

August 23, 2006

Strong fiscal results allow increased investment in capital and savings

First Quarter Highlights

- Capital funding increased by \$1.8 billion
- \$200 million Energy Innovation Fund established
- Additional \$391 million allocated to savings
- Surplus forecast at \$4.3 billion

Edmonton... Higher projected revenue in the current fiscal year and better-than-forecast year-end results from 2005-06 will allow the Government of Alberta to strengthen investment in the province's future. Additional funding for infrastructure, health, education, and savings were announced as part of the 2006-07 First Quarter Fiscal Report.

"Alberta's economy is strong and vibrant, with the population growing by an estimated 90,000 people last year, the equivalent of the City of Red Deer," said Finance Minister Shirley McClellan. "That kind of growth brings added pressure on our provincial infrastructure and services. We are addressing these priorities, while making investments that will benefit future generations."

CAPITAL

A \$1.8 billion increase in capital funding includes \$711 million for 2006-07 projects and \$1.1 billion for future years. The increase will provide funding for cost escalation of approved projects, additional school projects, health equipment, a new Edmonton Remand Centre, a province-wide policing information technology system, petroleum tank site remediation, regional water systems, and other infrastructure support.

EDUCATION AND HEALTH

Significant increases have been provided for capital and operating expenses in education and health. Education funding has been increased by \$293 million. This includes \$232 million for school maintenance and renewal, modular classrooms, new schools and preservation projects, and cost escalation of approved projects as well as \$61 million for operating support to schools. Health funding will rise by \$262 million, including \$150 million for medical equipment, \$81 million for health authority operations, and \$31 million for auxiliary nursing salary adjustments.

ENDOWMENTS AND FUNDS

A new \$200 million Energy Innovation Fund has been established to support energy development and efficiency as well as environmental protection and sustainability. Savings will be increased by allocating an additional \$250 million to the advanced education endowment, \$100 million to the Science and Engineering Fund, and \$41 million to the Heritage Fund for inflation proofing. This brings the total 2006-07 allocations for the Heritage Fund, other endowments and funds to \$2.5 billion, an increase of \$591 million.

FIRST QUARTER FISCAL UPDATE

Total revenue is forecast to be \$1.5 billion more than budget, primarily due to higher income tax and energy revenue. While oil prices have reached record highs, natural gas prices have been weaker than expected. Overall, resource revenue is now projected to increase by \$531 million from the budget estimate.

Expense is expected to be \$1.3 billion higher than budget, primarily due to funding increases for capital projects, disaster relief, and natural gas rebates.

The provincial surplus is forecast at \$4.3 billion, up \$193 million from the budget estimate.

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

The Heritage Fund report notes investment income is expected to be \$784 million, about \$90 million lower than budgeted because of a decline in markets. After additional allocations from the Sustainability Fund, the book value of the Heritage Fund on a consolidated basis is forecast to be \$15 billion on March 31, 2007, up from \$13.4 billion at the end of last fiscal year.

The activity report outlines some of the key activities the 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.

Summary (\$ millions)

	Budget 2006-07	1st Quarter Forecast	Change from Budget
Revenue	\$32,408	\$33,940	\$1,532
Non-Renewable Resource Revenue	\$11,354	\$11,885	\$531
Expense	\$28,312	\$29,651	\$1,339
Surplus (Net Revenue)	\$4,096	\$4,289	\$193
Sustainability Fund	\$4,408	\$5,128	\$720
Oil Price (WTI US\$/bbl)	\$50.00	\$63.50	\$13.50
Natural Gas Price (Cdn\$/GJ)	\$7.50	\$6.50	- \$1.00

Attachments:

Capital Plan backgrounder

Media enquiries may be directed to:

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To call toll-free within Alberta dial 310-0000.

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Background

August 23, 2006

Capital Plan commitment grows by \$1.8 billion with first quarter announcements - \$4.9 billion committed to capital for 2006-07

Edmonton... A higher 2006-07 revenue forecast and strong 2005-06 fourth quarter results have allowed the provincial government to add \$1.8 billion to Alberta's Capital Plan. This includes an additional \$711 million for capital projects in 2006-07, bringing the total for this year to \$4.9 billion. An additional \$1.1 billion has been allocated for capital projects in future years. The increases are on top of the \$13.3 billion announced in Budget 2006 for the 2006-09 Capital Plan. The additional \$1.8 billion for capital allocations were funded by a transfer from the Sustainability Fund to the Capital Account.

It is now forecast that approximately \$5 billion per year will be allocated to capital projects in Alberta over the 2006-09 period, a level of infrastructure spending unmatched in Canada and more than three times the per capita average of other provinces.

	2006-09 Capital Plan (announced in Budget 2006)	Additional commitments (announced with the 1st Quarter)
Edmonton Remand Centre	\$0	\$308 million
Provincial policing IT system	\$0	\$100 million
Schools	\$833 million	\$463 million <i>for school maintenance and renewal, modular classrooms, new schools and preservation and cost escalation</i>
Post-secondary facilities	\$1.1 billion	\$84 million <i>for cost escalation of approved projects</i>

Health facilities and equipment	\$2.9 billion	\$191 million <i>for medical equipment and cost escalation of approved projects</i>
Water and wastewater management	\$277 million	\$115 million <i>for regional water systems and municipal water and wastewater infrastructure</i>
Provincial Highway Network	\$3.64 billion	\$206 million <i>for cost escalation</i>
Municipal Infrastructure Support	\$3.13 billion	\$97 million <i>for tank site remediation, waste management and public transit grants</i>
Other	\$1.4 billion	\$197 million <i>for Glenbow Ranch, Calgary Courts Centre, government aircraft and cost escalation</i>
Total	\$13.3 billion	\$1.8 billion

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