

November 15, 2006

Alberta's strong economy drives revenue increase

Government adds to capital commitments

Second Quarter Fiscal Highlights

- Revenue has increased \$2.7 billion from budget (*up \$1.2 billion from First Quarter forecast*)
- Expense has increased \$1.4 billion from budget (*up \$47 million from First Quarter forecast*)
- The surplus is forecast at \$5.4 billion, an increase of \$1.3 billion from budget (*up \$1.2 billion from First Quarter forecast*)
- Surplus allocated to savings, capital and the Sustainability Fund

Edmonton... A vibrant, growing economy is strengthening Alberta's 2006-07 financial outlook as reported in the Government of Alberta's *Second Quarter Fiscal Update*. Revenue is now forecast to be \$2.7 billion higher than budget, with tax revenue increasing nearly \$2 billion due to personal income growth and stronger corporate profits.

Total revenue is forecast to be \$35.1 billion, a \$2.7-billion increase from budget and a \$1.2-billion increase from first quarter. Most of the increase is due to higher income tax revenue. Personal income growth and updated assessment data for the 2005 tax year have combined to increase the personal income tax revenue forecast by an additional \$1.4 billion. A stronger outlook for corporate profits has increased the corporate income tax forecast by \$573 million.

"Tax revenue is increasing as the economy grows," said Finance Minister Shirley McClellan. "At the same time it's important to note that resource revenue is almost unchanged from the budget, and down \$2.8 billion from last year, underscoring the importance of sustainable budgeting."

While oil prices have remained strong, natural gas prices have softened. Resource revenue is now forecast to be only \$197 million higher than budget and \$334 million lower than forecast in the first quarter.

Higher income tax revenue has increased the provincial surplus. The surplus is forecast at \$5.4 billion, an increase of \$1.3 billion from budget and \$1.2 billion higher than the first quarter forecast.

The stronger fiscal position of the province has allowed the government to invest in additional capital.

A further \$930-million increase in capital allocations has been announced in the *Second Quarter Fiscal Update*, in addition to the \$1.76-billion increase announced in the *First Quarter Fiscal Update*. In total, capital funding has increased by \$2.7 billion, including \$895 million for 2006-07 projects and \$1.8 billion for future years.

"We are increasing allocations to our Capital Plan to help address the needs created by growth and to add to support of communities across Alberta," said McClellan.

The additional capital spending announced with the second quarter update includes support for post-secondary facilities, schools, roads, housing, public transit, community-related facilities and *Water for Life* projects.

Expense is forecast to be \$29.7 billion, a \$1.4-billion increase from budget, primarily due to the increase in capital grants and disaster/emergency assistance for agriculture, floods, fires and mountain pine beetles.

Expense is only \$47 million higher than the first quarter, as expected lower costs for natural gas rebates largely offset an increase in capital grants.

Over \$2.5 billion of the surplus has been allocated to savings, endowments and other funds including \$1.3 billion to the Heritage Fund, \$250 million to the advanced education endowment, \$500 million to the Alberta Cancer Prevention Legacy Fund and \$200 million to the Energy Innovation Fund. The remainder of the surplus has been allocated to the Capital Account and the Sustainability Fund.

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

Consolidated Heritage Fund investment income is expected to be \$1.1 billion, an increase of \$243 million from the budget estimate. After a \$1-billion deposit, \$283 million for inflation-proofing and \$250 million for the advanced education endowment, the book value of the Fund on a consolidated basis is forecast to be \$15 billion at the end of the fiscal year, a \$1.6-billion increase from March 31, 2006.

The activity report outlines some of the key activities undertaken 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	2nd Quarter Forecast	Change from Budget
Revenue	\$32,408	\$35,137	\$2,729
Non-Renewable Resource Revenue	\$11,354	\$11,551	\$197
Expense	\$28,312	\$29,698	\$1,386
Surplus (Net Revenue)	\$4,096	\$5,439	\$1,343
Sustainability Fund	\$4,408	\$5,506	\$1,098
Oil Price (WTI US\$/bbl)	\$50.00	\$64.67	\$14.67
Natural Gas Price (Cdn\$/GJ)	\$7.50	\$5.75	- \$1.75

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Attachments:

Capital Plan backgrounder

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Backgrounder

November 15, 2006

Government commits to major increase in capital

Edmonton...As announced with the *Second Quarter Fiscal Update*, Alberta's strong fiscal outlook has allowed the province to commit an additional \$930 million to Alberta's Capital Plan. This is in addition to the \$1.76 billion previously announced in August.

Of the total \$2.7 billion in new funding, \$895 million will be allocated in this fiscal year, bringing the 2006-07 allocations for capital to \$5.1 billion. The remaining \$1.8 billion will be provided for capital commitments primarily over the next two years.

Further details of specific projects will follow over the next week.

Alberta's infrastructure spending is unmatched in Canada at more than three times the per capita average of other provinces.

	2006-09 Capital Plan announced in Budget 2006	Commitments announced in August 2006	Additional commitments announced in November 2006
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Schools	\$833 million	\$463 million for school maintenance and renewal, modular classrooms, new schools and preservation, and cost escalation	\$77 million for new schools
Post-secondary Facilities	\$1.1 billion	\$84 million for cost escalation	\$162 million for U of C Child Development Centre, U of C Veterinary College, Banff Centre, Red Deer College, Olds College Equine Centre and World Skills
Health Facilities and Equipment	\$2.9 billion	\$191 million for medical equipment and cost escalation	\$30 million for pandemic supplies inventory
Water and Wastewater Management	\$277 million	\$115 million for regional water systems and municipal water and wastewater infrastructure	\$100 million for regional water projects
Provincial Highway Network	\$3.64 billion	\$206 million for cost escalation	\$116 million for provincial highways that service resource regions
Municipal Infrastructure Support	\$3.13 billion	\$97 million for tank site remediation, waste management and public transit grants	\$125 million for public transit and municipal resource roads
Community Facilities, agricultural initiatives and other	\$1.4 billion	\$605 million for Edmonton Remand Centre, provincial policing IT system Glenbow Ranch, Calgary Courts Centre, government aircraft and cost escalation	\$320 million for aboriginal and affordable housing, agricultural research lands, CDC South Research Station, Stampede and Northlands associations, Commonwealth and McMahon stadiums, Rexall Place and Pengrowth Saddledome, Calgary Olympic Development Association
Allocated in 2006-07	\$4.2 billion	\$711 million	\$184 million
Allocated for 2007-09	\$9.1 billion	\$1.05 billion*	\$746 million*
Total Capital Plan Allocations	\$13.3 billion	\$1.76 billion	\$930 million

* approximately \$265 million of the \$1.8 billion will be provided after 2008-09 fiscal year.

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