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Record resource revenue provides boost for infrastructure and savings

Government spending continues to focus on priority areas of health and education

2005-06 Highlights

- Alberta recorded a surplus for the 12th consecutive year.
 - Revenue exceeded expense by \$8.7 billion. The surplus was primarily allocated to the Capital Account to help pay for capital projects and to the Heritage Fund and endowments.
 - Revenue was \$35.9 billion, \$6.3 billion higher than in 2004-05, primarily due to higher resource revenue.
 - Expense was \$27.2 billion, \$2.9 billion higher than in 2004-05, primarily due to higher municipal infrastructure support, health and education spending, and natural gas rebates.
 - The Capital Plan supported \$3.7 billion of capital projects, \$901 million higher than in 2004-05, primarily due to higher municipal infrastructure support.
 - \$2.7 billion was deposited in the Heritage Fund and other endowments, including \$750 million for the new advanced education endowment.
 - \$1.3 billion was provided to Albertans through the *Alberta 2005 Resource Rebate*.
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Edmonton... Strong energy prices pushed resource revenue to a record \$14.3 billion in 2005-06, allowing the government to boost support for infrastructure and increase its savings. Details of the province's performance on *Budget 2005* were released by Finance Minister Shirley McClellan in the Government of Alberta 2005-06 Annual Report.

"In the past year we saw record oil and natural gas prices and land lease sales," said McClellan. "That kind of activity won't continue indefinitely, which is why we made financially responsible decisions to invest in capital and increase the province's savings."

Of the \$8.7 billion surplus, \$3.6 billion was transferred to the Capital Account to help pay for capital projects in future years. The government expects to draw down most of this cash over the next three to four years to pay for planned capital commitments.

Another \$2.7 billion was deposited in the Heritage Fund and other endowments, including \$750 million for the new advanced education endowment. The remaining surplus was left in the Sustainability Fund. Including the cash to be transferred from better than forecast fourth quarter results, assets in the Sustainability Fund will be \$5.2 billion, \$2.7 billion higher than the minimum target level of \$2.5 billion.

"Alberta's performance in the final quarter of 2005-06 was stronger than expected," said McClellan. "Government will decide over the next few months how to best use the assets in the Sustainability Fund."

Expense increased \$2.9 billion, or 11.8 per cent, from 2004-05, primarily due to higher spending on health, education, municipal infrastructure and natural gas rebates. Spending from *Budget 2005* increased \$1.2 billion, almost entirely due to higher capital grants, natural gas rebates and emergency and disaster assistance.

"The increase from the budget was a response to needs that arose throughout the past year. At the same time, we managed the province in a fiscally responsible manner, keeping base operating expense close to our original estimates," said McClellan.

Investing in education, health and social services

The government focused on investments in key programs, such as education and health. Together, spending on health and education accounted for more than 60 per cent of government expense.

Education expense was \$6.9 billion, an 8.4 per cent increase from 2004-05, reflecting higher basic and post-secondary operating grants. Increased funding for basic education provided for the hiring of 435 teachers to reduce class sizes. The government also paid tuition increases at public post-secondary institutions and provided start-up funding for the new Faculty of Veterinary Medicine at the University of Calgary and degree programs at Grant MacEwan College in Edmonton.

Health expense was \$9.7 billion, an increase of 7.2 per cent from 2004-05, reflecting higher funding for health services, physician services, prescription drug costs and information technology systems. Major initiatives in health included support for new projects to improve province-wide access to health services and reduce wait times.

Social services expense was \$2.7 billion, an increase of 10.7 per cent from 2004-05. This reflects increases for the Assured Income for the Severely Handicapped program, seniors benefits, continuing care and children's services.

Investing in infrastructure

Alberta's per capita spending on infrastructure is approximately three times the average of other provinces. The Capital Plan supported \$3.7 billion for roads, schools, post-secondary institutions, health facilities, municipal infrastructure and other capital projects in 2005-06. This was \$901 million, or 31.7 per cent, more than in 2004-05, largely due to higher municipal infrastructure support, including the first year of the five-year, \$3 billion Municipal Infrastructure Program.

Heritage Fund Annual Report

The government also released the 2006 Annual Report for the Alberta Heritage Savings Trust Fund. The Fund's investment income of \$1.4 billion and unrealized gains of \$466 million accounted for an investment return of 15.2 per cent during the 2005-06 fiscal year. In 2005-06, the government retained \$382 million in the Heritage Fund for inflation proofing, net of transfers to the General Revenue Fund of \$1 billion. During the year, the government deposited \$1.75 billion into the Fund, including \$750 million for the advanced education endowment. At March 31, 2006, the book value of the Fund was \$13.4 billion, an increase of \$2.1 billion from the previous year, and the fair value was \$14.8 billion, an increase of \$2.6 billion over the last year.

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Attachments:

- [Backgrounder - charts and graphs](#)
- [Backgrounder - Measuring Up](#)

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