

June 21, 2007

Note on Reporting Entity

The 2006-07 Government of Alberta Annual Report includes a larger reporting entity than the budget and quarterly documents. The Annual Report includes the change in equity of Crown-controlled organizations in the SUCH sector (schools, universities, colleges and health authorities), which adds \$540 million to revenue. It also includes the change in pension obligations, which adds \$158 million to expense. As a result, the surplus in the 2006-07 Annual Report is \$8,892 million. This is \$382 million higher than the surplus reported on the budget/quarterly basis. This difference in the reporting entity has no effect on the assets in the Sustainability Fund.

The following tables are on the same basis as *Budget 2006* and the quarterly updates (exclude the changes in SUCH sector equity and pension provisions). The 'Change from Forecast' refers to the 2006-07 Forecast published in the *Budget 2007* documents in April 2007.

FISCAL SUMMARY^a

(millions of dollars)

	2006-07		Change from	
	Budget	Actual	Budget	Forecast ^b
Revenue	32,408	38,017	5,609	958
Expense				
Program expense				
Operating expense	24,468	24,468	-	(109)
Capital grants	2,662	3,448	786	(4)
Disasters/emergencies/natural gas rebates	362	854	492	(22)
Capital amortization and nominal sum disposals	575	522	(53)	(23)
Debt servicing costs	245	215	(30)	(6)
Total Expense	28,312	29,507	1,195	(164)
Net Revenue (surplus)	4,096	8,510	4,414	1,122
Net Amount Available for Allocation from the Sustainability Fund				
Net Revenue	4,096	8,510	4,414	1,122
Adjustments	(1,859)	93	1,952	(362)
Net Amount Available for Allocation	2,237	8,603	6,366	760
Allocation				
Capital Account - net deposits for future-year commitments	-	1,848	1,848	(1)
Heritage Fund - deposit	1,000	1,000	-	-
Heritage Fund - inflation proofing	242	283	41	81
Advanced education endowment (in the Heritage Fund)	-	250	250	-
Scholarship Fund	20	20	-	-
Medical Research Endowment Fund	150	150	-	-
Science and Engineering Research Endowment Fund	-	100	100	-
Alberta Cancer Prevention Legacy Fund	500	500	-	-
Energy Innovation Fund	-	200	200	-
Cash from fourth quarter results transferred after March 31				
Savings	-	227	227	227
Capital Account	-	455	455	455
Sustainability Fund net increase	325	3,570	3,245	(2)
Total Allocation	2,237	8,603	6,366	760

^a For purposes of the *Fiscal Responsibility Act*. Revenue does not include the change in equity of Crown-controlled SUCH sector organizations. Expense does not include the change in unfunded pension obligations.

^b Forecast refers to the updated 2006-07 revenue and expense forecast published in the *Budget 2007* documents. The revenue forecast was \$420 million higher than the forecast published in the *2006-07 Third Quarter Fiscal Update* primarily due to higher income tax revenue and investment income. Expense was \$14 million higher due to increased health capital spending and mountain pine beetle infestation costs.

REVENUE

(millions of dollars)

2006-07

	Budget	Actual	Change from		Main Reasons for Change from Budget
			Budget	Forecast	
Income Taxes					
Personal income tax	5,999	7,622	1,623	103	Higher 2005 assessments/income growth
Corporate income tax	2,227	3,606	1,379	11	Stronger corporate profits/economic growth
	8,226	11,228	3,002	114	
Other Taxes					
Education property tax	1,306	1,330	24	24	Higher supplemental tax revenue
Tobacco tax	740	776	36	(4)	Higher volumes
Fuel tax	643	735	92	35	Stronger economic and population growth
Freehold mineral rights tax	386	317	(69)	(2)	Lower well productivity
Insurance taxes	195	242	47	13	Growth in premiums and the economy
Tourism levy	50	68	18	4	Increased hotel stays/room rates
	3,320	3,468	148	70	
Non-Renewable Resource Revenue					
Natural gas and by-products royalty	7,146	5,988	(1,158)	487	Lower natural gas price
Crude oil royalty	954	1,400	446	11	Higher oil price
Synthetic crude oil and bitumen royalty	1,716	2,411	695	37	Higher oil price
Coal royalty	11	13	2	(3)	Increased production
Bonuses and sales of Crown leases	1,479	2,463	984	29	Higher oilsands lease sales
Rentals and fees	150	159	9	(10)	Increased mineral mining activity
Royalty tax credit	(102)	(174)	(72)	9	Year-end accrual
	11,354	12,260	906	560	
Transfers from Government of Canada					
Health transfers	1,888	1,591	(297)	(4)	Higher income tax revenue
Canada Social Transfer	678	490	(188)	(2)	Higher income tax revenue
Agriculture support programs	303	251	(52)	25	Lower CAIS indemnity payments
Other	529	745	216	(28)	Infrastructure transfers
	3,398	3,077	(321)	(9)	
Investment Income					
Alberta Heritage Savings Trust Fund	874	1,614	740	(103)	Higher-than-expected equity markets
Alberta Capital Finance Authority	275	295	20	2	Increased borrowing by local authorities
Agriculture Financial Services Corporation	86	97	11	2	Higher asset balances
Sustainability Fund	125	259	134	7	Higher asset balance
Capital Account	135	192	57	-	Higher asset balance
Debt Retirement Account	89	97	8	-	Higher interest rates
Endowment Funds					
Medical Research	61	146	85	(6)	Higher-than-expected equity markets
Science and Engineering Research	31	80	49	(7)	Higher-than-expected equity markets
Scholarship	27	60	33	(2)	Higher-than-expected equity markets
Other	64	173	109	19	Higher asset balances
	1,767	3,013	1,246	(88)	
Net Income from Commercial Operations					
Alberta Gaming and Liquor Commission					
Gaming and lottery revenue	1,300	1,534	234	76	Higher VLT activity/population growth
Liquor revenue	571	658	87	52	Higher volumes/population growth
Alberta Treasury Branches	217	274	57	(6)	Reduced loan losses/higher interest income
Other	6	8	2	1	Various changes
	2,094	2,474	380	123	
Premiums, Fees and Licences					
Health care insurance premiums	882	926	44	14	Increase in registrants
Motor vehicle licences	305	341	36	13	Higher commercial vehicle registrations
Crop and hail insurance premiums	124	132	8	(1)	Higher participation rate
Timber rentals and fees	81	51	(30)	7	Lower prices/higher exchange rate
Land titles	54	68	14	2	Stronger real estate market
Other	306	370	64	49	Various changes
	1,752	1,888	136	84	
Other					
Refunds of expense	97	115	18	22	Various changes
Fines and penalties	78	86	8	1	Volume increase
Miscellaneous	322	408	86	81	Husky Oil/Glenbow land donation
	497	609	112	104	
Total Revenue	32,408	38,017	5,609	958	

EXPENSE BY MINISTRY

(millions of dollars)

2006-07

Program	Budget	Actual	Change from		Main Reasons for Change from Budget
			Budget	Forecast	
Legislative Assembly	74	70	(4)	(1)	Lapsed spending
Advanced Education and Technology	2,382	2,506	124	(24)	Capital grants
Agriculture and Food	992	1,068	76	10	Disaster funding/CAIS program payments
Children's Services	918	900	(18)	(4)	Slow up-take in new child care programs
Education	5,134	5,422	288	(2)	School capital and operating support
Employment, Immigration and Industry	898	888	(10)	2	Lower CASS program demand
Energy	219	223	4	(3)	Biofuels/EUB operations
Environment	143	151	8	(4)	Water and waste management grants
Executive Council	22	21	(1)	(1)	Lapsed spending
Finance	592	630	38	(10)	MEPP payment/increased ACFA lending
Health and Wellness	10,318	10,705	387	(29)	RHA grants/physician payments
Infrastructure and Transportation	2,522	2,676	154	(8)	Increased capital support
International, Intergovernmental and Aboriginal Relations	66	65	(1)	(2)	Miscellaneous lapses
Justice	348	331	(17)	(21)	Staffing vacancies/valuation adjustment
Municipal Affairs and Housing	353	398	45	(18)	Capital support/homelessness initiative
Seniors and Community Supports	1,635	1,595	(40)	(12)	Lower PDD/AISH/seniors program costs
Service Alberta	270	260	(10)	(7)	Lower amortization expense/various lapses
Solicitor General and Public Security	453	454	1	(4)	Edmonton Remand Centre
Sustainable Resource Development	238	469	231	(17)	Wildfires/mountain pine beetles
Tourism, Parks, Recreation and Culture	480	452	(28)	(2)	Racing centres/First Nations casinos
Treasury Board	10	8	(2)	(1)	Lower-than-anticipated staffing levels
Total Program Expense	28,067	29,292	1,225	(158)	
Debt Servicing Costs	245	215	(30)	(6)	Lower in-year financing requirements
Total Expense	28,312	29,507	1,195	(164)	

DISASTER/EMERGENCY ASSISTANCE AND NATURAL GAS REBATES

(millions of dollars)

2006-07

	Budget	Forecast	Actual
Disaster/Emergency Assistance			
Agriculture and Food	-	261	229
Municipal Affairs and Housing - Floods	-	4	5
Sustainable Resource Development			
Wildfires	-	201	195
Mountain Pine Beetles	-	47	47
Natural Gas Rebates			
Infrastructure and Transportation	362	363	378
Total Disaster/Emergency Assistance and Natural Gas Rebates	362	876	854

ALBERTA SUSTAINABILITY FUND

AT MARCH 31, 2007

(millions of dollars)

	2006-07			
	Budget	Actual	Change from	
			Budget	Forecast
Assets at start of year	4,083	4,083	-	-
Transfers to (withdrawals from) Sustainability Fund				
Non-renewable resource revenue transfer from general revenue	6,054	6,960	906	560
Other net transfers	-	4,912	4,912	540
Withdrawals for disasters/emergencies/natural gas rebates	(362)	(854)	(492)	22
Cash transferred from previous year	-	1,095	1,095	-
Cash transferred to Capital Account for capital grants	(1,896)	(2,508)	(612)	-
Net transfers (withdrawals)	3,796	9,605	5,809	1,122
Adjustments				
Cash adjustments	(464)	452	916	(286)
Retained income of funds and agencies	(282)	(762)	(480)	(76)
Cash transferred to Capital Account for capital investment	(813)	(692)	121	-
Total adjustments	(1,559)	(1,002)	557	(362)
Assets prior to allocation	6,320	12,686	6,366	760
Allocation to:				
Capital Account - future-year use	-	(1,848)	(1,848)	1
Heritage Fund - deposit	(1,000)	(1,000)	-	-
Heritage Fund - inflation proofing	(242)	(283)	(41)	(81)
Advanced education endowment (in the Heritage Fund)	-	(250)	(250)	-
Scholarship Fund	(20)	(20)	-	-
Medical Research Endowment Fund	(150)	(150)	-	-
Science and Engineering Endowment Fund	-	(100)	(100)	-
Energy Innovation Fund	-	(200)	(200)	-
Alberta Cancer Prevention Legacy Fund	(500)	(500)	-	-
Cash from fourth quarter results transferred after March 31				
Savings	-	(227)	(227)	(227)
Capital Account	-	(455)	(455)	(455)
Assets at End of Year	4,408	7,653	3,245	(2)

CAPITAL PLAN SUMMARY

(millions of dollars)

	2006-07			
	Budget	Actual	Change from	
			Budget	Forecast
Municipal infrastructure support	1,021	1,076	55	(43)
Provincial highway network	1,093	924	(169)	(77)
Health facilities and equipment	752	934	182	34
Schools	346	579	233	1
Post-secondary facilities	282	399	117	(1)
Community facilities and centennial projects	122	121	(1)	(18)
Water and wastewater management	90	170	80	18
Government facilities, housing and equipment	346	540	194	18
Capital for emergent projects ^a	129	-	(129)	(15)
Total Capital Plan	4,181	4,743	562	(83)
Funded from:				
Current-year revenue	1,324	1,417	93	(61)
Capital Account	2,709	3,200	491	-
Alternatively financed	148	126	(22)	(22)
Total Capital Plan	4,181	4,743	562	(83)

^a Capital for emergent projects funding is reallocated to appropriate functional areas based on the projects funded.

CAPITAL GRANTS TO LOCAL AUTHORITIES AND OTHER INFRASTRUCTURE SUPPORT^a

(millions of dollars)

	2006-07			
	Budget	Actual	Change from	
			Budget	Forecast
Advanced Education and Technology	278	395	117	(1)
Agriculture and Food	29	58	29	(2)
Education	346	579	233	1
Environment	1	9	8	1
Finance	4	4	-	-
Health and Wellness	676	887	211	49
Infrastructure and Transportation	1,169	1,305	136	(44)
Municipal Affairs and Housing	53	87	34	(11)
Seniors and Community Supports	25	43	18	3
Tourism, Parks, Recreation and Culture	81	81	-	-
Total Support	2,662	3,448	786	(4)

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

CAPITAL INVESTMENT AND AMORTIZATION^a

(millions of dollars)

	2006-07 Capital Investment				2006-07 Capital Amortization			
	Budget	Actual	Change from		Budget	Actual	Change from	
			Budget	Forecast			Budget	Forecast
Legislative Assembly	1	-	(1)	(1)	1	-	(1)	-
Advanced Education and Technology	10	12	2	1	7	4	(3)	(3)
Agriculture and Food	10	14	4	(2)	10	11	1	-
Children's Services	4	2	(2)	(2)	1	2	1	1
Education	4	1	(3)	(1)	1	2	1	-
Employment, Immigration and Industry	4	9	5	-	3	2	(1)	(1)
Energy	18	20	2	2	16	14	(2)	(1)
Environment	3	4	1	1	20	19	(1)	(1)
Executive Council	-	-	-	-	-	-	-	-
Finance	6	7	1	-	7	7	-	-
Health and Wellness	76	47	(29)	(15)	47	39	(8)	(8)
Infrastructure and Transportation	1,278	1,054	(224)	(51)	313	298	(15)	2
International, Intergovernmental and Aboriginal Relations	-	-	-	-	-	-	-	-
Justice	22	19	(3)	-	3	3	-	-
Municipal Affairs and Housing	1	1	-	-	26	25	(1)	(1)
Seniors and Community Supports	1	2	1	1	1	1	-	-
Service Alberta	16	27	11	1	1	1	-	-
Solicitor General and Public Security	-	7	7	(4)	11	8	(3)	(3)
Sustainable Resource Development	39	38	(1)	(2)	38	27	(11)	(4)
Tourism, Parks, Recreation and Culture	26	31	5	(7)	12	10	(2)	-
Treasury Board	-	-	-	-	-	-	-	-
Total Capital Investment/Amortization	1,519	1,295	(224)	(79)	518	473	(45)	(19)
Funded from the Capital Account	813	692	(121)	-	-	-	-	-
Alternatively financed	148	126	(22)	(22)	-	-	-	-

^a Capital investment includes purchase of inventory. Amortization includes consumption of inventory.

FISCAL YEAR ASSUMPTIONS

	2006-07					
	Budget	1st	2nd	3rd	April	Actual
		Quarter	Quarter	Quarter		
Oil Price (WTI US\$/bbl)	50.00	Forecast 63.50	Forecast 64.67	Forecast 64.00	Forecast 64.97	64.89
Natural Gas Price (Cdn\$/GJ)	7.50	Forecast 6.50	Forecast 5.75	Forecast 5.95	Forecast 5.95	5.94
Exchange Rate (US¢/Cdn\$)	85.80	Forecast 88.65	Forecast 88.70	Forecast 87.90	Forecast 87.90	87.88
Interest Rates:						
3-month Canadian treasury bills	3.95	4.35	4.15	4.10	4.14	4.14
10-year Canada bonds	4.95	4.65	4.15	4.15	4.20	4.20