—	—	—	—
	747	718	695	679	671
<b>Total Pension Obligations</b>	<b>4,728</b>	<b>4,728</b>	<b>4,758</b>	<b>4,802</b>	<b>4,863</b>

<sup>a</sup> Membership closed and pensionable service no longer being accrued.

## Fee Changes

		2000-01	2001-02
<b>Community Development</b>			
Provincial Museum of Alberta	- Adult	6.50	8.00
	- Senior	5.50	6.50
	- Youth	3.00	4.00
	- Family	15.00	20.00
Royal Tyrrell Museum of Palaeontology	- Adult	7.50	8.50
	- Senior	5.50	6.50
	- Youth	3.00	4.50
	- Family	19.00	20.00
Royal Tyrrell Museum Field Station	- Adult	2.00	2.50
	- Senior	1.50	2.50
	- Youth	1.50	1.50
	- Family	No Family Fee	7.00
Rutherford House	- Adult	2.00	3.00
	- Senior	1.50	2.00
	- Youth	1.50	2.00
	- Family	5.00	8.00
Frank Slide Interpretive Centre	- Adult	4.00	6.50
	- Senior	3.00	5.50
	- Youth	2.00	3.00
	- Family	10.00	15.00
<b>Municipal Affairs</b>			
Relocatable structure labels		\$140/label	\$30/label

# Loans and Advances<sup>a</sup>

(millions of dollars)

	At March 31	
	2000 Actual	2001 Forecast
<b>Loans and Advances</b>		
Agriculture Financial Services Act	713	810
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	149	146
Vencap Acquisition Corporation	5	5
Alberta Opportunity Fund Act	128	134
Farm Credit Stability Act	185	126
Alberta Housing Act	44	30
Financial Administration Act		
Accountable advances	15	16
Pratt & Whitney Canada Inc.	4	3
Board of Governors, University of Alberta	3	3
University of Lethbridge Students' Union	1	1
Implemented guarantees and indemnities	1	1
University of Calgary Students' Union	1	—
	1,249	1,275
<b>Allowance for doubtful loans, advances, implemented guarantees and indemnities</b>		
Ridley Grain Ltd.	(55)	(55)
Other	(39)	(44)
	(94)	(99)
<b>Total Loans and Advances</b>	<b>1,155</b>	<b>1,176</b>

<sup>a</sup> When a loan is considered to be 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	
	2000 Actual	2001 Forecast
<b>Guarantees</b>		
Farm Credit Stability Act	192	132
Alberta Housing Act	121	112
Student Loan Act	57	72
Agriculture Financial Services Act	59	58
Feeder associations	50	50
Alberta Opportunity Fund Act	3	6
Agricultural Societies Act	3	3
Rural utilities loans	3	2
Centre for Engineering Research Inc.	3	2
Securities Act	2	2
University of Calgary	1	1
	494	440
<b>Estimated Liability</b>		
Loan guarantees	(17)	(15)
Remissions for student loans	(12)	(12)
	(29)	(27)
<b>Total Guarantees</b>	<b>465</b>	<b>413</b>

# Province of Alberta

## Key Energy and Economic Assumptions<sup>a</sup>

	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
<b>Fiscal Year Assumptions</b>	<b>Actual</b>	<b>Actual</b>				
<b>Prices</b>						
Oil price						
WTI (US\$/bbl)	13.70	23.16	30.20 <sup>c</sup>	25.00	21.00	21.00
Alberta wellhead (Cdn\$/bbl)	17.06	30.30	39.51	32.05	25.30	24.08
Natural gas price						
Alberta wellhead (Cdn\$/mcf)	1.98	2.66	6.07	5.03	3.75	3.44
Alberta wellhead (Cdn\$/GJ)	1.88	2.52	5.76	4.77	3.56	3.26
Exchange rate (US\$/Cdn\$)	66.5	68.0	66.5 <sup>c</sup>	67.8	69.3	71.3
<b>Production</b>						
Crude oil and equivalent (000's barrels/day)	1,524	1,467	1,375	1,446	1,604	1,739
Natural gas (billions of cubic feet)	5,289	5,370	5,352	5,425	5,506	5,589
<b>Interest rates<sup>b</sup></b>						
3-month Canada treasury bills (per cent)	4.81	4.76	5.42 <sup>c</sup>	4.75	5.00	5.00
10-year Canada bonds (per cent)	5.21	5.83	5.70 <sup>c</sup>	5.50	5.50	5.50
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Calendar Year Assumptions</b>	<b>Actual</b>					
<b>Gross Domestic Product</b>						
Nominal (millions of dollars)	115,417	140,794	157,805	150,309	156,711	163,538
per cent change	9.0	22	12.1	-4.8	4.3	4.4
Real (millions of 1992 dollars)	103,794	110,124	115,434	119,623	123,155	126,886
per cent change	3.6	6.1	4.8	3.6	3.0	3.0
<b>Other Indicators</b>						
Employment (thousands)	1,553	1,588 <sup>c</sup>	1,627	1,669	1,705	1,741
per cent change	2.5	2.2 <sup>c</sup>	2.5	2.5	2.2	2.1
Unemployment rate (per cent)	5.7	5.0 <sup>c</sup>	4.7	4.2	4.0	3.5
Housing starts (number of units)	25,447	26,266 <sup>c</sup>	26,700	25,300	24,500	23,900
Alberta Consumer Price Index						
per cent change	2.4	3.5 <sup>c</sup>	2.0	1.8	2.1	2.2
Population (thousands)	2,959	2,997 <sup>c</sup>	3,041	3,084	3,126	3,166
per cent change	1.8	1.3 <sup>c</sup>	1.5	1.4	1.4	1.3

<sup>a</sup> As required by the *Government Accountability Act*.

<sup>b</sup> For debt servicing calculations, appropriate Alberta spreads are applied to Government of Canada yields.

<sup>c</sup> Actual.

## Sensitivities to Fiscal Year Assumptions, 2001-02<sup>a</sup>

(millions of dollars)

	Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-153	--	-153
Natural Gas Price (Cdn\$/mcf)	-10¢	-142	--	-142
Exchange Rate (US\$/Cdn\$)	+1¢	-120	-30	-90
Interest Rates	-1%	-39	-29	-10
Real Gross Domestic Product	-1%	-40	--	-40

<sup>a</sup> Sensitivities are based on current assumptions of prices and rates and show the impact for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The interest rate sensitivity is also affected by the timing of changes during the fiscal year.

# Major Provincial Tax Rates, 2001

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NF
<b>Personal Income Tax</b>											
Statutory Rate Range											
- Lowest Rate	(%)	10.00	8.40	11.50	10.90	6.20	17.00 <sup>a</sup>	9.68	9.77	9.80	10.57
- Highest Rate	(%)	10.00	19.70	16.00	17.50	11.16	24.50 <sup>a</sup>	17.84	16.67	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Basic Exemption	(\$)	12,900	8,000	8,000	7,361	7,426	5,900	7,412	7,231	7,412	7,410
Spousal Exemption	(\$)	12,900	6,850	8,000	6,251	6,306	5,900	6,294	6,140	6,294	6,055
<b>Corporate Income Tax</b>											
Small Business Rate	(%)	5.0 <sup>b</sup>	4.5	8.0 <sup>c</sup>	6.0	6.5	9.04 <sup>d</sup>	4.0	5.0	7.5	5.0
M&P Rate	(%)	13.5 <sup>b</sup>	16.5	10/17 <sup>e</sup>	17.0	12.0	9.04 <sup>d</sup>	16.0	16.0	7.5	5.0
General Rate	(%)	13.5 <sup>b</sup>	16.5	17.0	17.0	14.0	9.04 <sup>d</sup>	16.0	16.0	16.0	14.0
<b>Capital Tax</b>											
General	(max.%)	—	0.30	0.60	0.50	0.30	0.64	0.30	0.25	—	—
Financial Institutions	(max.%)	— <sup>b</sup>	3.00	3.25	3.00	0.90	1.55 <sup>f</sup>	3.00	3.00	3.00	4.00
<b>Retail Sales Tax</b>	(%)	—	7.0	6.0	7.0	8.0	7.5 <sup>g</sup>	8.0 <sup>g</sup>	8.0 <sup>g</sup>	10.0	8.0 <sup>g</sup>
<b>Gasoline Tax</b>	(¢/litre)	9.0	11.0 <sup>h</sup>	15.0	11.5	14.7	15.2 <sup>ih</sup>	10.7 <sup>i</sup>	13.5 <sup>i</sup>	13.0	16.5 <sup>i</sup>
<b>Tobacco Tax</b>	(\$/carton)	14.00	22.00	17.20 <sup>j</sup>	17.20 <sup>j</sup>	7.30 <sup>j</sup>	10.60 <sup>j</sup>	12.00 <sup>j</sup>	13.54 <sup>i</sup>	15.90	22.00 <sup>j</sup>
<b>Payroll Tax</b>	(max.%)	—	—	—	2.15	1.95	4.26 <sup>j</sup>	—	—	—	2.00

Rates for other provinces known as at April 4, 2001.

<sup>a</sup> Quebec residents receive an abatement of 16.5% of federal tax in lieu of cash transfers to Quebec for several social programs, reducing the lowest and highest effective rates to 14.36% and 19.71%, respectively.

<sup>b</sup> These rates are effective April 1, 2001.

<sup>c</sup> This rate is reduced to 6% effective July 1, 2001.

<sup>d</sup> The Quebec corporate tax rate includes the basic rate of 8.9% plus the Youth Fund surtax of 1.6%.

<sup>e</sup> 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.

<sup>f</sup> The Quebec financial institutions capital tax includes the base rate of 1.28%, the Youth Fund surtax of 1.6%, and a compensatory tax of 0.25%.

<sup>g</sup> These provinces' sales taxes are harmonized with the federal GST and apply to a broader base than other provincial sales taxes.

<sup>h</sup> An additional 4 cents/litre is imposed in the greater Vancouver area, 2.5 cents/litre in Victoria and 1.5 cents/litre in Montreal.

<sup>i</sup> These provinces apply their retail sales taxes on top of this tax.

<sup>j</sup> There is an additional 2% compensatory tax on wages of financial institutions that is not included in this rate.

# Historical Consolidated Fiscal Summary, 1984-85 to 2003-04<sup>a</sup>

(millions of dollars)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	
	1984-85	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	
																		Forecast	Budget	Target	Target
<b>Revenue</b>																					
1	Personal income tax	1,457	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	3,967	4,077	4,658	4,924
2	Corporate income tax	828	780	396	595	697	700	803	731	637	854	1,073	1,332	1,407	1,848	1,659	1,255	1,978	1,974	1,599	1,471
3	School property tax	637	660	686	729	769	824	915	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,128	1,132	1,048	1,048	1,048
4	Other tax revenue	334	341	262	553	679	683	878	1,029	1,055	1,053	1,126	1,112	1,157	1,219	1,178	1,241	1,400	1,359	1,337	1,304
5	Natural resource revenue	5,229	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	10,479	7,536	5,111	4,584
6	Investment income	1,606	1,706	1,483	1,338	1,301	1,346	1,589	1,547	1,059	1,269	1,004	1,182	1,094	1,237	1,146	1,468	1,032	898	1,098	1,207
7	Alberta Municipal Financing Corporation	407	455	482	509	533	545	536	608	652	568	563	542	522	510	464	438	407	358	331	305
8	Other own-source revenue	1,099	1,111	959	1,407	1,662	2,022	1,615	1,566	2,319	2,710	2,832	2,506	2,540	2,951	3,013	3,252	3,247	3,345	3,467	3,547
9	Total own-source revenue	11,597	11,506	7,928	9,993	9,765	10,896	11,820	11,587	11,814	13,316	14,235	13,842	15,368	16,632	15,547	18,532	23,642	20,595	18,649	18,390
10	Federal transfers	1,686	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	1,751	2,078	2,026	2,078
11	<b>Total Revenue</b>	<b>13,283</b>	<b>13,294</b>	<b>9,617</b>	<b>11,905</b>	<b>11,900</b>	<b>12,839</b>	<b>14,185</b>	<b>13,737</b>	<b>14,271</b>	<b>15,406</b>	<b>16,164</b>	<b>15,590</b>	<b>16,719</b>	<b>17,815</b>	<b>16,882</b>	<b>20,172</b>	<b>25,393</b>	<b>22,673</b>	<b>20,675</b>	<b>20,468</b>
<b>Expense by Function<sup>b</sup></b>																					
12	Health	2,731	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	5,815	7,141	6,739	7,107
13	Basic and advanced education	2,783	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	5,045	6,066	5,665	5,754
14	Social services	1,051	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	1,794	1,934	2,028	2,085
15	Other program expense	5,245	6,798	5,778	5,195	5,111	5,357	5,772	5,527	6,058	5,197	4,324	3,840	3,541	3,820	3,984	4,720	5,534	5,691	4,490	4,217
16	Total program expense	11,810	13,873	13,353	12,698	13,110	13,840	14,735	15,052	16,176	15,123	13,480	12,756	12,768	13,834	14,409	16,425	18,188	20,832	18,922	19,163
17	Debt servicing costs	228	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	1,000	750	620	515
18	<b>Total Expense</b>	<b>12,038</b>	<b>14,055</b>	<b>13,650</b>	<b>13,270</b>	<b>13,907</b>	<b>14,955</b>	<b>16,017</b>	<b>16,366</b>	<b>17,595</b>	<b>16,777</b>	<b>15,226</b>	<b>14,439</b>	<b>14,230</b>	<b>15,156</b>	<b>15,788</b>	<b>17,381</b>	<b>19,188</b>	<b>21,582</b>	<b>19,542</b>	<b>19,678</b>
<b>Net Change in Capital Assets<sup>c</sup></b>																					
19	Capital investment	—	—	—	—	—	—	—	—	363	305	265	261	196	252	296	304	430	588	626	396
20	Capital amortization	—	—	—	—	—	—	—	—	(272)	(292)	(285)	(242)	(234)	(232)	(228)	(230)	(274)	(314)	(337)	(348)
21	<b>Net Increase (Decrease) in Capital Assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>91</b>	<b>13</b>	<b>(20)</b>	<b>19</b>	<b>(38)</b>	<b>20</b>	<b>68</b>	<b>74</b>	<b>156</b>	<b>274</b>	<b>289</b>	<b>48</b>
22	Alberta Heritage Science and Engineering Research Endowment Fund	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	500	—	—
23	<b>Surplus (Deficit)/Economic Cushion</b>	<b>1,245</b>	<b>(761)</b>	<b>(4,033)</b>	<b>(1,365)</b>	<b>(2,007)</b>	<b>(2,116)</b>	<b>(1,832)</b>	<b>(2,629)</b>	<b>(3,415)</b>	<b>(1,384)</b>	<b>958</b>	<b>1,132</b>	<b>2,527</b>	<b>2,639</b>	<b>1,026</b>	<b>2,717</b>	<b>5,549</b>	<b>817</b>	<b>844</b>	<b>742</b>
<b>Financial Assets (Debt)</b>																					
24	Net assets (debt) <sup>d,e</sup>	12,578	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	8,703	9,316	9,949	10,506
25	Pension obligations	(5,359)	(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)	(4,728)	(4,758)	(4,802)	(4,863)
26	<b>Total Net Assets (Net Debt)</b>	<b>7,219</b>	<b>6,317</b>	<b>1,159</b>	<b>(1,527)</b>	<b>(3,592)</b>	<b>(5,947)</b>	<b>(5,692)</b>	<b>(7,939)</b>	<b>(11,824)</b>	<b>(13,379)</b>	<b>(12,707)</b>	<b>(11,607)</b>	<b>(8,709)</b>	<b>(5,979)</b>	<b>(4,876)</b>	<b>(2,074)</b>	<b>3,975</b>	<b>4,558</b>	<b>5,147</b>	<b>5,643</b>
27	<b>Accumulated Debt<sup>f</sup></b>	<b>5,787</b>	<b>4,953</b>	<b>10,091</b>	<b>11,105</b>	<b>13,069</b>	<b>15,527</b>	<b>16,647</b>	<b>17,406</b>	<b>20,305</b>	<b>22,701</b>	<b>21,451</b>	<b>20,531</b>	<b>17,733</b>	<b>14,976</b>	<b>14,106</b>	<b>12,020</b>	<b>8,217</b>	<b>6,460</b>	<b>5,524</b>	<b>5,400</b>

<sup>a</sup> Numbers have been restated on a 2001-02 basis except as noted.<sup>b</sup> Beginning in 1996-97, valuation adjustments have been allocated by function. In prior years, all valuation adjustments were included in other program expense.<sup>c</sup> Prior to 1992-93 capital investment is included in total expense.<sup>d</sup> Excludes pension obligations. Net debt was increased by \$1,474 million in 1992-93 primarily for a provision for school construction debt; reduced by \$125 million in 1993-94 to record personal income tax and established programs financing entitlements on an accrual basis, and increased by \$32 million in 1995-96 to report some other revenues on accrual basis.<sup>e</sup> Assumes debt payment and increase in financial assets of: \$613 million in 2001-02, \$633 million in 2002-03, and \$557 million in 2003-04.<sup>f</sup> Includes cash set aside for future debt repayments.