

# FISCAL PLAN

**BUDGET**  
**2004**

**ON ROUTE**  
**ON COURSE**

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# Heading Toward Alberta's Second Century

*"We will enter our second century with the best fiscal record in the country, the lowest tax burden, and a track record on eliminating debt that is unmatched in Canada."*

**Premier Ralph Klein**  
**Televised Address**  
**February 4, 2004**

*Budget 2004* includes a vision for Alberta's second century and a twenty-year strategic plan to achieve that vision. This vision sees Alberta as a vibrant and prosperous province where Albertans enjoy a superior quality of life and are confident about the future for themselves and their children.

The strategic plan for achieving the vision is based on four key opportunities or pillars:

- unleashing innovation,
- leading in learning,
- competing in the global marketplace, and
- making Alberta the best place to live, work and visit.

Many of the building blocks for achieving our vision have been put in place over the last decade. More will be added with this year's budget. Over the coming years, we will continue to move forward. Not everything can be achieved at once, but we can move in the right direction with the right actions.

## 2004-07 Fiscal Plan

The sound fiscal policies of the last decade will continue. The 2004-07 Fiscal Plan will:

- balance the budget every year,
- bring us within striking distance of eliminating accumulated debt, and
- maintain \$2.5 billion in the Sustainability Fund to protect spending plans against revenue declines and other unforeseen events.

The Fiscal Plan will also advance the twenty-year strategic plan by:

- increasing funding for health and education, including Learning Commission recommendations,
- addressing infrastructure requirements with a three-year \$6.5 billion Capital Plan, and
- enhancing the Alberta Advantage by reducing corporate income tax rates, encouraging innovation, improving the quality of life of Albertans and strengthening communities.

Alberta will continue to have the strongest fiscal position of any government in Canada:

- Alberta is the only provincial government with net financial assets,
- Alberta has the lowest debt servicing costs as a percentage of total spending, and
- Alberta has the lowest tax burden.

*"We are within striking distance of eliminating Alberta's accumulated debt."*

**Pat Nelson**  
**Minister of Finance**  
**March 24, 2004**

*The budget has been balanced for the last ten years and will be balanced in each of the next three years.*

## FISCAL SUMMARY

The budget has been balanced for the last ten years and will be balanced in each of the next three years. Over \$22 billion will be provided to support the program priorities of Albertans, two-thirds of which will be for health and education. The Contingency Allowance available for in-year initiatives averages just under \$270 million a year, slightly above the minimum legislated requirement of 1% of revenue for fiscal policy purposes.

### Fiscal Summary

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
<b>Revenue</b>	25,338	22,952	23,342	23,589
<b>Expense</b>				
Program	21,731	22,286	22,809	23,079
Debt servicing costs	280	363	329	315
Total Expense	22,011	22,649	23,138	23,394
<b>Net Revenue</b>	<b>3,327</b>	<b>303</b>	<b>204</b>	<b>195</b>
Transfer from Capital Account <sup>a</sup>	416	741	425	—
Transfer from (to) Sustainability Fund	(3,608)	(784)	(356)	77
Other requirements <sup>b</sup>	(135)	—	—	—
<b>Contingency Allowance<sup>c</sup></b>	<b>—</b>	<b>260</b>	<b>273</b>	<b>272</b>

<sup>a</sup> Used to help pay for capital grants to local authorities.

<sup>b</sup> The net of retained income and capital cash requirements must be set aside and is not available for transfer to the Sustainability Fund.

<sup>c</sup> Budgeted Contingency Allowance must be equal to at least 1% of revenue for fiscal policy purposes (revenue less the resource revenue transfer to the Sustainability Fund).

*The amount of resource revenue that can be used for budget purposes will be increased from \$3.5 billion to \$4 billion.*

## SUSTAINABILITY FUND

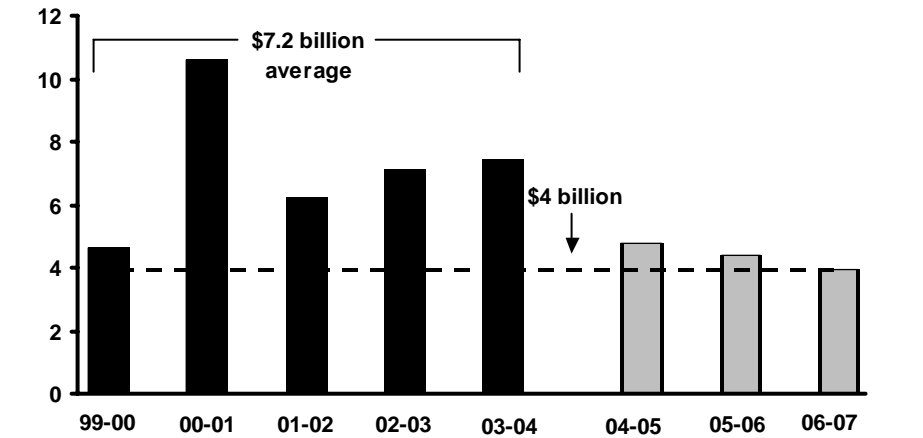
The Sustainability Fund was established last year to help protect operating and capital spending from short-term declines in revenue and the costs of emergencies, disasters and natural gas rebates. Sustainability Fund assets reached the \$2.5 billion target level in 2003-04.

Starting in 2004-05, the amount of non-renewable resource revenue that the government can use for budget purposes under the *Fiscal Responsibility Act* will be increased from \$3.5 billion to \$4 billion. Any resource revenue above \$4 billion and other net revenue higher than budgeted will continue to be transferred to the Sustainability Fund.

This change will free up \$500 million for priority spending in areas such as education and health. All indications are that resource revenue will continue to be strong enough to maintain the value of the Sustainability Fund at the \$2.5 billion target level. Resource revenue has averaged \$7.2 billion a year for the last five years, including \$7.4 billion in 2003-04. The government will continue to monitor medium-term trends in energy prices and will adjust the amount of resource revenue used for budget purposes if conditions change.

## Non-renewable Resource Revenue

(billions of dollars)



*Sustainability Fund maintained at \$2.5 billion target level.*

*Over the next two years, \$985 million will be reallocated for debt repayment and \$706 million for the Capital Account.*

*If revenue is higher than budgeted, additional dollars could be reallocated to debt repayment and the Capital Account.*

Over the next two years, \$1.1 billion is expected to be deposited into the Sustainability Fund from resource revenue in excess of \$4 billion. In addition, about \$600 million in cash will be deposited into the Fund, primarily from natural gas royalties accrued in 2003-04 but not received until 2004-05. These dollars are planned to be reallocated from the Sustainability Fund to the Debt Retirement Account and the Capital Account, leaving the Sustainability Fund balance at a minimum of \$2.5 billion for each of the next three years.

If revenue is higher than budgeted, additional dollars could be reallocated to debt repayment and the Capital Account. If there are costs to the Sustainability Fund from revenue shortfalls, emergencies and disasters, natural gas rebates or, starting in 2004-05, settlements with First Nations, the planned reallocations could be reduced.

## Sustainability Fund

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Assets at start of year	—	2,500	2,500	2,529
Transfer from (to) general revenues	3,608	784	356	(77)
Cash adjustments <sup>a</sup>	678	568	12	48
Assets prior to reallocation	4,286	3,852	2,868	2,500
Reallocation to				
Debt Retirement Account	893	726	259	—
Capital Account	893	626	80	—
<b>Assets at end of year</b>	<b>2,500</b>	<b>2,500</b>	<b>2,529</b>	<b>2,500</b>

<sup>a</sup> Cash adjustments primarily reflect timing differences between when natural gas royalties are accrued and the cash is received.

*Over the next three years, the Capital Account will provide nearly \$1.2 billion for capital grants to local authorities and \$720 million for government-owned capital projects.*

## CAPITAL ACCOUNT

The Capital Account was established in 2002-03 to provide more flexibility in capital spending. Funds can be deposited into the Capital Account in one year and carried forward to following years to pay for capital projects. The Capital Account is one of the two new ways, along with alternative financing, of funding capital projects under the new fiscal framework adopted in *Budget 2003*.

The Capital Account provides about 30% of the funding for the \$6.5 billion Capital Plan in 2004-07. Over the next three years, nearly \$1.2 billion is expected to be used for capital grants to local authorities and \$720 million for government-owned capital projects.

### Capital Account

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Assets at start of year	910	1,180	718	187
Allocations from Sustainability Fund	893	626	80	—
Use of Capital Account				
Capital grants to local authorities	(416)	(741)	(425)	—
Government-owned capital	(207)	(347)	(186)	(187)
<b>Assets at end of year</b>	<b>1,180</b>	<b>718</b>	<b>187</b>	<b>—</b>

## DEBT REPAYMENT

The province is on the verge of eliminating accumulated debt. By the end of 2003-04, accumulated debt will be less than \$5 billion and over \$1.2 billion will be in the Debt Retirement Account to repay debt as it matures in future years. This reduces accumulated debt, net of cash set aside, to \$3.7 billion at the end of 2003-04.

### Accumulated Debt

(millions of dollars)

	2002-03 Actual	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Debt at start of year	8,416	6,746	4,955	3,466	2,729
Repayment of debt maturities	(1,670)	(1,791)	(1,489)	(737)	—
Debt at end of year	6,746	4,955	3,466	2,729	2,729
Less: Debt Retirement Account	2,010	1,241	478	—	—
<b>Debt less cash set aside</b>	<b>4,736</b>	<b>3,714</b>	<b>2,988</b>	<b>2,729</b>	<b>2,729</b>

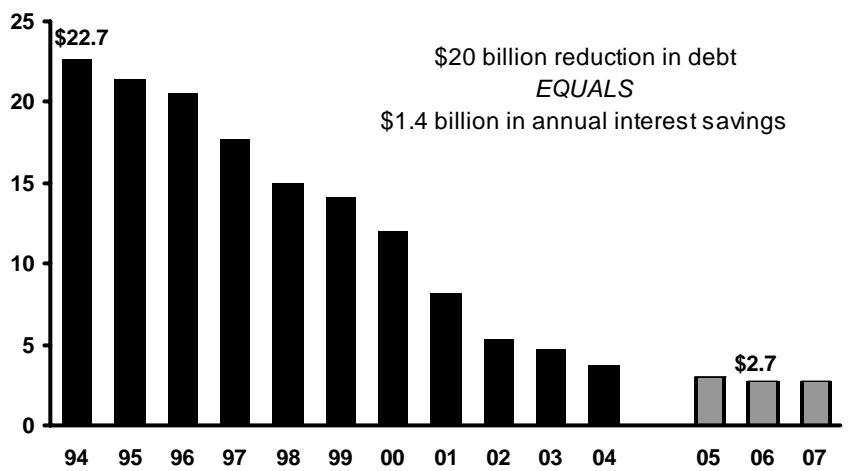
*Accumulated debt will be cut to \$2.7 billion by the end of 2005-06, down nearly 90% from 1993-94.*

Planned allocations for debt repayment of close to \$1 billion over the next two years will reduce accumulated debt to \$2.7 billion by the end of 2005-06. Accumulated debt will have been cut by \$20 billion, or nearly 90%, from the peak in 1993-94. If resource revenue is stronger than assumed, the province may be able to eliminate the remaining accumulated debt in the next few years.

Annual debt servicing costs have fallen from over \$1.7 billion in 1994-95 to \$363 million in 2004-05 and are expected to fall to \$315 million by 2006-07. The \$1.4 billion in annual savings has been reinvested in Albertans' priorities.

### Accumulated Debt

at March 31  
(billions of dollars)



*\$1.4 billion annual saving in interest costs has been reinvested in Albertans' priorities.*

# Enhancing Alberta's Tax Advantage

Albertans and Alberta businesses pay, by far, the lowest overall taxes in Canada. This benefits Albertans directly by leaving more money in their hands to spend on their own priorities. Our tax advantage also enables Alberta to compete in the global marketplace for new investment and high quality jobs.

Alberta's tax advantage will be enhanced in 2004-05:

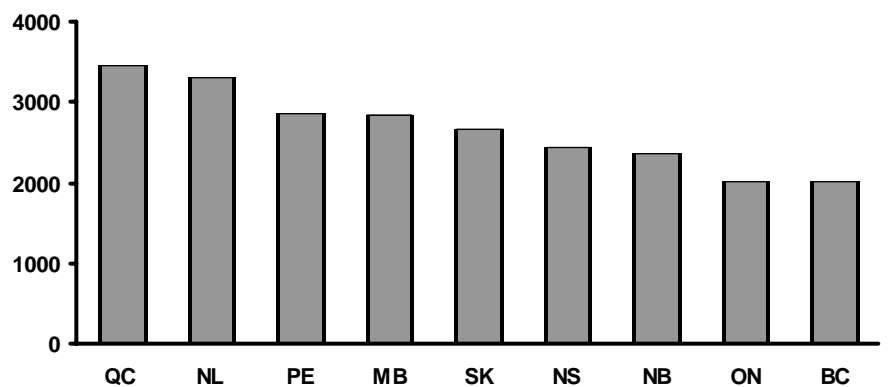
- Indexing of Alberta's 10% single-rate personal income tax system to protect against inflation will continue in 2004, saving Albertans about \$150 million this year.
- On April 1, the general corporate income tax rate will be cut from 12.5% to 11.5% and the small business rate will be cut from 4% to 3%, saving Alberta businesses \$142 million in 2004-05. This completes the planned reductions to the small business rate. Further reductions to the general rate, toward the target of 8%, will proceed as affordable.
- School property tax rates will be cut by about 2.3% in 2004, saving Albertans and Alberta businesses about \$20 million. Rates will be cut to \$5.44 for residential and farm property and \$7.99 for non-residential property per \$1,000 of assessment. This is the eleventh consecutive year that rates have been either frozen or reduced.

*On April 1, the general corporate income tax rate will be cut from 12.5% to 11.5% and the small business rate will be cut from 4% to 3%.*

Alberta will remain the only province with no general retail sales tax. Alberta's total tax advantage for individuals and businesses will increase to about \$2,000 per person over the next lowest province, British Columbia.

## Alberta Tax Advantage

(dollars per capita)



*Alberta's tax advantage is over \$2,000 per capita.*

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



## Program and Capital Priorities

Albertans have told us that they want:

- further improvements to their world-class learning system,
- a quality health system that is sustainable,
- modern and efficient infrastructure, and
- the Alberta Advantage enhanced by encouraging innovation, improving their quality of life and strengthening communities.

*Budget 2004* responds to Albertans' priorities. Program expense will increase to \$22.3 billion in 2004-05 and \$23.1 billion by 2006-07.

**Learning** program spending will increase by \$284 million, or 5.7%, to \$5.3 billion in 2004-05 and reach \$5.7 billion by 2006-07. Increased funding will give school boards flexibility to address the supported recommendations of the Learning Commission, based on local priorities. In the post-secondary system, new spaces will be created for high-priority programs and student assistance will be increased.

**Health and Wellness** program spending will increase by \$618 million, or 8.4%, to \$8 billion in 2004-05 and reach nearly \$8.8 billion by 2006-07. Actions will continue to improve and reform health care by expanding use of information technologies, improving ground ambulance services and enhancing primary care.

**Other ministries'** program spending will total \$9 billion in 2004-05. Increases are being provided for priority areas, including policing, seniors, children and capital grants to local authorities.

The **2004-07 Capital Plan** will directly support \$6.5 billion in capital asset acquisition, upgrading and rehabilitation, an increase of about \$900 million from the 2003-06 Capital Plan. Over the next three years, the Capital Plan will support capital spending of:

- \$2.7 billion for the provincial highway network and municipal transportation grants,
- \$1.1 billion for health facilities and equipment,
- \$1.1 billion for schools and post-secondary facilities, and
- \$1.6 billion for other capital.

Alberta's commitment to addressing infrastructure needs is, by far, the strongest of any government in Canada.

*\$22.3 billion for Albertans' program priorities.*

*Learning program spending will increase by 5.7% to \$5.3 billion in 2004-05.*

*Health and Wellness program spending will increase by 8.4% to \$8 billion in 2004-05.*

*The 2004-07 Capital Plan will directly support \$6.5 billion in capital projects and equipment.*

## Program and Capital Spending

(millions of dollars)

	2002-03 Actual	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Program expense	20,053	21,731	22,286	22,809	23,079
Debt servicing costs <sup>a</sup>	476	280	363	329	315
<b>Total Expense</b>	<b>20,529</b>	<b>22,011</b>	<b>22,649</b>	<b>23,138</b>	<b>23,394</b>
<b>Capital Plan<sup>b</sup></b>	<b>997</b>	<b>1,640</b>	<b>2,393</b>	<b>2,223</b>	<b>1,842</b>

<sup>a</sup> The sudden appreciation of the Canadian dollar in 2003-04 resulted in foreign exchange valuation adjustment savings, significantly reducing debt servicing costs in that year.

<sup>b</sup> Capital Plan includes capital grants to local authorities and highway planning and rehabilitation costs, which are also reported in program expense.

## Program Priorities

*Program expense will increase by 2.6% in 2004-05.*

Program expense will increase by 2.6% in 2004-05. Excluding expense for capital purposes and the 2003-04 funding for disasters, emergencies and natural gas rebates, the increase in base operating spending is 6.1%, or \$1.2 billion, this year. This is the increase being provided for ongoing operating costs of new and existing government programs. Over the next three years, base operating expense is targeted to increase by \$2.7 billion.

Expense for capital purposes includes capital grants to local authorities, highway planning and rehabilitation, and amortization of provincial government-owned capital assets. Capital expense increases by over \$500 million in 2004-05, primarily due to an increase in capital grants to school boards, post-secondary institutions and health authorities. Capital expense declines in the following two years, in part due to alternative financing of some local authority projects. Only the cost of financing, not the value of these projects, is reported in expense.

Capital grants are primarily provided by the Infrastructure and Transportation ministries. Further details are contained in the Capital Plan section.

## Program Expense

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target	3-year Change
Base operating expense	19,156	20,316	21,208	21,831	2,675
Expense for capital purposes <sup>a</sup>	1,444	1,970	1,601	1,248	(196)
Sustainability Fund transfers for					
Emergencies and disasters	915	—	—	—	(915)
Natural gas rebates	216	—	—	—	(216)
<b>Total Program Expense</b>	<b>21,731</b>	<b>22,286</b>	<b>22,809</b>	<b>23,079</b>	<b>1,348</b>
Percentage increase					
Base operating expense		6.1	4.4	2.9	14.0
Total program expense		2.6	2.3	1.2	6.2

<sup>a</sup> Includes capital grants to local authorities, highway planning and rehabilitation, and capital amortization. Does not include capital investment in government-owned capital assets and the value of alternatively financed capital projects of local authorities.

## LEADING IN LEARNING

Excellence in learning continues to be a top priority of Albertans. Achieving Alberta's vision for the future will require well-educated, skilled and adaptable citizens.

### BASIC LEARNING (KINDERGARTEN TO GRADE 12)

Total ongoing support for basic learning will increase by \$216 million, or 5.8%, to \$3.9 billion in 2004-05. By 2006-07, support will reach \$4.3 billion, an increase of \$607 million, or 16.4%, over the next three years. This includes support for public and separate school boards, private schools, student health, the Alberta Initiative for School Improvement, the Learning Resources Centre and teachers' pensions.

*Work is underway to implement 86 supported Learning Commission recommendations.*

#### Alberta's Commission on Learning

Alberta's Commission on Learning made 95 recommendations, setting out new directions and specific actions. The government is supporting 86 of the recommendations, including:

- class-size guidelines,
- greater emphasis on physical activity and wellness, fine arts and second-language learning, and
- an increased focus on supporting Aboriginal students and students with special needs.

Work with stakeholders to develop and execute implementation plans for these recommendations has already begun and more will be done over the next five years. Three recommendations – establishing junior kindergarten and full-day kindergarten programs, and implementing a new collective bargaining process – remain under review.

*Ongoing support to school boards will increase by 6% to \$3.4 billion in the 2004-05 fiscal year.*

#### Support to School Boards

In the 2004-05 fiscal year, ongoing support to public and separate school boards will increase by \$189 million, or 6%, to \$3.36 billion. The increase will be funded, in part, by drawing down the net assets of the Alberta School Foundation Fund from \$66 million to \$30 million. In 2003-04, the government provided a \$20 million one-time allocation for school boards to purchase classroom resources.

In November 2003, an in-year funding increase was provided to school boards to address immediate needs identified by the Commission. This Learning funding increase is annualized in 2004-05.

A new funding framework will be fully implemented in September 2004, as recommended by the Commission. Under the new funding framework, increases to school boards will vary based on their individual needs and circumstances. Boards will have increased flexibility to address local priorities, including student needs and class size. Coupled with the increased flexibility is increased accountability for achieving expected outcomes.

By 2006-07, ongoing support to public and separate school boards will reach \$3.7 billion, a three-year increase of \$532 million, or 16.8%. No general enrolment growth is expected over the next three years. The rate of increase in funding exceeds the expected rate of inflation and other volume increases, providing school boards with flexibility to address the government-supported recommendations of the Learning Commission.

### Other Basic Learning Support

Other basic learning support will increase by \$27 million, or 5.3%, to \$545 million in 2004-05, consisting of:

- teachers' pensions – by \$16.2 million, or 6.3%, to \$275 million,
- student health services – by \$4.4 million, or 13.3%, to \$37 million,
- private schools – by \$4.4 million, or 3.7%, to \$121 million, and
- other programs, including the Learning Resources Centre and the Alberta Initiative for School Improvement – by \$2.3 million, or 2.1%, to \$112 million.

Other basic learning support will increase to \$593 million by 2006-07.

### Support for School Facilities

\$636 million in school capital projects will be supported over the next three years through the Ministry of Infrastructure. Infrastructure also provides about \$350 million a year for the operation and maintenance of school facilities.

*\$636 million for school capital over the next three years.*

## Basic Learning

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Ongoing support to school boards	3,175	3,364	3,535	3,707
Teachers' pensions and other support	518	545	567	593
Ongoing basic learning support	3,693	3,909	4,102	4,300
Classroom resources (one-time initiative)	20	—	—	—
<b>Basic Learning</b>	<b>3,713</b>	<b>3,909</b>	<b>4,102</b>	<b>4,300</b>

## ADULT LEARNING

A new legislative framework is in place that will guide the adult learning system into the future. The *Post-Secondary Learning Act* and significant investments in adult learning will make the adult learning system more adaptable and seamless.

### Support to Post-Secondary Institutions

In 2004-05, ongoing operating funding to post-secondary institutions will increase by \$85 million, or 7.5%, to \$1.22 billion. This excludes \$40 million in one-time allocations for performance, and operations and maintenance provided in 2003-04.

*Ongoing operating funding to post-secondary institutions will increase by 7.5% to \$1.2 billion in 2004-05.*

Base operating grants will increase by 4% this year. In addition, increased funding is being provided through the Access Fund to create up to 2,000 new spaces over four years for priority programs, and to enhance apprenticeship programs. Funding will also be provided to support the merger of the University of Alberta and Augustana University College in Camrose.

*About 27,700 students will receive scholarships.*

### Student Assistance

Funding for scholarships, bursaries and grants to students will increase by \$6.2 million, or 10.9%, to \$63 million in 2004-05. About 27,700 students will receive scholarships.

Alberta expects to disburse \$97 million in student loans in 2004-05. Loan limits for students in Law, Medicine and MBA programs will increase. The Alberta Student Loan Relief Benefit and the Loan Relief Completion Payment will reduce the debt of students in their first and final years of study by about \$39 million.

*New Alberta Centennial Education Savings Plan.*

### Alberta Centennial Education Savings Plan

Alberta will make a significant new investment to encourage parents to save for their children's education and help students pay the future costs of a post-secondary education. Beginning on January 1, 2005, the new Alberta Centennial Education Savings Plan will provide a one-time \$500 contribution to a Registered Education Savings Plan (RESP) for each child born to, or adopted by, an Alberta family. An additional \$100 will be provided to an RESP for children attending school in Alberta at ages 8, 11, and 14, starting with children born in 2005. The first \$100 grants will be issued in 2013.

*\$416 million for post-secondary capital over the next three years.*

### Support for Post-Secondary Facilities

\$416 million in post-secondary capital projects will be supported over the next three years through the ministries of Infrastructure and Revenue.

## Adult Learning

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Support to post-secondary institutions	1,135	1,220	1,239	1,267
Support to post-secondary learners	99	106	108	109
Student loan provision	58	60	67	67
Centennial Education Savings Plan	—	4	20	20
Net one-time <sup>a</sup>	5	—	—	—
<b>Adult Learning</b>	<b>1,297</b>	<b>1,390</b>	<b>1,434</b>	<b>1,463</b>

<sup>a</sup> In 2003-04, \$40 million in one-time support was provided to post-secondary institutions. This was mostly offset by a one-time \$35 million reduction in the statutory provision for student loans to reflect a revaluation of the liability recorded in prior years.

*Program spending by the Ministry of Learning will increase by \$284 million, or 5.7%, to \$5.3 billion in 2004-05.*

## TOTAL MINISTRY PROGRAM SPENDING

In total, program spending by the Ministry of Learning will increase by \$284 million, or 5.7%, to almost \$5.3 billion in 2004-05. By 2006-07, Learning's program spending will exceed \$5.7 billion, a \$734 million, or 14.7% increase over the next three years. This excludes school property tax revenue for opted-out school boards, which is expected to grow from \$161 million in 2003-04 to \$171 million in 2004-05 and \$190 million by 2006-07.

## Ministry of Learning

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Basic learning support	3,713	3,909	4,102	4,300
Adult learning support	1,297	1,390	1,434	1,463
Program delivery/support services	139	144	146	149
Total learning support	5,149	5,443	5,682	5,912
Opted-out boards' property tax revenue	(161)	(171)	(181)	(190)
<b>Ministry of Learning Program Spending</b>	<b>4,988</b>	<b>5,272</b>	<b>5,501</b>	<b>5,722</b>
Annual increase		284	229	221
Percentage increase		5.7	4.3	4.0

*Actions are required to make Alberta's health system sustainable.*

## A SUSTAINABLE HEALTH SYSTEM

Albertans expect to have access to quality health care when they need it. The costs of meeting this expectation have been rising rapidly. Health care costs will continue to rise as Alberta's population grows and ages, and as new, expensive technologies and drugs are introduced. Actions are required to make Alberta's health system sustainable.

## A MORE EFFECTIVE AND EFFICIENT HEALTH SYSTEM

Steps are continuing to utilize health care dollars as effectively and efficiently as possible. Key initiatives include:

- Local primary-care physician groups will start to manage access to primary care 24 hours a day, seven days a week, in communities across the province.
- Alternative payment plans will allow academic physicians to spend more time with their patients and the medical students they are training.
- Use of electronic health records is being expanded to allow health professionals quicker access to health records.
- Advances in information technology and management are allowing for expansion of tele-health services to more areas, providing rural residents and their physicians with greater access to specialists' advice in their communities.

- Governance and funding responsibility for ground ambulance services will be shifted from municipalities to health regions over the next two years so ambulance services can be better integrated with services provided by health regions.

*Almost 50 cents of every dollar in increased program spending has gone to health over the last nine years.*

### **FISCAL CHALLENGES IN HEALTH CARE**

These initiatives are important but more fundamental changes will be required. An ever-increasing share of provincial spending has been going to health care. Over the last nine years, program spending on health has more than doubled, with health receiving almost 50 cents of every dollar in increased government program spending. This has resulted in health's share of total program spending increasing from 30% in 1995-96 to 38% in 2004-05.

This rate of increase is not sustainable. Alberta, like every other province in Canada, is facing hard decisions about health care services and how they should be funded. We have as much at stake as other provinces in developing a sustainable health system.

Serious discussions with the federal government and other provinces about health reform are needed. At their Council of the Federation meeting in February, Premiers directed Ministers of Health and Finance to identify, by July, challenges and opportunities relating to health care reform and sustainability. Federal, Provincial and Territorial First Ministers will meet later this year on health care. These discussions must lead to concrete actions.

Alberta will not wait if other governments are not ready to act. We are willing to act on our own. Albertans can expect to hear more this year about new ways of sustaining the health care system.

*Program spending by the Ministry of Health and Wellness will increase by 8.4% to \$8 billion in 2004-05.*

### **HEALTH AND WELLNESS SPENDING**

Program spending by the Ministry of Health and Wellness will increase by \$618 million, or 8.4%, to \$8 billion in 2004-05. For the following two years, spending will rise by 5.7% and 3.8%. By 2006-07, program spending will be nearly \$8.8 billion, a three-year increase of \$1.4 billion, or 18.9%.

#### **Health Authorities**

The largest component of health spending is support to health authorities. In 2003-04, most of the health authorities depleted their accumulated surpluses to pay for services they considered essential. To continue and expand these services where needed, provincial funding for the health authorities will increase by \$390 million, or 8.4%, to \$5 billion in 2004-05. This includes support for specialized services like heart surgeries, hip replacements and psychogeriatric care provided centrally for the whole province. Funding increases of 4.6% in 2005-06 and 4.9% in 2006-07 are planned for health authorities.

*Funding for the health authorities will increase by 8.4% in 2004-05.*

## Other Spending Highlights

The Ministry's 2004-05 budget also provides:

- over \$1.5 billion for physician services, an increase of \$67 million, or 4.6%, to implement the agreement with the Alberta Medical Association,
- \$532 million for non-group health benefits, an increase of \$76 million, or 16.7%, largely for volume and cost increases of drug benefits provided to seniors,
- \$66 million for the Alberta Alcohol and Drug Abuse Commission, an increase of \$5 million, or 8%, including \$3 million to enhance programs to prevent problem gambling and alcohol abuse, expand treatment capacity and undertake more research, and
- \$3 million for the West Nile Virus initiative on top of the \$4 million provided late in 2003-04.

*\$3 million for the West Nile Virus initiative on top of the \$4 million provided late in 2003-04.*

## HEALTH CAPITAL PLAN

The 2004-07 Capital Plan will support \$1.1 billion in health capital projects and information technology systems over the next three years, including \$163 million for new projects. Funding is primarily provided through the Ministry of Infrastructure.

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## Health and Wellness

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Program expense	7,378	7,996	8,450	8,772
Annual increase		618	454	322
Percentage increase		8.4	5.7	3.8

## THE BEST PLACE TO LIVE, WORK AND VISIT

### STRONG AND SAFE COMMUNITIES

*Budget 2004* will strengthen Alberta's rural and urban communities:

- a new funding model for policing will be introduced,
- ground ambulance services will be restructured and provincial funding increased,
- a new rural development strategy will be introduced,
- community, historic and cultural facilities are being upgraded as part of the province's centennial celebration,
- municipalities and local community organizations will receive over \$1.2 billion in capital grants over the next three years for transportation, water and wastewater management, and other infrastructure, and
- interest-free loans will continue to be available to municipalities to improve energy efficiency.

*Budget 2004 will strengthen Alberta's rural and urban communities.*



*A new funding model for policing will be implemented on April 1, 2004.*

## **Policing**

In response to the MLA Review of Policing, provincial support for policing will increase by \$58 million, or 50%, to \$174 million in 2004-05. The increase includes \$16.5 million reallocated from the existing Unconditional Municipal Grant program.

A new funding model for policing will be implemented on April 1, 2004:

- Municipalities with populations under 5,000 will no longer pay for policing. Increasing the population threshold from 2,500 to 5,000 means that 20 additional municipalities will no longer pay for policing. The additional cost to the provincial government will be \$9 million.
- A new policing grant of \$16 per capita will be introduced for municipalities required to pay for policing, providing \$37 million in assistance.
- Only municipalities that pay for policing will be entitled to receive provincial fine revenue. Planned legislation will implement this change for 2005-06.

New funding of \$12 million in 2004-05 will maintain the current RCMP complement of provincial police service officers in Alberta, support the integrated response to organized crime, enhance crime prevention and restorative justice programs, increase funding for First Nations policing, and address other critical policing issues and the MLA recommendations.

## **Ambulance Services**

Governance and funding responsibility for ground ambulance services will be shifted from municipalities to health regions. This will improve the coordination of ground ambulance services with health authority services, particularly in rural areas.

In 2004-05, \$13 million has been set aside to begin this change. In 2005-06, funding will rise to \$55 million per year as ground ambulance services are integrated with regional health services. This will free up municipal tax dollars for other uses.

*Governance and funding responsibility for ground ambulance services will be shifted from municipalities to health regions.*

## **Celebrating Alberta's Centennial**

Alberta will celebrate its centennial in 2005. To mark this occasion, the government is providing \$225 million for centennial projects, primarily to construct and upgrade community, historic and cultural facilities. \$109 million has been provided over the last four years to start planning and construction. The remaining \$116 million will be allocated primarily in 2004-05 and 2005-06.

- Centennial Legacy Grants and Centennial Legacy Partnerships are providing a total of \$113 million to assist municipalities and not-for-profit groups in constructing or renovating major public facilities, such as museums, pools, arenas, community centres, parks and theatres, and for other smaller projects.

*\$225 million for centennial projects.*

- \$106 million is being provided to upgrade community, historic and cultural facilities owned by the provincial government, including the Jubilee Auditoria, the Provincial Museum, the Provincial Archives and the Royal Tyrrell Museum. The Jubilee Auditoria friends societies contributed \$12 million to the Auditoria projects.
- \$6 million is being provided for recognition, awareness and celebratory activities, including a Royal visit.

### **Municipal Energy Efficiency Assistance Program**

The *ME first!* program, introduced in September 2003, is providing \$100 million in interest-free loans to Alberta municipalities for energy efficiency improvements.

### **HELPING ALBERTANS**

Alberta will continue to provide fair and compassionate programs to those who need support. Over 10% of the budget, or \$2.4 billion, will be allocated in 2004-05 for social service programs, an increase of \$103 million or 4.5%.

### **Services for Children**

Protecting and supporting children and strengthening families are vital investments in Alberta's future. Children's Services spending will increase by \$33 million, or 4.6%, to \$742 million in 2004-05, and will reach \$784 million by 2006-07, an increase of 10.5% over the next three years.

New legislation will be implemented. The *Child, Youth and Family Enhancement Act* will provide greater accountability for the safety and well-being of children under government protection. The *Family Support for Children with Disabilities Act* will provide greater assurance that children with disabilities will receive appropriate services based on their assessed needs. Services for children with disabilities will receive a 25% funding increase over the next three years.

Programs that promote the development and well-being of children, youth and families will also be strengthened:

- Early intervention programs will continue, including an additional \$3 million for Fetal Alcohol Syndrome programs.
- \$10 million will be provided for new parent resource centres to assist parents in providing a healthy start for their children.
- Funding for family violence prevention programs will increase by 60% over the next three years. A new comprehensive, community-based provincial response to family violence will be developed based on information and recommendations from a series of regional workshops, which will culminate in a Roundtable on Family Violence and Bullying in May.
- In addition, the Alberta Works program of Human Resources and Employment will provide financial assistance to help people fleeing family violence make a fresh start.

*Over 10% of the budget will be allocated for social service programs.*

*Children's Services spending will increase by 4.6% to \$742 million in 2004-05.*

*The Maintenance Enforcement Program will be strengthened.*

The Maintenance Enforcement Program of the Ministry of Justice will be strengthened to increase the collection rate on behalf of Alberta children registered under the program. More financial disclosure will be required, deterrent penalties will be introduced, the issuance of hunting, fishing and professional licences will be restricted, lottery winnings will be applied to payments, and locked-in retirement accounts will be accessed.

### **Persons with Disabilities**

An Office for Disability Issues will be established to encourage greater cross-government coordination and more effective planning of programs for Albertans with disabilities, promote positive attitudes toward persons with disabilities, and raise awareness of disability issues. The Premier's Council on the Status of Persons with Disabilities will provide expert advice to the Office.

Funding for the Assured Income for the Severely Handicapped (AISH) program will increase by \$20 million, or 5.3%, to almost \$394 million in 2004-05, and will reach \$433 million by 2006-07, an increase of 16% over the next three years. The increases will accommodate rising caseloads and health benefit costs.

Funding for Persons with Developmental Disabilities will increase by \$25 million, or 5.6%, to \$468 million in 2004-05, and will reach \$497 million by 2006-07, an increase of 12% over the next three years. Increases are being provided for rising caseloads and costs.

### **Seniors**

About \$11 million will be added to the Alberta Seniors Benefit for expected increases in the number of eligible seniors and the full-year cost of assistance with the August 1, 2003 increase in long-term care accommodation rates.

The budget also includes \$10 million per year to enhance support for seniors, the details of which will be announced in the near future.

### **Low-income Albertans**

A new program, Alberta Works, will integrate income support, employment and training services, health benefits and child support services. The new structure will improve coordination of benefits and services for low-income Albertans who need support to find a job or meet their basic needs.

The Alberta Child Health Benefit and the Adult Health Benefit are part of Alberta Works. These programs provide health benefits to children in low-income families, qualified adults leaving income support programs for training or work and qualified former AISH recipients. Funding will increase by \$11 million or 44% over the next three years.

The Alberta Family Employment Tax Credit will continue to assist low and middle income working families with refundable tax credits of up to \$500 per child, to a maximum of \$1,000 per family.

Provincial funding in the Capital Plan under the Canada/Alberta Affordable Housing Agreement has been increased to support the construction of rental accommodation that is more affordable to lower income Albertans.

*Increased funding for seniors' programs.*

*Funding for the Alberta Child Health Benefit and Adult Health Benefit will increase by 44% over the next three years.*

## COMPETING IN THE GLOBAL MARKETPLACE

The Alberta Advantage is based on low taxes, safe and efficient regulatory systems, and highly productive businesses and workers. We will continue to help Alberta industries adjust to international and national developments.

### Alberta's Agriculture Industry

The last four years have been difficult for Alberta farmers and ranchers. Consecutive years of drought, coupled with the temporary closure of borders to live cattle and beef, have created serious hardships.

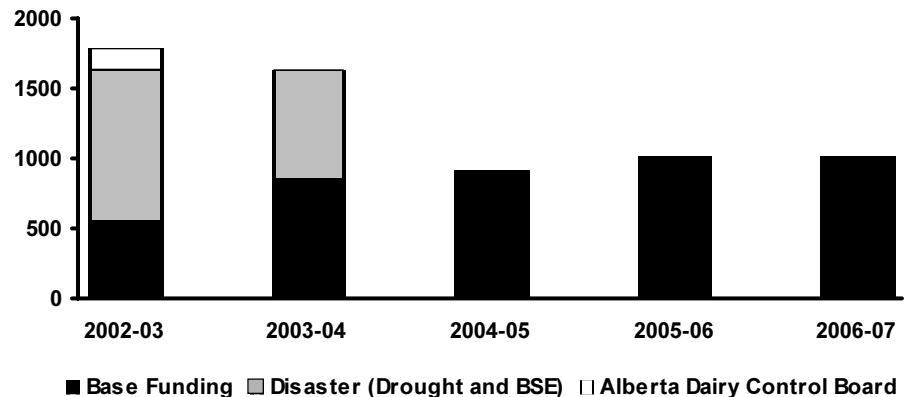
The government has responded with farm income and Bovine Spongiform Encephalopathy (BSE) assistance, and enhanced crop insurance programs. In 2003-04, \$776 million was provided for one-time disaster payments to the agriculture sector in response to the temporary border closures. The cost of this assistance was partially offset by increased federal agriculture transfers.

*The base budget of Agriculture, Food and Rural Development will increase by 19% to over \$1 billion by 2006-07.*

Agriculture, Food and Rural Development's base budget has also been increased. In 2003-04, an increase of over 50% was provided primarily for safety-net programs. Over the next three years, the base budget will increase by a further 19% to over \$1 billion by 2006-07. Part of the spending increase will be offset by increased federal contributions.

### Agriculture Programs

(millions of dollars)



*Enhanced safety-net programs will continue to provide assistance.*

Enhanced safety-net programs will continue to provide assistance when required. The new five-year federal/provincial/territorial Agricultural Policy Framework agreement focuses on:

- risk management for the agriculture and food industry,
- food safety surveillance and monitoring,
- environmental planning and management,
- farm-sector change management, and
- science and innovation investment.

Alberta producers will be able to protect against drops in farming income through the new Canadian Agricultural Income Stabilization program. This whole-farm program is available to eligible farmers and ranchers regardless of the commodities they produce.

As part of the plan to increase animal health surveillance, the Capital Plan provides \$11 million over 2003-04 and 2004-05 to construct a level III biocontainment laboratory. This will allow for testing tissue samples for suspected cases of transmissible spongiform encephalopathies.

### **Income Trusts and Unlimited Liability Corporations**

Income trusts are becoming a significant part of Alberta's business sector and another source of investment in Alberta. Long established in the resource sector, income trusts are increasing in popularity and are now being used in other sectors of the economy. By transforming themselves into income trusts, companies can significantly reduce, or entirely eliminate, their corporate income taxes. Instead, they flow their income directly to investors, who then may pay personal income taxes on the income.

Market opportunities for income trusts have increased and the industry is growing throughout Canada. Income trusts provide for the distribution of the available cash flow to the investor while retaining liability in the operating entity. The trust sector has asked several provincial governments to pass legislation explicitly confirming the limited liability provided to investors. This legislation would likely increase the potential for investment by institutional investors, including pension funds.

The introduction of unlimited liability corporations would also enhance Alberta's reputation as a business-friendly jurisdiction. Nova Scotia is currently the only jurisdiction in Canada where an unlimited liability corporation can be incorporated.

Alberta will introduce legislation this fiscal year to deal with income trusts and unlimited liability companies.

### **Other Competitiveness Initiatives**

- An Alberta Office will be opened in Washington, D.C. to advance the province's economic and policy interests and expand Alberta's contacts with top American decision-makers.
- Ongoing funding for tourism marketing and development will be increased to \$24 million a year.
- In response to the success of Alberta's film industry, an extra \$1 million of in-year funding was added to the Film Development Program in 2003-04, increasing funding to \$11 million. Funding will continue at this enhanced level for the next three years.
- Climate change and the potential impact of the Kyoto Protocol on Alberta remain priorities. Funding of Alberta's Climate Change Action Plan will increase to \$13 million in 2005-06.
- Funding for consultations with Aboriginal peoples about land use issues will be increased to \$10 million per year.

*Tourism funding increased to \$24 million a year.*

*Funding for consultations with Aboriginal peoples about land use issues will increase to \$10 million per year.*

## UNLEASHING INNOVATION

Maintaining our strong economy requires creating new opportunities by applying knowledge and technology. We must also manage our resources wisely to maximize the benefits for current and future generations of Albertans.

*Spending by Alberta's research endowment funds will increase by 16% to \$72 million in 2004-05.*

### Research and Innovation

- **Research endowment funds** – Alberta's endowment funds will continue to support medical research and science and engineering research. Spending by the two funds is expected to increase by \$10 million, or 16%, to \$72 million in 2004-05 and reach \$76 million by 2006-07.
- **Innovation Program** – Future success in both the public and private sector will increasingly depend on the ability to innovate. A new Innovation Program will be established to help develop innovative ideas and initiatives that improve service delivery to Albertans or encourage innovation in the Alberta economy. The program will provide transitional funds, not long-term assistance. Funding will be \$7 million in 2004-05, growing to \$15 million in 2006-07.
- **Alberta Energy Innovation Strategy** – Alberta will continue to lead the way in energy innovation and research. Public and private sector partners from across Canada and around the world will be linked to develop innovations in priority areas such as oil sands upgrading, clean coal technology, water resource management, enhanced conventional oil and gas recovery, alternative energy sources and greenhouse gas emission reduction through carbon dioxide management.
- **ICT Institute** – An ICT Institute will be developed to guide research and innovation and increase Alberta's expertise in information and communications technology.
- **Life Sciences Institute** – The Life Sciences Strategy will continue to be implemented. A Life Sciences Institute will be created to link, coordinate and encourage cross-sector research and development in areas such as agriculture, environment, forestry, health, bioenergy and water.
- **Prion Research** – The government will work toward cooperative research in prion sciences, with an initial focus on BSE.
- **Alberta SuperNet** – The SuperNet will provide access to high-speed broadband networks for 422 communities and about 4,200 schools, health facilities, libraries and government facilities across Alberta. The project is expected to be substantially completed in 2004-05.

*The SuperNet will provide access to high-speed broadband networks for 422 communities across Alberta.*

*Implementation of the water strategy will begin.*

### Water Strategy

The government worked with Albertans to develop a comprehensive strategy to effectively manage the province's limited water resources. To begin implementation of the *Water for Life: Alberta's Strategy for Sustainability*:

- Increased funding of \$5 million per year is being provided for various activities, including creation of a Provincial Water Advisory Council, enhancement of drinking water quality and safety programs, improved watershed planning and management, and collection and analysis of data.
- The Capital Plan includes a \$41 million increase over the next three years for water and wastewater treatment facilities, upgrades to water and wastewater systems in provincial parks, and enhancements to the province's network of water monitoring stations.

### Capital Plan

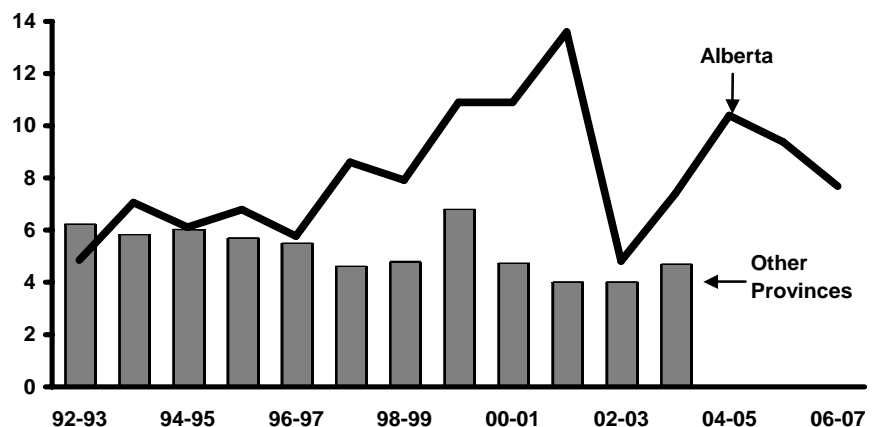
The 2004-07 Capital Plan commits the government to supporting the construction, acquisition, upgrading and rehabilitation of \$6.5 billion of infrastructure over the next three years. This is about \$900 million more than was committed in the 2003-06 Capital Plan.

Alberta's capital spending will continue to lead the country as a percentage of total spending.

*Three-year Capital Plan increased by about \$900 million to \$6.5 billion.*

### Interprovincial Comparison of Capital Expenditure

(% of total spending)



Source: Dominion Bond Rating Service Limited, *The Canadian and Provincial Governments - 2003 Overview*, February 2004. Alberta data for 2002-03 to 2006-07 has been updated by Alberta Finance to reflect the latest Capital Plan information.

Over the next three years, the Capital Plan will support capital spending of:

- \$2.7 billion for the provincial highway network and municipal transportation grants,
- \$1.1 billion for health facilities and equipment,
- \$1.1 billion for schools and post-secondary facilities, and
- \$1.6 billion for other capital.

## Capital Plan Summary

(millions of dollars)

	2004-05 Estimate	2005-06 Target	2006-07 Target	Three-year Total
Provincial highway network	587	577	577	1,741
Municipal transportation grants	324	308	302	934
Health facilities and equipment	433	424	236	1,093
Schools	221	202	213	636
Post-secondary facilities	228	100	88	416
Water and wastewater management	89	89	89	267
Community facilities and centennial projects	95	81	56	232
Other infrastructure programs	163	77	42	282
Other government capital and information technology	253	365	239	857
<b>Total Capital Plan</b>	<b>2,393</b>	<b>2,223</b>	<b>1,842</b>	<b>6,458</b>

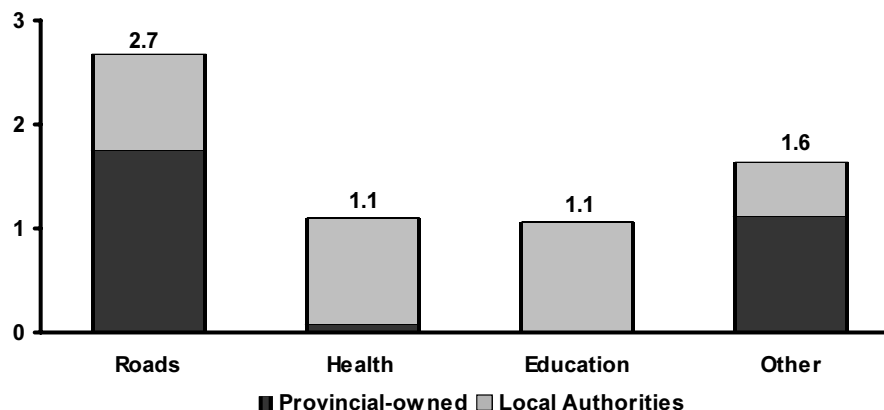
*The Capital Plan supports about \$3.5 billion of local authorities' capital and nearly \$3 billion of provincial government capital.*

About \$3.5 billion of capital projects by local authorities will be supported, including projects of school boards, post-secondary institutions, health authorities and municipal governments. This is an increase of about \$300 million from the 2003-06 Capital Plan. Nearly \$3 billion in provincial government-owned capital projects will be supported, an increase of about \$600 million from the 2003-06 Capital Plan.

More details are contained in the *2004-07 Capital Plan* chapter.

## Capital Plan – Support for \$6.5 Billion of Capital Projects

(billions of dollars)



## Funding Sources

The fiscal framework adopted in *Budget 2003* allows the government to address Alberta's infrastructure needs more systematically. Previously, the amount allocated in a particular year for capital depended on whether resource revenue was high or low. In good years, spending was added to the approximately \$1.1 billion base capital budget. When the resource revenue outlook was not as strong, capital spending was held closer to the base amount. This made capital planning difficult.



*Capital funding for the next three years is nearly double what was previously included in the base budget.*

*Alternative financing for \$1.2 billion in capital projects, including public-private partnerships.*

*Two government public-private partnerships have been identified – the Calgary Courts Centre and the Edmonton Southeast Ring Road.*

With the establishment of the Capital Account and the use of alternative financing, the government now has flexibility to make more predictable, longer-term capital commitments. We have also been able to nearly double capital funding for the next three years over what was previously included in the base budget. The \$6.5 billion 2004-07 Capital Plan is funded from three sources:

- Current-year revenues – \$3.4 billion, or slightly over half, will be funded from current-year revenues. This used to be the only source of funding for capital.
- Capital Account – \$1.9 billion, or about 30%, will be funded from the Capital Account. These are dollars that are set aside for capital purposes from previous years' surpluses.
- Alternative Financing – \$1.2 billion in capital projects will be funded by alternative financing, including public-private partnerships (P3s).

### Capital Plan Funding Sources

(millions of dollars)

	2004-05 Estimate	2005-06 Target	2006-07 Target	Three-year Total
Current-year revenue	1,154	1,082	1,108	3,344
Capital Account	1,088	611	187	1,886
Alternative financing				
Government public-private partnerships	151	330	222	703
Local authorities' projects	—	200	325	525
<b>Total Capital Plan Funding</b>	<b>2,393</b>	<b>2,223</b>	<b>1,842</b>	<b>6,458</b>

Two government public-private partnerships have been identified – the Calgary Courts Centre and the Edmonton Southeast Ring Road. Construction of both projects is expected to begin this year and be completed over the next three to four years. Once the projects are completed, the government will begin making annual lease payments for operating costs, and the principal and interest costs of the private-sector financing.

These two projects account for about \$700 million of the \$1.2 billion of alternative financing that is expected to occur over the next three years. The remaining \$525 million of alternative financing is planned for local authorities' projects included in the Capital Plan, starting in 2005-06. It has not yet been determined which specific projects will be alternatively financed or the methods of financing. The Advisory Committee on Alternative Capital Financing will review each proposal.

### Comparison of the Capital Plan and Expense for Capital Purposes

The \$6.5 billion Capital Plan represents the value of capital assets being acquired, upgraded or rehabilitated through the direct support of the provincial government. It includes:

- capital grants to local authorities,
- the value of alternatively financed capital projects of local authorities being supported by the provincial government,
- costs of planning and rehabilitation work on the provincial highway network, and
- the value of government-owned capital assets being acquired or upgraded either directly or through public-private partnerships.

This amount is different from the capital-related expenses that are part of program expense in the province's income statement:

- For alternatively financed projects of local authorities in the Capital Plan – Only the financing costs are reported as expense each year, not the value of the projects being constructed.
- For government-owned capital assets – The value of capital assets being acquired is not reported as an expense. As recommended by the Financial Management Commission, the Alberta government adopted the new national accounting standard for capital reporting by governments in 2003-04. Rather than expenditures on government-owned capital being included in the income statement, the amortization costs of the capital are reported in program expense, reflecting the annual depreciation of capital assets as they are used to deliver services.

This approach to capital reporting has been used by the private sector for years. Most other governments, including the federal government, Ontario, Quebec and British Columbia, have adopted the new standard.

The Alberta government has \$10.5 billion of capital assets. Amortization costs will increase from \$466 million in 2004-05 to \$504 million by 2006-07. Capital investment averages \$870 million a year over the next three years. This more than offsets amortization costs and increases the government's capital assets to \$11.6 billion by 2006-07.

Local authorities' capital assets, such as those of school boards, post-secondary institutions and health authorities, are not amortized on the province's income statement as these capital assets are not owned by the provincial government. As noted, capital grants to local authorities are reported as part of program expense.

*The Alberta government adopted the new national accounting standard for capital reporting by governments in 2003-04.*

*The government's capital assets will increase to \$11.6 billion by 2006-07.*

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## Comparison of the Capital Plan and Capital Expense

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
<b>Capital Plan</b>				
Capital grants to local authorities	913	1,373	988	625
Value of local authorities' alternatively financed projects	—	—	200	325
Highway planning and rehabilitation	105	131	110	94
Investment in government-owned capital	622	889	925	798
<b>Capital Plan</b>	<b>1,640</b>	<b>2,393</b>	<b>2,223</b>	<b>1,842</b>
<b>Expense for Capital Purposes<sup>a</sup></b>				
Capital grants to local authorities	913	1,373	988	625
Capital financing grants to local authorities	—	—	5	18
Highway planning and rehabilitation	105	131	110	94
Amortization of government-owned capital	426	466	498	504
<b>Expense for Capital Purposes</b>	<b>1,444</b>	<b>1,970</b>	<b>1,601</b>	<b>1,241</b>

<sup>a</sup> Included in program expense. Does not include \$7 million in financing costs in 2006-07 for government P3s, which are included in debt servicing costs.

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## Economic and Revenue Outlook

*“Alberta will once again dominate the growth rankings in 2004... solid economic prospects will continue to lure people to Alberta...”*

**Conference Board of  
Canada  
Provincial Outlook  
February 2004**

*Total revenue is estimated at \$23 billion for 2004-05.*

Alberta's economy withstood significant shocks in 2003, including the dramatic increase in the Canadian dollar relative to the U.S. dollar, and the closure of borders to live cattle and beef exports. In spite of these challenges, economic growth remained healthy, at 3.1%, due to strength in conventional energy investment and the household sector. Alberta created 47,900 jobs, lowering our unemployment rate to 4.8% in December, the lowest rate in Canada.

Alberta's growth is expected to accelerate to 3.6% in 2004 and average a healthy 3.1% over the medium term. Strong employment growth is expected to continue, with 42,700 new jobs in 2004 and a further 112,200 over the following three years.

Further information on the economy is included in the *Economic Outlook* chapter.

### REVENUE OUTLOOK

Total revenue is estimated at \$23 billion for 2004-05, a decrease of \$2.4 billion, or 9.4%, from 2003-04. This decline is mainly due to assumed lower energy prices.

In the following two years, revenue is expected to grow modestly by 1.7% and 1.1% to \$23.6 billion in 2006-07. Higher tax revenue is mostly offset by assumed continued declines in energy prices and natural gas production.

Under the *Fiscal Responsibility Act*, the amount of non-renewable resource revenue that can be budgeted for spending is fixed at \$4 billion for 2004-05 and future years. Any excess resource revenue must be transferred to the Sustainability Fund and any shortfall may be withdrawn from the Fund. This helps protect operating and capital spending against short-term fluctuations in resource revenue.

After adjusting for resource revenue transfers, total revenue for fiscal policy purposes is expected to grow by 3.6% in 2004-05 and by 3.7% and 3.0% in the following two years.

### Revenue

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Tax revenue	9,330	9,971	10,423	10,956
Non-renewable resource revenue	7,446	4,784	4,356	3,923
Transfers from Government of Canada	2,991	2,971	3,182	3,265
Investment income	1,649	1,226	1,291	1,304
Revenue from other sources	3,922	4,000	4,090	4,141
<b>Total Revenue</b>	<b>25,338</b>	<b>22,952</b>	<b>23,342</b>	<b>23,589</b>
Resource revenue transfer from (to)				
Sustainability Fund	(3,946)	(784)	(356)	77
<b>Total Revenue for Fiscal Policy Purposes</b>	<b>21,392</b>	<b>22,168</b>	<b>22,986</b>	<b>23,666</b>

*Indexing of Alberta's personal income tax system to protect against inflation will continue, saving Albertans about \$150 million in 2004.*

*Corporate income taxes will be cut on April 1, saving Alberta businesses \$142 million in 2004-05.*

## TAX REVENUE

Total tax revenue is estimated at \$10 billion in 2004-05, an increase of \$641 million, or 6.9% from 2003-04. Tax revenue is forecast to grow by 4.5% and 5.1% in the following two years, to \$11 billion by 2006-07.

Personal income tax revenue is expected to grow strongly over the next three years, after a drop in 2003-04. Final 2002 tax assessments were about \$200 million lower than estimated, requiring a negative adjustment in 2003-04. After adjusting for this, strong growth in employment and incomes is expected to increase personal income tax revenue by an average of 6.3% per year for the next three years to \$5.8 billion by 2006-07. Indexing of Alberta's personal income tax system to protect against inflation will continue, saving Albertans about \$150 million in 2004.

Corporate income tax revenue is also forecast to decline in 2003-04, due to about \$200 million in refunds for 2002 and prior tax years that were paid in 2003-04. After adjusting for this, corporate income tax revenue is expected to grow only modestly over the next three years to \$2.1 billion by 2006-07. Corporate income tax cuts in 2004-05 and assumed declines in energy prices are expected to mostly offset growth from Alberta's strong economy. Corporate income taxes will be cut on April 1, 2004, saving Alberta businesses \$142 million in 2004-05.

School property tax revenue is expected to increase by 5.7% in 2004-05 and by 5.8% and 4.8% in the following two years to \$1.37 billion by 2006-07, due to growth in the assessment base. School property tax rates will be reduced by about 2.3% in 2004, saving Albertans and Alberta businesses about \$20 million.

Revenue from other taxes is expected to be roughly flat, at about \$1.7 billion for the next three years. Declining revenue from the freehold mineral rights tax, due to assumed lower energy prices, will roughly offset growth in tobacco, fuel, insurance and hotel room taxes.

### Tax Revenue

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Personal income tax	4,613	5,085	5,438	5,786
Corporate income tax	1,796	1,957	1,976	2,070
School property tax	1,166	1,233	1,304	1,366
Other taxes	1,755	1,696	1,705	1,734
<b>Total Tax Revenue</b>	<b>9,330</b>	<b>9,971</b>	<b>10,423</b>	<b>10,956</b>

*Non-renewable resource revenue is expected to decline to \$4.8 billion in 2004-05.*

*Natural gas prices assumed at Cdn\$4.20 per mcf in 2004-05.*

*Oil prices assumed at US\$26 per barrel in 2004-05.*

*The U.S./Canada exchange rate is expected to average around 77 cents.*

## NON-RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue is expected to decline by \$2.7 billion, or 36%, in 2004-05 to \$4.8 billion and decline to \$3.9 billion by 2006-07. This assumes declining energy prices and natural gas production, and a higher Canadian dollar.

Low oil and natural gas inventories, and lower-than-expected post-war Iraqi oil production kept energy prices high last year. In 2003-04, oil prices averaged around US\$31 per barrel and natural gas prices about Cdn\$5.64 per thousand cubic feet (mcf).

Increased international drilling activity and production due to recent high prices are expected to increase storage levels and bring prices down to more sustainable levels. Natural gas prices are assumed to decline to Cdn\$4.20 per mcf in 2004-05 and Cdn\$4.01 by 2006-07. Oil prices are assumed to fall to US\$26 per barrel in 2004-05 and US\$25 for the following two years.

The higher Canadian dollar reduces Alberta's resource revenue since Canadian oil and natural gas prices are based on U.S. prices. The U.S./Canada exchange rate is expected to average around 77 cents for the next three years, up 2.7 cents from the 2003-04 average and over 12 cents from 2002-03.

Alberta's conventional oil production has been declining since 1996. Non-conventional production, primarily from the oil sands, is growing rapidly and is expected to be about 75% of total oil production by 2007. Conventional natural gas production has now begun to decline as well and this trend is expected to continue despite high levels of drilling activity.

The oil price assumptions are about the same as the average of private-sector forecasters while the natural gas price assumptions are lower than the average of private-sector forecasters. The *Economic Outlook* chapter contains more details on the energy price assumptions and provides comparisons to publicly available private-sector forecasts.

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## Non-Renewable Resource Revenue

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Natural gas and by-products royalty	5,355	3,373	3,058	2,610
Crude oil royalty	938	558	458	401
Synthetic crude oil and bitumen royalty	187	100	121	196
Coal royalty	8	9	9	9
Bonuses and sales of Crown leases	898	694	659	653
Rentals and fees	156	145	143	141
Royalty tax credit	(96)	(95)	(92)	(87)
<b>Total Non-Renewable Resource Revenue</b>	<b>7,446</b>	<b>4,784</b>	<b>4,356</b>	<b>3,923</b>

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## TRANSFERS FROM GOVERNMENT OF CANADA

Transfers from the Government of Canada are estimated at \$3 billion in 2004-05. These transfers pay for about 13% of Alberta's \$22 billion in program spending. Federal transfers are forecast to increase to nearly \$3.3 billion by 2006-07.

*Alberta's \$201 million share of the federal health supplement has been included in 2004-05 revenue.*

Alberta's \$201 million share of the \$2 billion federal health supplement, which was recently confirmed by the federal government, has been included in 2004-05 revenue. First Ministers will discuss health reform and future federal contributions for health care later this year. The fiscal plan assumes that, at a minimum, the federal government will continue the \$2 billion health supplement in future years, with Alberta's share remaining at \$201 million in 2005-06 and 2006-07.

In 2003-04, the federal government contributed \$307 million to the cost of Alberta's BSE assistance.

## Transfers from Government of Canada<sup>a</sup>

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Canada Health and Social Transfer	1,767	—	—	—
Health transfers	283	1,625	1,804	1,842
Canada Social Transfer	—	679	709	749
Agriculture support programs	623	286	306	299
Other transfers	318	381	363	375
<b>Total Federal Transfers</b>	<b>2,991</b>	<b>2,971</b>	<b>3,182</b>	<b>3,265</b>

<sup>a</sup> In 2004-05, the federal government is replacing the Canada Health and Social Transfer with two separate transfers - the Canada Health Transfer (included in health transfers) and the Canada Social Transfer for post-secondary education and social services.

*Investment income is estimated at \$1.2 billion in 2004-05.*

## INVESTMENT INCOME

Investment income is estimated at \$1.2 billion in 2004-05, a decline of \$423 million, or 26%. There were large realized capital gains in 2003-04 in the Heritage Fund and endowment funds due to the rebound in equity markets. Realized capital gains are not expected to be as large in 2004-05.

Investment income is forecast to grow over the following two years, to \$1.3 billion by 2006-07, due to higher income of the Heritage Fund and the endowment funds. The Alberta Capital Finance Authority's interest income on loans to municipalities and other local authorities is forecast to continue declining because the interest rates on new loans that are being issued are lower than the rates on maturing loans. Other investment income will decline as balances in the Debt Retirement Account and the Capital Account are drawn down over the next two years to pay off maturing debt and fund capital projects.

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## Investment Income

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Alberta Heritage Savings Trust Fund	964	631	706	728
Alberta Capital Finance Authority	324	314	293	274
Endowment funds	106	51	76	90
Other investment income	255	230	216	212
<b>Total Investment Income</b>	<b>1,649</b>	<b>1,226</b>	<b>1,291</b>	<b>1,304</b>

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## REVENUE FROM OTHER SOURCES

Overall, revenue from all other sources is expected to increase by an average of 1.8% per year to \$4 billion in 2004-05 and \$4.14 billion by 2006-07.

Gaming and lottery revenue is projected to increase due to casino expansions, including First Nations casinos. Higher revenue is also expected from crop insurance premiums for enhanced safety-net programs and volume increases in other fees as Alberta's population continues to grow.

Details of 2004-05 rate increases are included in the Premiums, Fees and Licences Changes table.

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## Revenue from Other Sources

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Net income from commercial operations	1,822	1,869	1,913	1,917
Premiums, fees and licences	1,707	1,733	1,798	1,836
Other	393	398	379	388
<b>Total Revenue from Other Sources</b>	<b>3,922</b>	<b>4,000</b>	<b>4,090</b>	<b>4,141</b>

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## RISKS

### Economy

- Alberta's economic outlook is based on continued strengthening of business investment and a recovery in export demand from a rebounding U.S. economy. The U.S. budget and trade deficits represent a risk to the U.S. economy and, thus, the Alberta economy, particularly in the medium term.
- The outlook for the agriculture sector will depend, in part, on developments relating to BSE.

*The U.S. budget and trade deficits represent a risk to the Alberta economy in the medium term.*



*Energy price assumptions remain prudent.*

### Energy Prices

- The energy price assumptions in the budget are fairly prudent in comparison to private-sector price forecasts for natural gas and the surge in oil prices in the first quarter of 2004. If energy prices are higher than assumed, economic growth could be higher.
- Any increase in non-renewable resource revenue would be transferred to the Sustainability Fund. Higher-than-forecast natural gas prices would likely trigger natural gas rebates, which would be funded from the Sustainability Fund.
- Lower-than-budgeted energy prices would result in a lower resource revenue transfer to the Sustainability Fund or a draw from the Fund.

*An appreciation in the Canadian dollar would reduce non-renewable resource revenue since both oil and natural gas are priced primarily in U.S. dollars.*

### Exchange Rate

- The Canadian dollar appreciated rapidly against the U.S. dollar in 2003. The early part of 2004 has seen more volatility in the U.S./Canada exchange rate. The budget assumes an average exchange rate of 77 cents over the three years of the fiscal plan.
- An appreciation in the Canadian dollar above this level would reduce non-renewable resource revenue since both oil and natural gas are priced primarily in U.S. dollars. A one-cent increase in the Canadian dollar reduces resource revenue by about \$104 million and investment income by \$14 million. It also results in a \$6 million reduction in debt servicing costs due to the revaluation of debt denominated in U.S. dollars.

### Investment Income

- The Alberta government has significant financial assets that are invested in a variety of financial instruments. Changes in equity markets, interest rates, exchanges rates and other factors affect the value of the assets.

### Emergency and Disaster Assistance

- No allocation for emergency or disaster assistance has been included in the budget. Agriculture safety-net programs provide protection against adverse weather and other circumstances. If emergency and disaster assistance is required, funding can be provided from the \$2.5 billion in the Sustainability Fund.

*No allocation for emergency or disaster assistance has been included in the budget.*

## Sensitivities to Fiscal Year Assumptions, 2004-05

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-65	—	-65
Natural Gas Price (Cdn\$/mcf)	-10¢	-105	—	-105
Exchange Rate (US¢/Cdn\$)	+1¢	-118	-6	-112
Interest Rates	+1%	-93	+10	-103



# FISCAL PLAN TABLES

**BUDGET**  
**2004**  

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**ON ROUTE**  
**ON COURSE**

# Fiscal Summary<sup>a</sup>

(millions of dollars)

	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
<b>Revenue</b>	22,660	21,928	25,338	<b>22,952</b>	23,342	23,589
<b>Expense</b>						
Program	20,053	20,335	21,731	<b>22,286</b>	22,809	23,079
Debt servicing costs	476	465	280	<b>363</b>	329	315
<b>Total Expense</b>	20,529	20,800	22,011	<b>22,649</b>	23,138	23,394
<b>Net Revenue<sup>b</sup></b>	2,131	1,128	3,327	<b>303</b>	204	195
Transfer from Capital Account <sup>c</sup>		416	416	<b>741</b>	425	-
Retained income/capital cash requirements <sup>d</sup>		(58)	(135)	-	-	-
Net transfer from (to) Sustainability Fund		(1,276)	(3,608)	<b>(784)</b>	(356)	77
<b>Contingency Allowance</b>		210	-	<b>260</b>	273	272

<sup>a</sup> For fiscal policy purposes under the *Fiscal Responsibility Act* (FRA). Numbers have been restated to be comparable with the 2004-05 presentation.

<sup>b</sup> Sustainability Fund was established in 2003-04. In 2002-03, Net Revenue, after cash adjustments, was allocated to the Capital Account and the Debt Retirement Account.

<sup>c</sup> Includes only transfers for capital grants to local authorities.

<sup>d</sup> The economic cushion for purposes of the FRA is defined as the Contingency Allowance plus the net positive amount of retained income and capital cash requirements. The net of retained income / capital cash requirements must be set aside and is not available for transfer to the Sustainability Fund.

# Sustainability Fund

(millions of dollars)

	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Assets at start of year	-	-	<b>2,500</b>	2,500	2,529
Net transfer from (to) general revenues	1,276	3,608	<b>784</b>	356	(77)
Cash adjustments	941	678	<b>568</b>	12	48
Assets prior to reallocation	2,217	4,286	<b>3,852</b>	2,868	2,500
Less reallocation to					
Debt Retirement Account	-	893	<b>726</b>	259	-
Capital Account	-	893	<b>626</b>	80	-
<b>Assets at End of Year</b>	2,217	2,500	<b>2,500</b>	2,529	2,500

# Accumulated Debt

(millions of dollars)

	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Accumulated debt at start of year	8,416	6,746	6,746	<b>4,955</b>	3,466	2,729
Accumulated debt repayment	(1,670)	(1,758)	(1,791)	<b>(1,489)</b>	(737)	-
Accumulated debt at end of year	6,746	4,988	4,955	<b>3,466</b>	2,729	2,729
Less: cash set aside for future debt repayment	2,010	252	1,241	<b>478</b>	-	-
<b>Accumulated Debt Less Cash Set Aside</b>	4,736	4,736	3,714	<b>2,988</b>	2,729	2,729

# Balance Sheet Summary

(millions of dollars)

	At March 31				
	2003 Actual	2004 Forecast	2005 Estimate	2006 Target	2007 Target
<b>Financial Assets</b>					
Heritage Fund external investments	11,262	11,267	11,273	11,281	11,290
Self-supporting lending organizations	5,293	5,404	5,414	5,396	5,408
Sustainability Fund	-	2,500	2,500	2,529	2,500
Endowment Funds	1,551	1,595	1,551	1,530	1,522
Capital Account	910	1,180	718	187	-
Debt Retirement Account	2,010	1,241	478	-	-
Other financial assets	5,509	5,130	4,016	4,475	4,907
<b>Total Financial Assets</b>	<b>26,535</b>	<b>28,317</b>	<b>25,950</b>	<b>25,398</b>	<b>25,627</b>
<b>Liabilities</b>					
Accumulated debt	6,746	4,955	3,466	2,729	2,729
Pension obligations	4,927	5,047	5,166	5,287	5,415
Self-supporting lending organizations	4,070	4,404	4,337	4,301	4,291
Liabilities for government-owned capital <sup>a</sup>	-	-	151	481	702
Other liabilities	3,916	4,007	3,150	3,250	3,353
<b>Total Liabilities</b>	<b>19,659</b>	<b>18,413</b>	<b>16,270</b>	<b>16,048</b>	<b>16,490</b>
<b>Net Financial Assets</b>	<b>6,876</b>	<b>9,904</b>	<b>9,680</b>	<b>9,350</b>	<b>9,137</b>
Capital Assets	10,285	10,464	10,872	11,285	11,565
<b>Net Assets</b>	<b>17,161</b>	<b>20,368</b>	<b>20,552</b>	<b>20,635</b>	<b>20,702</b>
Adjustment for pension obligations	4,927	5,047	5,166	5,287	5,415
<b>Net Assets for Fiscal Policy Purposes<sup>b</sup></b>	<b>22,088</b>	<b>25,415</b>	<b>25,718</b>	<b>25,922</b>	<b>26,117</b>

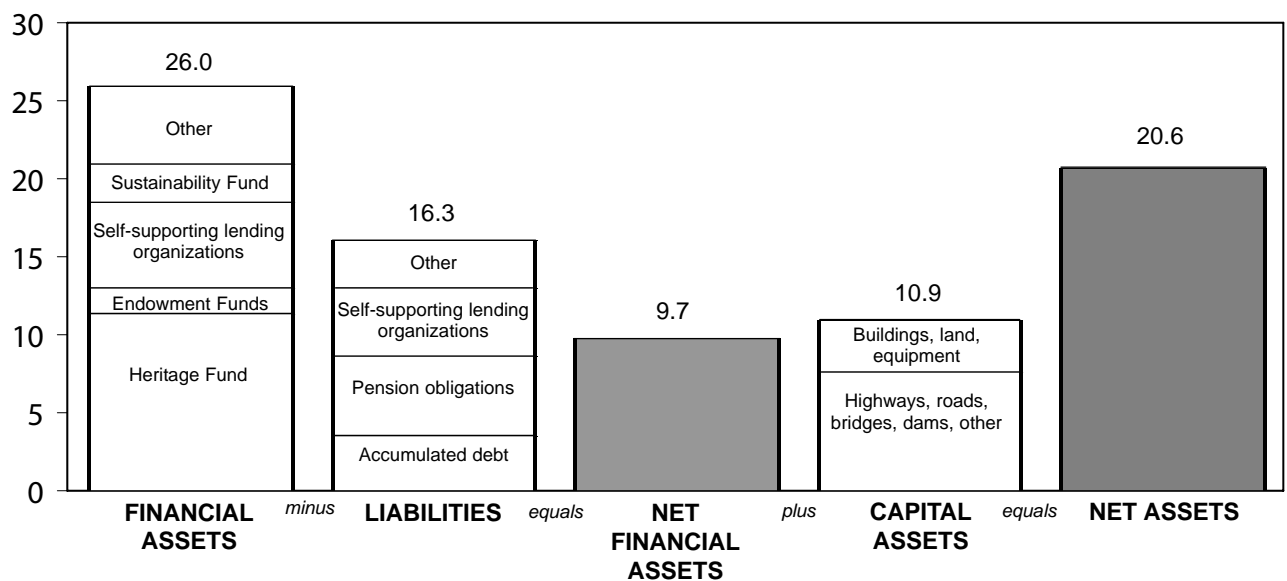
<sup>a</sup> 2007 is net of an assumed \$1 million principal repayment.

<sup>b</sup> Under the *Fiscal Responsibility Act*, excludes pension obligations.

## Estimate of Assets, Liabilities and Net Assets

at March 31, 2005

(billions of dollars)



# Revenue

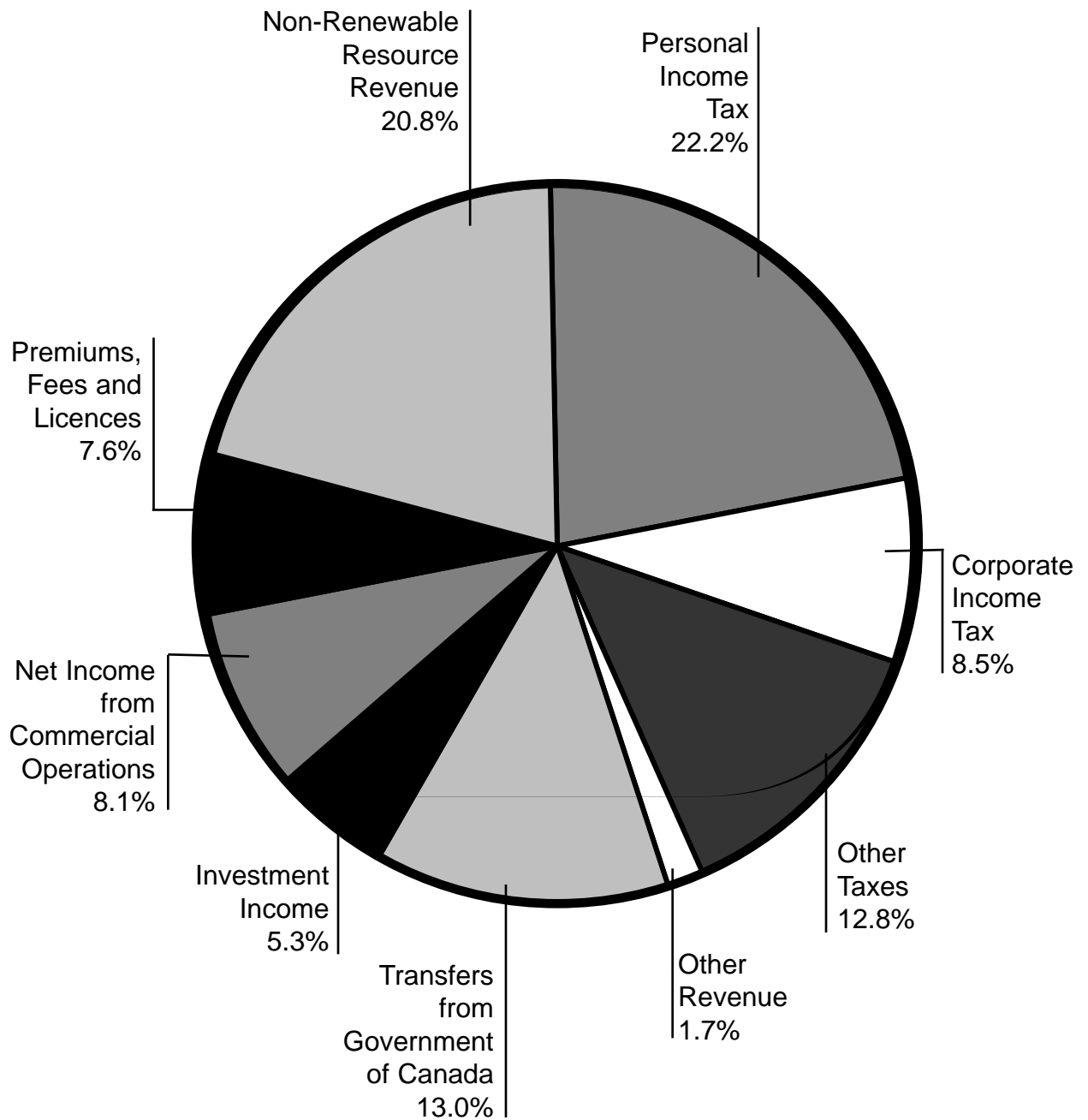
(millions of dollars)

	2002-03	2003-04	2003-04	2004-05	2005-06	2006-07
	Actual	Budget	Forecast	Estimate	Target	Target
<b>Income Taxes</b>						
Personal income tax	4,834	5,035	4,613	5,085	5,438	5,786
Corporate income tax	2,019	2,016	1,796	1,957	1,976	2,070
	6,853	7,051	6,409	7,042	7,414	7,856
<b>Other Taxes</b>						
School property tax	1,113	1,165	1,166	1,233	1,304	1,366
Tobacco tax	618	624	650	660	680	700
Fuel tax	597	602	602	607	615	624
Freehold mineral rights tax	202	214	290	204	173	161
Insurance taxes	162	148	157	165	175	186
Hotel room tax	54	58	56	60	62	63
	2,746	2,811	2,921	2,929	3,009	3,100
<b>Non-Renewable Resource Revenue</b>						
Natural gas and by-products royalty	5,125	3,480	5,355	3,373	3,058	2,610
Crude oil royalty	1,177	502	938	558	458	401
Synthetic crude oil and bitumen royalty	183	103	187	100	121	196
Coal royalty	10	11	8	9	9	9
Bonuses and sales of Crown leases	565	679	898	694	659	653
Rentals and fees	153	144	156	145	143	141
Royalty tax credit	(83)	(143)	(96)	(95)	(92)	(87)
	7,130	4,776	7,446	4,784	4,356	3,923
<b>Transfers from Government of Canada</b>						
Canada Health and Social Transfer	1,332	1,613	1,767	-	-	-
Health transfers	19	284	283	1,625	1,804	1,842
Canada Social Transfer	-	-	-	679	709	749
Agriculture support programs	416	169	623	286	306	299
Other	307	320	318	381	363	375
	2,074	2,386	2,991	2,971	3,182	3,265
<b>Net Income from Commercial Operations</b>						
Alberta Gaming and Liquor Commission						
Gaming and lottery revenue	1,089	1,093	1,105	1,162	1,212	1,203
Liquor revenue	535	546	551	551	550	550
Alberta Treasury Branches	199	152	141	151	146	158
Other	26	4	25	5	5	6
	1,849	1,795	1,822	1,869	1,913	1,917
<b>Premiums, Fees and Licences</b>						
Health care insurance premiums	914	913	923	928	942	957
Motor vehicle licences	248	262	257	270	275	283
Crop and hail insurance premiums	102	164	146	153	194	194
Timber rentals and fees	60	63	52	64	64	77
Land titles	38	36	38	37	37	37
Other	282	287	291	281	286	288
	1,644	1,725	1,707	1,733	1,798	1,836
<b>Investment Income</b>						
Alberta Heritage Savings Trust Fund	(910)	426	964	631	706	728
Alberta Capital Finance Authority	339	319	324	314	293	274
Agriculture Financial Services Corporation	101	91	85	85	89	94
Sustainability Fund	-	31	40	75	75	75
Debt Retirement Account	98	45	48	10	5	-
Endowment Funds						
Medical Research	(82)	31	59	30	42	48
Science and Engineering Research	(33)	11	27	12	22	28
Scholarship	(28)	10	20	9	12	14
Other	53	55	82	60	47	43
	(462)	1,019	1,649	1,226	1,291	1,304
<b>Other</b>						
Refunds of expense	270	87	90	81	83	83
Fines and penalties	56	63	68	68	68	68
Miscellaneous	500	215	235	249	228	237
	826	365	393	398	379	388
<b>Total Revenue</b>	<b>22,660</b>	<b>21,928</b>	<b>25,338</b>	<b>22,952</b>	<b>23,342</b>	<b>23,589</b>

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**2004-05 Revenue**  
**\$23 billion**

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## Expense by Ministry

(millions of dollars)

	2002-03	2003-04	2003-04	2004-05	2005-06	2006-07
	Actual	Budget	Forecast	Estimate	Target	Target
<b>Program</b>						
Legislative Assembly	54	61	59	76	72	64
Aboriginal Affairs and Northern Development	64	32	36	36	36	36
Agriculture, Food and Rural Development	1,783	814	1,628	908	1,015	1,013
Children's Services	657	708	709	742	765	784
Community Development	573	643	641	691	703	691
Economic Development	55	55	58	58	58	58
Energy	163	185	198	191	194	196
Environment	107	121	124	125	125	123
Executive Council	17	19	19	21	21	21
Finance	443	434	443	438	418	401
Gaming	123	154	146	165	201	197
Government Services	73	84	88	93	94	95
Health and Wellness	6,836	7,350	7,378	7,996	8,450	8,772
Human Resources and Employment	1,067	1,071	1,132	1,147	1,161	1,170
Infrastructure	815	1,203	1,434	1,528	1,193	965
Innovation and Science	184	200	189	205	231	243
International and Intergovernmental Relations	6	6	6	8	9	9
Justice	244	262	264	283	285	285
Learning	4,754	4,912	4,988	5,272	5,501	5,722
Municipal Affairs	161	132	143	123	122	122
Revenue	179	166	158	162	168	170
Seniors	341	354	402	429	418	398
Solicitor General	266	278	284	346	348	350
Sustainable Resource Development	415	202	331	205	206	207
Transportation	673	889	873	1,038	1,015	987
<b>Total Program Expense</b>	20,053	20,335	21,731	22,286	22,809	23,079
Debt Servicing Costs	476	465	280	363	329	315
<b>Total Expense</b>	20,529	20,800	22,011	22,649	23,138	23,394

## Expense by Function

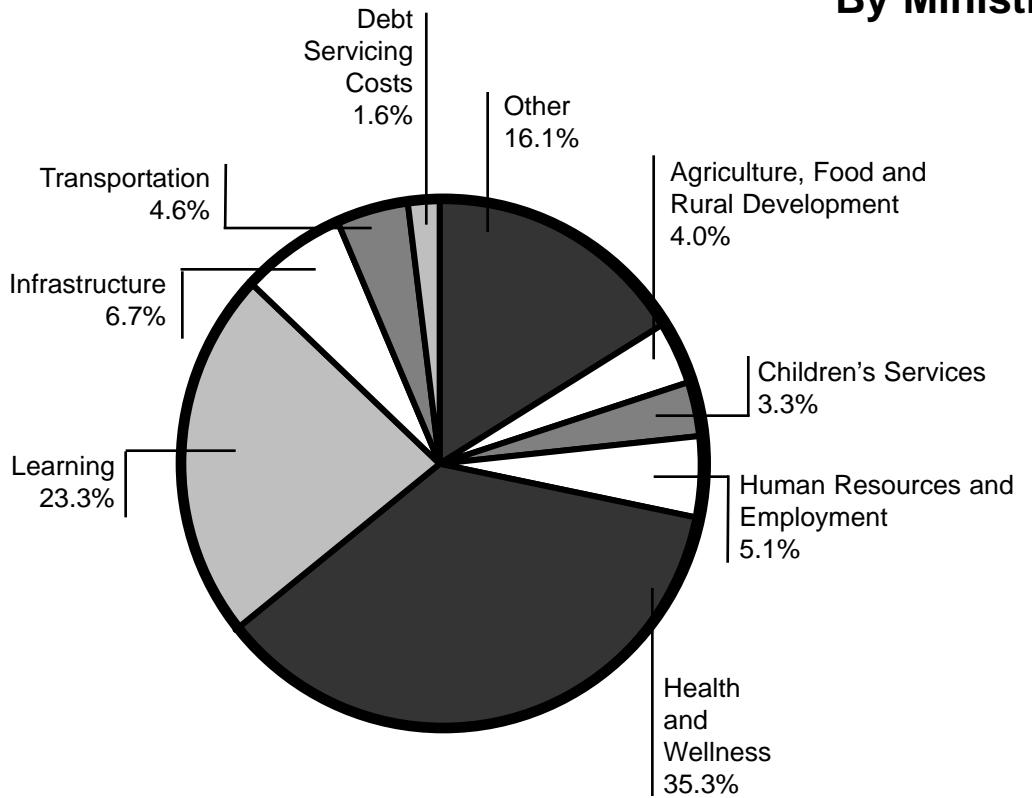
(millions of dollars)

	2002-03	2003-04	2003-04	2004-05	2005-06	2006-07
	Actual	Budget	Forecast	Estimate	Target	Target
Health	6,917	7,651	7,649	8,407	8,672	8,910
Education	5,461	5,766	5,887	6,354	6,439	6,508
Social Services	2,108	2,230	2,305	2,408	2,470	2,512
Agriculture, Resource Management and Economic Development	2,306	1,408	2,213	1,516	1,673	1,684
Transportation, Communications and Utilities	652	857	1,075	1,003	984	955
Protection of Persons and Property	901	704	842	801	806	810
Regional Planning and Development	484	438	452	428	405	386
Recreation and Culture	231	280	276	307	290	266
Environment	147	161	170	161	161	159
Housing	132	125	139	149	128	102
General Government	714	715	723	752	781	787
Debt Servicing Costs	476	465	280	363	329	315
<b>Total Expense</b>	20,529	20,800	22,011	22,649	23,138	23,394

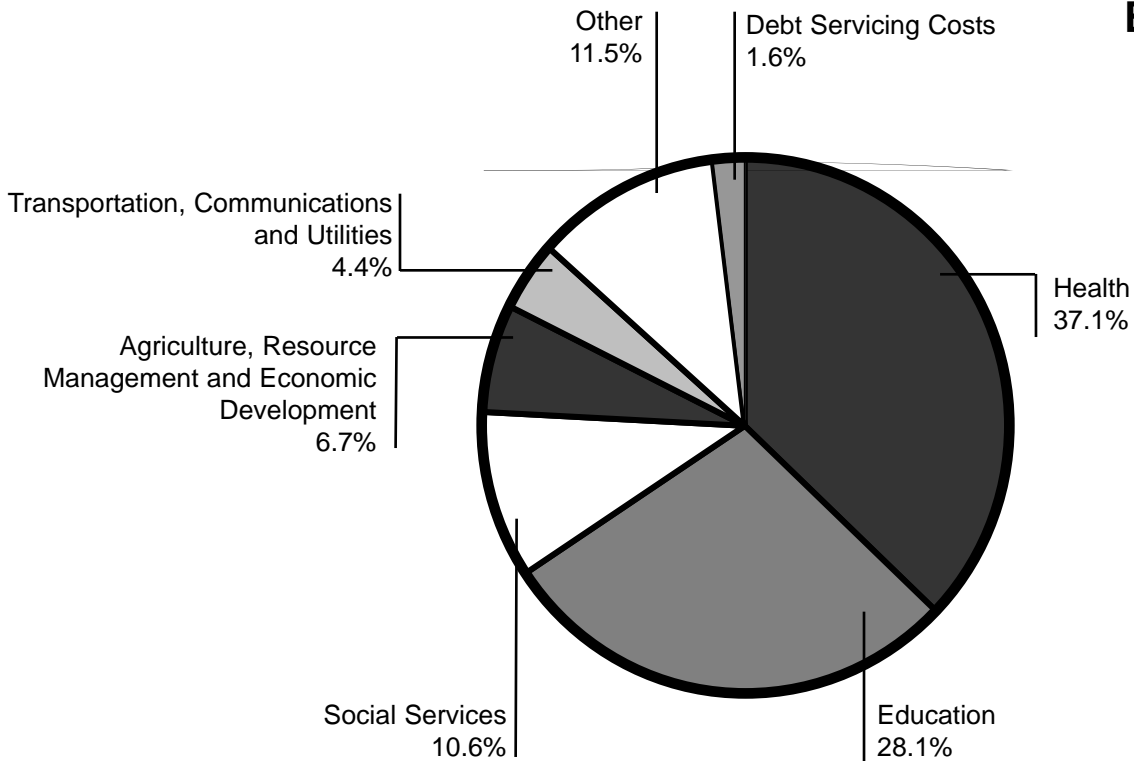


**2004-05 Expense**  
**\$22.6 billion**

**By Ministry**



**By Function**



# 2004-05 Expense by Function

(millions of dollars)

	Health		Education		Social Services		Economic Development <sup>a</sup>		Transportation <sup>b</sup>		Protection of Persons and Property		Regional Planning and Development		Recreation and Culture Environment		Housing		General Government		Debt Servicing Costs		Total Expense	
Legislative Assembly	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	76	—	—	—	76
Aboriginal Affairs and Northern Development	—	—	—	—	—	—	—	—	—	—	—	—	36	—	—	—	—	—	—	—	—	—	—	36
Agriculture, Food and Rural Development	—	—	—	—	—	—	908	—	—	—	—	—	—	—	—	—	—	—	—	—	—	53	—	961
Children's Services	—	—	—	—	742	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	742
Community Development	—	—	—	—	477	—	—	—	—	7	—	—	—	—	207	—	—	—	—	—	—	—	—	691
Economic Development	—	—	—	—	—	—	58	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	58
Energy	—	—	—	—	—	—	135	—	7	—	—	—	—	—	—	—	—	10	—	39	—	—	—	191
Environment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	125	—	—	—	—	—	—	125
Executive Council	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	21	—	—	—	21
Finance	—	—	—	—	—	—	—	—	—	—	3	—	—	—	—	—	—	—	—	—	—	—	—	703
Gaming	—	—	—	—	—	—	78	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	165
Government Services	—	—	—	—	—	—	4	—	—	—	74	—	—	—	—	—	—	—	—	—	—	—	—	93
Health and Wellness	7,996	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7,996
Human Resources and Employment	—	275	831	—	—	—	3	—	—	—	26	—	—	—	—	—	—	—	—	12	—	—	—	1,147
Infrastructure	356	811	—	—	—	—	—	5	—	—	—	—	—	—	13	26	7	—	310	—	—	—	—	1,528
Innovation and Science	—	—	—	—	—	—	154	—	—	—	—	—	—	—	—	—	—	—	—	51	—	—	—	205
International and Intergovernmental Relations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	8	—	—	—	8
Justice	—	—	59	—	—	—	—	—	—	—	224	—	—	—	—	—	—	—	—	—	—	—	—	283
Learning	—	5,268	—	—	—	—	4	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5,276
Municipal Affairs	—	—	—	—	—	—	5	—	—	10	—	—	78	—	—	—	—	—	30	—	—	—	—	123
Revenue	55	—	—	—	—	—	17	—	—	21	—	—	—	—	—	—	—	—	69	—	—	—	—	162
Seniors	—	—	287	—	—	—	—	—	—	—	—	—	—	—	—	—	—	142	—	—	—	—	—	470
Solicitor General	—	—	12	—	—	—	—	—	—	334	—	—	—	—	—	—	—	—	—	—	—	—	—	346
Sustainable Resource Development	—	—	—	—	—	—	131	—	—	74	—	—	—	—	—	—	—	—	—	—	—	—	—	205
Transportation	—	—	—	—	—	—	19	—	991	28	—	—	—	—	—	—	—	—	—	—	—	—	—	1,038
<b>Total Expense</b>	<b>8,407</b>	<b>6,354</b>	<b>2,408</b>	<b>1,516</b>	<b>1,003</b>	<b>801</b>	<b>428</b>	<b>307</b>	<b>161</b>	<b>149</b>	<b>752</b>	<b>363</b>	<b>22,649</b>											

a Agriculture, Resource Management and Economic Development

b Transportation, Communications and Utilities

# 2004-05 Expense by Object

(millions of dollars)

	Salaries, Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers	Financial Transactions and Other	Amortization of Capital Assets	Intra-Ministry Consolidation Adjustments	Ministry Expense	Inter-Ministry Consolidation Adjustments	Total Expense
Legislative Assembly	35	27	14	—	—	—	—	76	—	76
Aboriginal Affairs and Northern Development	6	8	22	—	—	—	—	36	—	36
Agriculture, Food and Rural Development	115	56	97	219	685	8	(219)	961	—	961
Children's Services	150	464	127	551	—	1	(551)	742	—	742
Community Development	141	289	250	982	1	10	(982)	691	—	691
Economic Development	21	30	7	—	—	—	—	58	—	58
Energy	106	60	11	41	—	14	(41)	191	—	191
Environment	60	44	2	—	—	19	—	125	—	125
Executive Council	20	5	—	—	—	—	—	25	(4)	21
Finance	29	17	53	103	600	3	(13)	792	(89)	703
Gaming	3	3	159	1,168	—	—	(161)	1,172	(1,007)	165
Government Services	99	131	—	—	—	5	—	235	(142)	93
Health and Wellness	86	139	7,706	64	42	23	(64)	7,996	—	7,996
Human Resources and Employment	131	185	825	—	3	3	—	1,147	—	1,147
Infrastructure	56	264	1,147	—	10	55	—	1,532	(4)	1,528
Innovation and Science	57	66	75	99	—	21	(99)	219	(14)	205
International and Intergovernmental Relations	5	3	—	—	—	—	—	8	—	8
Justice	176	48	32	—	25	2	—	283	—	283
Learning	76	139	5,052	—	4	5	—	5,276	—	5,276
Municipal Affairs	25	20	76	—	—	2	—	123	—	123
Revenue	38	30	72	677	21	3	(649)	192	(30)	162
Seniors	21	20	387	—	41	24	(23)	470	—	470
Solicitor General	127	168	51	—	—	—	—	346	—	346
Sustainable Resource Development	116	70	7	28	1	11	(23)	210	(5)	205
Transportation	60	339	382	—	—	257	—	1,038	—	1,038
<b>Total Expense</b>	<b>1,759</b>	<b>2,625</b>	<b>16,554</b>	<b>3,932</b>	<b>1,433</b>	<b>466</b>	<b>(2,825)</b>	<b>23,944</b>	<b>(1,295)</b>	<b>22,649</b>

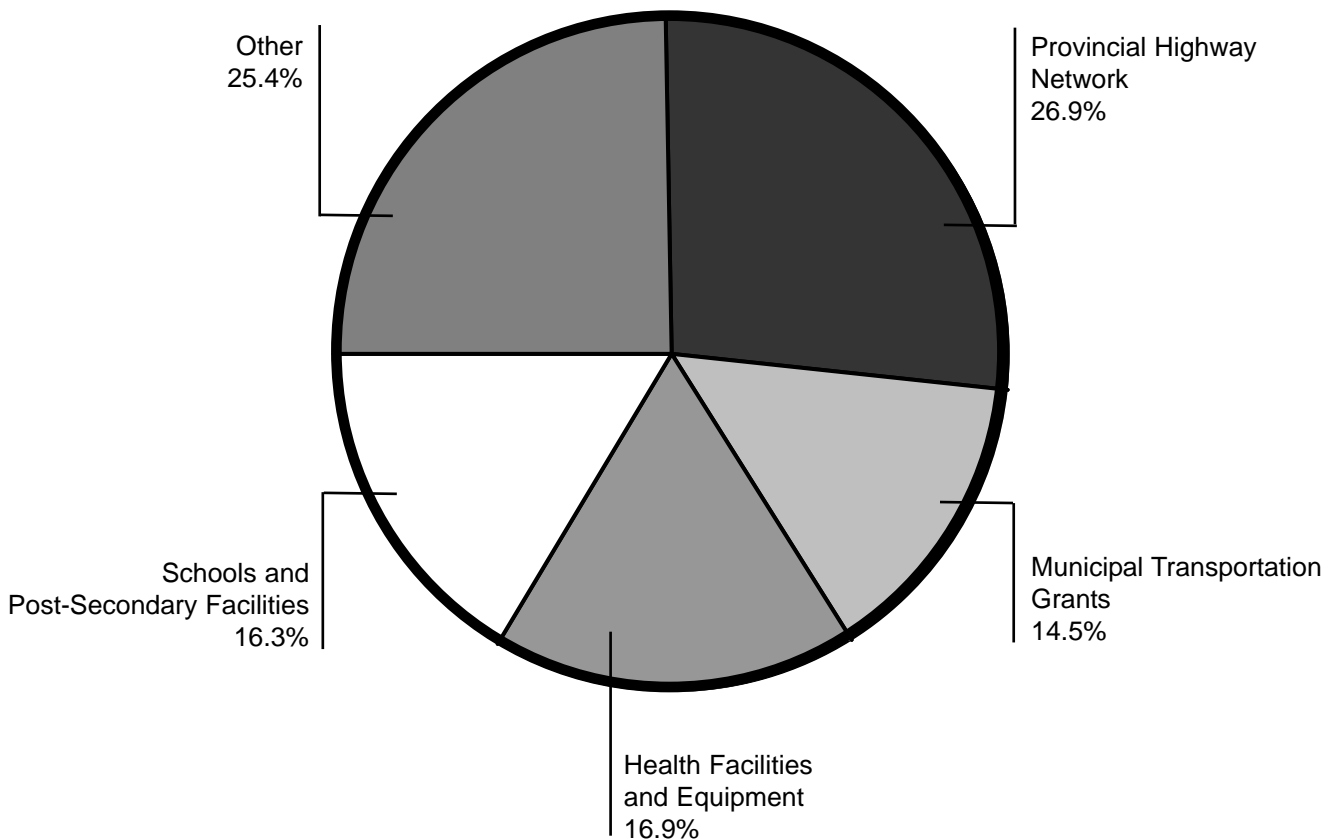
# Capital Plan

(millions of dollars)

	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Provincial highway network	370	457	468	587	577	577
Municipal transportation grants	102	242	225	324	308	302
Health facilities and equipment	43	284	274	433	424	236
Schools	81	136	130	221	202	213
Post-secondary facilities	44	145	135	228	100	88
Water and wastewater management	95	86	74	89	89	89
Community facilities and centennial projects	40	64	64	95	81	56
Other infrastructure programs	124	121	92	163	77	42
Other government capital and information technology	98	141	178	253	365	239
<b>Total Capital Plan</b>	<b>997</b>	<b>1,676</b>	<b>1,640</b>	<b>2,393</b>	<b>2,223</b>	<b>1,842</b>

## 2004-07 Capital Plan

**\$6.5 billion**



# Capital Plan Funding Details

(millions of dollars)

	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
<b>Support for Local Authorities' Capital</b>						
Current-year revenue	369	553	497	632	563	625
Capital Account	-	416	416	741	425	-
Alternative financing	-	-	-	-	200	325
<b>Total Support for Local Authorities' Capital</b>	369	969	913	1,373	1,188	950
<b>Government-Owned Capital<sup>a</sup></b>						
Current-year revenue	628	500	520	522	519	483
Capital Account	-	207	207	347	186	187
Public-Private Partnerships (P3s)	-	-	-	151	330	222
<b>Total Government-Owned Capital</b>	628	707	727	1,020	1,035	892
<b>Total Capital Plan</b>						
Current-year revenue	997	1,053	1,017	1,154	1,082	1,108
Capital Account	-	623	623	1,088	611	187
Alternative financing including P3s	-	-	-	151	530	547
<b>Total Capital Plan</b>	997	1,676	1,640	2,393	2,223	1,842

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

# Comparison of the Capital Plan and Capital Expense

(millions of dollars)

	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
<b>Capital Plan</b>						
Capital grants to local authorities	369	969	913	1,373	988	625
Value of local authorities' alternatively financed projects	-	-	-	-	200	325
Provincial highway planning and rehabilitation	91	92	105	131	110	94
Capital investment in government-owned projects	537	615	622	889	925	798
<b>Total Capital Plan</b>	997	1,676	1,640	2,393	2,223	1,842
<b>Expense for Capital Purposes<sup>a</sup></b>						
Capital grants to local authorities	369	969	913	1,373	988	625
Capital financing grants to local authorities	-	-	-	-	5	18
Provincial highway planning and rehabilitation	91	92	105	131	110	94
Amortization of government-owned projects	346	428	426	466	498	504
<b>Total Expense for Capital Purposes</b>	806	1,489	1,444	1,970	1,601	1,241

a Included in program expense. Does not include \$7 million in financing costs in 2006-07 of government-owned P3s, which are included in debt servicing costs.

# Capital Investment in Government-Owned Capital<sup>a</sup>

(millions of dollars)

	2002-03	2003-04	2003-04	2004-05	2005-06	2006-07
	Actual	Budget	Forecast	Estimate	Target	Target
Legislative Assembly	-	-	-	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Agriculture, Food and Rural Development	7	10	13	13	8	6
Children's Services	1	-	-	-	-	-
Community Development	2	2	2	7	12	8
Economic Development	-	-	-	-	-	-
Energy	19	11	12	11	11	11
Environment	1	1	1	4	3	3
Executive Council	-	-	-	-	-	-
Finance	4	5	4	2	1	2
Gaming	-	-	-	-	-	-
Government Services	6	4	4	4	6	6
Health and Wellness	17	37	36	67	48	49
Human Resources and Employment	4	3	3	4	4	4
Infrastructure	30	46	63	205	292	154
Innovation and Science	90	66	34	48	7	7
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	2	2	4	1	1	-
Learning	6	7	11	6	4	4
Municipal Affairs	1	2	2	2	1	1
Revenue	5	5	6	3	3	3
Seniors	6	-	-	-	-	-
Solicitor General	1	-	-	-	-	-
Sustainable Resource Development	8	7	20	11	11	11
Transportation	327	407	407	501	513	529
<b>Total Capital Investment</b>	<b>537</b>	<b>615</b>	<b>622</b>	<b>889</b>	<b>925</b>	<b>798</b>

<sup>a</sup> Includes inventory purchases.

# Grants to Local Authorities for Capital Purposes and Other Infrastructure Support<sup>a</sup>

(millions of dollars)

	2002-03	2003-04	2003-04	2004-05	2005-06	2006-07
	Actual	Budget	Forecast	Estimate	Target	Target
Agriculture, Food and Rural Development	27	26	19	24	24	24
Community Development	1	3	3	14	15	2
Environment	9	1	1	1	1	1
Gaming	25	39	39	39	39	39
Health and Wellness	-	50	50	50	50	-
Infrastructure	130	479	464	798	460	224
Innovation and Science	-	11	11	10	8	-
Learning	31	20	20	-	-	-
Revenue	-	10	-	4	4	4
Seniors	21	39	45	51	25	-
Transportation	216	383	366	513	477	443
<b>Total Support for Infrastructure</b>	<b>460</b>	<b>1,061</b>	<b>1,018</b>	<b>1,504</b>	<b>1,103</b>	<b>737</b>

<sup>a</sup> Included in program expense. Includes capital financing grants to local authorities in 2005-06 and 2006-07.

# Capital Amortization for Government-Owned Capital<sup>a</sup>

(millions of dollars)

	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Legislative Assembly	-	-	-	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Agriculture, Food and Rural Development	6	7	7	8	8	8
Children's Services	1	1	1	1	1	1
Community Development	10	10	10	10	10	10
Economic Development	-	-	-	-	-	-
Energy	11	11	12	14	15	15
Environment	16	18	18	19	18	18
Executive Council	-	-	-	-	-	-
Finance	1	2	2	3	3	3
Gaming	-	-	-	-	-	-
Government Services	4	5	4	5	6	7
Health and Wellness	2	22	22	23	25	26
Human Resources and Employment	3	4	3	3	3	3
Infrastructure	44	55	53	55	55	59
Innovation and Science	9	8	8	21	37	37
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	1	1	1	2	3	3
Learning	1	3	3	5	6	6
Municipal Affairs	1	1	2	2	3	2
Revenue	2	3	3	3	3	4
Seniors	24	24	24	24	24	24
Solicitor General	-	-	-	-	-	-
Sustainable Resource Development	6	9	9	11	11	11
Transportation	204	244	244	257	267	267
<b>Total Capital Amortization</b>	<b>346</b>	<b>428</b>	<b>426</b>	<b>466</b>	<b>498</b>	<b>504</b>

<sup>a</sup> Includes inventory consumption.

## Capital Account

(millions of dollars)

	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Assets at start of year <sup>a</sup>	910	910	1,180	718	187
Allocation from Sustainability Fund	-	893	626	80	-
Allocation for					
Capital grants to local authorities	(416)	(416)	(741)	(425)	-
Government-owned capital investment	(207)	(207)	(347)	(186)	(187)
<b>Assets at End of Year</b>	<b>287</b>	<b>1,180</b>	<b>718</b>	<b>187</b>	<b>-</b>

<sup>a</sup> The 2003-04 allocation to establish the Capital Account came from the 2002-03 surplus.

# Retained Income/Capital Cash Requirements

(millions of dollars)

	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
<b>Retained Income of Funds and Agencies</b>					
Alberta Treasury Branches	152	141	151	146	158
Agriculture Financial Services Corporation	5	32	(26)	(32)	(32)
Endowment Funds					
Medical Research	(39)	8	(25)	(13)	(7)
Science and Engineering Research	(3)	16	(5)	2	7
Scholarship	(11)	(2)	(12)	(10)	(8)
Other	(3)	(29)	7	10	10
<b>Total Retained Income</b>	<b>101</b>	<b>166</b>	<b>90</b>	<b>103</b>	<b>128</b>
<b>Capital Cash Requirements</b>					
Capital investment	615	622	889	925	798
Principal repayment	-	-	-	-	1
Capital amortization	(428)	(426)	(466)	(498)	(504)
Alternatively financed capital investment (P3s)	-	-	(151)	(330)	(222)
Funding from Capital Account	(207)	(207)	(347)	(186)	(187)
Funding from Sustainability Fund	-	(3)	-	-	-
Net book value of capital asset disposals	(23)	(17)	(15)	(14)	(14)
<b>Total Retained Income/Capital Cash Requirements</b>	<b>58</b>	<b>135</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Sustainability Fund Details

(millions of dollars)

	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Assets at start of year	-	-	2,500	2,500	2,529
Non-renewable resource revenue transfer from (to) general revenues	1,276	3,946	784	356	(77)
Transfer for disaster and emergency expense	-	(915)	-	-	-
Transfer for natural gas rebates	-	(216)	-	-	-
Other net transfers <sup>a</sup>	-	793	-	-	-
	1,276	3,608	3,284	2,856	2,452
Cash adjustments					
Natural gas royalties	914	842	547	29	71
Foreign exchange valuation adjustment	-	(149)	-	-	-
Other	27	(15)	21	(17)	(23)
	941	678	568	12	48
Assets prior to reallocation	2,217	4,286	3,852	2,868	2,500
Reallocation to					
Debt Retirement Account	-	893	726	259	-
Capital Account	-	893	626	80	-
<b>Assets at End of Year</b>	<b>2,217</b>	<b>2,500</b>	<b>2,500</b>	<b>2,529</b>	<b>2,500</b>

<sup>a</sup> Includes in-year increase in revenue excluding changes in non-renewable resource revenue and dedicated revenue/expense less any in-year revenue reduction initiatives. Also includes in-year changes in debt servicing costs and in capital cash requirements/retained income of funds and agencies.



# Balance Sheet Details

(millions of dollars)

	At March 31				
	2003 Actual	2004 Forecast	2005 Estimate	2006 Target	2007 Target
<b>Financial Assets</b>					
Total Heritage Fund equity	11,362	11,362	11,362	11,362	11,362
Less internal holdings of debt	(100)	(95)	(89)	(81)	(72)
Heritage Fund external investments	11,262	11,267	11,273	11,281	11,290
Self-supporting lending organizations					
Alberta Capital Finance Authority	3,992	4,049	4,067	4,029	4,016
Agriculture Financial Services Corporation	1,301	1,355	1,347	1,367	1,392
Endowment Funds					
Alberta Heritage Foundation for Medical Research	826	835	809	796	789
Alberta Heritage Science and Engineering Research	474	511	506	508	515
Alberta Heritage Scholarship	251	249	236	226	218
Sustainability Fund	-	2,500	2,500	2,529	2,500
Capital Account	910	1,180	718	187	-
Debt Retirement Account	2,010	1,241	478	-	-
Other Financial Assets					
Equity in commercial enterprises	1,062	1,244	1,400	1,551	1,715
Contingency Allowance <sup>a</sup>	-	-	260	533	805
Student loans	77	111	139	166	190
Other cash, marketable securities and accounts receivable	4,370	3,775	2,217	2,225	2,197
<b>Total Financial Assets</b>	<b>26,535</b>	<b>28,317</b>	<b>25,950</b>	<b>25,398</b>	<b>25,627</b>
<b>Liabilities</b>					
Accumulated Debt					
General Revenue Fund	6,913	5,230	3,843	3,234	3,263
Alberta Social Housing Corporation	528	506	482	456	427
School construction loans	608	526	451	381	316
Less: General Revenue Fund holdings of provincial corporations' debt	(1,303)	(1,307)	(1,310)	(1,342)	(1,277)
Accumulated Debt	6,746	4,955	3,466	2,729	2,729
Pension obligations	4,927	5,047	5,166	5,287	5,415
Self-supporting lending organizations					
Alberta Capital Finance Authority	3,992	4,049	4,067	4,029	4,016
Agriculture Financial Services Corporation	1,238	1,343	1,344	1,431	1,519
Less debt internally held by consolidated entities	(1,160)	(988)	(1,074)	(1,159)	(1,244)
Liabilities for government-owned capital <sup>b</sup>	-	-	151	481	702
Other Liabilities					
Accounts and interest payable	3,810	3,897	2,994	3,086	3,179
Guarantees, indemnities and remissions	88	86	126	124	124
Other accrued liabilities	153	154	154	156	157
Less other debt internally held by consolidated entities	(135)	(130)	(124)	(116)	(107)
<b>Total Liabilities</b>	<b>19,659</b>	<b>18,413</b>	<b>16,270</b>	<b>16,048</b>	<b>16,490</b>
<b>Net Financial Assets</b>	<b>6,876</b>	<b>9,904</b>	<b>9,680</b>	<b>9,350</b>	<b>9,137</b>
Capital Assets	10,285	10,464	10,872	11,285	11,565
<b>Net Assets</b>	<b>17,161</b>	<b>20,368</b>	<b>20,552</b>	<b>20,635</b>	<b>20,702</b>
Adjustment for pension obligations	4,927	5,047	5,166	5,287	5,415
<b>Net Assets for Fiscal Policy Purposes<sup>c</sup></b>	<b>22,088</b>	<b>25,415</b>	<b>25,718</b>	<b>25,922</b>	<b>26,117</b>

<sup>a</sup> Cumulative total of Contingency Allowance available for in-year initiatives but not yet committed.

<sup>b</sup> 2007 is net of an assumed \$1 million principal repayment.

<sup>c</sup> Under the *Fiscal Responsibility Act*.

## Capital Assets

(millions of dollars)

	2002-03 Actual	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Net book value at start of year	10,141	10,285	10,464	10,872	11,285
Capital investment	537	622	889	925	798
Capital amortization	(346)	(426)	(466)	(498)	(504)
Net book value of capital disposals	(47)	(17)	(15)	(14)	(14)
<b>Net Book Value at End of Year</b>	<b>10,285</b>	<b>10,464</b>	<b>10,872</b>	<b>11,285</b>	<b>11,565</b>

## Debt Servicing Costs

(millions of dollars)

	2002-03 Actual	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
<b>Agriculture, Food and Rural Development</b>					
Agriculture Financial Services Corporation	47	48	53	59	64
<b>Finance</b>					
General government	381	186	265	226	204
<b>Infrastructure</b>					
Financing costs for government-owned capital (P3s)	-	-	-	-	7
<b>Learning</b>					
Alberta School Foundation Fund	3	3	4	5	4
<b>Seniors</b>					
Alberta Social Housing Corporation	45	43	41	39	36
<b>Total Debt Servicing Costs</b>	<b>476</b>	<b>280</b>	<b>363</b>	<b>329</b>	<b>315</b>

## Pension Obligations<sup>a</sup>

(millions of dollars)

	At March 31				
	2003 Actual	2004 Forecast	2005 Estimate	2006 Target	2007 Target
<b>Obligations for Employees of Organizations Outside the Government Reporting Entity</b>					
Teachers' Pension Plan	3,965	4,094	4,226	4,363	4,508
Universities Academic Pension Plan	157	163	169	174	180
Special Forces Pension Plan	60	62	64	66	68
	4,182	4,319	4,459	4,603	4,756
<b>Obligations for Current and Former Government Employees and MLAs</b>					
Public Service Management Pension Plan <sup>b</sup>	696	679	659	637	614
Members of the Legislative Assembly Pension Plan <sup>b</sup>	49	49	48	47	45
	745	728	707	684	659
<b>Total Pension Obligations</b>	<b>4,927</b>	<b>5,047</b>	<b>5,166</b>	<b>5,287</b>	<b>5,415</b>

<sup>a</sup> Pension obligations are scheduled for elimination under a 1993 legislated plan.

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

# General Revenue Fund Term Debt Maturities<sup>a</sup>

	Par Amount in Cdn. Dollars (\$ millions)	Par Amount in U.S. Dollars (\$ millions)	Coupon Rate (%)	Maturity Date
<b>2004-05 Term Debt Maturities</b>				
2000 Euro U.S. Dollar notes <sup>b</sup>	260	200	7.25	April 5, 2004
1997 Alberta Savings Certificates	11		2.20	June 1, 2004
1994 Canadian debenture	600		6.38	June 1, 2004
1994 Japanese Yen Loan <sup>b, c</sup>	130	100	4.60	July 28, 2004
1999 Canadian medium-term notes	40		5.50	October 8, 2004
1999 Canadian debenture	394		5.75	December 1, 2004
<b>2004-05 Total Term Debt Maturities</b>	<b>1,435</b>	<b>300</b>		
<b>2005-06 Term Debt Maturities</b>				
1995 Canadian medium-term notes	125		8.45	May 16, 2005
1995 Japanese Yen loan <sup>d</sup>	28		4.40	September 13, 2005
1993 Euro Canadian dollar notes	500		7.25	October 28, 2005
1995 Canadian debenture	500		7.50	December 1, 2005
<b>2005-06 Total Term Debt Maturities</b>	<b>1,153</b>	<b>-</b>		
<b>2006-07 Term Debt Maturities</b>	<b>NO GENERAL REVENUE FUND TERM DEBT MATURITIES</b>			

<sup>a</sup> Excludes \$154.4 million in 2004-05, \$152.4 million in 2005-06, and \$119.4 million in 2006-07 of principal repayment on notes supported by provincial corporations.

<sup>b</sup> U.S. dollar debt converted to Canadian dollars at a forecast foreign exchange rate of 77 cents.

<sup>c</sup> Swapped into U.S. dollars.

<sup>d</sup> Swapped into Canadian dollars.

## Net Financing Requirements

(millions of dollars)

	2002-03 Actual	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
<b>Requirements</b>					
General Revenue Fund term debt maturities	1,560	1,615	1,435	1,153	-
School construction loans	90	83	75	70	66
Adjustments	20	93	(21)	23	25
Accumulated debt maturities	1,670	1,791	1,489	1,246	91
Provincial corporations' term borrowing requirements	124	150	247	249	248
Gross financing requirements	1,794	1,941	1,736	1,495	339
Cash applied to accumulated debt repayment	(1,670)	(1,791)	(1,489)	(737)	-
<b>Net Term Debt Financing Requirements<sup>a</sup></b>	<b>124</b>	<b>150</b>	<b>247</b>	<b>758</b>	<b>339</b>

<sup>a</sup> Does not include public-private partnership financing requirements for government-owned capital assets.

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

(millions of dollars)

	At March 31	
	2003 Actual	2004 Forecast
<b>Loans and Advances</b>		
Agriculture Financial Services Act	981	1,074
Student Financial Assistance Act	149	206
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	168	180
Vencap Acquisition Corporation	6	6
Farm Credit Stability Act	42	24
Alberta Housing Act	21	23
Financial Administration Act		
Accountable advances	9	8
Pratt & Whitney Canada Inc.	2	2
Board of Governors, University of Alberta	1	1
University of Lethbridge Students' Union	1	-
	1,380	1,524
<b>Allowance for doubtful loans, advances, implemented guarantees and indemnities</b>		
Ridley Grain Ltd.	(76)	(88)
Student Loan Relief Completion Payments	(60)	(74)
Other	(52)	(45)
	(188)	(207)
<b>Total Loans and Advances</b>	<b>1,192</b>	<b>1,317</b>

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

# Guarantees

(millions of dollars)

	At March 31	
	2003 Actual	2004 Forecast
<b>Guarantees</b>		
Feeder associations	52	52
Student Financial Assistance Act	58	44
Alberta Housing Act	50	42
Agriculture Financial Services Act	45	41
Farm Credit Stability Act	43	30
Securities Act	2	2
Centre for Engineering Research Inc.	2	1
Rural utilities loans	1	1
University of Calgary	1	1
	254	214
<b>Estimated Liability</b>		
Loan guarantees	(14)	(14)
Student Loan Relief Completion Payments	(6)	(3)
	(20)	(17)
<b>Total Guarantees</b>	<b>234</b>	<b>197</b>

# 2004-05 Allocation of Lottery Fund Revenue<sup>a</sup>

(thousands of dollars)

<b>Lottery Fund Revenue</b>		<b>1,167,831</b>
<b>Agriculture, Food and Rural Development</b>		
Agriculture initiatives	11,620	
Agricultural service boards	5,000	
<b>Children's Services</b>		
Family and Community Support Services	30,000	
<b>Community Development</b>		
Alberta Foundation for the Arts	30,034	
Alberta Sport, Recreation, Parks and Wildlife Foundation	17,670	
Centennial legacy grants	13,000	
Wild Rose Foundation	7,766	
Alberta Historical Resources Foundation	6,946	
Volunteer services	3,580	
Hosting major athletic events	1,800	
Arts development	1,503	
Human Rights, Citizenship and Multiculturalism Education Fund	1,265	
Sport and recreation	1,212	
Edmonton 2004 Centennial	1,030	
<b>Economic Development</b>		
International marketing	7,900	
Visitor support services	2,500	
In-Alberta/regional marketing	2,200	
Travel Alberta Secretariat	900	
Alberta image promotion	400	
Research	200	
<b>Gaming</b>		
Racing industry renewal	45,000	
Community Facility Enhancement Program	38,500	
Community Initiatives Program	30,000	
Edmonton Northlands	7,100	
Calgary Exhibition and Stampede	7,100	
Bingo associations	7,000	
First Nations Development Fund	4,000	
Major fairs and exhibitions	2,660	
Alberta Gaming Research Institute	1,500	
Edmonton Oilers ticket lottery	1,350	
Calgary Flames ticket lottery	1,350	
Alberta Gaming Research Council	100	
Other initiatives	15,088	
<b>Health and Wellness</b>		
Human tissue and blood services		137,000
Alberta Alcohol and Drug Abuse Commission		54,749
Community-based health services		10,000
Health services research		5,325
Aboriginal health strategies		2,200
<b>Human Resources and Employment</b>		
Disability related employment supports		8,438
Summer Temporary Employment Program		8,195
<b>Infrastructure</b>		
Post-secondary facilities		81,500
Health care facilities		23,000
School facilities		22,000
Centennial projects		20,000
Centennial legacy grants		12,500
Seniors lodges		6,000
<b>Innovation and Science</b>		
Alberta SuperNet		41,000
Alberta science and research investments program		33,495
Alberta Energy Research Institute		14,595
Informatics Circle of Research Excellence		10,010
Alberta Agricultural Research Institute		8,675
Alberta Forestry Research Institute		2,510
<b>Learning</b>		
School support - transportation subsidies		60,400
Community education		15,300
Learning television		4,600
High speed networking		4,000
Immigrant support services		3,600
Achievement scholarships		3,100
<b>Municipal Affairs</b>		
Municipal sponsorship		12,000
Unconditional municipal grants		12,000
<b>Transportation</b>		
Alberta cities transportation partnerships		75,000
Rural transportation partnerships		30,000
Streets improvement program		20,000
Municipal water and wastewater grants		20,000
Water management infrastructure		10,000
Infrastructure Canada/Alberta Program		5,000
<b>Finance</b>		
Contingency allowance		84,365
<b>Total Allocation</b>		<b>1,167,831</b>

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

# Full-Time Equivalent Employment

	2003-04 Budget	2004-05 Estimate	Change
Legislative Assembly	436	447	11
Aboriginal Affairs and Northern Development	77	79	2
Agriculture, Food and Rural Development	1,640	1,708	68
Children's Services	2,539	2,539	-
Community Development	2,253	2,262	9
Economic Development	200	202	2
Energy	1,344	1,374	30
Environment	766	782	16
Executive Council	211	231	20
Finance	379	384	5
Gaming	39	42	3
Government Services	1,541	1,571	30
Health and Wellness	1,218	1,287	69
Human Resources and Employment	1,923	1,923	-
Infrastructure	843	843	-
Innovation and Science	804	808	4
International and Intergovernmental Relations	53	58	5
Justice	2,165	2,218	53
Learning	998	1,031	33
Municipal Affairs	317	319	2
Revenue	424	459	35
Seniors	322	328	6
Solicitor General	2,101	2,100	(1)
Sustainable Resource Development	1,905	1,906	1
Transportation	882	887	5
<b>Total Full-Time Equivalent Employment</b>	<b>25,380</b>	<b>25,788</b>	<b>408</b>

# Premiums, Fees and Licences Changes

	2003-04	2004-05
<b>COMMUNITY DEVELOPMENT</b>		
<b>Groomed Cross-Country Skiing Fees in Kananaskis Country</b>		
Per day ticket fees	-	\$2 - \$5
Season Pass (individual and family rates)	-	\$38 - \$139.50
Day facility and room rentals	-	\$20 - \$40
<b>Park Heritage Appreciation and Education Services Fees</b>		
Consultation services (per hour)	-	\$50 - \$150
Outreach Programs (in-school)	-	\$50 - \$300
Instructional Workshops (per participant)	-	\$15 - \$45
Study Camps (per participant, daily and weekly rates)	-	\$30 - \$500
Media use of still photography (per image)	-	\$25 - \$500
Commercial filming (application and staff time per hour)	-	\$50 - \$250
Facility and room rentals	-	\$25 - \$200
Audio visual equipment rental (per day)	-	\$10 - \$15
Bus and Auto Tours (individual and family rates)	\$4.25 - \$6.50	\$2 - \$25
Special interpretive services and special events (individual and family rates)	\$4.25 - \$6.50	\$2 - \$25
Special interpretive services and special events (organizations)	\$100	\$100 - \$200
Educational programs delivered in park by park staff (per student, hourly, daily, weekly rates)	-	\$2 - \$160
Educational programs delivered in park by teachers (per student)	-	\$1.50 - \$3
Professional Development Workshops for Teachers (per teacher, hourly rates)	-	\$5 - \$10
Teacher activity/resource guides (each)	-	\$10 - \$25
Edu-kit educational material (per week)	-	\$25 - \$50
<b>FINANCE</b>		
<b>Alberta Insurance Council</b>		
Life and general insurance agent/adjuster annual licence fee	\$60	\$70
Single class general insurance and accident and sickness agent annual licence fee	\$25	\$45
Full life agent examination fee	\$25	\$90
General agent, adjuster and probationary life agent examination fee	\$25	\$50
Probationary to full life agent examination fee	\$25	\$45
Transfer and reinstatement fees for all types of certificates of authority	\$10	\$25
Annual fee for cost of investigating consumer complaints	\$600	\$750
Corporate Certificate authorization to sell creditor life, travel, warranty and property insurance	\$100 - \$5,000	\$150 - \$5,500
Continuing education accredited course provider	-	\$250
Continuing education individual course approval	-	\$100
<b>JUSTICE</b>		
<b>Maintenance Enforcement Program</b>		
Re-registration (each time)	-	\$200
Serving legal papers on behalf of clients (each service)	-	\$50
Default fee (each month)	-	\$25
Dishonoured payment (each item)	-	\$50
Non-reporting of payment (each payment)	-	\$50
Failure to file statement of finances	-	\$200
Service charge for interest collected	-	20%

# Major Provincial Tax Rates, 2004

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
<b>Personal Income Tax</b>											
Statutory rate range											
- lowest rate	(%)	10.00	6.05	11.00	10.90	6.05	16.00 <sup>a</sup>	9.68	8.79	9.80	10.57
- highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00 <sup>a</sup>	17.84	15.17	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Basic amount	(\$)	14,337	8,523	8,264	7,634	8,044	6,275	7,756	7,231	7,412	7,410
Spousal amount	(\$)	14,337	7,298	8,264	6,482	6,830	6,275	6,586	6,140	6,294	6,055
<b>Corporate Income Tax</b>											
General rate	(%)	11.5 <sup>b</sup>	13.5	17.0	15.5	14.0	8.9	13.0	16.0	16.0	14.0
M&P rate	(%)	11.5 <sup>b</sup>	13.5	10-17 <sup>c</sup>	15.5	12.0	8.9	13.0	16.0	7.5	5.0
Small business											
- rate	(%)	3.0 <sup>b</sup>	4.5	5.5	5.0	5.5	8.9	3.0	5.0	7.5	5.0
- threshold	(\$000)	400	300	300	360	400	n/a	400	250	250	250
<b>Capital Tax</b>											
General	(max.%)	—	—	0.60	0.50	0.30	0.60	0.30	0.25	—	—
Financial institutions	(max.%)	—	3.00	3.25	3.00	0.90	1.45 <sup>d</sup>	3.00	3.00	3.00	4.00
<b>Retail Sales Tax</b>	(%)	—	7.5	6.0	7.0	8.0	7.5 <sup>e,f</sup>	8.0 <sup>e</sup>	8.0 <sup>e</sup>	10.0 <sup>i</sup>	8.0 <sup>e</sup>
<b>Gasoline Tax</b>	(¢/litre)	9.0	14.5 <sup>g</sup>	15.0	11.5	14.7	15.2 <sup>g,h</sup>	14.5 <sup>h</sup>	15.5 <sup>h</sup>	14.0	16.5 <sup>h</sup>
<b>Tobacco Tax</b>	(\$/carton)	32.00	35.80	32.00 <sup>h</sup>	31.00 <sup>h</sup>	19.70	20.60	23.50 <sup>h</sup>	26.04 <sup>h</sup>	29.90	30.00 <sup>h</sup>
<b>Payroll Tax</b>	(max.%)	—	—	—	2.15	1.95	4.26 <sup>i</sup>	—	—	—	2.00

Rates for other provinces known as of February 27, 2004.

- <sup>a</sup> Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.
- <sup>b</sup> These rates are effective April 1, 2004. The previous rates were 4.0% for small business and 12.5% for the M&P and general rates.
- <sup>c</sup> The general 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>d</sup> The Quebec financial institutions capital tax includes the base rate of 1.20% and a compensatory tax of 0.25%.
- <sup>e</sup> These provinces' sales taxes are harmonized with the federal GST.
- <sup>f</sup> These provinces apply their retail sales tax on the retail price of the good inclusive of the GST.
- <sup>g</sup> An additional 6¢/litre is imposed in the greater Vancouver area, 2.5¢/litre in Victoria and 1.5¢/litre in Montreal.
- <sup>h</sup> These provinces apply their retail sales taxes on the retail price of the good inclusive of the particular excise tax.
- <sup>i</sup> Quebec levies an additional 2% compensatory tax on the wages paid by financial institutions that is not included in this rate.



# Key Energy and Economic Assumptions

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Fiscal Year Assumptions</b>	<b>Actual</b>	<b>Actual</b>				
<b>Prices</b>						
Oil Price						
WTI (US\$/bbl)	24.17	29.04	30.75	26.00	25.00	25.00
Alberta Wellhead (Cdn\$/bbl)	31.46	39.40	35.28	28.44	28.00	28.00
Natural Gas Price						
Alberta Reference Price (Cdn\$/mcf)	3.94	4.98	5.64	4.20	4.15	4.01
Alberta Reference Price (Cdn\$/GJ)	3.74	4.72	5.35	3.98	3.94	3.80
<b>Production</b>						
Crude oil and equivalent (000's barrels/day)	1,478	1,498	1,623	1,665	1,753	1,855
Natural gas (billions of cubic feet)	5,547	5,352	5,166	5,001	4,817	4,603
<b>Interest rates</b>						
3-month Canada treasury bills (per cent)	3.14	2.77	2.75	2.50	3.25	4.00
10-year Canada bonds (per cent)	5.50	5.18	4.75	5.15	5.50	5.50
Exchange rate (US¢/Cdn\$)	63.9	64.6	74.3	77.0	77.0	77.0
	2002	2003	2004	2005	2006	2007
<b>Calendar Year Assumptions</b>	<b>Actual</b>	<b>Actual</b>				
<b>Gross Domestic Product</b>						
Nominal (millions of dollars)	150,292	172,103 <sup>a</sup>	175,408	182,543	191,161	200,864
per cent change	-0.2	14.5	1.9	4.1	4.7	5.1
Real (millions of 1997 dollars)	125,746	129,632 <sup>a</sup>	134,336	138,463	142,499	147,180
per cent change	3.2	3.1	3.6	3.1	2.9	3.3
<b>Other Indicators</b>						
Employment (thousands)	1,673.8	1,721.7	1,764.4	1,800.7	1,838.5	1,876.6
per cent change	2.6	2.9	2.5	2.1	2.1	2.1
Unemployment rate (per cent)	5.3	5.1	4.9	4.7	4.4	4.1
Housing starts (number of units)	38,754	36,171	33,600	32,000	31,200	30,700
Alberta Consumer Price Index	124.2	129.7	132.2	134.7	137.2	139.9
per cent change	3.4	4.4	1.9	1.9	1.9	1.9
Population (thousands)	3,114.4	3,154.0	3,199.5	3,246.8	3,295.0	3,344.6
per cent change	1.9	1.2	1.4	1.5	1.5	1.5

<sup>a</sup> estimated

## Sensitivities to Fiscal Year Assumptions, 2004-05<sup>a</sup>

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-65	--	-65
Natural Gas Price (Cdn\$/mcf)	-10¢	-105	--	-105
Exchange Rate (US¢/Cdn\$)	+1¢	-118	-6	-112
Interest Rates	+1%	-93	+10	-103

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

# Historical Fiscal Summary, 1985-86 to 2006-07<sup>a</sup>

(millions of dollars)

	Forecast											Target											
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	
<b>INCOME STATEMENT</b>																							
<b>Revenue</b>																							
1	1,521	1,768	2,236	2,039	2,536	2,796	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,834	4,613	5,085	5,438	5,786	
2	780	396	595	697	700	803	731	637	854	1,073	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,019	1,796	1,957	1,976	2,070	
3	660	686	729	769	824	915	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,128	1,151	1,094	1,113	1,166	1,233	1,304	1,366	
4	341	262	553	679	683	878	1,029	1,055	1,053	1,126	1,112	1,157	1,218	1,178	1,241	1,386	1,469	1,633	1,755	1,696	1,705	1,734	
5	4,932	1,892	2,626	2,085	2,240	2,688	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,586	6,227	7,130	7,446	4,784	4,356	3,923	
6	2,161	1,965	1,847	1,834	1,891	2,125	2,155	1,711	1,837	1,567	1,724	1,616	1,747	1,610	1,906	1,353	788	(462)	1,649	1,226	1,291	1,304	
7	1,111	959	1,407	1,662	2,022	1,615	1,566	2,319	2,710	2,832	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,319	3,922	4,000	4,090	4,141	
8	11,506	7,928	9,993	9,765	10,896	11,820	11,587	11,814	13,316	14,235	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,586	22,347	19,981	20,160	20,324	
9	1,788	1,689	1,912	2,135	1,943	2,365	2,150	2,457	2,090	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,074	2,991	2,971	3,182	3,265	
10	13,294	9,617	11,905	11,900	12,839	14,185	13,737	14,271	15,406	16,164	15,515	16,652	17,754	16,819	20,103	25,527	21,926	22,660	25,338	22,952	23,342	23,589	
<b>Expense by Function<sup>b</sup></b>																							
11	Health	3,003	3,244	3,114	3,372	3,631	3,895	4,129	4,352	4,194	3,928	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,649	8,407	8,672	8,910	
12	Basic / advanced education	2,961	3,114	3,118	3,227	3,379	3,532	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,887	6,354	6,439	
13	Social services	1,156	1,270	1,329	1,434	1,502	1,567	1,746	1,889	1,721	1,495	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,305	2,408	2,470	2,512	
14	Other program expense	6,753	5,725	5,137	5,077	5,328	5,741	5,501	6,031	5,172	4,301	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,890	5,117	5,228	
15	Total program expense	13,873	13,353	12,698	13,110	13,840	14,735	15,052	16,176	15,123	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,053	21,731	22,286	22,809	
16	Debt servicing costs	182	297	572	797	1,115	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	980	774	476	280	363	329	
17	Total Expense	14,055	13,650	13,270	13,907	14,955	16,017	16,366	17,595	16,777	15,226	14,364	14,163	15,095	15,725	17,312	18,956	20,845	20,529	22,011	22,649	23,138	
18	Net Revenue (Spending)	(761)	(4,033)	(1,365)	(2,007)	(2,116)	(1,832)	(2,629)	(3,324)	(1,371)	938	1,151	2,489	2,659	1,094	2,791	6,571	1,081	2,131	3,327	303	204	
19	Transfer from Capital Account																			416	741	425	
20	Transfer from (to) Sustainability Fund																			(3,608)	(784)	(356)	
21	Other requirements <sup>c</sup>																			(135)	—	—	
22	Contingency Allowance																			—	260	273	
<b>BALANCE SHEET</b>																							
23	Net Financial Assets (Debt) <sup>d</sup>	11,817	7,784	6,419	4,412	2,296	464	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,803	14,951	14,846	14,637	
24	Capital Assets <sup>e</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,220	7,669	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,285	10,464	10,872	11,285	
25	Net Assets (Debt) <sup>d</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(93)	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,088	25,415	25,718	25,922	
26	Pension obligations	5,500	6,625	7,946	8,004	8,243	6,156	5,774	4,770	5,066	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,927	5,047	5,166	5,287	5,415	
27	Accumulated Debt <sup>f</sup>	4,953	10,091	11,105	13,069	15,527	16,647	17,406	20,305	22,701	21,451	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,714	2,988	2,729	2,729	
28	Sustainability Fund assets																			—	2,500	2,529	
29	Capital Account assets																		910	1,180	718	187	

<sup>a</sup> Numbers have been restated on 2004-05 basis where possible. Numbers for 2001-02 forward are fully comparable. For the period 1992-93 to 2000-01 numbers are essentially comparable to the 2004-05 presentation with exception of the treatment of disposal of capital assets (in most years variance of less than \$100 million). Prior to 1992-93, spending is on an expenditure basis, using actual capital numbers rather than capital amortization costs.

<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> Other requirements is the net of retained income of funds and agencies and capital cash requirements. This amount is not available for transfer to the Sustainability Fund.

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

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