

June 29, 2005

Backgrounder Revised

Accumulated debt eliminated, support boosted for health, education and infrastructure in 2004-05

2004-05 Highlights

- Accumulated debt eliminated.
 - The budget was balanced for the eleventh consecutive year.
 - Revenue exceeded expense by \$5 billion. The surplus was primarily allocated to paying the remaining \$3.7 billion accumulated debt and to help pay for capital projects.
 - Revenue was \$29.3 billion, \$3.4 billion higher than in 2003-04 primarily due to higher non-renewable resource revenue.
 - Expense was \$24.3 billion, \$2.4 billion higher than in 2003-04, primarily due to higher health and education spending.
 - Alberta continued to enjoy the highest personal disposable income per capita and the lowest overall tax load among the provinces.
 - 40,000 jobs were created and Alberta recorded the lowest unemployment rate in Canada at 4.6 per cent.
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Edmonton... Alberta's strong fiscal position allowed the province to become debt free and increase support for programs and infrastructure in 2004-05. This set the province solidly on course as it enters its second century. Finance Minister Shirley McClellan released the Government of Alberta Annual Report providing details of the province's performance on Budget 2004.

"Albertans should be proud of the challenges they have overcome and opportunities seized to get the province to where it is today," said McClellan. "They played a key role in getting government's fiscal house in order and created a prosperous environment that helps make Alberta the best place to live, work and visit."

Most of the \$5 billion surplus was deposited into the Debt Retirement Account, allowing the remaining \$3.7 billion accumulated debt to be repaid as it comes due. Since 1994, nearly \$23 billion has been earmarked to repaying debt, resulting in savings of approximately \$1.5 billion in annual debt servicing costs.

While the government addressed the accumulated debt it also focused on further investments in key programs. Health spending was \$9.1 billion, an increase of 18.8 per cent from 2003-04. Education spending was \$6.4 billion, an increase of 9.1 per cent from 2003-04. The increases reflected higher spending on programs and increased capital and operating grants to health authorities, school boards and post-secondary institutions. Health and education spending together accounted for more than 63 per cent of government expense.

A portion of the increased health funding was allocated to the Alberta Health Renewal Plan to reduce waiting times. Implementation continued on the Alberta Electronic Health Record, allowing physicians and pharmacists to gain immediate access to a patient's records, resulting in faster, more accurate and safer patient care. Funding was also increased for health promotion and programs, and a new bursary was introduced to help attract more medical students and residents to practice in rural communities.

Implementation of the accepted recommendations from Alberta's Commission on Learning continued, including new funding to hire 1,250 teachers under the Class Size Initiative. Post-secondary initiatives included the introduction of legislation to establish an advanced education endowment, an increase in scholarships funds and an additional 5,275 apprenticeship training spaces.

The Capital Plan supported \$2.8 billion for roads, schools, post-secondary institutions, hospitals, municipal infrastructure, and

other projects in 2004-05. The value of capital projects supported by the Capital Plan increased by \$1.2 billion or more than 71 per cent from 2003-04. Seven new schools and five replacement schools were opened, \$231 million was provided for post-secondary facilities, and \$863 million was provided for health facilities and equipment.

Taxes were reduced in 2004-05, with the general corporate rate reduced to 11.5 per cent from 12.5 per cent, and the small business rate reduced to 3 per cent from 4 per cent. The personal income tax system continued to be indexed to inflation to preserve the nearly \$1.5 billion in reductions since 1999.

The Sustainability Fund continued to provide emergency assistance to support the cattle industry, which is still being impacted by the BSE crisis, and funding for forest fires, floods and natural gas rebates. "We are in a very fortunate financial position to help Albertans in times of need without impacting priority programs," said McClellan.

The Heritage Fund earned approximately \$1.1 billion from its investments during the 2004-05 fiscal year. All of the investment income was transferred to the General Revenue Fund. Since 1976, transfers to the General Revenue Fund have amounted to \$27.6 billion and have been used for Albertans' priorities including capital projects, health care, education, roads and tax reductions. On a fair value basis, the Fund's investments returned 7.7 per cent. At March 31, 2005, the fair value of the Fund was \$12.2 billion.

The provincial government's success is based on meeting the needs of Albertans. *Measuring Up* reports on the government's performance in achieving Albertans' goals. The first *Measuring Up* report, released in 1995, was the first annual performance report of its kind in Canada.

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Attachment:

- Backgrounder - Measuring Up
- Backgrounder - [Charts and Graphs](#)

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This news release is available on the Alberta Finance homepage at: <http://www.finance.gov.ab.ca>

The logo for the province of Alberta, featuring the word "Alberta" in a stylized blue font.

June 29, 2005

Key infrastructure projects get boost from 2004-05 surplus dollars

Edmonton... Key road and water projects in Alberta will be completed a lot sooner than originally planned, thanks to hundreds of millions of new dollars being injected into the Government of Alberta's existing infrastructure plan from the 2004-05 surplus. Finance Minister Shirley McClellan made the announcement as part of the release of the Government of Alberta Annual Report.

"Thanks to higher-than-expected energy revenues in 2004-05, and a sound fiscal plan, our government is in the unique position of being able to put substantial new dollars into top infrastructure priorities," said Minister McClellan.

Just over \$450 million will be allocated from the higher than forecast 2004-05 fourth quarter results to accelerate existing

highway projects in the Wood Buffalo Region and other parts of the province, and for water projects that support the *Water for Life* strategy. The funding will be allocated from the remaining \$696 million surplus that was deposited into the Sustainability Fund after March 31, 2005.

"We're pleased to be able to put a total of \$300 million into speeding up much-needed road work in the Wood Buffalo region of northeastern Alberta and other parts of the province," said Infrastructure and Transportation Minister Dr. Lyle Oberg. "Today's announcement brings the completion date of those projects much closer."

"I'm extremely pleased that Alberta has responded in a significant way to the tremendous growth being experienced in Fort McMurray by immediately fast-tracking the twinning of lanes, and funding other improvements to Highway 63," said Guy Boutilier, Alberta Environment Minister and MLA for Fort McMurray-Wood Buffalo. "This accelerated investment in Highway 63 will enhance the safety of all who use this important transportation link to the oil sands."

Boutilier also recognized the importance of the government's commitment to the *Water for Life* strategy.

"Funding for *Water for Life* is an investment that will bring invaluable returns for this and future generations," he said. "Water is the blue gold that sustains life, and this investment will help ensure safe, secure drinking water. This latest investment in the long-term sustainability of Alberta's municipal waterworks systems will bring demonstrable benefits to many Albertans in both social and economic terms."

The \$454 million is being allocated as follows:

- \$200 million to accelerate existing highway projects in the Wood Buffalo Region;
- \$100 million to accelerate existing highway projects in other parts of the province;
- \$ 54 million for water and wastewater projects in support of the *Water for Life* strategy;
- \$100 million to address other capital priorities that arise during the year.

The remaining \$242 million of the \$696 million will remain in the Sustainability Fund.

Additional details of the highway and water projects will be unveiled in the coming weeks.

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Backgrounder

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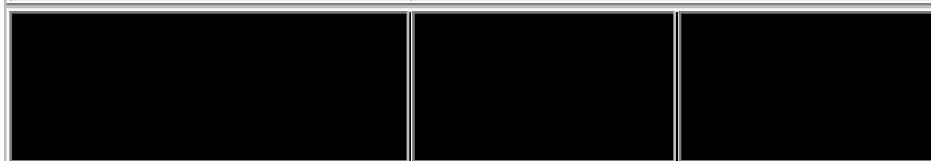
Measuring Up shows progress on business plan goals

Edmonton... As part of the Government of Alberta Annual Report, *Measuring Up* records government progress against the achievement of goals set annually in the provincial budget.

Selected performance measures, results, and examples of government strategies are shown here. For more information, see "Measuring Up" in the *Government of Alberta 2004-05 Annual Report*. For information on goals, targets and strategies for 2005-06, see *Budget 2005 - Investing in the Next Alberta*. For more information on the *Government Business Plan* and *Measuring Up* go to: <http://www.finance.gov.ab.ca/publications/index.html>.









Selected measures and results	Strategies
Self-reported health status: 89% "good" or better (18-64 year olds; target 90%); 78% good or better (65+; target 80%)	Encouraged healthy behaviour through such programs as Healthy U @ Work and the Keep Your Body in Check program that focuses on prevention of type 2 diabetes, and activity and fitness awareness programs.
Access "easy" or "very easy": 86% to physicians (target: 86%), 72% to hospital services (target: 72%)	Increased the number of physicians in Alberta. Increased funding for health professionals, staff, equipment and supplies, and implemented the Rural Physician Action Plan aimed at attracting medical students and family physician residents to rural practice.
Overall quality of health care received "excellent" or "good": 86% (target: 85%)	National Ministerial Task Force formed to implement a National Pharmaceutical Strategy. Implemented the Electronic Health Record system to improve clinical and management decision-making. The system was deployed to 10,261 providers, including all health authorities, 952 physicians and 715 pharmacists.





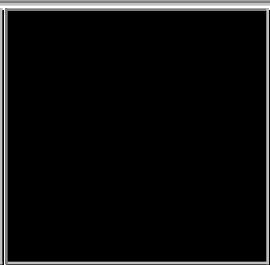
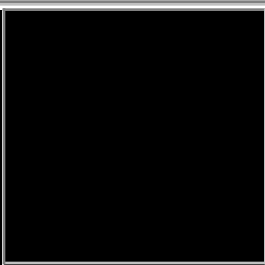


Selected measures and results	Strategies
Educational attainment: 90% high school (target: 90%), 57% post-secondary (target: 60%)	Task force initiated with stakeholders, province-wide consultations to explore ways to improve high school completion rates. Study undertaken to determine reasons for non-completion of post-secondary students.
Grade 9 literacy 78% (target: 80%), numeracy 66% (target: 68%)	Improved curriculum and instructional resources implemented in core subjects. Provided \$52 million to school boards to reduce class sizes, with funding increasing to \$110 million in 2005-06.

<p>Work Foundations and Training for Work program participants employed: 81% (target: 70%)</p>	<p>Provided options to assist Albertans who face barriers to employment including: tuition and other financial support to First Nations people; supported Aboriginal Industry Advisory Group; and new labour market partnerships were established to promote employment for persons with disabilities.</p>		
<p>Selected measures and results</p>	<p>Strategies</p>		
<p>Parents interacting positively with children: 88.4% (target: national average 83.9%)</p>	<p>Established a provincial network of Parent Link Centres to give parents the necessary support.</p>		
<p>Selected measures and results</p>	<p>Strategies</p>		
<p>Satisfaction of families/guardians with Persons with Developmental Disabilities services: 85.8% (target: 91%)</p>	<p>Second year completed of provincial Community Capacity Building Initiative. Persons with Developmental Disabilities funded advocacy groups, post-secondary institutions, libraries, sports and service clubs and others to develop innovative local projects designed to enhance the capacity to include persons with intellectual disabilities.</p>		
<p>Selected measures and results</p>	<p>Strategies</p>		

<p>Difference in rate of participation in economy of Aboriginals and non-Aboriginals reduced to 4% by 2006: current 5.3% (2001)</p>	<p>Implementation of the Aboriginal Policy Framework focuses attention on increasing participation in the economy: working with industry to address skill shortages, align training with labour market needs, and promote partnerships.</p>	
<p>Selected measures and results</p>	<p>Strategies</p>	
<p>79% of Albertans were satisfied with their local governments (target: 75%)</p>	<p>The Minister's Provincial/Municipal Council on Roles, Responsibilities and Resources in the 21st Century worked with municipal partners. The ME First! Program provided interest-free loans to municipalities, helping improve energy efficiency and conservation. The Regional Partnerships Initiative saw 12 partnerships approved in 2004-05, with funding totaling \$1.3 million.</p>	
<p>Selected measures and results</p>	<p>Strategies</p>	
<p>Gross Domestic Product 3-year average annual nominal growth rate: 7.6% (target: 4%)</p>	<p>Promoted Alberta as preferred location for new and expanded investment; converted Hotel Tax to Tourism Levy to support tourism promotion; promoted value-added diversification and global competitiveness; provided for a skilled workforce, improved innovation capacity, strengthened small and medium enterprises, encouraged industry sectors with potential for value-added growth.</p>	
<p>Personal disposable income per capita: highest (target: highest)</p>		
<p>Labour productivity: highest among provinces (target: highest)</p>		

<p>Export Trade: \$25 billion (target: \$22.7 billion)</p>	<p>Implemented the International Marketing Strategy, which included organizing inbound missions from PEMEX and selected U.S. companies to the Global Petroleum Show (Calgary); supported the development of knowledge-based industries and worked to reduce or remove barriers to trade and investment.</p>	
<p>Value of sponsored research at universities: \$583.7 million (target: \$492 million)</p>	<p>\$70 million capital investment made in large-scale research facilities at Alberta universities. New programs and expansion of existing programs at provincial and federal levels have increased capacity and capability.</p>	
<p>Oil sands production: 1,089,300 barrels/day (2004), up 13% from 2003 (target: increased production)</p>	<p>Supported infrastructure development, implemented fiscal policies, fostered sustainable development, encouraged value-added upgrading and supported technology that reduces costs and increases established reserves.</p>	
		
<p>Selected measures and results</p>	<p>Strategies</p>	
<p>Accumulated Debt (less cash set aside): Zero (target: \$3 billion)</p>	<p>Alberta allocated \$3.7 billion to the Debt Retirement Account in 2004-05, to fully offset and repay remaining accumulated debt as it comes due.</p>	
<p>Total provincial and municipal tax load: lowest (target: lowest)</p>	<p>Alberta has a low single rate income tax and is the only province without a capital tax or a retail sales tax, and the lowest tax on gasoline among the provinces.</p>	
		
<p>Selected measures and results</p>	<p>Strategies</p>	

<p>Public approval of human rights protection effectiveness: 87.6% (target: 86%)</p>	<p>Launched phase two of the Help Make a Difference public service announcement program; developed and distributed resources concerning human rights and discrimination; funded community groups for initiatives that foster inclusive communities.</p>	
<p>Number of lost-time claims per 100 person-years worked: 2.6 (2004), lowest since 1991: (target: 2 or lower)</p>	<p>Implemented Work Safe Alberta; increased fines and prosecutions for <i>Occupational Health and Safety Act</i> violations; an industry-led Health and Safety Mentorship program.</p>	
		
<p>Selected measures and results</p>	<p>Strategies</p>	
<p>Greenhouse gas emissions intensity: 85% of 1990 levels</p>	<p>Developed Canada's first greenhouse gas reporting program for large final emitters; ME First! interest-free loan program encouraged energy efficiency and conservation in municipalities.</p>	
<p>River water quality "good" or "excellent": 5 of 6 systems (target: maintain 5 of 6)</p>	<p>Water for Life strategy; Alberta Ingenuity Centre for Water Research; Alberta Water Information Centre; Advisory Committee on Water Use Practice and Policy are directed at protecting Alberta's water resources.</p>	
		
<p>Selected measures and results</p>	<p>Strategies</p>	
<p>Adults participating in sport and recreation: 83.4% (target: 85%)</p>	<p>Implemented programs to encourage participation in sport and recreational activities including SummerActive and Live Outside the Box campaigns, and funded enhanced participation of underrepresented groups in sport.</p>	

<p>Film production employment: 3,505 (target: 2,950)</p>	<p>Increased funding to the Alberta Film Development Program by \$2.5 million, up 23% over the previous year.</p>	
<p>Selected measures and results</p>	<p>Strategies</p>	
<p>Health facilities in "fair" or "good" physical condition: 96% (target: 94%)</p>	<p>Projects included the Alberta Children's Hospital in Calgary, Alberta Heart Institute in Edmonton, and redevelopment of the Royal Alexandra Hospital in Edmonton and the Regional Hospital in Red Deer. Funding was provided for renovations at five hospitals and the Cross Cancer Institute in Edmonton; and Foothills Medical Centre and the Tom Baker Cancer Centre in Calgary.</p>	
<p>Education institutions in "fair" or "good" physical condition:</p> <ul style="list-style-type: none"> • Schools 97% (target: 95%) • Post-secondary: 88% (target: 91%) 	<p>In 2004-05, \$222 million in capital funding allowed school boards to preserve, upgrade or replace existing school infrastructure and build new facilities. Seven new schools were opened in 2004-05. Work continued towards completion of the Health Research Innovation Centres at the Universities of Alberta and Calgary. The University of Alberta's Natural Resource Engineering Facility and Portage College's Power Engineering Centre were completed.</p>	
<p>Provincial highways in "fair" or "good" physical condition: 88.8% (target: 86%)</p>	<p>North-South Trade Corridor, a key component of the CANAMEX Corridor, completion prohibited by adverse weather in 2004. Ring roads integral to provincial highways system; P3 agreement signed to accelerate opening of Anthony Henday Drive.</p>	
<p>North-South Trade Corridor: 83.5% open to travel (target: 84%)</p>		
<p>Ring roads in Edmonton and Calgary: 18.2% open to travel (target: 22%)</p>		

Revised:

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