

August 29, 2005

## **Higher revenue allows for increased investments in priority areas**

### **Surplus now forecast at \$2.8 billion, up \$1.2 billion from budget**

#### Highlights of First Quarter Fiscal Update

- Total revenue up \$2 billion from budget
- Total expense up \$760 million from budget
- Net Revenue (surplus) forecast at \$2.8 billion, up \$1.2 billion from budget

Edmonton... Strong energy prices in the first quarter are a key factor in the increased revenue forecast as reported in the Government of Alberta's First Quarter Fiscal Update. Based on projections prepared just after the first quarter ended in June, oil is forecast to average \$50 US\$/bbl and natural gas Cdn\$6.01/GJ. With prices remaining higher than most analysts anticipated there is still considerable potential for further increases before the fiscal year-end in March 2006.

"The province's fiscal framework requires quarterly updates to give Albertans more information as the year progresses," says Alberta Finance Minister Shirley McClellan. "There continues to be a wide range of views on the outlook for energy prices. If energy prices remain strong, it will be reflected in future fiscal updates."

Capital Plan spending in 2005-06 is now forecast to reach nearly \$4 billion dollars. This includes additional first quarter funding of \$352 million for schools and post-secondary infrastructure projects, \$100 million for a contingency for small capital projects, \$54 million for the *Water for Life* strategy, and \$10 million for Alberta's contribution to the Canada/Alberta Affordable Housing Agreement. It also includes an additional \$232 million in capital investment in government-owned projects, primarily for provincial highways.

The higher surplus will also allow an additional \$1.1 billion to be deposited into the Capital Account to help pay for the cost of capital projects in future years. With this additional allocation, the Capital Account is forecast to have \$3.3 billion in assets at March 31, 2006.

The province's savings are also increasing. To help fulfill commitments made in the *Access to the Future Act*, \$250 million is being added to the Alberta Heritage Scholarship Fund. In total, allocations to the Heritage Fund and to endowment funds for 2005-06 are now forecast at \$926 million.

Disaster and emergency assistance has also been increased by \$226 million due to flooding, forest fires, BSE, and pine beetle infestations.

"We are continuing to invest in priority areas with commitments we can follow through on," said McClellan. "If you look at where we are as a province-100 years old, debt-free, lowest overall tax load and lots of opportunity ahead-you can see we are headed in the right direction."

Released with the fiscal update were the Alberta Heritage Savings Trust Fund First Quarter Update and the First Quarter Activity Report.

The Heritage Fund's report noted investment income from the Fund is expected to be \$250 million higher than the budget estimate, reaching over \$900 million in 2005-06. The Fund will keep \$226 million of this income to protect its asset base from inflation.

The activity report outlines some of the activities government undertook to support the government's vision of a vibrant and prosperous province where Albertans enjoy a superior quality of life and are confident about the future for themselves and their children.

### Summary (\$ millions)

	<b>Budget 2005-06</b>	<b>1st Quarter Forecast</b>	<b>Change from Budget</b>
<b>Revenue</b>	\$27,346	\$29,343	\$1,997
<b>Non-Renewable Resource Revenue</b>	\$7,680	\$9,022	\$1,342
<b>Expense</b>	\$25,826	\$26,586	\$760
<b>Net Revenue (revenue minus expense prior to transfers to Sustainability Fund and Capital Account)</b>	\$1,520	\$2,757	\$1,237
<b>Sustainability Fund</b>	\$2,500	\$2,500	\$0
<b>Oil Price (WTI US\$/bbl)</b>	\$42.00	\$50.00	\$8.00
<b>Natural Gas Price (Cdn\$/GJ)</b>	\$5.60	6.01	\$.41

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