

Government of Alberta ■

BUDGET 2012

Investing in People

Fiscal Plan 2012–15

PRESENTED BY

RON LIEPERT

MINISTER OF FINANCE

in the Legislative Assembly of Alberta
February 9, 2012

Alberta ■

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ACCOUNTABILITY STATEMENT

The government's Fiscal Plan for the three years commencing April 1, 2012 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of January 19, 2012 with material economic or fiscal implications have been considered in preparing the three-year Fiscal Plan.

The government is committed to achieving the planned results laid out in the Fiscal Plan, which includes the government's Business Plan and Capital Plan.

Original signed by

Ron Liepert
Minister of Finance
January 30, 2012

FISCAL PLAN 2012–15 VOLUME

TABLE OF CONTENTS – TABS

Fiscal Plan Overview	5
Responsible Spending	19
Capital Plan	31
Revenue	49
Economic Outlook.	63
Tax Plan	95
Fiscal Plan Tables	107
Response to the Auditor General	131

FISCAL PLAN OVERVIEW

BUDGET
2012
Investing in People

TABLE OF CONTENTS

FISCAL OVERVIEW

Budget 2012: Investing in People

Introduction	7
Responsible Spending	9
Investing in Families and Communities	9
Securing Alberta's Economic Future	10
Advancing World-leading Resource Stewardship	11
Capital Plan	11
Capital Plan Highlights	12
Revenue	13
Revenue Highlights	14
Sustainable Provincial Finances	14
Growing the Economy	16
Economic Outlook	17
Jobs and Income	17
Economic Growth	17

FISCAL OVERVIEW

BUDGET 2012: INVESTING IN PEOPLE

INTRODUCTION

Budget 2012 follows through on the Premier's commitments to Albertans by investing in their priorities while returning to a balanced budget in 2013-14 –without raising tax rates.

Managing Alberta's budget is about more than just money or the bottom line. It's about ensuring that this government is supporting the outcomes Albertans want for themselves and their families, and for their province, over the long term.

This budget invests in people, communities, the province's economic future and the environment.

With the Alberta economy gaining strength and a return to surpluses expected next year, now is the time to take a first step toward a long-term vision for Alberta that keeps us on track to realizing our full potential as a province. *Budget 2012* provides a strong foundation to undertake this work.

Thousands of Albertans shared their thoughts on *Budget 2012* through an online survey, submissions directly to government and during community roundtable meetings held across the province.

Albertans were **clear on what they care about: health, education, jobs, services for seniors and the vulnerable, infrastructure, and their children's future.** Balancing the budget remains a priority, but not at the expense of key services. Ultimately, Albertans want their government to do its part to help them reach their full potential.

This budget is the start of what we want to accomplish for Albertans over the next three years, and what we should strive to achieve over the next 10 years.

It is about tangible results that matter to Albertans in priority areas that are important to them:

- ❖ **Investing in families and communities**
- ❖ **Securing Alberta's economic future**
- ❖ **Advancing world-leading resource stewardship**

Budget 2012 invests in the priorities of Albertans and returns to a balanced budget in 2013-14.

Budget 2012 invests in families and communities, Alberta's economic future and world-leading resource stewardship.

Specifically, it's about increasing access to primary health care by introducing family care clinics, continuing investments in education and important infrastructure, supporting the most vulnerable, securing Alberta's economic future, maintaining a competitive tax regime and improved environmental monitoring during and after development.

With this budget comes a commitment that our government will work to enhance the link between budget decisions and desired outcomes. This year we will begin a government-wide program review, looking at all government

Going forward we will examine how to reduce our dependence on resource revenues.

activities and spending to ensure the right services are delivered in the most effective way possible. This will include reporting back to Albertans on results achieved and the value they received for their tax dollars. A social policy framework will be established to guide decisions on how we can achieve better outcomes for children and families. As well, we will revisit the 20-year Capital Plan to ensure our investments in physical infrastructure support our desired results.

As a government, our job is to identify the outcomes Albertans want in these areas, and spend responsibly to achieve them.

The funding and investments in *Budget 2012* are directed at growing the economy to support a sustainable future. Going forward we will examine, in consultation with Albertans, our revenue sources and how the revenue is used so that Alberta can reduce its dependence on volatile revenues associated with energy.

We will develop a fiscal framework that contributes to building a predictable, sustainable revenue base –something we can count on in periods of economic growth and economic downturn– to provide funding stability for day-to-day programs and investments for the future, either in the form of financial assets or infrastructure.

Despite continued turmoil in the global economy, Alberta is growing and our province continues to be seen by investors, workers and families as a place of unlimited opportunities and possibilities. As a government, our job is to help create and maintain an environment in which this remains true.

Fiscal Summary^a

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
1 Revenue	35,034	35,787	38,499	40,263	43,989	49,044
2 Less: Revenue received for capital purposes	818	537	611	566	495	163
3 Operating revenue	34,216	35,250	37,888	39,697	43,494	48,881
Expense						
4 Operating expense	33,104	34,130	34,175	36,526	38,036	39,175
5 Disaster / emergency assistance	438	-	595	44	17	2
6 Capital amortization / nominal sum disposals	733	808	797	882	918	922
7 Total Costs of Operations	34,275	34,938	35,567	37,452	38,971	40,099
8 Net Operating results (Line 3 minus line 7)	(59)	312	2,321	2,245	4,523	8,782
9 Capital grants and other support	3,697	3,895	3,981	3,526	3,877	3,552
10 In-year savings	-	(240)	(240)	(360)	(360)	(360)
11 Debt servicing costs	472	588	509	531	549	560
12 Total Expense (Line 7 plus lines 9 – 11)	38,444	39,181	39,817	41,149	43,037	43,851
13 Surplus / (Deficit) (Line 1 minus line 12)	(3,410)	(3,394)	(1,318)	(886)	952	5,193
14 Capital investment (not included in expense)	2,192	2,737	2,315	2,218	1,846	1,464
15 Sustainability Fund year-end balance	11,192	5,292	7,462	3,730	2,394	4,754

^a For fiscal policy purposes under the *Fiscal Responsibility Act*, amounts in 2010-11 and 2011-12 have been restated on the 2012-13 basis. Does not include revenue and expense of SUCH sector organizations or Alberta Innovates corporations, or changes in pension liabilities.

RESPONSIBLE SPENDING

Budget 2012 includes an operating budget of \$36.5 billion focused on investing in the three priority areas: families and communities (\$22.8 billion); securing Alberta's economic future (\$11.5 billion); and advancing world-leading resource stewardship (\$2 billion).

Budget 2012 includes an operating budget of \$36.5 billion focused on the priorities of Albertans.

Budget 2012 Operating Expense by Priority Area

(millions of dollars)

	2012-13 Estimate	2013-14 Target	2014-15 Target
Investing in Families and Communities	22,838	23,900	24,649
Securing Alberta's Economic Future	11,536	11,905	12,225
Advancing World-leading Resource Stewardship	1,988	2,080	2,146
Legislative Assembly & Executive Council	164	151	155
Total Government Operating Expense	36,526	38,036	39,175

A key principle of this and future budgets is that our spending decisions must be driven by the outcomes we want to achieve, and that we will find ways to achieve these outcomes within budget. This will help ensure future fiscal discipline.

Building on the three-year predictable funding in *Budget 2012* for education, advanced education and municipalities, we will continue to work with our partners to allow for greater stability and improved planning for these priority areas in the long term.

INVESTING IN FAMILIES AND COMMUNITIES

The budget follows through on the Premier's commitment to invest in Albertans' priorities, with more than 60% of the operating budget targeted to support families and communities.

More than 60% of the operating budget is targeted to support families and communities.

Budget 2012 Operating Expense Investing in Families and Communities

(millions of dollars)

	2012-13 Estimate	2013-14 Target	2014-15 Target
Culture and Community Services	174	178	178
Health and Wellness	15,864	16,674	17,249
Human Services	2,547	2,577	2,599
Justice	531	547	555
Municipal Affairs	369	384	392
Seniors	2,435	2,581	2,707
Solicitor General and Public Security	755	792	800
Tourism, Parks and Recreation	163	167	169
Total	22,838	23,900	24,649

Budget 2012 includes increased funding to Alberta Health Services, new funding for family care clinics and further assistance for prescription drugs, outpatient cancer therapy and other specialized high cost drugs.

The budget also supports vulnerable Albertans so they can reach their full potential with significant new investments being made to improve benefits and supports. *Budget 2012* fulfills the Premier's commitment to increase the maximum monthly income benefit by \$400 for Assured Income for the Severely Handicapped, provides the first increase to income supports in four years, phases-in comparable wages for contracted agency employees and supports the development of a social policy framework that will better align programs and achieve better outcomes for children and families.

SECURING ALBERTA'S ECONOMIC FUTURE

One-third of the operating budget is allocated towards securing Alberta's economic future.

Budget 2012 helps secure Alberta's economic future, with about one-third of the operating budget allocated to this area. It continues to invest in economic development and to improve Alberta's competitiveness, a key strategy to reduce Alberta's future dependence on non-renewable resource revenue.

Budget 2012 Operating Expense – Securing Alberta's Economic Future
(millions of dollars)

	2012-13 Estimate	2013-14 Target	2014-15 Target
Advanced Education and Technology	2,856	2,983	3,039
Education	6,179	6,387	6,625
Finance	1,188	1,200	1,227
Infrastructure	507	518	516
Service Alberta	266	266	268
Transportation	475	485	485
Treasury Board and Enterprise	65	66	65
Total	11,536	11,905	12,225

Budget 2012 continues to invest in learning, and provides sustainable, predictable funding that will allow for long-term decisions in the best interests of students.

Investment in learning at all levels and economic development will attract investment in Alberta.

This budget increases funding to school boards and post-secondary institutions to support learning at all levels and continues to invest in economic development and improving Alberta's competitiveness by providing business support services and working with industry and the federal government to attract investment to Alberta.

Supporting this, *Budget 2012* increases funding to Alberta Innovates and enhances Alberta's tax credit for scientific research and experimental development.

ADVANCING WORLD-LEADING RESOURCE STEWARDSHIP

Budget 2012 will advance Alberta's standing as a world-leader in responsible resource stewardship, with about \$2 billion per year in operating support allocated to this area.

Budget 2012 provides \$2 billion in operating funding towards responsible resource stewardship.

Budget 2012 Operating Expense Advancing World-leading Resource Stewardship

(millions of dollars)

	2012-13 Estimate	2013-14 Target	2014-15 Target
Agriculture and Rural Development	945	952	955
Energy	380	468	522
Environment and Water	197	183	186
Intergovernmental, International and Aboriginal Relations	191	192	192
Sustainable Resource Development	275	285	291
Total	1,988	2,080	2,146

Budget 2012 provides funding to increase environmental monitoring, science and reporting and will help deliver a world-class monitoring, evaluation and reporting system for the province, beginning in the Lower Athabasca Region.

It also provides support for bioenergy initiatives, greening energy production and climate change adaptation.

CAPITAL PLAN

Budget 2012 provides \$16.5 billion for capital projects over the next three years to build and improve the public facilities that Albertans need and use every day. This includes grants to municipalities and supported organizations for health facilities, housing, schools and post-secondary institutions, as well as investments in government-owned infrastructure such as highways, water systems, parks and museums.

The Capital Plan provides for \$16.5 billion over three years, with close to one-third of this directed towards municipal infrastructure support.

Total Capital Plan By Envelope

(millions of dollars)

	2012-13 Estimate	2013-14 Target	2014-15 Target	3-Year Total
Municipal infrastructure support	1,620	1,812	1,664	5,096
Provincial highway network	1,367	1,194	956	3,517
Health facilities and equipment	816	772	993	2,581
Schools	364	459	220	1,043
Post-secondary facilities	76	76	76	228
Community facilities	135	168	147	450
Water/wastewater management	272	232	202	706
Housing	162	142	107	411
Government facilities/other capital	932	868	651	2,451
Total Capital Plan	5,744	5,723	5,016	16,483

CAPITAL PLAN HIGHLIGHTS

- ◆ Construction of 14 new schools will be completed in 2012-13, and construction of another 22 schools and 13 modernization projects will begin.
- ◆ \$2.1 billion will be spent on the development of health infrastructure including the completion of Edmonton Clinic South and the South Calgary Health Campus.
- ◆ \$5.6 billion will be allocated to support for municipal infrastructure, including \$2.8 billion from the Municipal Sustainability Initiative (MSI), \$540 million from the GreenTRIP program, and \$2.3 billion in municipal transportation and water infrastructure grants.
- ◆ \$75 million of new investment in the Affordable Supportive Living Initiative (ASLI).

Reflecting the priorities of Albertans, capital funding has been increased or maintained for schools, health facilities and municipal infrastructure.

The 2012-15 Capital Plan takes into consideration the priorities of Albertans as expressed through budget consultations and reflected in the government's strategic plan. As a result, capital funding has been increased or maintained for core areas of importance such as schools, health facilities and municipal infrastructure.

While capital spending in *Budget 2012* is somewhat less than previous years, Alberta currently spends 38% more per capita on public infrastructure compared to the average of what the other provinces have spent.

In recent years, capital plans made strategic use of the province's savings to take full advantage of low construction costs, and to prepare for an anticipated acceleration of the Alberta economy. In 2012, the government will begin a process to ensure that the right services are offered to Albertans, and provided in the most effective way possible. Strategic capital planning processes will similarly be reviewed and improved, to ensure that services offered are supported by the right investments in capital infrastructure.

As part of a comprehensive program review, the government will re-evaluate and update the 20-year Capital Plan. The government will ensure that future infrastructure decisions will take into consideration Albertans' priorities, program needs, economic growth, the environment, and sustainability. A life-cycle cost approach will be applied to capital spending decisions, ensuring that both immediate and long-term cost implications are contemplated. Re-investment in existing infrastructure will be a key consideration in capital planning processes.

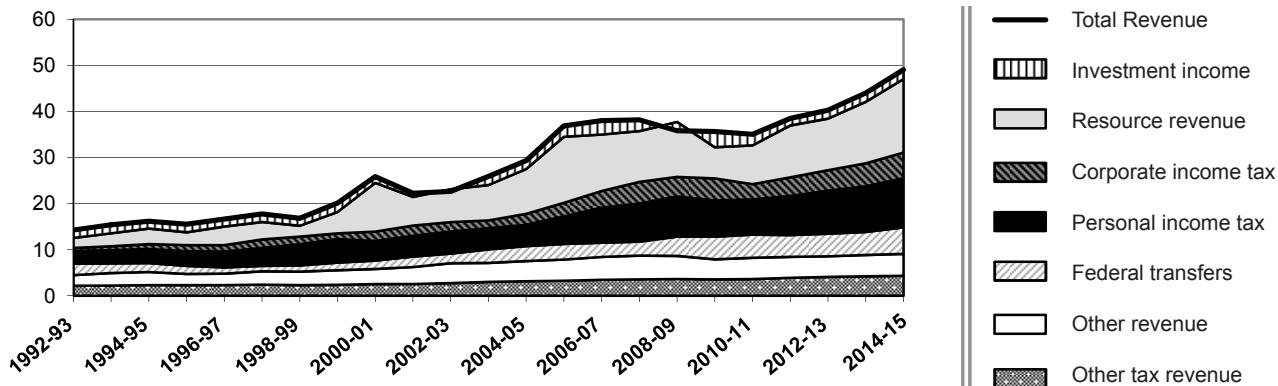
REVENUE

The Alberta economy is forecast to grow 3.8% in 2012, aided by strong global demand for oil, rising manufacturing shipments, high prices for agricultural products and solid gains in business investment. Alberta's job market, the strongest in the country in 2011, will continue to perform well in 2012, boosting wages and personal incomes and helping to attract more people to Alberta. All of these factors will help increase government revenue.

Government revenues will increase as a result of strong economic growth.

Total Revenue, 1992–93 to 2014–15

(billions of dollars)



In 2002-03 and 2008-09, the value of Alberta's investment assets fell. This is accounted for as negative income.

Amidst strong economic growth in Alberta and a positive outlook for energy prices, revenue is forecast to grow 4.6% in 2012-13, rising \$1.8 billion to \$40.3 billion. The increase is primarily due to higher tax revenue, federal transfers and investment income offset by slightly lower non-renewable resource and gaming revenue.

The revenue outlook for the following two years is positive with global and provincial economic growth expected to continue. Revenue is forecast to grow an average of 10.4% over the following two years, reaching \$49 billion in 2014-15, mainly due to higher income tax revenue, resource revenue and a higher Canada Health Transfer as the federal government moves to an equitable funding model.

Revenue growth of 4.6% is forecast in 2012-13 with continued strength the following two years.

Total Revenue

(millions of dollars)

	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
	Actual	Budget	Forecast	Estimate	Target	Target
Personal income tax	7,631	8,812	8,521	9,314	9,936	10,637
Corporate income tax	3,334	3,671	4,010	4,471	4,964	5,565
Other tax revenue	3,629	3,866	3,932	4,106	4,229	4,348
Non-renewable resource revenue	8,428	8,321	11,277	11,198	13,368	15,971
Federal transfers	5,025	4,768	4,727	4,915	5,001	5,788
Investment income	2,360	1,927	1,496	1,794	1,874	1,999
Other revenue	4,627	4,422	4,536	4,465	4,617	4,736
Total Revenue	35,034	35,787	38,499	40,263	43,989	49,044

REVENUE HIGHLIGHTS

*Resource revenue will reach
\$16 billion in 2014-15.*

- ◆ **Tax revenue** is forecast at \$17.9 billion in 2012-13, an increase of \$1.4 billion (8.7%) from 2011-12. Tax revenue is forecast to reach \$20.6 billion by 2014-15 due mainly to continued strong growth in personal and corporate income tax revenue. Education property tax rates remain at the same levels as last year. Property value increases across Alberta means the province expects to collect \$1.8 billion in education property taxes in 2012-13, a 6.5% increase over the previous fiscal year.
- ◆ **Non-renewable resource revenue** is forecast at \$11.2 billion in 2012-13, \$79 million (-0.7%) lower than 2011-12, a year which saw extraordinary revenues from land leases. Revenue is forecast to increase an average of 19% over the next two years, reaching \$16 billion by 2014-15, due mainly to increasing bitumen royalties.
- ◆ **Federal transfers** are forecast at \$4.9 billion in 2012-13, an increase of \$187 million (4%).
- ◆ **Investment income** is forecast at \$1.8 billion, an increase of \$298 million (20%) from 2011-12.
- ◆ **Other revenue** (net income from commercial operations such as AGLC and ATB, premiums, fees and licences, and other revenue) is forecast at \$4.5 billion, a decrease of \$71 million (-3.1%) from 2011-12. Revenue is forecast to increase by an average of 3% over the following two years, reaching \$4.7 billion by 2014-15.

SUSTAINABLE PROVINCIAL FINANCES

During the recent downturn, Alberta was able to maintain spending on priority programs, services and capital because of savings previously accumulated in the Sustainability Fund, and by undertaking a limited plan to borrow \$3.3 billion for capital over three years. Over the past year, as the economy strengthened and the government's fiscal position improved, borrowing of the final \$1.8 billion was put on hold.

*In consultation with Albertans,
this government will look at how
savings are used, and how to reduce
our reliance on resource revenues.*

Alberta is forecasting a return to surplus: \$952 million in 2013-14 and growing to \$5.2 billion in 2014-15. Much of the improved fiscal situation is a result of continued global demand for oil and strengthening of oil prices. However, Albertans understand that we can't continue to rely on our energy revenue in the same ways that we have in the past. *Budget 2012* signals that, in consultation with Albertans, this government will look at how savings are used, the appropriate use of borrowing for capital, and how to reduce reliance on resource revenues to ensure that we continue to have healthy savings.

Since Alberta's non-renewable resource revenues represent income from a depleting public asset, it is essential that we become progressively less reliant on these revenues to fund ongoing programs. Over time, as our non-renewable resource base is drawn down, Alberta's non-renewable resource revenues will also enter a period of irreversible decline. This may be far in the future, but that day will eventually arrive.

We must prepare for that day. With this budget, Alberta is setting the stage for a return to the path of saving and investing our non-renewable resource income for the future.

Since resource revenues are inherently volatile, the extent to which the province relies on non-renewable resource revenues to fund current programs fluctuates widely from year to year. On average, however, in the decade preceding the recent global recession (from 1998 to 2008) roughly half of our non-renewable resource revenues were used to fund current expenditures, and the remaining half was either saved or invested in capital assets.

With the onset of the global recession in 2008, Alberta was no longer in a position to set aside non-renewable resource revenues for future needs. All of our current non-renewable revenue, as well as substantial amounts drawn from the Sustainability Fund, were needed to sustain priority programs for Albertans.

While the circumstances were extraordinary –notably, the deepest global economic downturn of the post-World War II era– the events of the past four years serve as a powerful reminder of our vulnerability to external events. They also reinforce our need to prepare and save for the future, including for the time when declining non-renewable resource revenues will be insufficient to support Albertans' priority programs.

Despite these cautions, Alberta remains in a strong position. With the continuing expansion of oil sands production and associated revenues, and through prudent management of government expenditures, the province will soon be in a position to return to saving in a significant way. We will begin to see tangible results of these developments in 2013-14, when the province returns to a surplus position.

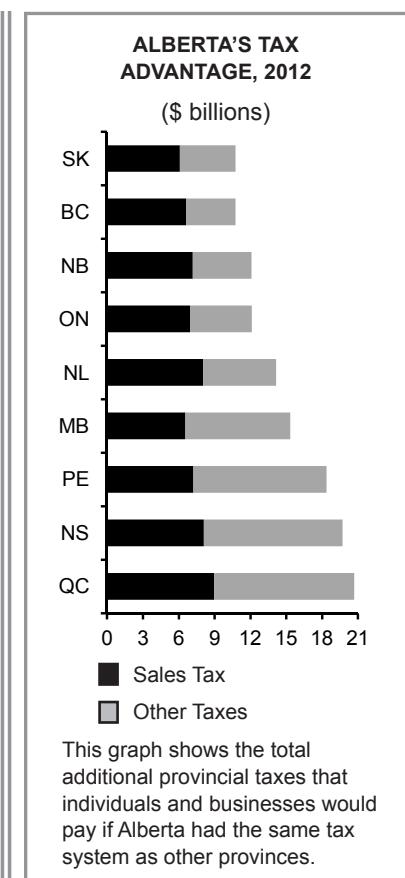
By 2014-15, it is projected that about two-thirds of current non-renewable resource revenues will be needed to fund current expenditures. The remaining one-third, or more than \$5 billion, will be either saved or invested for the province's future needs.

As we move forward, this government is committed to further reducing our reliance on non-renewable resource revenues to fund programs, and to doing so in a manner that reflects the priorities of Albertans.

To ensure that all Albertans have a meaningful opportunity to both consider and express their views on this important issue, in the coming year the government will be holding public consultations on the province's fiscal and savings policies. These consultations will also seek Albertans' input on the future of the Alberta Heritage Savings Trust Fund.

The results of these public consultations will inform the development of a renewed provincial fiscal and savings strategy, which will be announced in *Budget 2013*.

Although Alberta remains in a strong fiscal position, the events of the past few years reinforce the need to prepare for a future not so reliant on resource revenues.



GROWING THE ECONOMY

Budget 2012 sets in motion a plan to grow the province's economic base so we can support the public programs Albertans want and need, without raising tax rates. Low taxes mean more dollars in the pockets of Albertans, which helps generate economic activity.

LOW TAXES

◆ Alberta continues to have one of the most competitive tax regimes in North America. Albertans enjoy the benefits of low personal and corporate income taxes. We have the lowest fuel taxes among provinces, no capital tax, no payroll tax and no sales tax. If Alberta had any other provincial tax system, Albertans and Alberta businesses would pay at least \$10.7 billion or more in taxes each year.

Maintaining this tax advantage is an important part of growing the economy.

Alberta small business owners and Alberta families pay the lowest overall taxes in the country.

SUPPORTING BUSINESS

◆ Through *Budget 2012*, Alberta remains committed to creating business conditions to attract new investment, promote innovation and productivity and maintain a high quality of life.

Alberta small business owners pay the lowest overall taxes when compared to small business owners in the rest of the country. While some provinces have lower small business income tax rates, they levy sales taxes, payroll taxes and/or health premiums. When salaries and dividends are paid out of their small businesses, Alberta owners benefit again from the province's low income taxes.

SUPPORTING FAMILIES

◆ Alberta families pay less overall tax than families anywhere else in Canada. Albertans don't pay provincial sales tax. We pay the lowest fuel taxes among the provinces and we pay low income tax. Taken all together, this leaves more money in the pockets of families to spend or save according to their own priorities.

Alberta's single rate income tax system encourages Albertans to work and achieve greater financial success as additional earnings are not subject to increasing rates of tax. The single rate system also treats one-and two-income families equitably. In other provinces, one-income families pay more tax because their income gets pushed into higher tax brackets sooner than with two income families.

At the same time, Alberta's system is progressive. It protects low income families by providing high basic personal and spousal credits, which allows individuals and families to earn more before having to pay provincial income tax. In addition, the Alberta Family Employment Tax Credit helps low- and middle-income families with semi-annual cash payments.

A record number of people are working in Alberta and Albertans earn the highest wages in the country.

ECONOMIC OUTLOOK

Alberta is one of the best places in the world to live and invest. On numerous levels, Alberta's economy is in good health, even in a time of continued global uncertainty.

JOBs AND INCOME

The province leads the country in employment growth, and has the lowest unemployment rate. In December 2011, a record 2,131,000 Albertans were working, up nearly 100,000 from the same time in 2010. All of the new jobs have been in full time positions.

Albertans continue to earn the highest wages in the country. Average weekly earnings are close to \$1,050, a full 19% above the national average. As the labour market tightens, wages are expected to rise even further.

Retail sales have benefited from strong income and employment gains. Sales have climbed by an estimated 7% in 2011, nearly double the national average.

ECONOMIC GROWTH

Alberta's real gross domestic product (GDP) grew by an estimated 3.5% in 2011 and growth is expected to strengthen in 2012 and 2013 to 3.8% before averaging 3% in 2014 and 2015. The forecast growth in 2012 is almost double the expected growth for the entire country and nearly double the United States' projected growth rate.

Economic growth of 3.8 % in 2012 is almost twice that forecast for the national average.

The government is not alone in its praise for the Alberta economy. Private sector forecasters such as the Conference Board of Canada, Scotiabank and others echo the prediction that Alberta will continue to be Canada's growth leader.

Investment in Alberta was over \$70 billion in 2010, approximately double the national average when calculated on a per capita basis. Businesses sold more than \$87 billion in goods and services to more than 180 countries around the world.

ENERGY SECTOR STRENGTH

- ◆ Emerging markets will continue to drive demand for oil. Oil exports are expected to expand at a double digit pace in 2012, and are forecast to make a strong contribution to Alberta's growth.

Aided by rising demand in emerging markets, oil prices are expected to average US\$99.25 per barrel in fiscal year 2012-13. Prices are expected to grow to US\$108.25 per barrel by 2014-15.

Oil sands investment is expected to grow by over 10% in 2012 and reach its highest level since 2008.

Energy and economic assumptions

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Oil (US\$/bbl)	83.38	89.40	96.25	99.25	106.25	108.25
WCS@ Hardisty (Cdn\$/bbl)	66.70	72.02	77.98	83.28	91.23	92.94
Natural gas (Cdn\$/GJ)	3.28	3.45	3.11	3.00	3.50	4.25
Exchange rate (US¢/Cdn\$)	98.4	98.4	100.3	98.6	99.0	99.0

Sensitivities to fiscal year assumptions, 2012-13^a

	Change	Net Impact (2012-13)
Oil Price (WTI US\$/bbl)	-\$1.00	-223
Natural Gas Price (Cdn\$/GJ)	-10 Cents	-28
Exchange Rate (US¢/Cdn\$)	+ 1 Cent	-247

^a Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales.

DIVERSIFICATION

- ◆ While oil and gas remain key factors in the economy, other sectors such as real estate and finance continue to grow. There are now more than 130 biotechnology companies in Alberta, and the province is home to Canada's flagship nanotechnology institute.

Over the past decade, 20,000 new small businesses were launched in the province.

ECONOMIC HIGHLIGHTS – FORECAST FOR 2012

- ◆ Among the strongest employment growth in Canada.
- ◆ One of the lowest unemployment rates in Canada.
- ◆ Highest wages in Canada.
- ◆ Economic growth double the national average.

RESPONSIBLE SPENDING

BUDGET
2012
Investing in People

TABLE OF CONTENTS

RESPONSIBLE SPENDING

Investing in Families and Communities	21
Healthy Albertans	22
Support for Vulnerable Albertans	23
Honour Alberta's Communities	25
Securing Alberta's Economic Future	26
Invest in Learning	26
Preserve the Province's Finances	28
Advancing World-leading Resource Stewardship	29
Innovative and Responsible Resource Management	29
Build Relationships and Markets	30

RESPONSIBLE SPENDING

Budget 2012 delivers on the Premier's commitments to invest in Albertans' priorities. The budget invests in families and communities, the province's economic future, and world-leading resource stewardship.

Budget 2012 includes three-year predictable funding for education, advanced education and municipalities. Government will continue to work with its partners to allow for greater stability and improved long-term planning.

Responsible spending and strategic use of the province's savings maintained services for Albertans during a challenging economic downturn. Improving forecasts for the province's economy provide an opportunity to review the ways government delivers and funds services. This year, the government will begin a process to ensure the right services are delivered in the most effective way possible. Program spending decisions will be determined by the outcomes Albertans' want over the long term.

Budget 2012 includes \$36.5 billion in operating expense in 2012-13, a 6.9% increase from the 2011-12 forecast. Operating expense will increase to \$39.2 billion by 2014-15.

Budget 2012 Operating Expense by Priority Area

(millions of dollars)

	2012-13 Estimate	2013-14 Target	2014-15 Target
Investing in Families and Communities	22,838	23,900	24,649
Securing Alberta's Economic Future	11,536	11,905	12,225
Advancing World-leading Resource Stewardship	1,988	2,080	2,146
Legislative Assembly & Executive Council	164	151	155
Total Government Operating Expense	36,526	38,036	39,175

INVESTING IN FAMILIES AND COMMUNITIES

Budget 2012 invests in families and communities, with over 60% of the operating budget allocated to this area.

Healthy Albertans. Continues the five-year funding agreement with Alberta Health Services, with a \$10.2 billion operating grant in 2012-13. Funding for new capacity and new strategic investments in family care clinics, addictions and mental health services, and home care will improve access to the health care system.

Support Vulnerable Albertans. Implement increases to the monthly living allowance and the employment income exemption for clients of the Assured Income for the Severely Handicapped program. Income support rates will also increase. The number of families eligible for child care subsidies will increase.

Honour Alberta's Communities. Three-year predictable funding is provided for municipalities. Safe communities initiatives continue, and there will be significant new resources for public security and policing programs. A new Interagency Council will lead implementation of the 10-year plan to eliminate homelessness.

Over 60% of the operating budget is allocated to support families and communities.

Budget 2012 Operating Expense
Investing in Families and Communities
(millions of dollars)

	2012-13 Estimate	2013-14 Target	2014-15 Target
Culture and Community Services	174	178	178
Health and Wellness	15,864	16,674	17,249
Human Services	2,547	2,577	2,599
Justice	531	547	555
Municipal Affairs	369	384	392
Seniors	2,435	2,581	2,707
Solicitor General and Public Security	755	792	800
Tourism, Parks and Recreation	163	167	169
Total	22,838	23,900	24,649

HEALTHY ALBERTANS

Budget 2012 continues to invest in health care, primarily through the Ministry of Health and Wellness. The Health and Wellness operating budget is \$15.9 billion in 2012-13, an increase of nearly \$1.2 billion or 7.9% from the 2011-12 forecast.

Alberta Health Services base operating grant increases to \$10.2 billion in 2012-13.

Alberta Health Services (AHS). Under the five-year funding commitment, AHS will receive base operating grant rate increases of 6% in 2012-13 and 4.5% in both 2013-14 and 2014-15. In 2012-13, the base operating grant will increase by \$578 million to \$10.2 billion. In addition, AHS will receive \$267 million in 2012-13 to support new health care capacity, primarily at the South Calgary Health Campus and Edmonton Clinic South.

Physician Compensation and Development. Over \$3.4 billion is budgeted in 2012-13 for compensation and development programs for about 7,800 physicians and 1,600 medical residents. Negotiations are ongoing toward a new tri-lateral agreement among the government, the Alberta Medical Association and Alberta Health Services.

Drugs and Supplemental Health Benefits. Assistance for prescription drugs, ambulance services and other health benefits is available to Albertans. There is over \$1 billion budgeted for these benefits in 2012-13, including \$552 million for prescription drug benefits for seniors. This budget also includes \$202 million for outpatient cancer therapy drugs and specialized high cost drugs, an increase of nearly 10% from 2011-12.

Other Health Services. There is \$740 million budgeted in 2012-13 for a variety of services, including allied health (services provided by optometrists and podiatrists), tissue and blood services and vaccination programs.

New strategic investments in primary health care, addictions and mental health services, and home care.

Strategic Investments. With \$125 million annually, *Budget 2012* makes new strategic investments to help improve the health care system. This funding will provide for the development of new family care clinics that will increase access to primary health care; for additional addictions and mental health services and for more home care and enhanced rehabilitation programs.

Ministry of Health and Wellness – Operating Expense

(millions of dollars)

	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Alberta Health Services - Base Funding	9,634	10,212	10,672	11,152
Alberta Health Services – New Capacity	-	267	438	438
Physician Compensation and Development	3,426	3,449	3,506	3,554
Drugs and Supplemental Health Benefits	980	1,015	1,060	1,109
Other Health Services	618	740	815	813
Strategic Investments	-	125	125	125
Ministry Support Services	48	56	58	58
Total	14,706	15,864	16,674	17,249
Increase (%)		7.9	5.1	3.4

SUPPORT FOR VULNERABLE ALBERTANS

Budget 2012 will support vulnerable Albertans so they can reach their full potential, primarily through the new Ministry of Human Services and the Ministry of Seniors. Significant new investments are being made to improve benefits and supports to vulnerable Albertans and to phase-in comparable wages for contracted agency employees. A social policy framework will be developed to guide program alignment and redesign to achieve better outcomes for children and families.

Assured Income for the Severely Handicapped (AISH). Income and health benefits and other supports will be provided to about 46,000 disabled adults to help them live more independently. *Budget 2012* fulfills the Premier's commitment to increase the maximum monthly income benefit, which will rise by \$400 on April 1, 2012. As well, monthly income exemptions are doubling effective April 1. Nearly \$1.1 billion is budgeted for AISH in 2012-13, an increase of \$271 million or 34% from the 2011-12 forecast.

Support to Persons with Developmental Disabilities (PDD). A variety of supports are provided to encourage independence and community involvement for 9,600 adults with developmental disabilities. Most PDD clients also receive AISH benefits. The budget is \$664 million in 2012-13, an increase of over \$34 million or 5.5% from 2011-12.

Alberta Seniors Benefit. Supports are provided to about 150,000 low-income seniors. The budget is \$351 million in 2012-13, an increase of nearly \$22 million or 6.6% from 2011-12. The budget maintains program benefits and income thresholds, and provides for projected growth in the number of eligible seniors residing in designated supportive living facilities.

Other Seniors Programs. Other seniors programs include Seniors Dental and Optical Assistance, Seniors Lodge Assistance, School Property Tax Assistance and Special Needs Assistance for Seniors. As well, a new seniors property tax deferral program is being developed. Combined, the budget for these programs is nearly \$177 million in 2012-13, an increase of \$23 million or 15% from 2011-12.

Nearly \$1.1 billion for the AISH program in 2012-13. The maximum monthly income benefit increases \$400 on April 1.

Alberta Aids to Daily Living. Financial assistance to buy medical equipment and supplies is provided to over 87,000 Albertans with a long-term disability, or a chronic or terminal illness, to help maintain their independence. The budget is \$135 million in 2012-13, an increase of over \$12 million or 10% from 2011-12, to address increases in the number of clients and the cost of medical equipment and supplies.

Alberta Works – Employment Training, Income Supports and Health Benefits. These programs help unemployed people find and keep jobs, and help eligible Albertans cover their basic costs of living. Albertans receiving income support benefits also receive financial assistance for child care, school supplies and work clothes. Benefits vary based on family size and whether the primary applicant is expected to work, has barriers to full employment, or is learning. Combined, the budget for these programs is \$971 million in 2012-13.

Income support rates will increase by an average of 5% on April 1.

The income supports budget is \$451 million in 2012-13, consistent with the 2011-12 forecast. Income support rates will increase by an average of 5% on April 1, the first rate increase since November 1, 2008. Cost of the rate increase is about \$23 million, which is largely offset as overall employment growth in Alberta continues to reduce caseloads.

Health benefits include the Alberta Child Health Benefit (ACHB) and the Alberta Adult Health Benefit (AAHB). The AAHB provides former income support recipients who leave the program for employment with benefits for a transitional period. Nearly 66,000 children are expected to benefit from the ACHB program and over 13,000 households are expected to access the AAHB. Combined, the health benefits budget is nearly \$171 million in 2012-13, a \$4 million increase from 2011-12.

Full child care subsidies will be available to more families.

Child Care. The budget is \$264.5 million in 2012-13, a nearly \$21 million or 8.4% increase from 2011-12. This increase includes \$12 million to fulfill the Premier's commitment that full child care subsidies will now be available for families with a household income of less than \$50,000.

Child Intervention. The budget is \$682 million in 2012-13, an increase of nearly \$75 million or 12.3% from 2011-12. Most of the increase relates to Child Intervention Services to provide for higher caseloads, increasing case complexity and the costs of comparable wages for agency employees. This budget includes \$184 million for Foster Care Support to provide for more than 5,400 foster child placements.

Family Support for Children with Disabilities. Supports are provided to families so that children with disabilities have an opportunity to develop to their potential. The budget is \$148 million in 2012-13, an increase of nearly \$13 million or 9.3% from 2011-12, reflecting caseload growth and comparable wages for agency employees.

Family and Community Support Services (FCSS). Through this 80/20 funding partnership between the province, municipalities and the Métis Settlements, communities design and deliver local preventive programs that promote and enhance well-being among individuals, families and communities. The FCSS budget is maintained at over \$76 million in 2012-13.

HONOUR ALBERTA'S COMMUNITIES

Budget 2012 honours Alberta's communities with significant support for the important services municipalities provide to their residents. In addition, *Budget 2012* provides for safe communities initiatives, programs focused on public security, and continued implementation of the plan to end homelessness.

Support to Municipalities. Direct operating support to municipalities is nearly \$273 million in 2012-13 and will increase to over \$285 million by 2014-15, including funding for Family and Community Support Services and policing assistance, among other programs. Significant capital support is provided mostly through the Municipal Sustainability Initiative, other municipal infrastructure support, and water/wastewater management programs included in the Capital Plan.

Safe Communities. The Safe Communities Innovation Fund in the Ministry of Justice supports crime prevention pilot projects and development of municipal, regional or Aboriginal community crime reduction and prevention plans. The budget for the Fund is maintained at \$14 million in 2012-13.

Public Security. Significant additional resources will be provided in order to improve public security in Alberta communities. Operating funding for public security through the Ministry of Solicitor General and Public Security will be over \$461 million in 2012-13, an increase of \$49 million or 11.9% from the 2011-12 forecast. Public security programs include:

- ◆ Policing. Includes the provincial contract with the RCMP, First Nations Policing, and Policing Assistance to Municipalities, among other programs. The budget for policing programs is \$350 million in 2012-13, an increase of over \$37 million or 12% from 2011-12. *Budget 2012* will provide for 90 new RCMP officers by 2013-14.
- ◆ Sheriffs. Provincial sheriffs provide court security and prisoner transport, traffic enforcement and protection services. The budget for sheriffs programs is \$59 million in 2012-13, an increase of nearly \$8 million or 14.9% from 2011-12. *Budget 2012* will provide for 55 new sheriffs by 2013-14.
- ◆ Enforcement. Fish and wildlife, parks and commercial vehicle enforcement are now part of the Ministry of Solicitor General and Public Security. The budget for enforcement programs is \$41 million in 2012-13, an increase of over \$3 million or 8.5% from 2011-12.

Over \$461 million for public security in 2012-13, including policing, sheriffs, and enforcement programs.

Correctional Services. Preparations for the opening of the new Edmonton Remand Centre are underway. The new centre will utilize a direct supervision model which will be safer for both inmates and staff. About 180 correctional peace officers and other staff for the centre will be recruited this year. The operating budget for Correctional Services is \$236 million in 2012-13, an increase of nearly \$25 million or 11.7% from 2011-12.

Homeless Support. A new Interagency Council on Homelessness will lead implementation of the 10-year plan to end homelessness in Alberta. With \$110 million in 2012-13, this budget will provide outreach support services and help house about 1,800 homeless Albertans this year, as well as fund over 3,100 spaces in emergency/transitional shelters. Since 2009-10, about 4,800 Albertans who were homeless have been placed in permanent housing.

\$110 million in 2012-13 to continue implementation of the plan to end homelessness.

SECURING ALBERTA'S ECONOMIC FUTURE

One-third of the operating budget is allocated to securing Alberta's economic future.

Budget 2012 will help to secure Alberta's economic future, with about one-third of the operating budget allocated to this area.

Invest in Learning. Provides sustainable, predictable funding to school boards and post-secondary institutions to allow for better long-term planning in the best interests of students.

Preserve the Province's Finances. Supports economic development and continues to invest in improving Alberta's competitiveness, a key strategy to reduce Alberta's future dependence on non-renewable resource revenue.

Budget 2012 Operating Expense Securing Alberta's Economic Future

(millions of dollars)

	2012-13 Estimate	2013-14 Target	2014-15 Target
Advanced Education and Technology	2,856	2,983	3,039
Education	6,179	6,387	6,625
Finance	1,188	1,200	1,227
Infrastructure	507	518	516
Service Alberta	266	266	268
Transportation	475	485	485
Treasury Board and Enterprise	65	66	65
Total	11,536	11,905	12,225

INVEST IN LEARNING

Budget 2012 continues to invest in learning, primarily through the ministries of Education and Advanced Education and Technology.

MINISTRY OF EDUCATION

Education's operating budget is \$6.2 billion in 2012-13, an increase of \$202 million or 3.4% from the 2011-12 forecast.

Nearly \$6.1 billion in operating and property tax support for public and separate school boards in 2012-13.

Operating Support for School Boards. Total operating and property tax support for public and separate school boards will be nearly \$6.1 billion in 2012-13, and will be over \$6.5 billion by 2014-15. This support provides for the salaries of nearly 36,000 teachers, as well as other education costs.

The 2012-13 budget provides for projected inflation and a 1.5% increase in enrolment, or about 8,300 new students. The 2012-13 budget includes the \$107 million which was provided in 2011-12 to increase classroom supports; and begins implementation of a new funding model for inclusive education to provide all students with appropriate learning opportunities.

The 2012-13 budget also provides:

- ◆ \$482 million to operate and maintain schools, an increase of nearly \$11 million or 2.3% from 2011-12.
- ◆ \$289 million to support student transportation services, an increase of \$14 million or 5.1%, as the fuel price contingency program which was reintroduced during 2011-12 is funded for the full year.

- ◆ \$232 million for the Small Class Size Initiative, bringing total government support for the initiative to \$1.6 billion since 2004-05.
- ◆ \$48 million for the Student Health Services Initiative.

Teachers' Pensions. Operating support to school boards includes \$327 million in 2012-13 for current service payments for teachers' pensions, with a further \$447 million budgeted in the Ministry of Finance to provide for the costs of the pre-1992 teachers' pension liability.

\$774 million for Teachers' Pensions in 2012-13.

Private Schools. There is \$192.5 million budgeted in 2012-13 to support accredited private schools and private operators that provide Early Childhood Services programs for children as young as two and a half years of age.

Ministry of Education – Operating Expense

(millions of dollars)

	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Support for School Boards	5,884	6,082	6,285	6,516
Less: Property Tax Support to Opted-out Boards	(204)	(217)	(223)	(229)
Accredited Private Schools	185	192	201	211
Basic Education Programs	87	97	99	102
Ministry Support Services	25	25	25	25
Total	5,977	6,179	6,387	6,625
Increase (%)		3.4	3.4	3.7

MINISTRY OF ADVANCED EDUCATION AND TECHNOLOGY

Advanced Education and Technology's operating budget is nearly \$2.9 billion in 2012-13, an increase of \$76 million or 2.7% from the 2011-12 forecast.

Nearly \$2.2 billion in operating support for post-secondary institutions in 2012-13.

Operating Support for Post-Secondary Institutions. Operating grants to post-secondary institutions are nearly \$2.2 billion in 2012-13, a \$61 million increase from 2011-12. Operating grants will increase by 2% per year over the next three years, and additional funding is provided for the operating costs of new capital facilities.

Student Financial Assistance. The Other Support for Adult Learning budget includes \$200 million in 2012-13 for student financial assistance. This will provide:

- ◆ \$90 million for Alberta's student loan remission and debt management programs.
- ◆ \$71 million for merit-based scholarship awards to about 37,500 students.
- ◆ \$20 million for Alberta Centennial Education Savings Plan grants. More than 63,000 children will benefit from these grants.
- ◆ \$19 million for needs-based bursaries and grants to about 3,500 students.

In addition, \$274 million in student loans will be disbursed to more than 53,000 students in 2012-13.

Nearly \$275 million for research, innovation and technology commercialization in 2012-13.

Innovation. There is nearly \$275 million budgeted for research, innovation and technology commercialization in 2012-13, a \$9 million increase from 2011-12. This increase will allow for more capacity in key areas such as agriculture, energy and environment research. Operating support for the four agencies under the umbrella of Alberta Innovates is \$216 million in 2012-13.

Access to the Future Fund. Payments from the Fund will resume in 2013-14, at \$45 million per year. Since the Fund was established in 2005, over \$225 million has been provided to match donations to post-secondary institutions for initiatives such as scholarships, bursaries, equipment and capital projects.

Ministry of Advanced Education and Technology – Operating Expense (millions of dollars)

	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Support for Post-Secondary Institutions	2,101	2,162	2,210	2,258
Other Support for Adult Learning	347	346	364	369
Innovation	266	275	290	293
Access to the Future Fund	-	-	45	45
Apprenticeship Delivery	36	37	38	38
Ministry Support Services	30	36	36	36
Total	2,780	2,856	2,983	3,039
Increase (%)		2.7	4.4	1.9

PRESERVE THE PROVINCE'S FINANCES

Budget 2012 supports economic development and continues to invest in improving Alberta's competitiveness.

Scientific Research and Experimental Development Tax Credit is enhanced.

Scientific Research and Experimental Development (SR&ED) Tax Credit.

This program provides a 10% tax credit for qualified SR&ED expenditures incurred in Alberta up to \$4 million. Under the program, expenditures eligible for the Alberta credit are reduced by the amount of the federal SR&ED investment tax credit received in respect of those expenditures (called the “grind”). To help improve Alberta’s competitiveness *Budget 2012* eliminates this provision, a \$25 million benefit to companies conducting research and development in Alberta in 2012-13.

In prior years, the costs of this tax credit and the Alberta Family and Employment Tax Credit (AFETC) were netted against provincial tax revenue for budget reporting. Based on changes in national accounting standards, beginning in 2012-13 the costs of SR&ED (\$92 million) and AFETC (\$118 million) are included in the operating expense of the Ministry of Finance.

ADVANCING WORLD-LEADING RESOURCE STEWARDSHIP

Budget 2012 will advance Alberta's world-leading resource stewardship, with about \$2 billion per year in operating support allocated to this area.

Innovative and Responsible Resource Management. Continues Alberta's efforts to improve environmental monitoring. Ongoing support is provided for the *Climate Change Strategy*, the Bioenergy Producer Credit Program and the *Water for Life Strategy*.

Build Relationships and Markets. Supports initiatives to make Alberta a preferred global supplier of agriculture, energy, forest products and services. Continues to work with industry and the federal government to attract investment to Alberta, and market and promote Alberta. Strengthens relationships with Aboriginal communities.

About \$2 billion per year in operating support allocated to world-leading resource stewardship.

Budget 2012 Operating Expense Advancing World-leading Resource Stewardship

(millions of dollars)

	2012-13 Estimate	2013-14 Target	2014-15 Target
Agriculture and Rural Development	945	952	955
Energy	380	468	522
Environment and Water	197	183	186
Intergovernmental, International and Aboriginal Relations	191	192	192
Sustainable Resource Development	275	285	291
Total	1,988	2,080	2,146

INNOVATIVE AND RESPONSIBLE RESOURCE MANAGEMENT

Budget 2012 provides additional funding for environmental monitoring, science and reporting, and continues to support climate change and bioenergy initiatives, among other programs.

Environmental Monitoring. With nearly \$22 million in operating support and \$8 million in capital investment, spending on environmental monitoring, science and reporting will be \$30 million in 2012-13, an increase of \$11 million or 58% from the 2011-12 forecast. The additional spending will help deliver a world-class monitoring, evaluation and reporting system for the province, starting in the Lower Athabasca Region.

Spending on environmental monitoring, science and reporting will increase by 58% in 2012-13.

Climate Change. Through the Climate Change and Emissions Management Fund, support will be provided for greening energy production and climate change adaptation, among other areas. With \$70 million in 2012-13, about \$420 million in payments from industry will have been reported since the Fund was established in 2007-08. Through various Canada ecoTrust for Clean Air and Climate Change initiatives, support will be provided for projects that have a strong potential to reduce greenhouse gas emissions, including clean energy research and waste-to-energy conversion. Nearly \$60 million in operating and capital support is budgeted in 2012-13.

\$444 million for bioenergy initiatives over three years.

Bioenergy Producer Credit Program. The Bioenergy Producer Credit Program provides incentives to develop bioenergy products, helping to support the Renewable Fuels Standard implemented in April 2011. The program is being revised to exclude stand alone operations producing ethanol from cereal grains. *Budget 2012* includes \$444 million in support for bioenergy initiatives over three years, including \$66 million in 2012-13.

Water for Life. In addition to \$120 million in capital support, \$25 million in operating support is provided in 2012-13 to continue implementation of Alberta's *Water for Life Strategy*. Over three years, more than \$450 million will be provided for water programs through various ministries.

Regulatory Enhancement Project. There is \$7 million in operating support and \$5 million in capital investment in 2012-13 to continue implementation of the recommendations of the Regulatory Enhancement Task Force. New legislation will be introduced in 2012 to establish a single regulator for upstream oil and gas, and coal.

BUILD RELATIONSHIPS AND MARKETS

Budget 2012 supports initiatives to make Alberta a preferred global supplier, including *Alberta's International Strategy* and ongoing agricultural support, among other programs. *Budget 2012* also provides ongoing funding for Aboriginal relations.

Funding is provided for externships in 2012-13.

Alberta's International Strategy. Funding in the Ministry of Intergovernmental, International and Aboriginal Relations for international relations is \$24 million in 2012-13, an increase of nearly 60% from 2011-12, to provide more capacity to deal with international and intergovernmental advocacy. In addition, this budget includes funding for externships, where competitive placements will be negotiated in international organizations, foundations and the private sector to provide Albertans with opportunities to gain valuable international experience early in their careers.

Agricultural Support. Strong commodity prices and excellent weather conditions during the fall harvest season limited the need for disaster support to the agriculture industry in 2011-12. In *Budget 2012*, ongoing agricultural support programs are maintained with about \$950 million per year in operating support budgeted in Agriculture and Rural Development.

The Agriculture Financial Services Corporation (AFSC) budget is \$696 million in 2012-13. In addition to delivering the government's agriculture insurance and income stabilization programs, financial services provided by AFSC support the development and expansion of agriculture, agri-businesses, value-added enterprises and commercial operations.

The Alberta Livestock and Meat Agency Ltd. (ALMA) continues to implement the Alberta Livestock and Meat Strategy. With a total budget of \$39 million in 2012-13, ALMA programs are designed to help build an internationally respected, competitive and profitable livestock and meat industry.

Aboriginal Relations. The government will continue to strengthen its relationships with Aboriginal communities. There is over \$29 million budgeted in 2012-13 for programs addressing First Nations and Métis relations, Aboriginal consultations and land claims.

CAPITAL PLAN

BUDGET
2012
Investing in People

TABLE OF CONTENTS

CAPITAL PLAN

Capital Plan By Envelope.....	33
Capital Plan By Priority Area	34
Expected Completion Dates and Capital Cost	35
Investing in Families and Communities	36
Securing Alberta's Economic Future	37
Schools.....	38
Post-Secondary Facilities	38
Health Facilities	39
Government Facilities, Equipment and Other Capital	40
Fort McMurray Housing	41
Provincial Highway Network.....	41
Support for Municipal Transportation Systems.....	42
Green Transit Incentives Program.....	42
Water and Wastewater Management	42
Advancing World-Leading Resource Stewardship.....	43
Carbon Capture and Storage	43
Climate Change and Emissions Management Fund	44
Canada Eco-Trust for Clean Air and Climate Change	44
Alternative Capital Financing –Public-Private Partnerships	45
Capital Plan Details	46

CAPITAL PLAN 2012–15

Quality infrastructure is the backbone of a vibrant and growing economy. During the next three years, the Government of Alberta will invest \$16.5 billion in public infrastructure to support Albertans' quality of life and help position the province as an economic leader nationally and internationally.

To support the outcomes Albertans want to achieve, the Government of Alberta is committed to providing the right infrastructure, at the right time, in a cost-effective and sustainable manner. Development of the 2012-15 Capital Plan is based on the priority areas outlined in the government's strategic plan, with significant funding provided for core areas including schools, health facilities and municipal infrastructure.

In past years, the Capital Plan was presented using an “envelope” approach. The following chart presents the 2012-15 Capital Plan by funding envelope.

Capital Plan by Envelope

(millions of dollars)

	2012-13 Estimate	2013-14 Target	2014-15 Target	3-Year Total
Municipal infrastructure support	1,620	1,812	1,664	5,096
Provincial highway network	1,367	1,194	956	3,517
Health facilities and equipment	816	772	993	2,581
Schools	364	459	220	1,043
Post-secondary facilities	76	76	76	228
Community facilities	135	168	147	450
Water/wastewater management	272	232	202	706
Housing	162	142	107	411
Government facilities/other capital	932	868	651	2,451
Total Capital Plan	5,744	5,723	5,016	16,483

The Government of Alberta will provide over \$5.6 billion in direct municipal support over the next three years.

Of the \$16.5 billion capital spending budget, \$5.6 billion will be allocated to support municipal infrastructure, including \$2.8 billion from the Municipal Sustainability Initiative (MSI), \$540 million from the Green Transit Incentives Program (GreenTRIP), and \$2.3 billion in municipal transportation and water infrastructure grants.

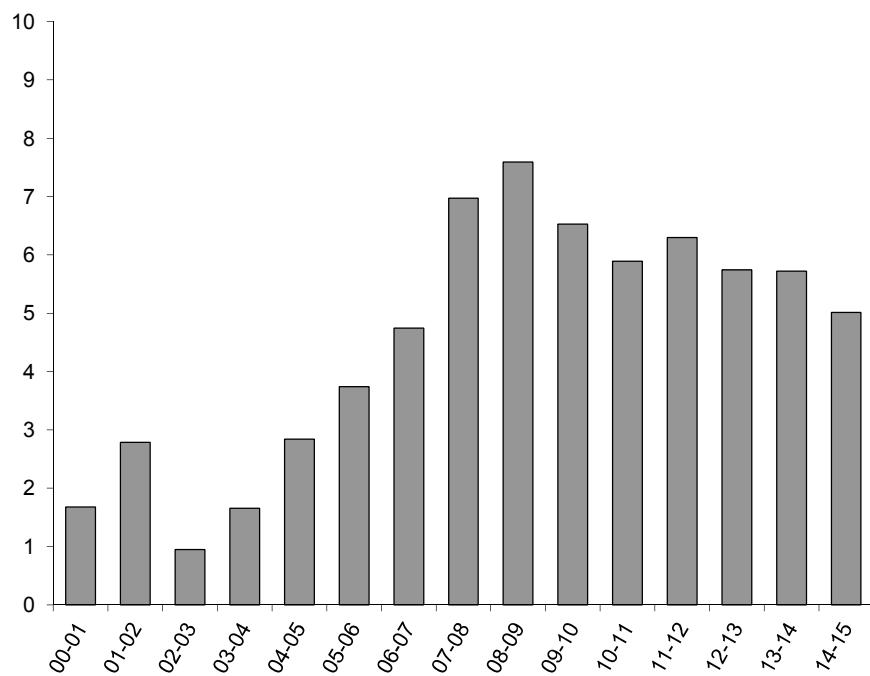
Capital Plan By Priority Area
(millions of dollars)

	2012-13 Estimate	2013-14 Target	2014-15 Target	3-Year Total
Investing in Families and Communities	1,309	1,443	1,463	4,215
Securing Alberta's Economic Future	4,096	3,842	3,216	11,154
Advancing World-Leading Resource Stewardship	336	435	334	1,105
Legislative Assembly / Executive Council	3	3	3	9
Total Capital Plan	5,744	5,723	5,016	16,483

Alberta currently invests 38% more per capita on public infrastructure than the average of all other provinces.

Although Alberta's level of capital spending is forecast to decrease, it remains above historic levels. Capital support averaged \$4.2 billion per year since 2000. Over the next three years, the Capital Plan will average \$5.5 billion per year, which is more than 30% higher than the prior years' average.

Capital Spending Since 2000
(billions of dollars)



Over the last several years, Alberta has continued to invest in capital assets despite a very challenging economic downturn. The strategic use of the province's accumulated savings allowed Alberta to take advantage of historically low construction costs, and to continue to invest in infrastructure to ensure that the province was prepared when the economy improved.

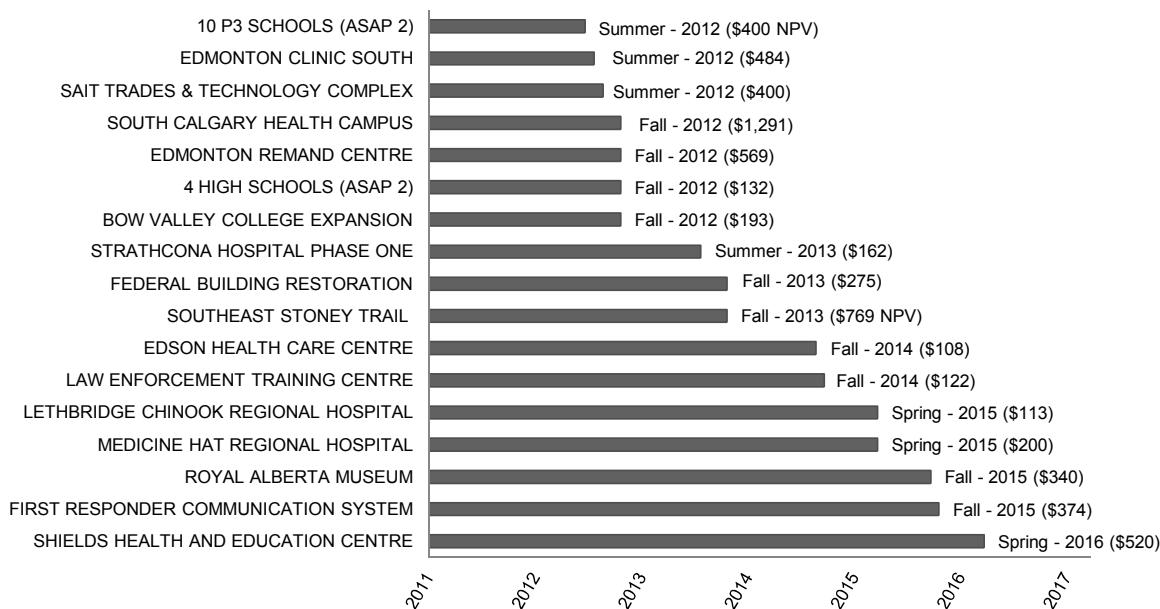
During the 2012-13 fiscal year, government will begin a review of the way in which the province delivers and funds services, to ensure that the right services are provided in the most effective way possible. That review will affect future capital planning practices; as operational plans are updated, capital needs will evolve. Should construction costs remain relatively low, and emergent capital development needs arise, government will have the flexibility to undertake additional capital projects while remaining within the 2012-15 budget.

This change in planning approach will start with the development of an updated 20-Year Strategic Capital Plan that reflects priorities that are important to Albertans: investing in families and communities, securing Alberta's economic future, and advancing world-leading resource stewardship. That new plan will set the long-term goals for capital development in Alberta, which will serve as guiding principles as more immediate needs are identified.

There have been a number of major infrastructure projects completed over the last year, and this trend will continue. The estimated completion date and cost of some of the significant projects to be finished in the next three years is presented in the following chart. These 17 projects represent a combined total investment of over \$6.3 billion.

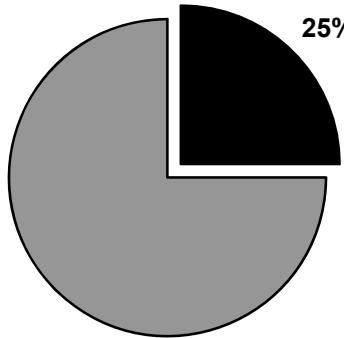
Infrastructure investments are focused on core areas that align with the priorities of Albertans.

Expected Completion Dates and Capital Cost (millions of dollars)



NPV = Net Present Value

Investing in Families and Communities represents 25%, or \$4.2 billion of the 2012-15 Capital Plan.



The 2012-15 Capital Plan has been organized using the Government's strategic priority areas and goals, with projects and programs classified into these categories for planning and reporting purposes. The following is a brief summary of major achievements realized in 2011-12 and plans for the next three years.

INVESTING IN FAMILIES AND COMMUNITIES

Municipal infrastructure support is central to core services contributing to a high quality of life for Albertans. Government is committed to providing Alberta's municipalities with long-term, sustainable funding. The cornerstone program, delivered by the Ministry of Municipal Affairs, is the Municipal Sustainability Initiative (MSI).

Municipal Affairs also delivers housing capital programs that are intended to increase the supply of affordable and barrier-free housing to address demand, provide permanent housing with supports to help reduce homelessness, and provide accommodation options to low and moderate income seniors and persons with disabilities.

Culture and Community Services provides community facilities that are central to maintaining a culturally vibrant province. Museums, historic sites, indoor and outdoor recreation centres and buildings utilized by non-profit groups and foundations for various purposes are examples of facilities that collectively enhance community life.

The Ministry of Seniors is responsible for developing and delivering a wide range of programs and services to Albertans. The main capital program delivered by Seniors is the Affordable Supportive Living Initiative (ASLI).

MAJOR 2011-12 ACCOMPLISHMENTS

- ◆ MSI provided \$839 million in capital grants to municipalities to help address their infrastructure needs. Some examples of projects approved in 2011-12 include:
 - ◆ Rehabilitation of the Ernie Starr Arena in Calgary;
 - ◆ Replacement of sections of the light rail transit signal system in Edmonton;
 - ◆ A new infrastructure services operations centre in Lloydminster;
 - ◆ New water distribution lines for a regional water system in the County of Newell;
 - ◆ Development of a sports facility in the County of Grande Prairie;
 - ◆ Reconstruction and paving of a portion of Acme Road in Mountain View County;
 - ◆ Extension of water and sewer lines in Wainwright;
 - ◆ Rehabilitation of Railway Avenue in Nampa.
- ◆ Housing capital programs included \$13.5 million in spending to provide housing for approximately 700 Albertans affected by the Slave Lake wildfires. This spending included the purchase of 233 modular homes and a 34-unit apartment building;

- ◆ Housing initiatives supported the renovation and renewal of over 1,200 affordable housing units for families and individuals, seniors and special needs individuals through seven projects across the province;
- ◆ Community investments in 2011-12 included \$38 million in grants for projects through the Community Facility Enhancement Program (CFEP), such as:
 - ◆ Upgrades to the Italian-Canadian Seniors Centre in Edmonton;
 - ◆ Upgrades to Hull Child and Family Service's Woodland Campus in Calgary;
 - ◆ Construction of Rowan House Emergency Shelter in High River.
- ◆ Committed funding for eleven ASLI projects for 631 new affordable supportive living and 30 new long-term care spaces, bringing Alberta's investment to over half a billion dollars since 1999, and resulting in the development of more than 10,000 affordable supportive living and lodge spaces across the province.

Over 1,200 affordable living units were renovated or upgraded across Alberta last year.

THE NEXT THREE YEARS

Over 2012-15, the following investments are planned:

- ◆ \$2.8 billion will be provided to municipalities through the MSI program;
- ◆ \$300 million for housing programs including \$216 million for the Social Housing Portfolio Revitalization and \$80 million for affordable housing and the Homelessness Prevention Initiative;
- ◆ Support totaling \$145 million for community facilities across the province, including \$114 million for the ongoing CFEP and \$21.5 million for construction of the National Music Centre in Calgary;
- ◆ New investment totaling \$75 million in the ASLI program;
- ◆ \$247 million towards the development of the Alberta First Responder Radio Communication System.

SECURING ALBERTA'S ECONOMIC FUTURE

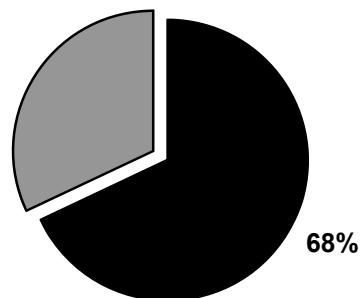
The Capital Plan supports the Government of Alberta's objective of securing Alberta's economic future through significant investment in learning and the enhancement and expansion of public infrastructure in a cost-effective manner that meets Albertans' priorities.

Investments in schools and learning facilities through the Ministries of Education and Advanced Education and Technology assist in offering a sustainable education system that meets the needs of Albertans throughout their lives.

The Ministries of Infrastructure and Transportation are responsible for most of the Government's annual infrastructure investment, including the delivery of health facilities, maintenance of the provincial highway network, and programs that support community infrastructure such as municipal transportation grants, water and wastewater grants, and GreenTRIP.

In addition to helping secure Alberta's economic future, prudent capital investment in these core areas supports families and communities as well as resource stewardship.

Securing Alberta's Economic Future represents 68%, or \$11.2 billion of the 2012-15 Capital Plan.



SCHOOLS

Alberta will continue to invest in educational facilities to accommodate growth in student enrolment. This includes building new facilities, providing modular classrooms and expanding, modernizing and maintaining existing facilities to ensure that students are educated in safe, well-maintained schools.

MAJOR 2011-12 ACCOMPLISHMENTS

A total of \$406 million in capital spending is forecast for 2011-12, resulting in the following achievements:

- ◆ Considerable progress on Phase 2 of the Alberta Schools Alternative Procurement (ASAP) school construction program. This phase will deliver 14 new schools in the greater Calgary and Edmonton regions and construction is ahead of schedule;
- ◆ 72 new modular classrooms and 30 relocations were approved to address enrolment pressures and health and safety issues;
- ◆ Scheduled completion of four new high schools and 15 replacement or modernization school projects.

14 new schools will open in Edmonton and Calgary in 2012.

THE NEXT THREE YEARS

During 2011-12, a further \$550 million was approved to address the highest priority school projects, including 22 new schools and 13 modernization projects. In total, over \$1 billion is budgeted to be spent over the next three years. A total of 12,750 student spaces will be added in 2012-13, and a further 8,000 spaces will be added in subsequent years.

POST-SECONDARY FACILITIES

Colleges, universities and other post-secondary learning facilities help strengthen the workforce and expand the province's research and technology commercialization sector. The Capital Plan includes funding to construct, upgrade and maintain these facilities.

MAJOR 2011-12 ACCOMPLISHMENTS

\$273 million is forecast to be spent to complete projects in 2011-12, including:

- ◆ The Edmonton Clinic Health Academy at the University of Alberta, accommodating 682 students in health care programs;
- ◆ The Energy, Environment and Experiential Learning facility at the University of Calgary, accommodating 1,000 students and including a new power co-generation facility that will reduce the university's carbon footprint;
- ◆ Campus upgrades at Red Deer College;
- ◆ Renewal of space in University Hall and Anderson Hall at the University of Lethbridge;
- ◆ Expansion of trades space at Grande Prairie Regional College.

1,000 new student spaces were added at the Energy, Environment and Experiential Learning facility at the University of Calgary.

THE NEXT THREE YEARS

The 2012-15 Capital Plan will invest \$225 million in capital maintenance and renewal to maintain existing post-secondary institutions across the province. Capital construction projects scheduled for completion in 2012-13 include:

- ◆ Agricultural research facilities in Kinsella and St. Albert for the University of Alberta;
- ◆ SAIT's Trades and Technology Complex, which adds 3,600 new student spaces;
- ◆ Phase 2 expansion of the Bow Valley College, with 3,500 additional student spaces;
- ◆ Upgrades to the physical education building at the University of Lethbridge.

HEALTH FACILITIES

Health facilities include hospitals, health clinics, continuing care centres, and addiction and mental health facilities.

MAJOR 2011-12 ACCOMPLISHMENTS

- ◆ Completed renovations to the Grande Prairie Queen Elizabeth II Hospital to expand the Emergency and Endoscopy Departments;
- ◆ Completed renovation of the Emergency Department and Main Entrance at the Sturgeon Community Hospital in St. Albert;
- ◆ Completed Phase 1 of the Stollery Children's Hospital Emergency Department Expansion.

THE NEXT THREE YEARS

Over the next three years, \$2.1 billion is allocated to health infrastructure. The following achievements are anticipated:

- ◆ Development of a continuing care centre strategy that builds upon an “aging-in-place” philosophy;
- ◆ Construction will continue or be completed on health facilities across the province, including:
 - ◆ Edmonton Clinic South;
 - ◆ Fort Saskatchewan Community Hospital;
 - ◆ Stollery Children's Hospital Emergency Department Expansion-Phase 2 in Edmonton;
 - ◆ Calgary South Health Campus;
 - ◆ Strathcona Hospital in Sherwood Park;
 - ◆ A new continuing care facility in Lloydminster;
 - ◆ Renovations to the Intensive Care Unit at the Northern Lights Regional Health Centre in Fort McMurray;
 - ◆ Construction to renovate and expand the emergency and patient drop-off areas at the Bow Island Health Centre;
 - ◆ Central Alberta Cancer Centre in Red Deer;
 - ◆ Three new Regional Health Centres in Grande Prairie, High Prairie and Edson.

\$2.1 billion in spending is planned for health facilities over the next three years.

- ◆ Construction is scheduled to commence on a number of projects, including:
 - ◆ Two new health facilities to serve Fort McMurray: a community health clinic and a continuing care centre;
 - ◆ Renovations at Edmonton's Cross Cancer Centre;
 - ◆ Redevelopment of the Medicine Hat Regional Hospital;
 - ◆ Redevelopment of the Chinook Regional Hospital in Lethbridge;
 - ◆ Renovations at the Tom Baker Cancer Centre in Calgary;
 - ◆ Redevelopment of the Vascular Services and Women's Health departments at the Peter Lougheed Centre in Calgary;
 - ◆ Fit-out of shelled space at the Alberta Children's Hospital in Calgary, providing more space for the Neonatal Intensive Care Unit.

GOVERNMENT FACILITIES, EQUIPMENT AND OTHER CAPITAL

A broad range of other activities, including construction and maintenance of government-owned facilities and purchasing information technology for government departments and agencies, also occur on an ongoing basis.

MAJOR 2011-12 ACCOMPLISHMENTS

- ◆ Opened the Calgary Courts Centre Phase 2 urban park;
- ◆ Delivered approximately \$36 million toward capital maintenance and renewal projects for the preservation of government-owned facilities;
- ◆ Continued work to develop secure, high-speed internet services to Albertans across the province through the Final Mile Broadband Initiative.

THE NEXT THREE YEARS

The Capital Plan has allocated \$1.4 billion to invest in government-owned infrastructure, including:

- ◆ Evan-Thomas Water and Wastewater Treatment Facility in Kananaskis Provincial Park;
- ◆ Completion of the new Edmonton Remand Centre;
- ◆ Restoration and renovation of the Federal Building and Centennial Plaza;
- ◆ Construction of the Royal Alberta Museum;
- ◆ Construction of a public safety and law enforcement training centre in Fort Macleod;
- ◆ Additions and renovations to the Edmonton Medical Examiner's facility;
- ◆ Funding to maintain and equip provincial parks and protected areas.

Construction will begin on the Royal Alberta Museum in 2012. ||

FORT MCMURRAY HOUSING

The Ministry of Infrastructure is responsible for ensuring that additional land for residential development continues to be available in the Regional Municipality of Wood Buffalo, and specifically in Fort McMurray. The primary parcel of land currently being developed is in the Parsons Creek area.

MAJOR 2011-12 ACCOMPLISHMENTS

- ◆ The first land sales for Phase 1A and portions of Phase 1B have commenced and are ahead of schedule;
- ◆ Paved roads have been completed in Phase 1A and Rainbow Creek Drive has been extended into Parsons Creek;
- ◆ Grading is underway on Phase 2 in preparation for the release of lots in early 2012.

THE NEXT THREE YEARS

The Ministry of Infrastructure will continue to review all different options to expedite the release of residential, commercial and industrial lands in a number of locations in and around Fort McMurray including Saline Creek, Parsons Creek and Southlands.

Land for residential housing will continue to be made available in Fort McMurray.

PROVINCIAL HIGHWAY NETWORK

The safe and efficient movement of people and goods is essential to daily life in Alberta and a globally competitive economy. The highway network consists of all provincially-owned roadways including primary and secondary highways, resource roads, and bridges.

Detailed reviews of capital spending were conducted, resulting in some funds being re-profiled to future years to match construction progress. Additional reviews are being undertaken to assess priorities and service levels, and some projects will be delayed.

MAJOR 2011-12 ACCOMPLISHMENTS

\$1.6 billion is forecast to be spent in 2011-12. Some of the major accomplishments supported by these funds include:

- ◆ Paved or repaved over 1,100 kilometres of highway;
- ◆ Opened the Northwest Anthony Henday Drive in Edmonton;
- ◆ Opened interchanges at Stony Plain Road, Lessard Road, Rabbit Hill Road, Cameron Heights Drive and Callingwood Road on Anthony Henday Drive;
- ◆ Continued construction on the southeast segment of the Stoney Trail ring road in Calgary;
- ◆ Completed a new five-lane bridge over the Athabasca River in Fort McMurray;
- ◆ Continued work on twinning 36 kilometres of Highway 63 just north of Wandering River;
- ◆ Completed approximately 35 percent of twinning on 17 kilometres of Highway 43, West of Sturgeon Lake Indian Reserve.

Northwest Anthony Henday Drive in Edmonton was completed in 2011, and construction will continue on Southeast Stoney Trail in Calgary.

THE NEXT THREE YEARS

For 2012-15, \$3.5 billion will be invested in Alberta's highway network. This support will include:

\$3.5 billion will be invested in the provincial highway network in 2012-15.

- ◆ Start of construction on the Northeast Anthony Henday Drive ring road in Edmonton;
- ◆ Continued construction of Southeast Stoney Trail in Calgary;
- ◆ Construction of Nose Hill Interchange on Stoney Trail in Calgary;
- ◆ \$521 million for highway maintenance and rehabilitation;
- ◆ \$377 million for continued construction on the North-South Trade corridor;
- ◆ \$387 million for the Northeast Alberta Transportation Corridor.

SUPPORT FOR MUNICIPAL TRANSPORTATION SYSTEMS

\$655 million in grant funding will be provided to municipalities for transportation needs in 2011-12, including:

- ◆ The Basic Municipal Transportation Grant, an annual allocation to municipalities;
- ◆ The Strategic Transportation Infrastructure Program, which provides municipal transportation grants for specific projects to urban and rural municipalities;
- ◆ The Federal Gas Tax Fund program, which returns a portion of the federal gasoline tax to the province for distribution to municipalities;
- ◆ The Building Canada Fund – Communities Component, which continued to assist municipalities with new construction, expansion, or renewal of municipal infrastructure.

GREEN TRANSIT INCENTIVES PROGRAM

\$540 million has been allocated to public transit projects through GreenTRIP.

The Green Transit Incentives Program (GreenTRIP) funds initiatives that support new and expanded public transit to help reduce the number of vehicles on Alberta roads. Over the next three years, \$540 million is allocated and the following projects have been approved:

- ◆ \$497 million for Edmonton LRT – NAIT extension project;
- ◆ \$13.6 million for Strathcona County transit terminal;
- ◆ \$12.1 million for Red Deer transit buses;
- ◆ \$2 million for new public transit buses in Grande Prairie, Banff and Canmore;
- ◆ \$109,000 for public transit improvements in Hinton.

WATER AND WASTEWATER MANAGEMENT

Water and wastewater management projects support the infrastructure necessary to deliver services including water and sewer treatment facilities, dams and canals. This includes investing in provincially-owned assets and grants to local authorities, which is direct support to municipalities. The Ministry of Transportation is responsible for the delivery of these projects and grants.

MAJOR 2011-12 ACCOMPLISHMENTS

A total of \$282 million is forecast in 2011-12, including:

- ◆ \$243 million in grants, including projects for the South Red Deer Regional Wastewater Commission, the County of Vermilion River, Buffalo Lake, Daysland and Longview;
- ◆ \$15 million for the continued rehabilitation of the Carseland-Bow River Headworks System;
- ◆ \$6 million for other rehabilitation projects.

THE NEXT THREE YEARS

Over 2012-15, an investment of \$585 million for water infrastructure will be made, including \$384 million in grants from *Water for Life* regional water and wastewater projects, and \$150 million in grants through the Alberta Municipal Water Wastewater Program.

ADVANCING WORLD-LEADING RESOURCE STEWARDSHIP

Guided by its *Climate Change Strategy*, Alberta remains committed to reducing greenhouse gas emissions and supporting environmentally sustainable ways to develop and use energy. The 2012-15 Capital Plan includes over \$1.1 billion to support innovative and responsible resource management through the Ministries of Energy, Environment and Water, Sustainable Resource Development, and Agriculture and Rural Development.

CARBON CAPTURE AND STORAGE

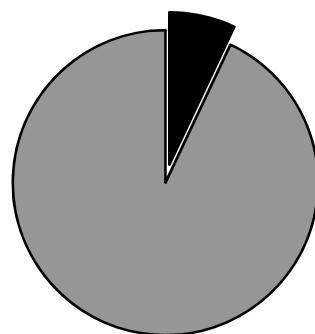
Four projects have been selected under the Carbon Capture and Storage initiative and progress has been made on each. Final agreements have been executed for the Quest, Alberta Carbon Trunk Line and Swan Hills Synfuels projects:

- ◆ Shell's Quest project will receive \$745 million and will capture CO₂ from the Scotford oil sands upgrader and store it approximately two kilometres below the surface in a non-potable, saline aquifer;
- ◆ Enhance Energy and Northwest Upgrading's Alberta Carbon Trunk Line project will receive \$495 million and will capture CO₂ from a new oil sands upgrader and an existing fertilizer plant near Fort Saskatchewan. CO₂ will then be transported through a new 240 kilometre pipeline for enhanced oil recovery near Clive, Alberta;
- ◆ The Swan Hills Synfuels project will receive \$285 million and will adapt the existing in-situ coal gasification process to convert un-mineable coal seams into a clean synthetic gas known as syngas. The CO₂ generated will be captured and used for enhanced oil recovery.

Forecast spending includes \$55 million in 2011-12 and \$619 million over the next three years.

Advancing World-Leading Resource Stewardship represents 7%, or \$1.1 billion of the 2012-15 Capital Plan.

7%



CLIMATE CHANGE AND EMISSIONS MANAGEMENT FUND

\$127 million has been allocated to energy efficiency and renewable energy projects through the CCEMF.

This program supports transformative technologies that reduce greenhouse gas emissions. Project categories are renewable energy, energy efficiency, greening fossil fuels, and carbon capture and storage. In June 2010, the Climate Change and Emissions Management Corporation announced \$71 million in support for 16 clean energy projects. An additional 17 project submissions were received, and subsequent project approvals included \$28 million for seven energy efficiency projects and \$28 million for five renewable energy projects. An additional 13 project proposals have been invited to proceed to the full project proposal stage.

CANADA ECO-TRUST FOR CLEAN AIR AND CLIMATE CHANGE

Some of the major projects selected under the Canada eco-Trust program to help advance clean energy use and production are:

- ◆ The Carbon Management Canada program, which has awarded a number of grants for research in four themed areas: Recovery, Processing and Capture; Enabling and Emerging Technologies; Secure Carbon Storage; and Accelerating Appropriate Development of Low Carbon Emissions Technologies – all in support of innovations and insights that will enable the fossil fuel sector to drive net carbon emissions toward zero;
- ◆ Agreement with Millar Western Forest Products Ltd. to convert organic material found in pulp mill wastewater into enough green electricity to power approximately 6,500 homes annually.

MAJOR 2011-12 ACCOMPLISHMENTS AND GOALS FOR THE NEXT THREE YEARS

In addition to the above, the following funds are forecast to be spent in 2011-12:

- ◆ As the initial work related to air tanker base improvements begins, \$610,000 will be spent on the purchase of numerous metal buildings including warehouses, electrical buildings and chemical storage units;
- ◆ \$5 million is forecast for the Wildfire Protection Facility Upgrade Program;
- ◆ \$10 million on the Land Dispositions – Land Stewardship Program;
- ◆ \$7 million to be invested in environmental monitoring for the Lower Infrastructure Athabasca Region.

ALTERNATIVE CAPITAL FINANCING – PUBLIC-PRIVATE PARTNERSHIPS

Alberta uses public-private partnerships (P3s) to help fund and deliver needed infrastructure. A private contractor enters into an agreement to design and build the project, and provide some or all project financing, which is repaid over a period of time. A P3 agreement requires the private contractor to maintain and sometimes operate the infrastructure, with all payments to the contractor subject to deductions for failing to meet performance standards. The interplay between design, construction, operation, maintenance and performance requirements creates an extended warranty as the contractor is responsible for the project over the life of the agreement.

Alberta will only utilize a P3 to deliver infrastructure projects when value for money can be demonstrated. Value for money is the cost savings generated by delivering the project as a P3 compared to delivering the project traditionally. Value for money is measured in today's dollars, including all costs for design, construction, financing, operation and maintenance over the life of the project. To increase the value for money, the province has paid a portion of the project capital cost upfront, rather than financing the full amount over the agreement period. These provincial contributions have ranged from 25 to 66 per cent of the total capital cost.

The province issues value for money reports for P3 projects outlining how value is generated by the P3 procurement. These reports, along with other project information, are posted on the program ministries' websites.

The following table summarizes the projected use of capital financing for the 2012-15 period, showing the total liability from prior year borrowing plus planned changes each year due to direct borrowing, P3 financing, and repayments of direct and P3 amounts borrowed.

Projects currently under procurement include Northeast Anthony Henday Drive in Edmonton, a third phase of ASAP schools and the Evan Thomas Water and Wastewater Treatment Facility in Kananaskis.

Summary of Alternative Capital Financing

(millions of dollars)

	2012-13 Estimate	2013-14 Target	2014-15 Target
Opening liability for capital	3,435	3,579	3,817
P3 financing	172	271	243
Principal repayments	(28)	(33)	(943)
Closing liability for capital	3,579	3,817	3,117
Interest payments (expense)	139	145	141

Capital Plan Details

(millions of dollars)

	2012-13 Estimate	2013-14 Target	2014-15 Target	3-Year Total
INVESTING IN FAMILIES AND COMMUNITIES				
Municipal Sustainability Initiative	846	1,000	1,000	2,846
Health Information Systems, Vaccines and Equipment	129	124	217	470
Alberta First Responder Radio Communication System	91	89	67	247
Social Housing Portfolio Revitalization	58	77	82	217
Community Facility Enhancement Program	38	38	38	114
Affordable Supportive Living Initiative (ASLI)	25	25	25	75
Affordable Housing & Homelessness Prevention Initiative	40	40	-	80
Provincial Parks Maintenance	15	19	19	53
National Music Centre	16	6	-	22
Strategic Information Technology Initiative	15	5	-	20
Other support	36	20	15	71
Total Investing in Families and Communities	1,309	1,443	1,463	4,215
SECURING ALBERTA'S ECONOMIC FUTURE				
Edmonton / Calgary Ring Roads	429	491	460	1,380
Municipal transportation grants	419	378	416	1,213
GreenTRIP	93	200	247	540
Highway rehabilitation	152	196	173	521
Building a Better Alberta - School Capital Projects	153	279	63	495
Bridge and highway projects under \$10M	255	90	89	434
Federal Gas Tax Fund	200	200	-	400
Northeast Alberta Transportation Corridor	153	127	107	387
Regional water/wastewater projects - Water for Life	120	147	117	384
Shields Health and Education Centre	40	161	180	381
Rural and Urban North-South Trade Corridors	214	163	-	377
South Calgary Health Campus	324	18	-	342
Capital maintenance and renewal of schools	96	96	96	288
Royal Alberta Museum redevelopment	59	97	82	238
Capital maintenance and renewal of post-secondary facilities	75	75	75	225
Medicine Hat Regional Hospital	50	73	70	193
Continuing Care Projects	53	16	115	184
Calgary and Edmonton Cancer Strategy Phase 1	25	85	56	166
Alberta Municipal Water/Wastewater Program	50	50	50	150
Federal Building retrofit and parkade	120	-	-	120
Public safety and law enforcement training centre	19	50	50	119
Edmonton Clinic South	98	20	-	118
Chinook Regional Hospital redevelopment	30	42	34	106
Edson Health Care Centre	25	47	22	94
Information Management and Technology Strategy	36	65	-	101
Strathcona Hospital	29	35	23	87
High Prairie Health Care Centre	18	32	23	73
Edmonton Remand Centre replacement	50	1	-	51
Alberta Schools Alternative Procurement Phase 2	43	3	3	49
Other support	668	605	665	1,938
Total Securing Alberta's Economic Future	4,096	3,842	3,216	11,154

Capital Plan Details – continued

(millions of dollars)

	2012-13 Estimate	2013-14 Target	2014-15 Target	3-Year Total
ADVANCING WORLD-LEADING RESOURCE STEWARDSHIP				
Carbon Capture and Storage initiative	138	289	192	619
Climate Change and Emissions Management Fund	53	53	55	161
Irrigation rehabilitation grants	24	24	24	72
Canada ecoTrust for Clean Air and Climate Change	45	-	-	45
Airtanker base upgrades	7	14	9	30
Enhanced Land Stewardship Program	5	5	5	15
Livestock Strategy	5	5	5	15
Other support	59	45	44	148
Total Advancing World-Leading Resource Stewardship	336	435	334	1,105
LEGISLATIVE ASSEMBLY and EXECUTIVE COUNCIL				
	3	3	3	9
Total Capital Plan	5,744	5,723	5,016	16,483

REVENUE

BUDGET
2012
Investing in People

TABLE OF CONTENTS

REVENUE

Highlights	51
Revenue Outlook.....	51
Non-Renewable Resource Revenue.	52
Tax Revenue.....	56
Federal Transfers.....	58
Investment Income.....	58
Other Revenue.....	60
Risks	61

REVENUE

HIGHLIGHTS

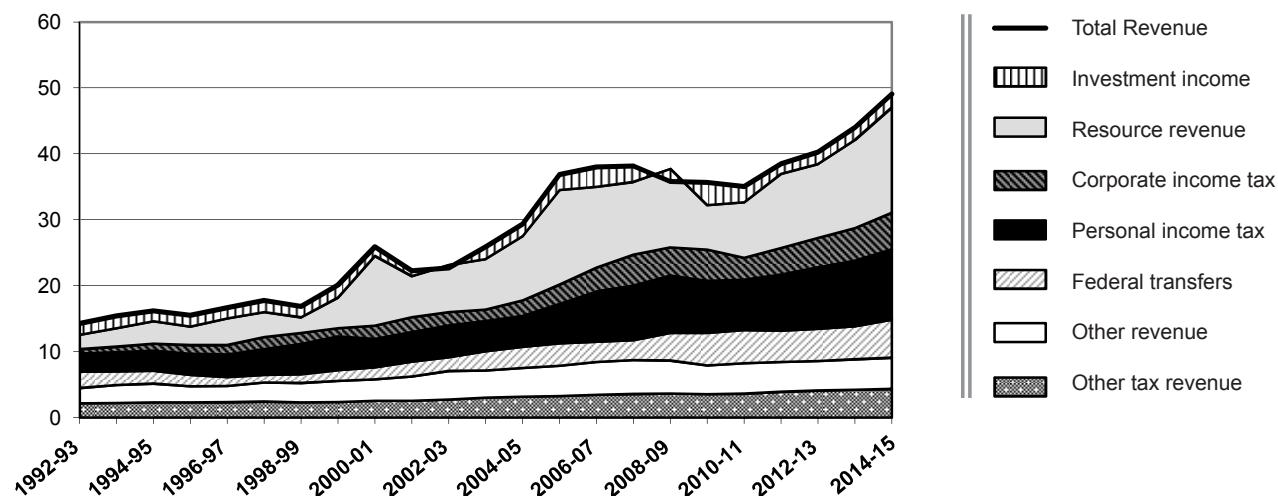
- ❖ Total revenue expected to increase by \$1.8 billion, or 4.6%, to \$40.3 billion in 2012-13, and average 10% growth for the next two years.
- ❖ Resource revenue estimated at \$11.2 billion in 2012-13, and expected to average 19% growth for the next two years, led by bitumen royalties.
- ❖ 2012-13 forecasts: oil price of US\$99.25 per barrel (bbl); natural gas price (Alberta Reference Price) of Cdn\$3.00 per gigajoule (GJ); US-Canadian dollar exchange rate of 98.6¢.
- ❖ Tax revenue estimated at \$17.9 billion in 2012-13, an increase of 8.7% from 2011-12, and expected to average 7.2% growth for the next two years. This reflects the positive outlook for the economy, personal incomes and corporate profits.
- ❖ An expected decline in federal transfers as infrastructure stimulus programs wind down is more than offset by increasing health and social transfers, with a significant jump in 2014-15 as a result of equitable Canada Health Transfer treatment for Albertans.

REVENUE OUTLOOK

The Alberta economy is forecast to grow 3.8% in 2012, aided by strong global demand for oil, rising manufacturing shipments, strong consumer spending and solid gains in business investment. Alberta's job market, the strongest in the country in 2011, will continue to perform well in 2012, boosting wages and personal incomes and helping to attract more people to Alberta.

Total Revenue, 1992-93 to 2014-15

(billions of dollars)



In 2002-03 and 2008-09, the value of Alberta's investment assets fell. This is accounted for as negative income.

Revenue forecast to grow 4.6% in 2012-13 and then by 10% a year, reaching \$49 billion by 2014-15.

Amidst strong economic growth in Alberta and a positive outlook for energy prices, revenue is forecast to grow 4.6% in 2012-13, rising \$1.8 billion to \$40.3 billion. The increase is primarily due to higher income tax revenue, federal transfers and investment income, offset by slightly lower non-renewable resource and gaming revenue.

The outlook for the following two years is positive with growth in emerging markets supporting increasing energy prices and strong provincial economic growth. Revenue is forecast to grow an average of 10% over the following two years, reaching \$49 billion in 2014-15, mainly due to higher income tax revenue, resource revenue and Canada Health Transfer revenue as the federal government moves to an equitable funding model.

Total Revenue (millions of dollars)

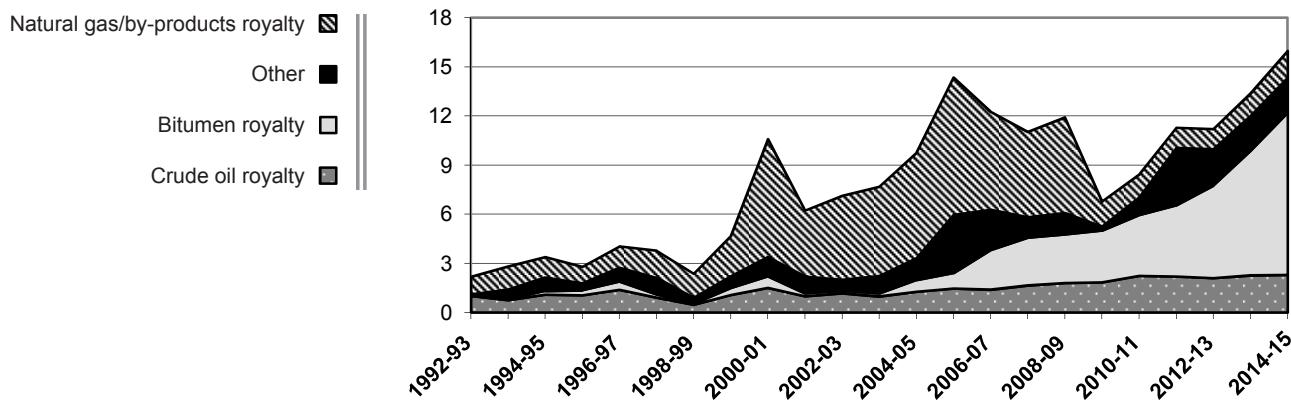
	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Personal income tax	7,631	8,812	8,521	9,314	9,936	10,637
Corporate income tax	3,334	3,671	4,010	4,471	4,964	5,565
Other tax revenue	3,629	3,866	3,932	4,106	4,229	4,348
Non-renewable resource revenue	8,428	8,321	11,277	11,198	13,368	15,971
Federal transfers	5,025	4,768	4,727	4,915	5,001	5,788
Investment income	2,360	1,927	1,496	1,794	1,874	1,999
Other revenue	4,627	4,422	4,536	4,465	4,617	4,736
Total Revenue	35,034	35,787	38,499	40,263	43,989	49,044

NON-RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue is forecast to reach a record-high \$16 billion by 2014-15.

Non-renewable resource revenue, which accounts for 28% of total revenue, is forecast at \$11.2 billion in 2012-13, \$79 million lower than 2011-12. The decline is due primarily to a \$1.3 billion drop in Crown land lease sales and a reduction in conventional oil royalties, partly offset by a \$1.3 billion increase in bitumen royalties. Even with the decline, 2012-13 revenue is forecast to be the fifth-highest on record. Revenue is forecast to increase an average of 19% over the next two years, reaching \$16 billion by 2014-15, the highest on record, due mainly to increasing bitumen royalties.

Non-Renewable Resource Revenue, 1992-93 to 2014-15 (billions of dollars)



OIL ROYALTIES

Bitumen and conventional oil are forecast to account for 69% of non-renewable resource revenue in 2012-13. The outlook for oil prices is positive in the short term due to escalating tensions in the Middle East and better-than-expected economic data from the United States. The price for West Texas Intermediate (WTI) is forecast at US\$99.25/bbl in 2012-13, an increase of \$3 from 2011-12. Over the medium term, global economic growth is expected to accelerate, boosting demand, with prices forecast to rise to US\$106.25 in 2013-14 and US\$108.25 in 2014-15. The forecast increase in price is slightly less than the average of confidential private sector forecasts provided to the government and higher than that of the average of all private forecasters, which is brought down by some forecasters who have not factored in continued growth in global demand.

Oil prices forecast to rise with positive global economic growth.

Oil Assumptions (millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Revenue (\$ millions)						
Bitumen royalty	3,723	4,123	4,355	5,653	7,617	9,916
Crude oil royalty	2,236	1,925	2,199	2,100	2,265	2,295
Price						
West Texas Intermediate (US\$/bbl)	83.38	89.40	96.25	99.25	106.25	108.25
Western Canadian Select @ Hardisty (Cdn\$/bbl)	66.70	72.02	77.98	83.28	91.23	92.94
Production (thousands of barrels per day)						
Conventional	464	484	492	524	529	515
Non-conventional	1,614	1,850	1,788	2,045	2,208	2,402

Bitumen royalties are forecast to account for just over half of non-renewable resource revenue in 2012-13. Bitumen prices continue to be relatively high as the demand for heavy oil from US refineries continues to be strong. In 2012-13, prices are estimated to climb to Cdn\$83.28/bbl from Cdn\$77.98 in 2011-12. Prices are forecast to continue rising, and are forecast at Cdn\$92.94/bbl in 2014-15. Production is also expected to rise as more projects come on stream, growing by 14% in 2012-13, and then by 8% in 2013-14 and 8.8% in 2014-15.

Bitumen royalties will more than double from 2011-12 to 2014-15.

It is also expected that an increasing number of projects will reach payout over the next three years, when total revenue from the project exceeds total development costs. Projects in payout pay higher royalty rates: prior to payout, royalties are between 1-9% of gross revenue (depending on the WTI price in Canadian dollars), while post-payout, royalties are the greater of 1-9% of gross revenue or 25-40% of the project's net revenue.

Based on higher prices and production and as more projects reach payout, bitumen royalties are forecast at \$5.7 billion in 2012-13, an increase of \$1.3 billion, or 30%, from 2011-12. Royalties are forecast to jump dramatically over the next two years, rising by an average of 32% a year, reaching \$9.9 billion by 2014-15.

North West Upgrader scheduled to begin operations in 2014.

The Crown may, by regulation, take bitumen royalties “in-kind” rather than in cash. The government plans to supply bitumen to the North West Upgrader, which is tentatively scheduled to begin operations in 2014. The facility will upgrade bitumen into higher-valued products such as ultra-low sulphur diesel.

The province will receive a portion of the revenue from the sale of the upgraded product. The province is also responsible to pay a monthly cost of service toll for the 30-year term of the contract. The financial return from the project is heavily dependent on the costs of constructing and operating the facility, as well as the price differential between bitumen and upgraded products over the term of the contract.

Conventional oil royalties are forecast to account for 19% of non-renewable resource revenue in 2012-13. Production rose 6% in 2011-12, and is forecast to grow 6.5% in 2012-13 before leveling off and then declining by 2.6% in 2014-15. The changes to the royalty system have encouraged the use of new technologies to drill wells that previously would have been too costly to develop. For the first eleven months of 2011, 41% more oil wells were drilled than in the same period in 2010.

While production is increasing and prices are higher, royalties are forecast to drop by \$99 million in 2012-13. A majority of the new production that is coming on stream is from horizontal oil wells, which are eligible for the horizontal well royalty rate. Horizontal wells receive the 5% royalty rate for the first year like all conventional oil and gas wells drilled in Alberta, but can receive the 5% rate for an additional one to three years depending on the depth of the well. Over the following two years, royalties will rise by an average of 4.5% to \$2.3 billion.

BRENT-WTI PRICE DIFFERENTIAL

Different regions of the world use different oil price benchmarks, mainly determined by where the oil is produced. Oil produced in North America typically uses West Texas Intermediate (WTI) as a benchmark price, while oil produced in Europe and OPEC countries typically uses the Brent benchmark. In the past, these two benchmarks were relatively close to each other, but recently, Brent prices have been higher than WTI. Brent prices have been driven upwards due to unrest in the Middle East and production problems in the North Sea while WTI prices have been driven downwards due to a glut of supply in Cushing, Oklahoma, where the WTI price is set.

This affects Alberta’s revenue in two main ways. First, lower WTI prices mean lower royalties and lower profitability for energy companies, which lowers corporate tax revenue. Second, bitumen must be mixed with a lighter fluid in order to be transported.

Many producers use condensate, a light fuel oil, for this purpose. The price for condensate follows the Brent benchmark. This results in lower net income for bitumen producers as the costs of condensate (Brent) rise faster than the prices that can be obtained by bitumen producers (WTI). Because bitumen royalties are calculated on a net basis, lower net income results in lower royalties.

Brent was trading at about 33% higher than WTI as recently as September 2011, but the spread has narrowed and is now closer to 10%, as a result of recent pipeline developments in the United States that will enable oil at Cushing to reach the US Gulf Coast. This is expected to ease the existing supply glut at Cushing and support stronger WTI prices. The forecast assumes a 10% premium to Brent versus WTI, narrowing to 5% by 2014.

NATURAL GAS AND BY-PRODUCT ROYALTY

Natural gas and by-product royalties continue to decline as a share of non-renewable resource revenue. As recently as 2008-09, natural gas and by-product royalties accounted for nearly half of total non-renewable resource revenue, but are now forecast to account for only 11% of the total in 2012-13.

The outlook for natural gas continues to be weak. In the short term, a mild North American winter has damped demand. Natural gas storage levels remain high as production of shale gas continues to expand despite low prices and modest demand growth. The forecast natural gas price for 2012-13 is Cdn\$3.00/GJ, a drop of 11 cents from 2011-12 and 28 cents lower than 2010-11. Over the medium term, prices are expected to rise as demand strengthens, and are forecast to reach Cdn\$4.25/GJ by 2014-15.

Natural gas prices expected to strengthen.

Natural Gas Assumptions

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Revenue (\$ millions)	1,416	1,022	1,225	1,222	1,381	1,641
Price (Cdn\$/GJ)	3.28	3.45	3.11	3.00	3.50	4.25
Production (billions of cubic feet)	4,530	4,055	4,327	4,085	3,888	3,734

Natural gas production is expected to decline during the next three years, by 5.6% in 2012-13, and then a further 4.8% and 4% in 2013-14 and 2014-15, respectively.

Partly offsetting weak natural gas royalties has been higher royalties for natural gas by-products. Prices for these by-products, which include propane, butane and pentane, more closely track oil prices, and royalties from these products have risen along with oil prices.

Natural gas and by-product royalties are expected to be almost identical in 2012-13 relative to 2011-12. As natural gas prices are forecast to increase over the following two years, royalties are expected to increase, by an annual average of 16%, reaching \$1.6 billion in 2014-15.

BONUSES AND SALES OF CROWN LEASES

Bonuses from licences and leases were particularly strong in 2011-12, with higher prices per hectare and more hectares sold. The June 1, 2011 sale brought in \$842 million, the highest one-day sale amount in Alberta's history.

Strong land lease sales revenue to continue.

Bonuses are expected to fall to \$2 billion in 2012-13 and will account for 18% of non-renewable resource revenue. While this represents a decline of \$1.3 billion from 2011-12, revenue remains high by historical standards. Revenue is forecast to remain at \$1.9 billion for 2013-14 and 2014-15.

Non-Renewable Resource Revenue

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Bitumen royalty	3,723	4,123	4,355	5,653	7,617	9,916
Crude oil royalty	2,236	1,925	2,199	2,100	2,265	2,295
Natural gas and by-products royalty	1,416	1,022	1,225	1,222	1,381	1,641
Bonuses and sales of Crown leases	2,635	1,068	3,304	2,037	1,916	1,926
Rentals and fees	161	141	168	151	149	147
Coal royalty	31	42	26	35	40	46
Drilling stimulus initiatives	(1,774)	—	—	—	—	—
Total Resource Revenue	8,428	8,321	11,277	11,198	13,368	15,971

TAX REVENUE

Tax revenue is forecast to rise \$1.4 billion, or 8.8% in 2012-13.

Tax revenue, which accounts for 44% of total revenue, is forecast at \$17.9 billion in 2012-13, an increase of \$1.4 billion from 2011-12, due mainly to strong growth in personal and corporate income tax revenue. Due to changes to accounting standards, the amounts provided through the Alberta Family Employment Tax Credit and Scientific Research and Experimental Development Credit are now reported in operating expense and no longer deducted from personal and corporate income tax revenue. As a result, revenue reported in 2010-11 and in 2011-12 has been restated.

PERSONAL INCOME TAX REVENUE

Personal income tax is forecast at \$9.3 billion in 2012-13, an increase of \$793 million from 2011-12. Revenue in 2011-12 was lowered by \$291 million from the *Budget 2011* forecast due to lower-than-expected 2010 tax year assessments. The weaker assessments lower the forecast base for 2011-12 and future years, and also require a negative prior years' adjustment of \$188 million.

Personal Income Tax Revenue

(millions of dollars)

	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Base revenue	8,709	9,314	9,936	10,637
Adjustment to prior years	(188)			
Total	8,521	9,314	9,936	10,637
Base revenue change (%)		6.9	6.7	7.1

Base personal income tax revenue forecast to increase 6.9% in 2012-13.

After adjusting for this decrease, base personal income tax revenue is expected to increase by 6.9%. Alberta personal income is forecast to grow by 6.2% in 2012 and 6% in 2013, due to strong employment and wage growth, and is expected to remain above 6% for 2014 and 2015. This results in average annual personal income tax revenue growth of 6.9% over the following two years, with revenue forecast to reach \$10.6 billion in 2014-15.

CORPORATE INCOME TAX REVENUE

Corporate income tax revenue is forecast at \$4.5 billion in 2012-13, an increase of \$461 million from 2011-12, or 11%, due to strong expected growth in corporate profits. With a positive outlook for the Alberta economy and the energy sector in particular, revenue is forecast to continue to grow at an impressive pace, at an average of 12% for the following two years. Corporate income tax revenue is forecast at \$5.6 billion in 2014-15.

Corporate income tax revenue expected to grow by an average of over 11.5% over next three years.

Corporate Income Tax Revenue

(millions of dollars)

	2010-11 Actual	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Total	3,334	4,010	4,471	4,964	5,565
Revenue change (%)		20.2	11.5	11.0	12.1

For the purposes of calculating the provincial Scientific Research and Experimental Development Credit, the federal investment tax credit will no longer be deducted, effective for all tax years ending after March 31, 2012. This will enhance the Credit by about \$25 million annually, or roughly 35%.

EDUCATION PROPERTY TAX REVENUE

Education property tax revenue is forecast at \$1.8 billion in 2012-13, an increase of \$107 million, or 6.5%. 2012 education property tax rates are being frozen at 2011 levels. The residential/farm rate will be \$2.70 per \$1,000 of equalized assessment and the non-residential rate will be \$3.97 per \$1,000 of equalized assessment. Since the government took over responsibility for the education property tax in 1993, rates have been lowered or frozen in each year, and rates have dropped by 65% since then.

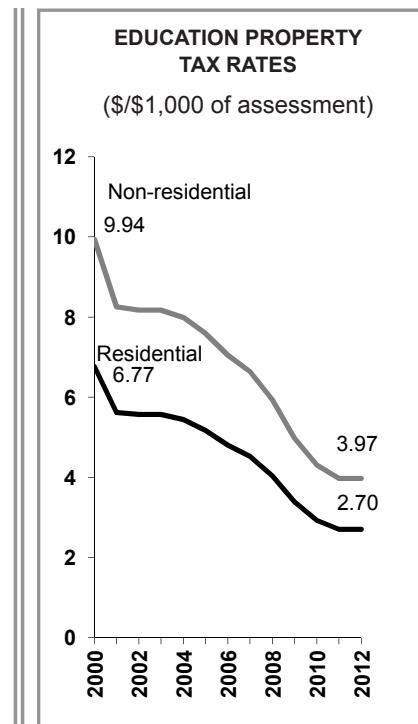
OTHER TAX REVENUE

Other tax revenue is estimated at \$2.3 billion in 2012-13, an increase of \$67 million or 2.9%. Most of these taxes are volume-based, so revenue is driven largely by economic and/or population changes. Revenue is anticipated to increase by an average of 3% for the following two years, reaching \$2.5 billion in 2014-15.

Tax Revenue

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Personal income tax	7,631	8,812	8,521	9,314	9,936	10,637
Corporate income tax	3,334	3,671	4,010	4,471	4,964	5,565
Education property tax	1,589	1,634	1,655	1,762	1,812	1,859
Other taxes	2,040	2,232	2,277	2,344	2,417	2,489
Total	14,594	16,349	16,463	17,891	19,129	20,550



FEDERAL TRANSFERS

The shift to an equitable funding model for CHT significantly boosts 2014-15 federal transfer revenue.

Federal transfers, which account for 12% of total revenue, are forecast at \$4.9 billion in 2012-13, an increase of \$188 million from 2011-12. Increasing Canada Health Transfer and Canada Social Transfer revenue is expected to more than offset other reductions primarily related to the winding down and expiration of major federal stimulus programs for infrastructure. Federal transfers are forecast to increase by 1.7% in 2013-14 and then jump by 16% in 2014-15, to \$5.8 billion, as funding for the Canada Health Transfer shifts to an equitable model.

CANADA HEALTH TRANSFER

Canada Health Transfer revenue is estimated to increase 8.7% in 2012-13, mainly due to the legislated 6% increase in the cash value of the national transfer and Alberta's increasing share of the national population.

Beginning in 2014-15, Alberta will receive equal per-capita cash under the Canada Health Transfer. Alberta is currently the only province to receive less than equal per-capita funding under the Canada Health Transfer. The federal government's commitment to change to an equitable funding model will boost revenue by nearly \$1 billion.

Transfers from Government of Canada
(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Canada Health Transfer	2,176	2,266	2,170	2,358	2,500	3,593
Canada Social Transfer	1,215	1,260	1,260	1,310	1,358	1,408
Agriculture support programs	273	287	296	322	333	334
Labour market agreements	229	171	181	173	175	121
Infrastructure support	557	424	418	333	299	38
Other transfers	575	360	402	419	336	294
Total	5,025	4,768	4,727	4,915	5,001	5,788

INVESTMENT INCOME

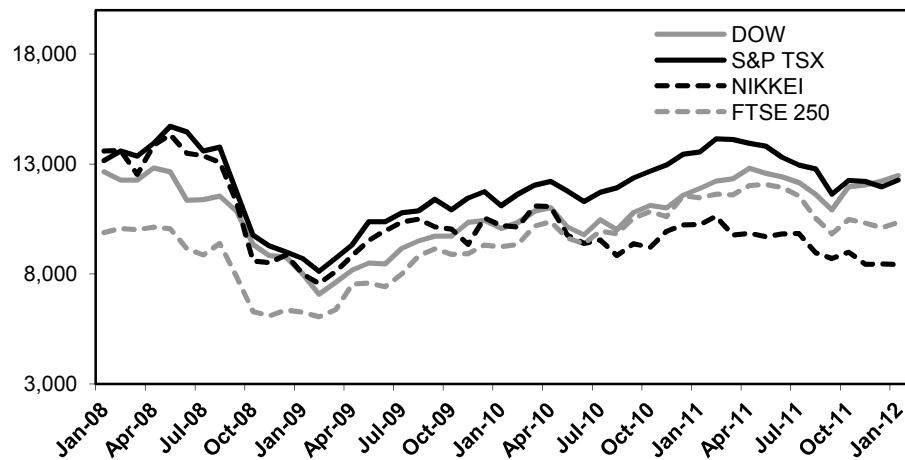
Investment income forecast to recover modestly after poor financial market performance in 2011-12.

Investment income, which accounts for 4.5% of total revenue, is forecast at \$1.8 billion, an increase of \$298 million from 2011-12. Increases in investment income from the Heritage Fund, endowment funds, Alberta Capital Finance Authority and Agriculture Financial Services Corporation are estimated to more than offset lower income from the Sustainability Fund and the Debt Retirement Account, whose asset balances are forecast to decline in the near term. Income is forecast to rise by an average of 5.6% over the following two years, reaching \$2 billion in 2014-15.

HERITAGE FUND AND ENDOWMENT FUNDS

These funds, with a forecast book value of \$17.2 billion at March 31, 2012, are invested for long term growth, in diversified portfolios with riskier assets such as equities and illiquid investments including real estate, private equity and infrastructure.

Equity Market Performance, 2008–2012



Income from the Heritage Fund and endowment funds (Alberta Heritage Foundation for Medical Research, Alberta Heritage Scholarship and Alberta Heritage Science and Engineering Research) is estimated to be \$617 million higher in 2012-13 as financial markets are expected to recover from their weak performance through much of 2011-12. Continuing economic uncertainty in the United States and Europe, particularly due to concerns over rising sovereign debt, caused considerable financial market turmoil in mid-2011. As a result, 2011-12 income from the Heritage and endowment funds is forecast to be \$703 million lower than the *Budget 2011* estimate.

While investment income is expected to rebound, the poor market performance has resulted in reduced asset values, and this in turn dampens the recovery in realized income as assets are sold during portfolio turnover. Heritage Fund investment income is estimated at \$986 million in 2012-13, and is forecast to climb to \$1.2 billion by 2014-15. Income of the three endowment funds is forecast at \$176 million in 2012-13, rising to \$191 million by 2014-15.

Heritage Fund and endowment fund income expected to be \$617 million higher in 2012-13.

SUSTAINABILITY FUND

The Sustainability Fund offsets deficits and net government cash requirements. As a result, the Fund is invested in short to medium term, relatively liquid assets. Sustainability Fund income is estimated to be \$330 million lower in 2012-13, as funds are withdrawn to offset the deficit and cash requirements, and the asset balance is forecast to fall to \$3.7 billion at March 31, 2013. With a return to surplus in 2013-14, and the 2014-15 surplus exceeding net cash requirements in 2014-15, the Fund balance and investment income are forecast to increase.

Replenishment of Sustainability Fund to begin in 2014-15.

Fund Assets / Investment Income

(millions of dollars)

	Assets as at Mar. 31, 2012	2010-11 Actual	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Heritage Fund	14,581	1,152	480	986	1,098	1,158
Endowment Funds ^a	2,609	221	65	176	185	191
Sustainability Fund	7,462	579	495	165	90	105
Alberta Capital Finance Authority	10,919	181	244	254	261	268
Agriculture Financial Services Corp.	3,097	109	110	130	157	185
Other ^b	1,092	118	102	83	83	92
Total	39,760	2,360	1,496	1,794	1,874	1,999

^a Includes Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund and Alberta Heritage Science and Engineering Research Fund.

^b Assets include the Debt Retirement Account, Cancer Prevention Legacy Fund and Alberta Enterprise Fund; investment income includes income from these sources and other investment income from a variety of smaller funds and accounts.

OTHER REVENUE

Other revenue forecast to reach \$4.7 billion by 2014-15.

Other revenue accounts for 11% of total revenue. It is estimated at \$4.5 billion in 2012-13, a decrease of \$71 million from 2011-12. Revenue is forecast to increase by an average of 3% over the following two years, reaching \$4.7 billion by 2014-15. Changes from 2011-12 include:

- ◆ A \$79 million decrease in net income from the Alberta Gaming and Liquor Commission. The decline is due mainly to higher amortization expense from the replacement of Video Lottery Terminals across the province, partly offset by higher liquor revenue.
- ◆ Alberta Treasury Branches net income will rise \$8 million to \$214 million in 2012-13, then jump to \$330 million by 2014-15 due to efficiencies generated by the new banking system and higher interest income.
- ◆ A \$12 million increase in premiums, fees and licences revenue, with higher motor vehicle licence revenue, partly offset by lower revenue from crop and livestock insurance premiums and land titles.
- ◆ A \$12 million decrease in other revenue. Increases due mainly to the sale of land for development in Fort McMurray are more than offset by decreases mainly related to revenue not expected at the same level in 2012-13, including proceeds from Land Stewardship Fund sales of public land, refunds of expense and contributions for transportation infrastructure.

Revenue from Other Sources

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Alberta Gaming and Liquor Commission	2,125	2,106	2,116	2,037	2,073	2,141
Alberta Treasury Branches	199	188	206	214	279	330
Premiums, fees and licences	1,285	1,396	1,379	1,391	1,433	1,486
Other	1,018	732	835	823	832	779
Total	4,627	4,422	4,536	4,465	4,617	4,736

RISKS

Alberta relies heavily on revenue sources that can be volatile and unpredictable, including non-renewable resources, corporate income tax and investment income. Since 2000-01, these revenue sources have accounted for anywhere between 38% and 55% of total revenue, and are forecast to account for 43% of total revenue in 2012-13. This revenue is linked to factors such as energy prices, equity markets and exchange rates, which have fluctuated dramatically in recent years and are outside Alberta's influence.

These factors can vary significantly from assumptions used to prepare budget forecasts. In-year changes can be sudden and are usually unpredictable by either internal government forecasters or private forecasters. Large deviations from budgeted revenue have resulted.

Revenue in 2011-12 is 7.6% higher than the budget estimate, and there has been considerable variability within specific revenue sources: Crown land lease sales revenue has tripled, while Heritage Fund income is half of forecast. There have also been swings within the year: the *2011-12 First Quarter Fiscal Update* forecast revenue of \$38.3 billion, the second quarter forecast was \$36.8 billion, while the third quarter forecast is back to \$38.3 billion.

This degree of uncertainty places Alberta in a unique position relative to other jurisdictions. Like energy companies, banks and other investors, Alberta must assess the degree of risk it is willing to take associated with its revenue outlook and spending decisions. Revenue in 2012-13 could be as much as 10%-20% higher or lower than estimated, depending on variations in energy prices, exchange rates, economic growth or equity markets.

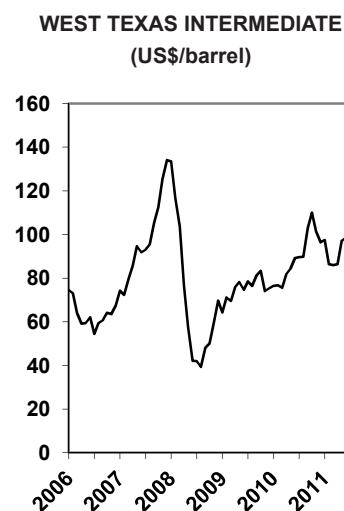
GLOBAL ECONOMY

- ◆ *Budget 2012* assumes global economic growth of around 3% in 2012, slowing from an estimated 4% in 2011. Growth is moderating due to sovereign debt concerns in Europe, a weak housing market and the bleak fiscal situation in the US and signs of a slowdown in China and India.
- ◆ Global growth prospects affect Alberta's revenue through the impact on energy prices, equity market returns and exchange rates.

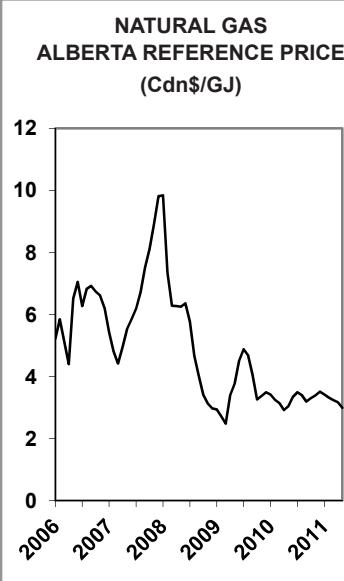
ENERGY PRICES

- ◆ Oil prices are closely linked to global economic and geopolitical conditions, and other factors. Determining prices three years out is difficult.
- ◆ Natural gas prices remain weak due to a mild winter and increasing US shale gas production that has outstripped demand growth. Prices are not forecast to rise until 2013-14. Weaker-than-expected US growth or higher production of shale gas would continue to keep prices depressed.
- ◆ Recent changes to the royalty framework reduce the volatility of conventional oil and natural gas royalties in response to changing prices. Under the new framework, the royalty rate is 5% for the first year of a well's production or until the well reaches a production ceiling. Certain wells are eligible for the 5% rate for a longer period of time. Most royalty rates are lower at a given price and level of production than under the old framework, and with reduced maximum rates.

Alberta's revenue is volatile, creating risks for fiscal planning.



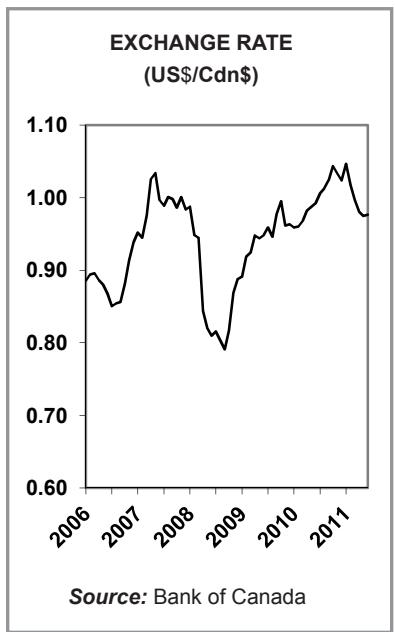
Source: Alberta Energy



Source: Alberta Energy

INTEREST RATES

- ◆ Interest rates are expected to increase as financial markets stabilize and global economic growth moves to a firmer footing. Higher rates generally reduce government investment income. While short-term investments benefit, higher rates cause an immediate reduction in the market value of bonds held in endowment portfolios.
- ◆ Rate increases could also discourage business investment, reduce economic activity and lower revenue from royalties and taxes.
- ◆ Government borrowing for capital projects adds risk, as higher future interest rates would make refinancing of debt more expensive.



EXCHANGE RATES

- ◆ The strong Canadian dollar is expected to dampen exports and Alberta's economic growth. Changes in the exchange rate affect the profitability of energy producers, which can affect investment and government resource revenue as energy prices and contracts are mainly in US dollars. Investment income is also affected due to significant foreign holdings in the Heritage Savings Trust Fund and endowment funds.

EQUITY MARKETS

- ◆ While equity markets are expected to strengthen with firmer global economic growth, markets are affected by a wide range of inter-related factors. Examples are current concerns over US and European sovereign debt levels, commodity prices and interest rates.
- ◆ Alberta has significant assets invested globally in a variety of asset classes. The investment income forecast is based on long-run expected rates of return. Annual market performance is likely to vary considerably from the average. Investment income could be much greater or lower than forecast.

CORPORATE PROFITS

- ◆ Corporate profits are expected to increase with economic growth, particularly in the energy sector. However, reported strong profits do not necessarily correspond to increases in corporate income tax revenue. Taxable income can differ from profits as corporations utilize discretionary tax deductions such as depreciation, or bring forward prior-year losses.

Sensitivities to Fiscal Year Assumptions, 2012-13^a (millions of dollars)

	Change	Net Impact (2012-13)
Oil Price (WTI US\$/bbl)	-\$1.00	-223
Natural Gas Price (Cdn\$/GJ)	-10 Cents	-28
Exchange Rate (US\$/Cdn\$)	+ 1 Cent	-247
Interest Rates	+1%	-223
Personal Income	-1%	-119

^a Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

A US\$1 change in the oil price has a net \$223 million impact, while a 1 cent change in the US-Canadian dollar exchange rate has a net impact of \$247 million.

ECONOMIC OUTLOOK

BUDGET
2012
Investing in People

TABLE OF CONTENTS

ECONOMIC OUTLOOK

Summary and Key Assumptions	66
Key Energy and Economic Assumptions	66
Economic Outlook 2012–15	67
Global economy encounters strong headwinds.....	67
Alberta powers through economic storm	68
Alberta’s job market rides wave of growth.....	68
Clouds of uncertainty loom	69
Global economic outlook deteriorates	70
Eurozone debt crisis escalates	70
Uncertainty translates into rising bond yields.....	71
Equity markets decline	71
Consumer confidence deteriorates	72
With so much uncertainty, businesses are hoarding cash.	72
Uncertainty causes flight to safety.....	73
Monetary stimulus remains intact	73
US finally enters expansion.	74
Emerging economies power world growth	74
And drive growth in oil demand.	75
But even emerging markets show signs of slowing	75
Canada’s labour market outperforms the US.	76
A soaring loonie impacts Canada’s trade balance.	76
Canadians continue to invest in homes	77
But rising household indebtedness creates risks	77
Higher oil prices propel Alberta’s energy sector.....	78
Gas prices remain weak	78
US shale gas continues to flood market	79
Alberta’s energy sector lifted by oil activity	79
Oil sands remains a key driver	80
Oil production rises to new heights	80
Gas exports trending down due to US supply glut	81
Manufacturing sales near pre-recession peak.....	81
Government spending weighs on non-residential construction....	82
Alberta farmers benefit from higher crop and livestock prices.....	82

Corporate profits rebound sharply	83
Alberta job creation gains momentum, bucking national trend	83
Full-time, private sector positions drive overall gains	84
Pace of job creation to moderate, but remain strong.....	84
A tightening of the labour market pushes up wages	85
Jobs attract new wave of migrants, boosting population.....	85
Housing market stabilizes after boom years	86
Retail sales strengthen on job and income gains	86
Inflation moves higher, but stays contained	87
Alberta's economy to post solid growth.....	87
ANNEX: RISKS, SENSITIVITIES AND BENCHMARKING	88
Risks to the Economic Outlook	88
Sensitivities to Fiscal Year Assumptions, 2012–13	88
Oil Price Benchmark	89
How Oil Price Forecasters Did in Budget 2011	89
Natural Gas Price Benchmark	90
How Natural Gas Price Forecasters Did in Budget 2011	90
Canadian Short-Term Interest Rate Benchmark.....	91
Canadian Long-Term Interest Rate Benchmark	91
Canada / United States Exchange Rate Benchmark	92
Alberta Real Gross Domestic Product Benchmark	92
Alberta Personal Income Benchmark	93
Alberta Corporate Profits Benchmark.....	93
Alberta Housing Starts Benchmark.....	93
Alberta Employment Benchmark	94
Alberta Unemployment Rate Benchmark.....	94

SUMMARY AND KEY ASSUMPTIONS

- ❖ Amid rising global uncertainty, Alberta's economy performed relatively well in 2011. Employment growth of 3.8% led all provinces, pushing down the unemployment rate by one full percentage point to an average of 5.5%. Investment in the natural resource sector, broad based job gains and stronger consumer spending contributed to an estimated 3.5% expansion of Alberta's economy in 2011.
- ❖ Elevated oil prices are expected to encourage continued investment in the energy sector, driving up employment, incomes and exports. Economic growth is forecast to strengthen to 3.8% in 2012 and 2013 before averaging 3% in 2014 and 2015.
- ❖ Alberta is not immune to global risks, which remain elevated due to uncertainty around the Eurozone debt crisis. An escalation in the crisis could result in the global economy slowing further, and may strain the global financial system. Moreover, a slowdown in the emerging markets would undermine demand for commodities, putting downward pressure on oil prices.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2010-11 Actual	2011-12 Estimates	2012-13	2013-14	2014-15
Prices					
Crude Oil Price					
WTI (US\$/bbl)	83.38	96.25	99.25	106.25	108.25
Alberta Wellhead (Cdn\$/bbl) ^a	73.57	89.27	90.18	96.94	99.04
WCS @ Hardisty (Cdn\$/bbl)	66.70	77.98	83.28	91.23	92.94
Natural Gas Price					
Alberta Reference Price (Cdn\$/GJ)	3.28	3.11	3.00	3.50	4.25
Production					
Conventional crude oil (000s barrels/day)	464	492	524	529	515
Raw bitumen (000s barrels/day)	1,614	1,788	2,045	2,208	2,402
Natural gas (billions of cubic feet)	4,530	4,327	4,085	3,888	3,734
Interest rates					
3-month Canada treasury bills (per cent)	0.75	0.95	1.00	1.70	3.25
10-year Canada bonds (per cent)	3.20	2.55	2.80	3.40	4.25
Exchange Rate (US\$/Cdn\$)	98.4	100.3	98.6	99.0	99.0
Calendar Year Assumptions	2011 Actual	2012	2013	2014	2015
Gross Domestic Product					
Nominal (millions of dollars)	286,552 ^b	306,657	330,377	352,443	372,047
per cent change	8.7 ^b	7.0	7.7	6.7	5.6
Real (millions of 2002 dollars)	189,622 ^b	196,913	204,470	210,588	216,883
per cent change	3.5 ^b	3.8	3.8	3.0	3.0
Other Indicators					
Employment (thousands)	2,094	2,151	2,200	2,246	2,288
per cent change	3.8	2.7	2.3	2.1	1.9
Unemployment rate (per cent)	5.5	4.9	4.6	4.3	4.0
Average Weekly Earnings (per cent change)	4.7 ^b	4.2	4.1	4.1	4.2
Personal Income (per cent change)	6.9 ^b	6.2	6.0	6.3	6.2
Corporate Profits (per cent change)	15.0 ^b	11.8	17.5	8.4	1.7
Housing starts (number of units)	25,704	28,200	30,600	30,300	30,300
Alberta Consumer Price Index (per cent change)	2.4	2.5	2.3	2.3	2.3
Population (thousands)	3,779	3,848	3,919	3,990	4,061
per cent change	1.6	1.8	1.8	1.8	1.8

^a Refers to the average price per barrel of Alberta light, medium and heavy oil.

^b Alberta Finance estimate.

ECONOMIC OUTLOOK 2012–15

GLOBAL ECONOMY ENCOUNTERS STRONG HEADWINDS

- ◆ Global economic growth is moderating in the face of strong headwinds coming from serious debt problems in advanced economies and signs of a slowdown in emerging markets. The global economy is projected to decelerate to around 3% growth in 2012 after an estimated gain of almost 4% in 2011.
- ◆ The US economy is growing at a modest pace. Investment and exports are contributing to the expansion, although a retrenching public sector and the latter stages of household deleveraging are expected to keep US growth near 2% in 2012. Over the medium term, fiscal restraint should hold growth slightly below the historical average, at around 2.5%, despite improvements in employment, consumer spending, and the housing sector.
- ◆ In the Eurozone, the debt crisis has deepened since the summer of 2011, reflecting investor anxiety over the fiscal sustainability of the region. The crisis has taken an economic toll, and there are indications that the Eurozone is in a recession. Fiscal austerity measures will exert further downward pressure on demand, constraining recovery efforts.
- ◆ With advanced economies bogged down by debt, emerging economies are picking up the slack and propping up global demand. Yet even emerging markets are not immune to a global slowdown. Growth moderated somewhat toward the end of 2011 in response to monetary tightening and headwinds from Europe. However, emerging markets have already started to ease monetary conditions, measures that should aid global growth and support commodity prices moving forward.
- ◆ Canada has weathered the difficult global economic climate relatively well, having replaced both the jobs and output lost during the Great Recession. However, the Canadian economy faces some challenges. The strong Canadian dollar, which is expected to remain near parity with the US greenback through 2015, and slower global growth will continue to weigh on Canadian exporters. Moreover, household debt has increased on the back of low interest rates, and will restrain consumer spending and housing activity going forward. Overall, Canada's economy is expected to expand by a moderate 2.0% in 2012 and 2.7% per year over the medium term.

ALBERTA POWERS THROUGH ECONOMIC STORM

- ◆ Alberta's economy is growing briskly despite a slowdown in the global economy and escalation of the Eurozone debt crisis. Economic growth in the province is forecast at a solid 3.8% in 2012 on the heels of an estimated 3.5% gain in 2011.
- ◆ Aided by rising demand in emerging markets, oil prices are expected to average US\$96.25 per barrel in 2011/12, and to rise to just under US\$110 per barrel over the forecast period. The strength in oil prices, along with rock bottom interest rates, buoyed investment in both the conventional and non-conventional oil sectors in 2011. Oil exports are expected to expand at a double digit pace in 2012 and to make a strong contribution to Alberta's growth throughout the forecast period.
- ◆ Natural gas activity is on a much different path than that of oil. With US shale gas supplies continuing to flood the North American market, gas prices are expected to remain soft at C\$3.11/ GJ in 2011/12. The price outlook remains weak and declines in Alberta's natural gas production are forecast to continue.
- ◆ Non-energy business investment is also expected to pick up in 2012 and to grow over the forecast period on the back of increasing economic activity in the province and low interest rates.
- ◆ Manufacturers saw shipments approach their pre-recession peak in late 2011 and are forecast to experience further annual gains through 2015.
- ◆ Global agricultural prices increased in 2011 and are expected to remain strong over the forecast horizon, along with agricultural exports.
- ◆ As economic activity continues to expand in Alberta, inflation is expected to rise to 2.5% in 2012 and remain above 2% per year over the forecast period.

ALBERTA'S JOB MARKET RIDES WAVE OF GROWTH

- ◆ Alberta had the strongest job growth in the country in 2011. Employment expanded by an impressive 3.8%, driven by new full-time, private sector positions and broad-based gains across most sectors. The momentum from 2011 is expected to carry over into this year, with employment growth forecast to be 2.7% in 2012 before averaging about 2% annually over the medium term.

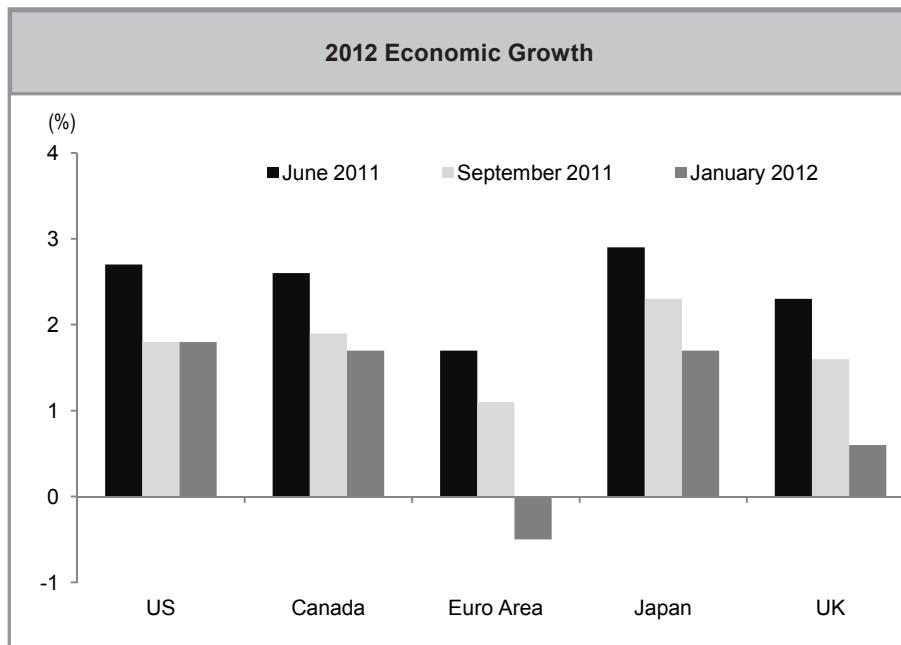
- ◆ Employment gains have pushed down the unemployment rate below 5%, a sharp improvement from the recessionary peak of 7.6%. The unemployment rate is forecast to dip to 4% by 2015, leading to general shortages of labour and upward pressure on wages.
- ◆ Attracted by new job opportunities and high wages, net migration is expected to pick up. After experiencing net outflows of interprovincial migrants in 2010, Alberta gained 13,700 people from other provinces in 2011. Overall net migration, both international and interprovincial, is expected to increase in 2012 and 2013 before stabilizing to around 40,000 per year over the remainder of the forecast period. As a result, population growth is expected to rise to 1.8% annually through 2015.
- ◆ Increasing migration, declines in rental vacancy rates and continued low interest rates bode well for Alberta's housing sector. While falling overall in 2011, housing starts picked up near the end of last year and are expected to strengthen in 2012 before reaching 30,000 per year over the medium term.
- ◆ Alberta consumers are lining up at the tills, spurred on by solid income and job gains. Real consumer spending is expected to remain strong, above 3.5% annual growth over the medium term, helping to sustain Alberta's economic expansion.

CLOUDS OF UNCERTAINTY LOOM

- ◆ Uncertainty over the resolution of the European debt crisis has contributed to recurring cycles of volatility in financial markets, higher bond yields in some heavily indebted economies and declines in consumer and business confidence. These factors will continue to undermine global economic growth.
- ◆ Emerging markets have thus far been able to sustain global growth and commodity prices; however, risks exist. Economic growth slowed in China and India in the second half of 2011 and a further cooling would hurt world growth prospects.
- ◆ As an economy heavily reliant on trade and commodities, Alberta remains vulnerable to downturns in global economic activity as well as financial and currency market instability.

The International Monetary Fund (IMF) downgraded its forecast for world economic growth twice in the past six months. Sovereign debt concerns and market uncertainty have dampedened the global economic outlook. Advanced economies are projected to be a drag on global growth, growing at or below 2% in 2011 and 2012. The downward growth adjustments reflect heightened uncertainty, which has weakened business and consumer confidence.

Global economic outlook deteriorates

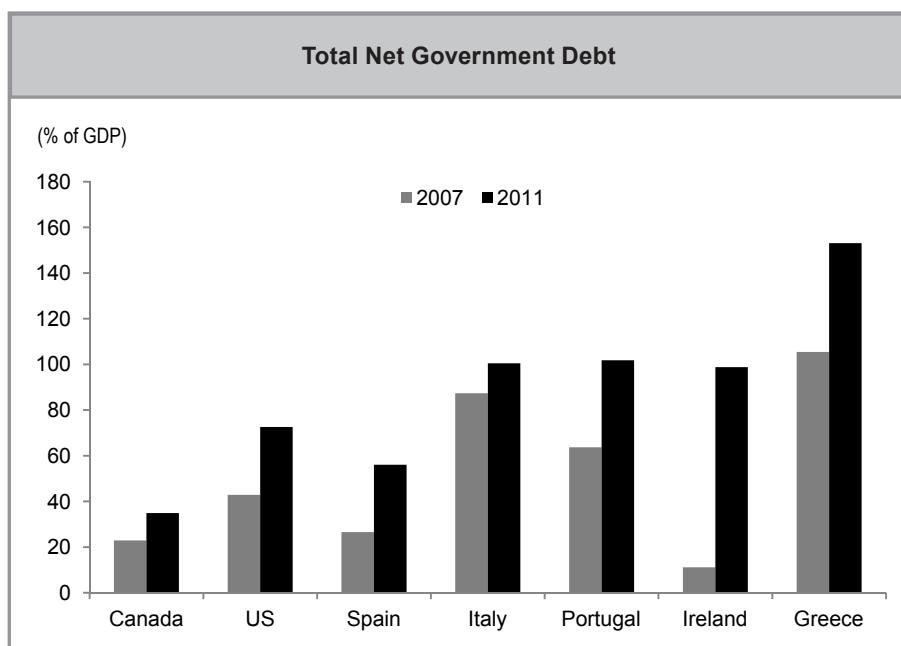


Source: International Monetary Fund

In the aftermath of the Great Recession, debt levels rose across the Eurozone. Meanwhile, the capacity to pay off this debt, through growth in the economy, has diminished.

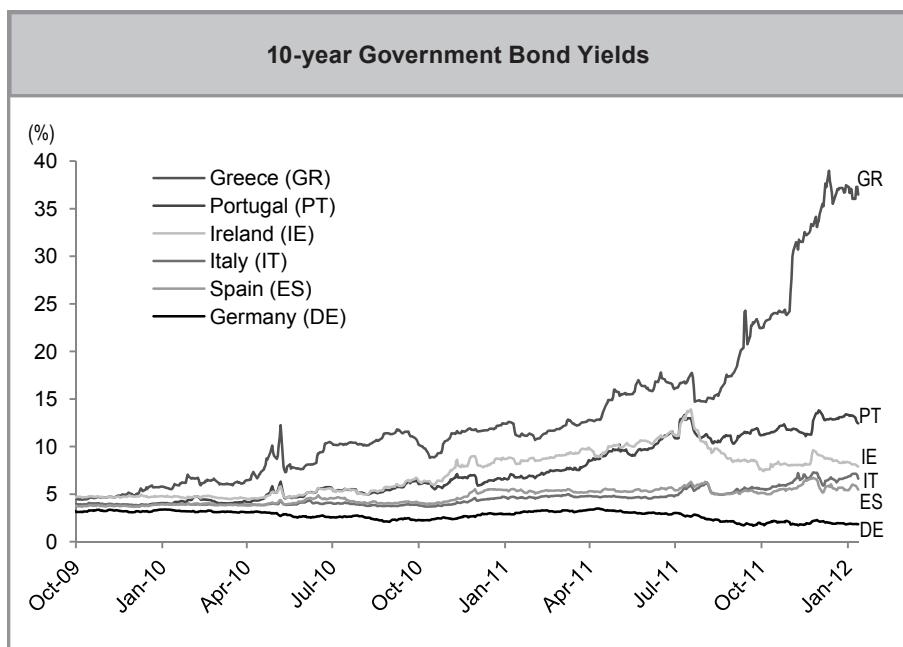
Consequently, investors have become increasingly skeptical about government's ability to pay back excess levels of debt. The crisis has spread from Greece to the core of the Eurozone, including Spain and Italy. European leaders continue to grapple with solutions to the crisis.

Eurozone debt crisis escalates



Source: International Monetary Fund

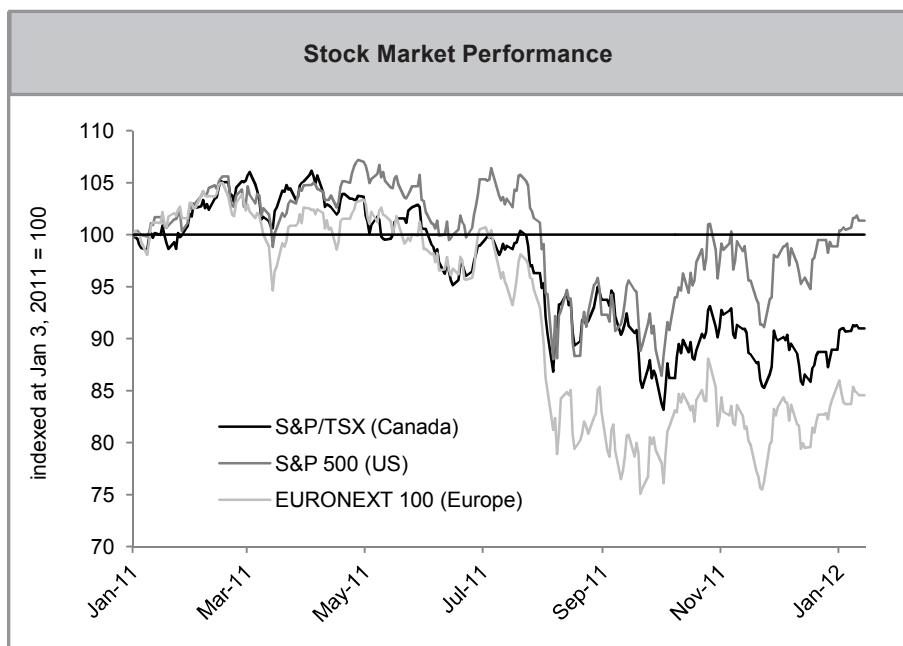
Uncertainty translates into rising bond yields



Source: Thompson Reuters

Interest rates have risen on government bonds in many European countries as investors price in the rising risk of default. Higher interest rates create a vicious cycle, making it even more difficult for governments to fund fiscal deficits and service their debts. While the European Central Bank has provided liquidity to European banks in an effort to ensure financial stability, underlying debt problems remain.

Equity markets decline

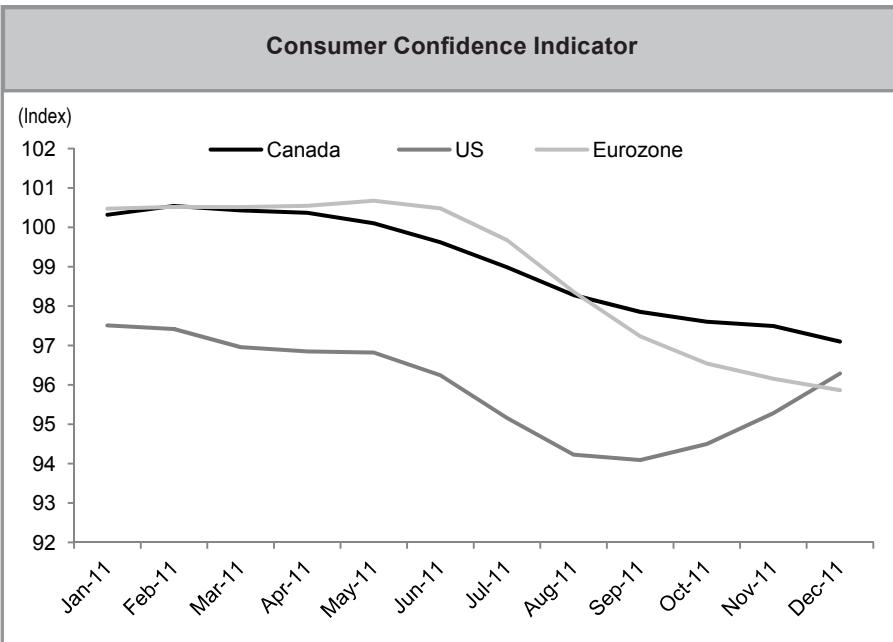


Source: Thompson Reuters

After a fairly strong start in 2011, the sovereign debt crisis triggered a broad based retrenchment from risk-taking in equity markets as investors feared the return of a liquidity crunch similar to the financial crisis of 2008-2009. Markets plunged in August across the board, offsetting much of the gains in the previous year. The uncertainty and volatility exhibited by equity markets have discouraged risk taking in the private sector and undermined business investment and job creation.

Uncertainty around the economic outlook has led to a retrenchment in consumer confidence. Weaker confidence keeps businesses from investing and consumers out of the stores, delaying a much needed handoff from government to consumer demand. Across advanced economies, consumer confidence slid in 2011, although it has improved in the US in recent months.

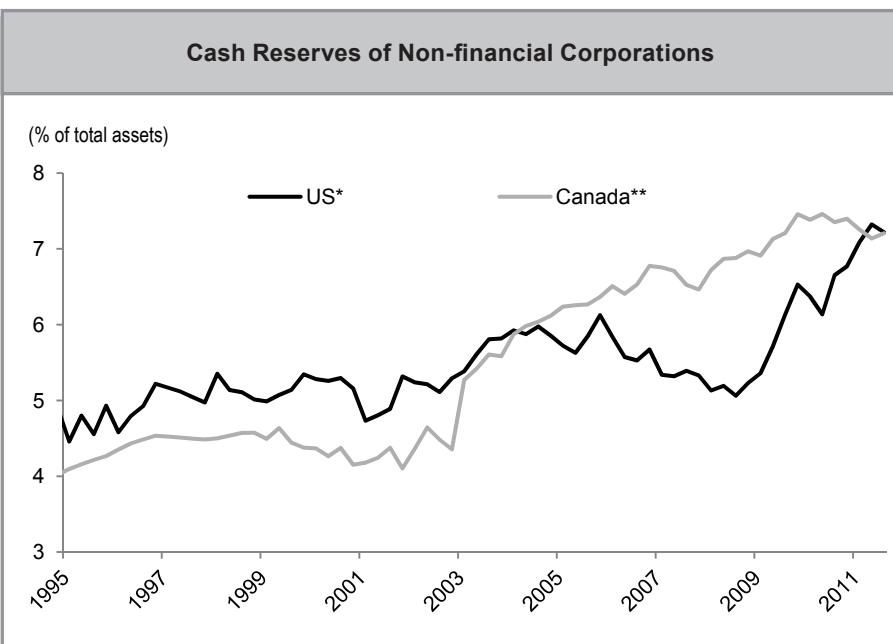
Consumer confidence deteriorates



Source: Organization for Economic Cooperation and Development

Corporations, despite solid balance sheets, have become reluctant to invest or add to payrolls. Cash is king, as liquid asset holdings among non-financial US companies soared to over 7% of assets, from a pre-recession average of around 5%. Business investment is a key component to filling the gap left by the withdrawal of government spending.

With so much uncertainty, businesses are hoarding cash

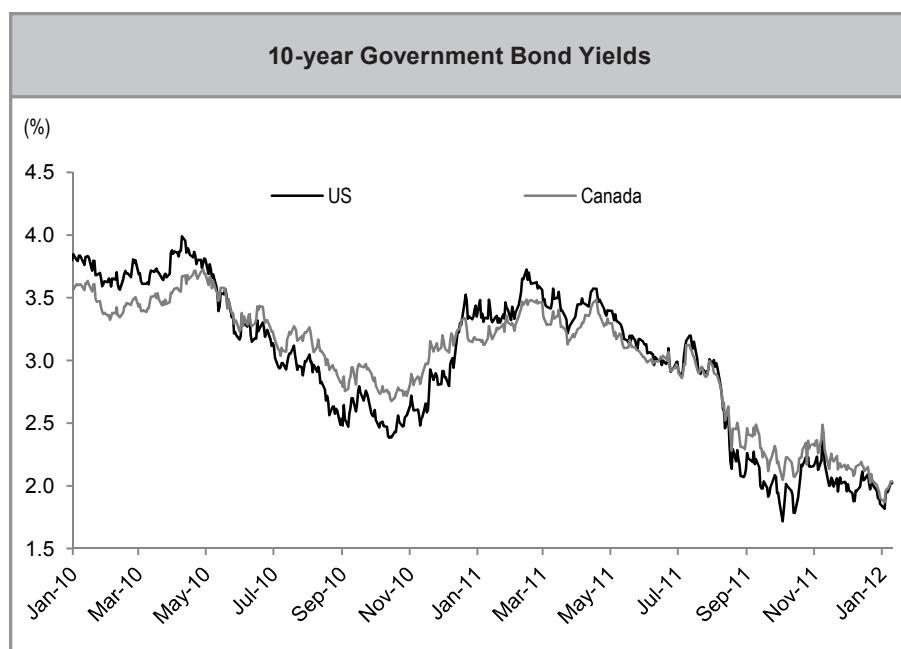


Sources: US Federal Reserve Board and Statistics Canada

* Liquid Assets-to-Total Asset ratio

** Cash & Deposits-to-Total Asset ratio

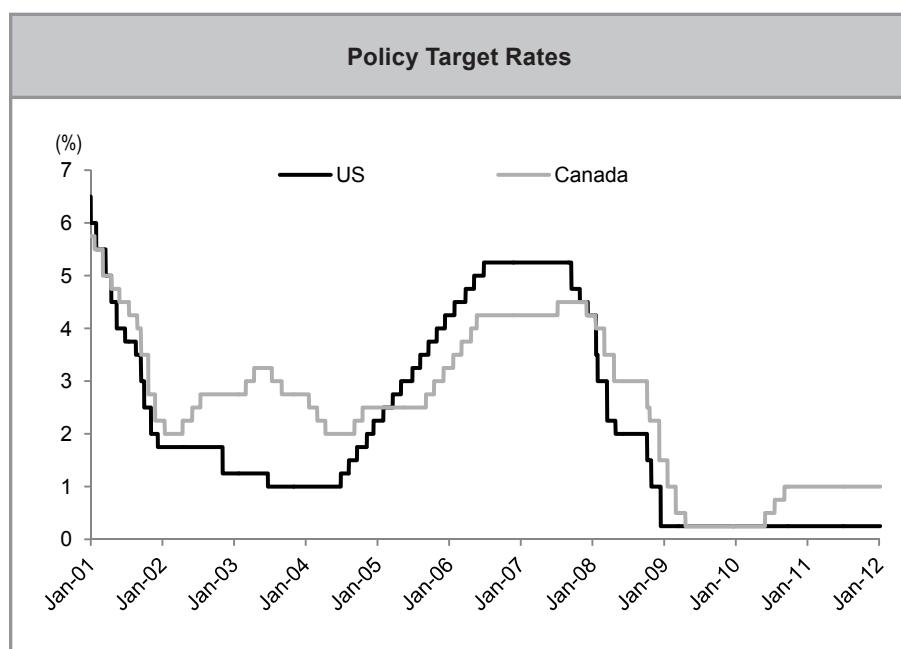
Uncertainty causes flight to safety



Source: Bloomberg

Uncertainty around the Eurozone crisis has triggered a flight to safety, as investors move their money away from risky assets and into the safety of higher quality bonds. As a result, government bond yields in the US and Canada have retreated to record lows, reducing debt servicing costs for these countries.

Monetary stimulus remains intact

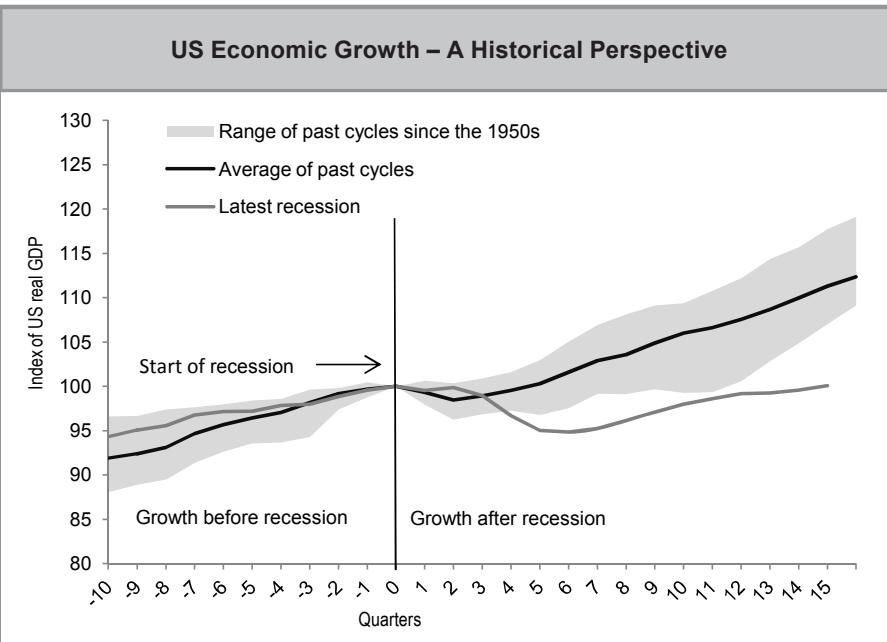


Sources: Bank of Canada and US Federal Reserve Board

Monetary policy across advanced economies remains in full stimulus mode as tepid economic growth has dampened inflation concerns. The US Federal Reserve Bank has announced its intention to keep its policy rate at "exceptionally low levels at least through late 2014." Similarly, the Bank of Canada has decided to maintain its overnight target rate at the current 1% level. Policy rates only have one direction to head in the medium term as the economy returns to normal growth levels.

Recoveries from financial crises tend to be especially slow and fragile. The recovery from the 2008–09 financial crisis has proved no exception. In the US, output only recently recovered to pre-recession levels. Households, banks and governments all absorbed balance sheet shocks, causing the current deleveraging cycle of paying down debts. Deleveraging at the government level has yet to start, and will restrain growth in the short and medium term.

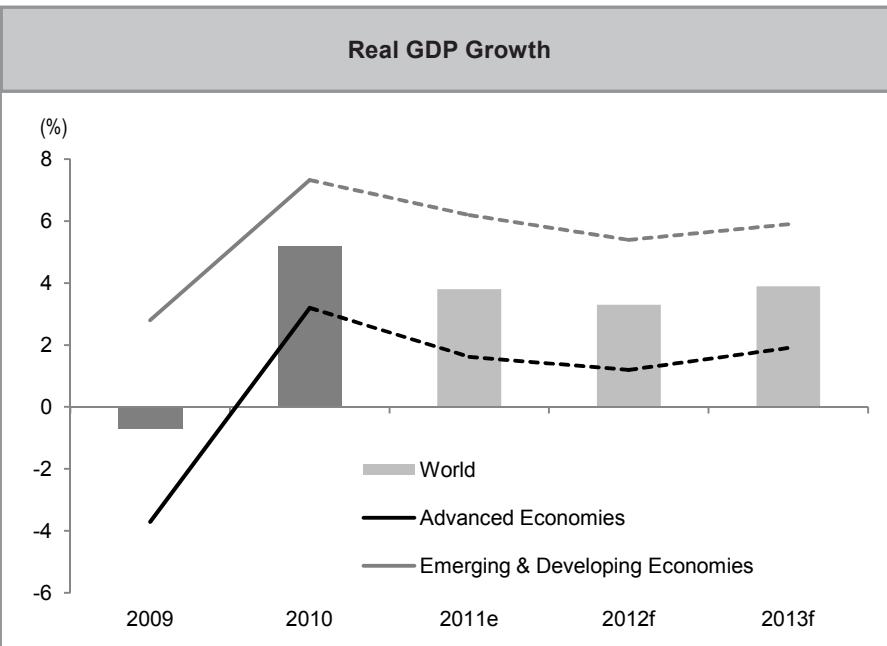
US finally enters expansion



Source: US Bureau of Economic Analysis

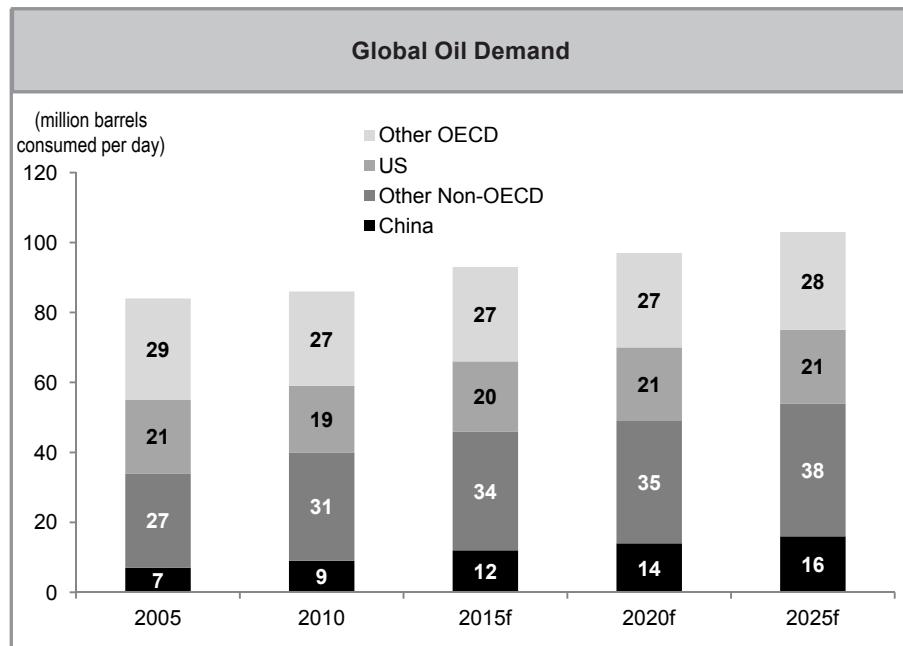
With the deterioration and uncertainty surrounding advanced economies, emerging economies remain the engine of world growth. The IMF expects emerging economies to pull up world growth this year, and their continued growth will help to sustain higher commodity prices. Growth in emerging markets has been slowing recently due to the crisis in Europe and monetary tightening in 2010 and early in 2011. However, as monetary conditions ease, growth in the developing world is expected to improve in the latter part of 2012 and through the medium term.

Emerging economies power world growth



Source: International Monetary Fund

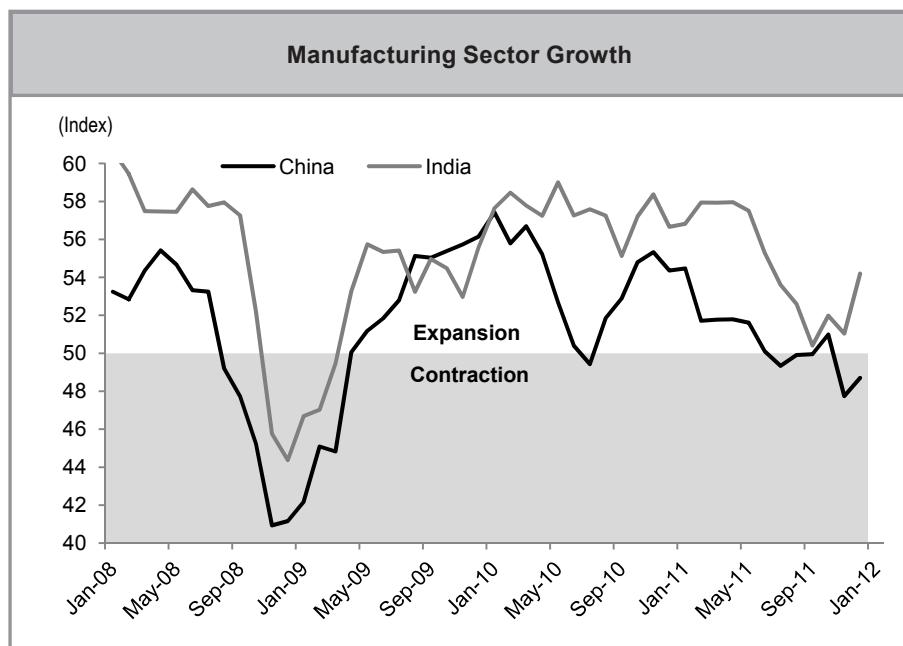
And drive growth in oil demand



Source: US Energy Information Agency

Oil consumption continued to grow in 2011, following a recovery in global oil demand in 2010. The United States will remain the largest single oil consumer in the world, with demand forecast to stay around 20 million barrels per day over the forecast horizon. In contrast, as emerging economies continue to develop, incremental growth in the demand for oil will be led by these countries. China alone is forecast to account for about 50% of the growth in oil demand over the next decade.

But even emerging markets show signs of slowing

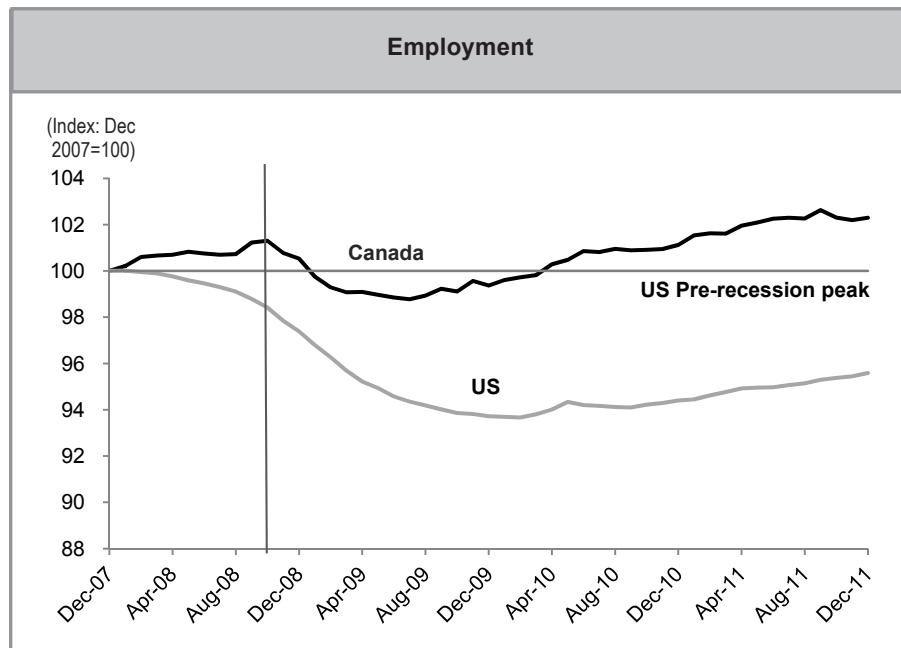


Sources: Thompson Reuters and Markit -HSBC

Emerging markets are not immune to the global slowdown. According to the Purchasing Managers' Index, China's and India's manufacturing sectors are showing signs of slowing, reflecting a moderation in global demand and monetary tightening. The Bank of China has now turned its attention away from inflation and towards boosting demand by lowering its reserve requirements. Both China and India have room to initiate new rounds of monetary easing, following almost two years of tightening.

Canada's labour market outperforms the US

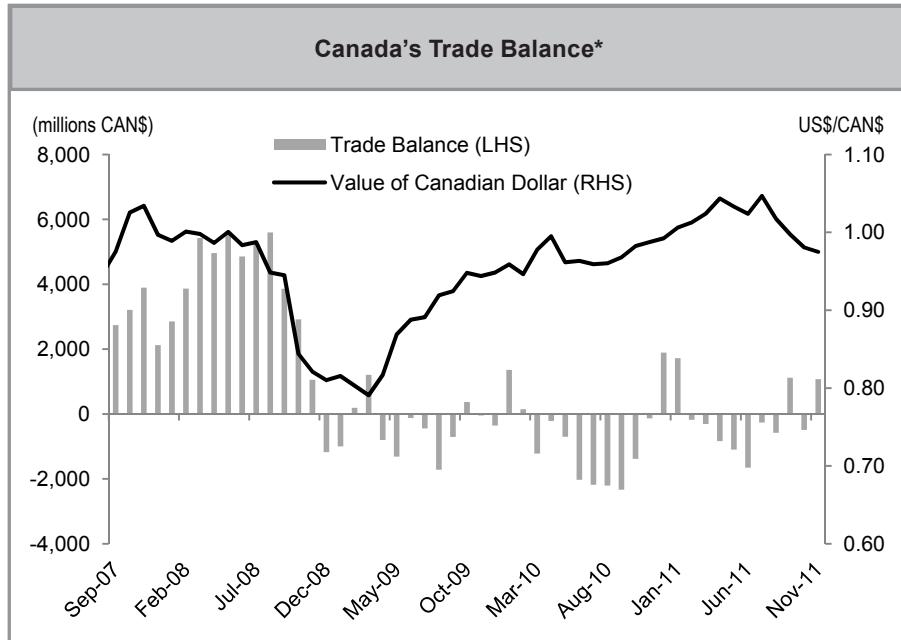
The US labour market has yet to sustain the kind of performance necessary to recoup all of the jobs lost during the recession. US employment is about 6 million jobs below its pre-recession peak. However, in recent months, unemployment claims have fallen and employment growth has gained enough momentum to start pushing down the unemployment rate. The Canadian job market, on the other hand, has replaced all of the jobs lost in the last recession, but has recently softened slightly. Nonetheless, Canada is expected to continue to create jobs in 2012.



Sources: Statistics Canada and US Bureau of Labor Statistics

A soaring loonie impacts Canada's trade balance

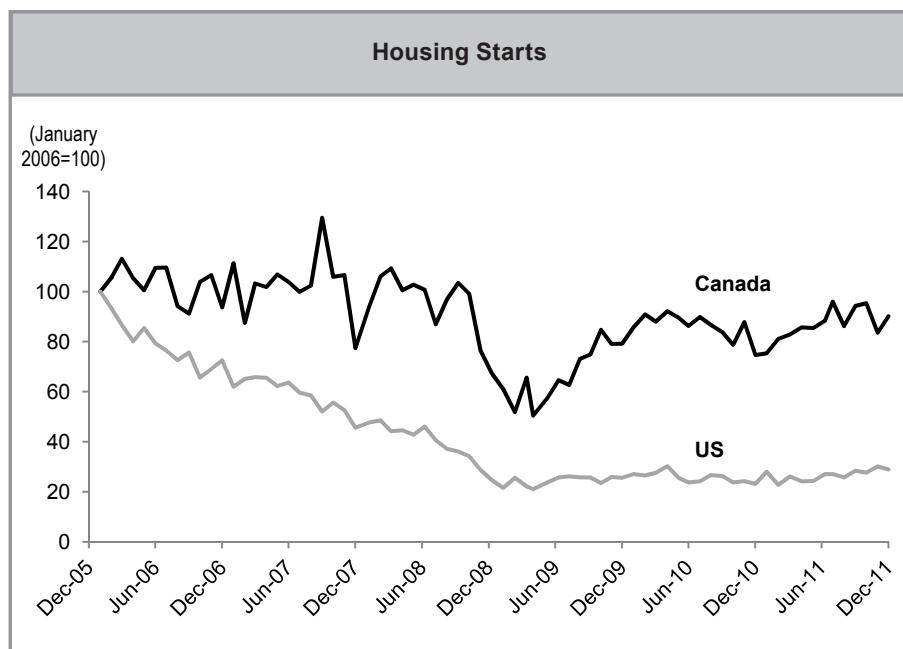
Leading up to the financial crisis, Canada's economic growth benefitted greatly from a strong positive trade balance. In the post recession era, a new norm has emerged as imports regularly surpass exports. With the dollar elevated, Canadian firms have seized the opportunity to import machinery and equipment, a development that may help close the productivity gap between Canada and the US.



Sources: Statistics Canada and Bank of Canada

*Exports less imports

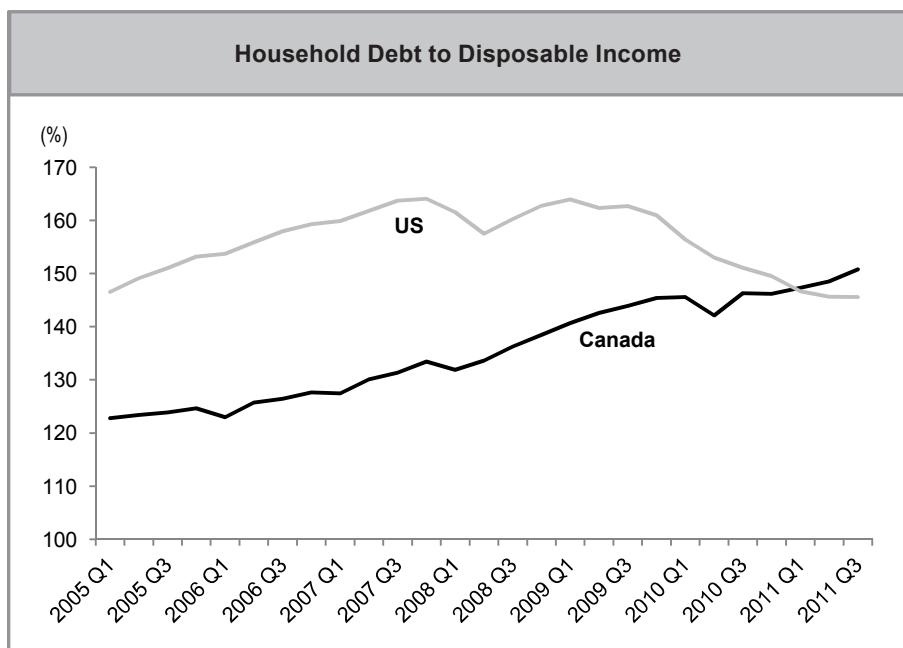
Canadians continue to invest in homes



Sources: Canada Mortgage and Housing Corporation and US Census Bureau

Canadian housing starts edged up in 2011 after a strong performance in 2010. Canada's housing market has been resilient through the downturn and recovery. By contrast, activity in the US housing market, where the recession originated, remains depressed. A rebound in housing is widely seen as key to getting the US economy back on track, and is forecast to contribute to economic growth over the medium term.

But rising household indebtedness creates risks

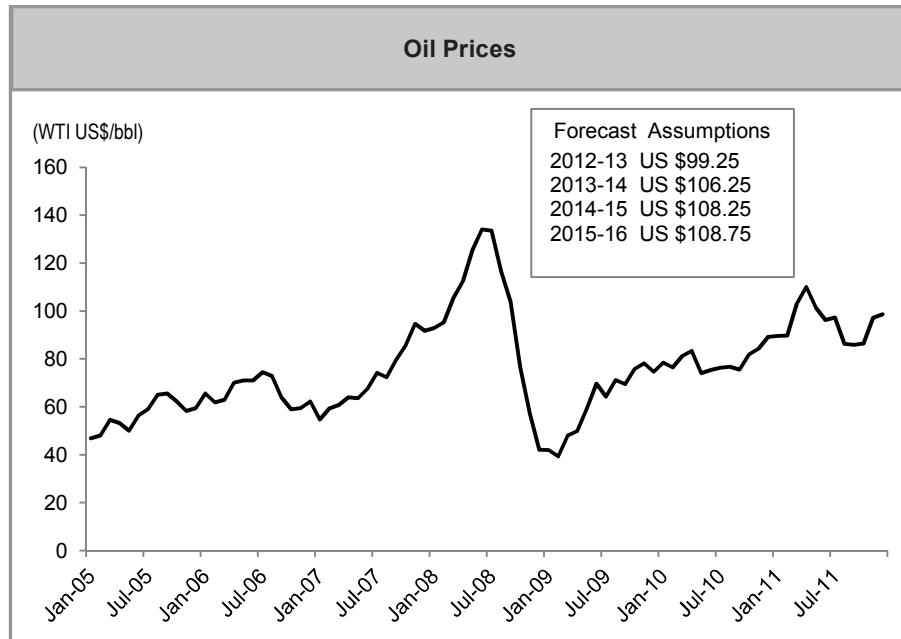


Sources: US Federal Reserve Board and Statistics Canada

While Americans have deleveraged by paying down or writing off debt, Canadians have watched their debt levels rise to record highs. This is the by-product of strong consumer spending, especially on housing, which was fueled in part by low interest rates and strong employment growth. Canadian indebtedness is likely to weigh on consumer spending and housing activity going forward. The ability to absorb interest rate increases is a risk to many indebted Canadian households.

Higher oil prices propel Alberta's energy sector

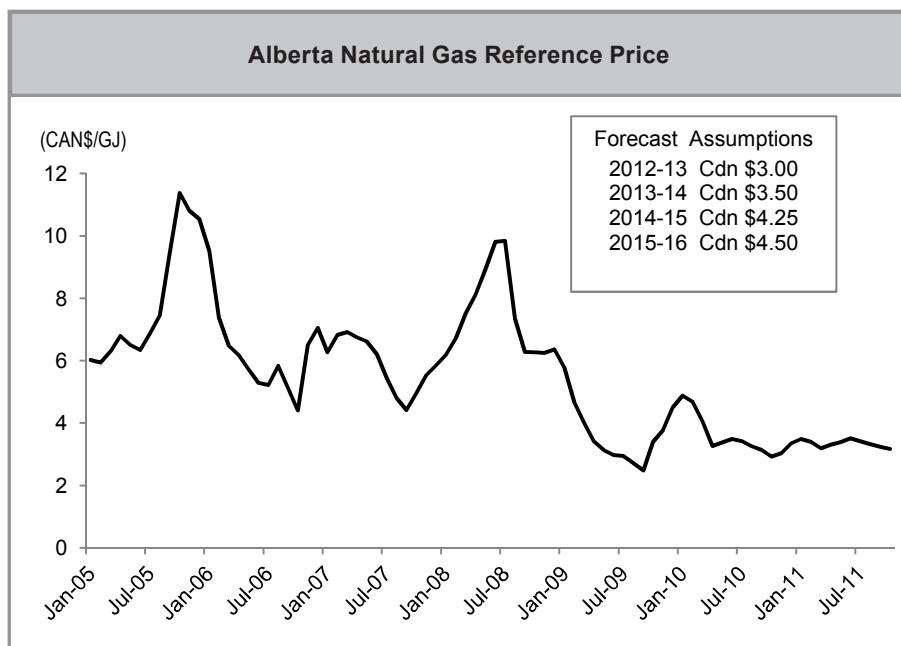
With growth in global oil demand and political unrest in the Middle East, oil prices posted strong gains in 2011. Oil prices are forecast to increase from an average of US\$83.33/bbl in 2010-11 to US\$96.25/bbl in 2011-12 and then are expected to reach US\$108.75/bbl by 2015-16. While unconventional supplies are on the rise, demand from emerging markets should keep oil prices elevated. Geopolitical uncertainty is likely to continue to impact oil prices over the forecast period.



Source: Alberta Energy

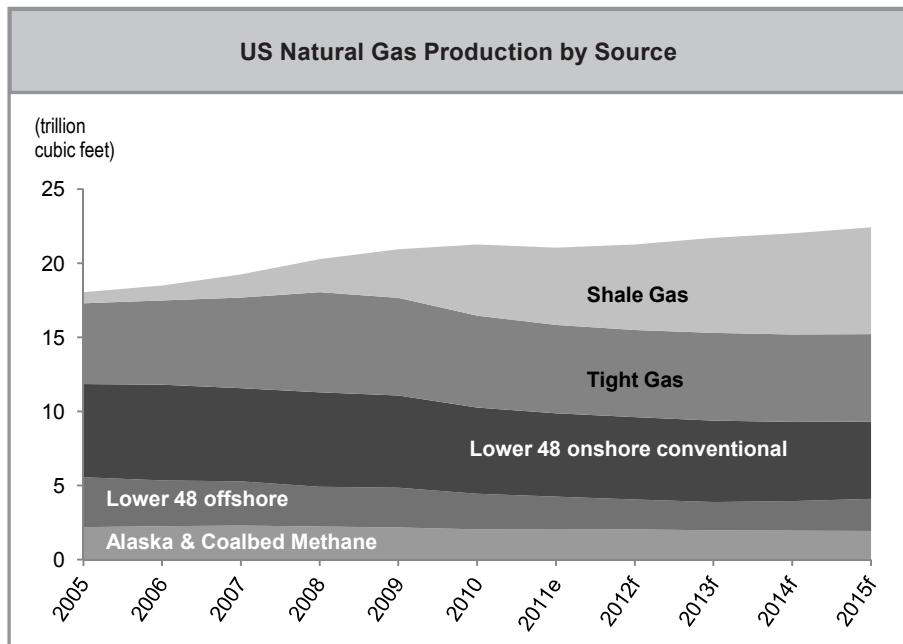
Gas prices remain weak

Increases in natural gas supply continue to put downward pressure on prices, with inventories near record levels and a warm winter underway. The Alberta natural gas reference price is forecast to average \$3.11 in 2011-12 before falling to \$3.00 in 2012/13 and then to rise gradually through the remainder of the forecast period.



Source: Alberta Energy

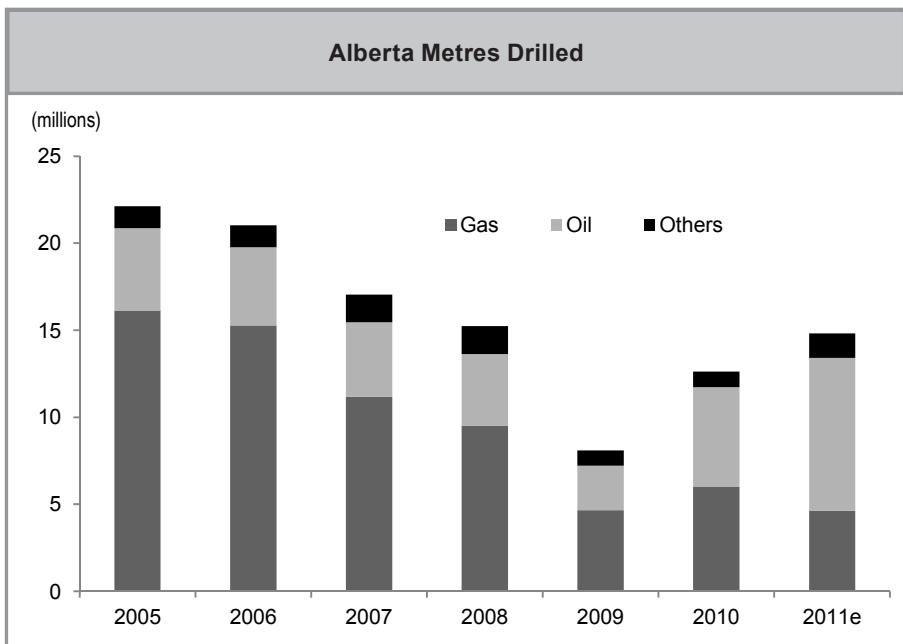
US shale gas continues to flood market



Source: US Energy Information Agency

North American gas supply is elevated due to rising US shale gas production, which has increased from 4.8 trillion cubic feet in 2010 to an estimated 5.2 trillion cubic feet in 2011. Demand has been unable to keep up with supply, resulting in storage levels well above the 5 year average and a downward trend in prices.

Alberta's energy sector lifted by oil activity

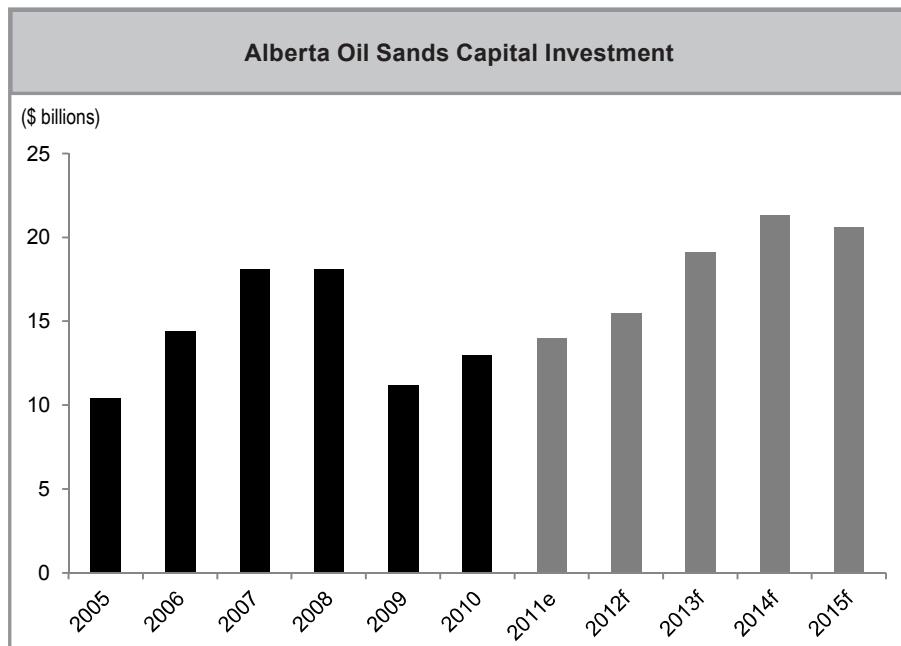


Sources: Energy Resources Conservation Board and Alberta Finance

Drilling activity rose briskly in 2011, fuelled by gains in oil related activity. The sharp decline in gas prices over the past few years, as well as higher oil prices, have shifted interest from gas to oil drilling. Crude oil and bitumen drilling has now risen from about a 20% share of meters drilled in 2005 to roughly a 60% share in 2011.

Oil sands remains a key driver

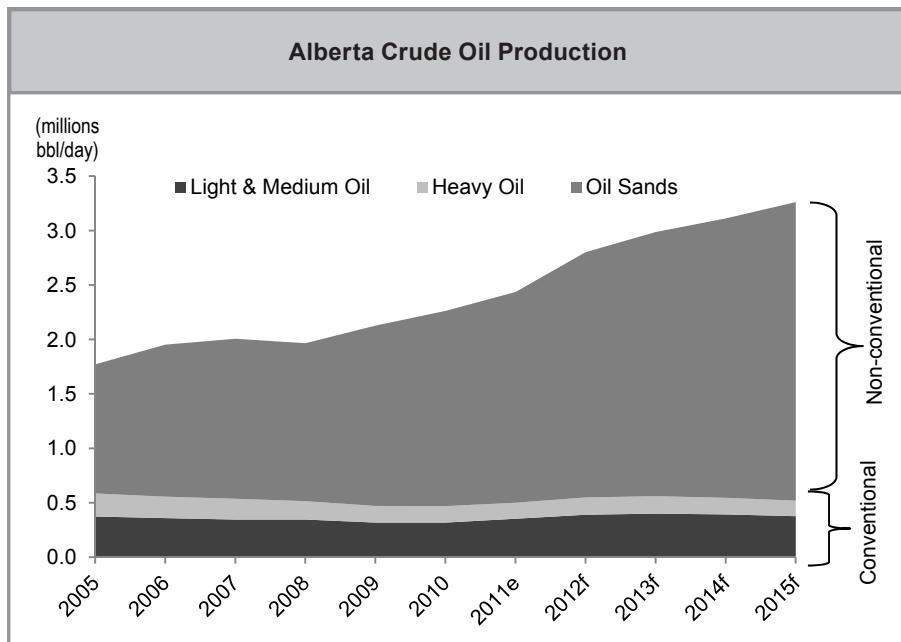
Stronger oil prices and falling supplies of conventional oil make oil sands a sought after resource. Oil sands investment increased to an estimated \$14 billion in 2011 according to The Energy Resources Conservation Board (ERCB). Investment in the oil sands will rise markedly over the medium term and is projected to surpass its 2008 peak by 2013.



Source: Energy Resources Conservation Board

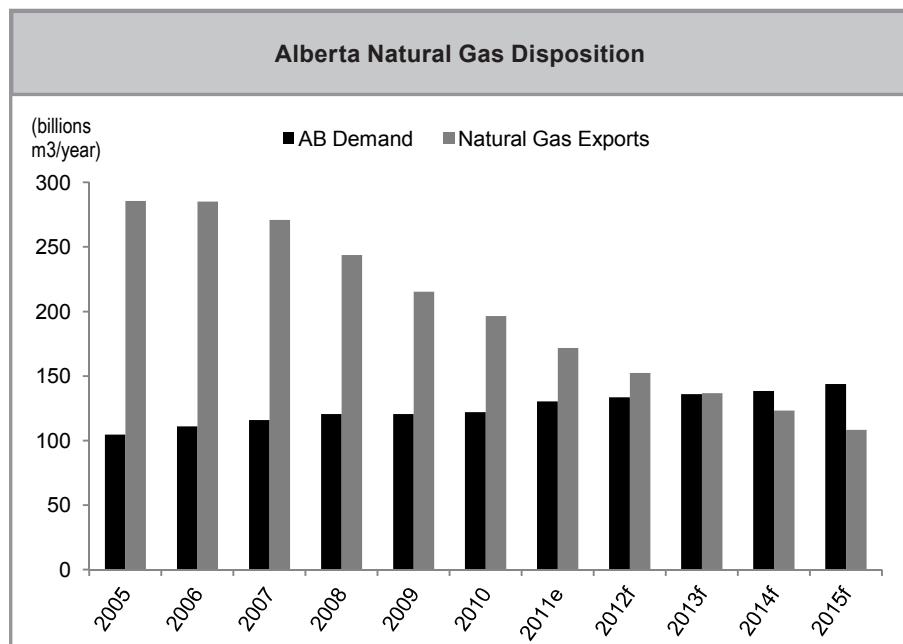
Oil production rises to new heights

Alberta oil production rose by an estimated 8% in 2011, with more than 80% of this growth coming from the oil sands. After years of declines, conventional production has staged a rally since 2010 due to the expansion of multistage fracturing techniques targeting tight oil plays in Alberta. However, with the decline in conventional oil reserves, oil sands is expected to be the province's main contributor to growth in total oil production going forward.



Source: Energy Resources Conservation Board

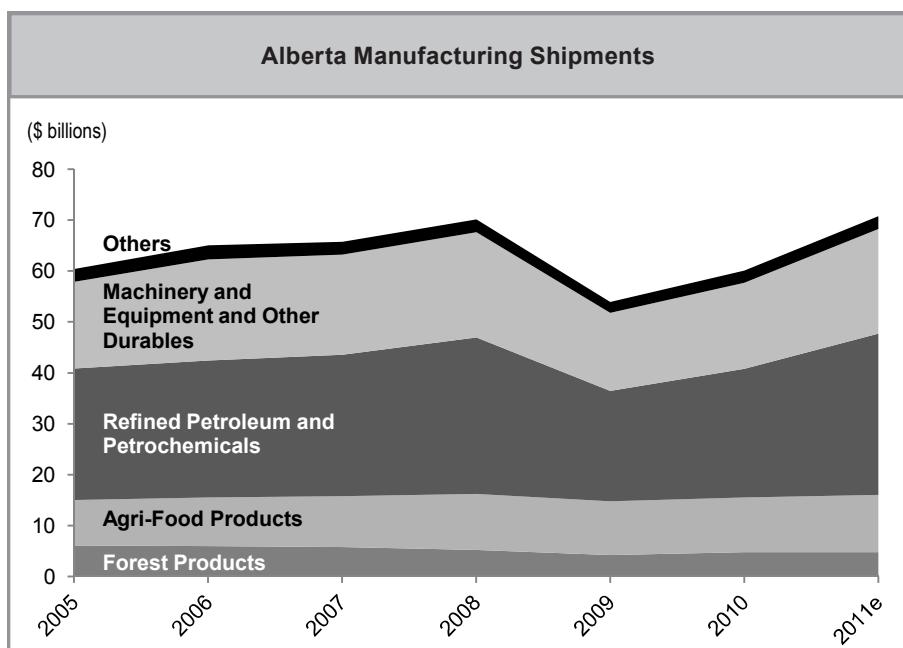
Gas exports trending down due to US supply glut



Source: Energy Resources Conservation Board

Alberta natural gas exports continue to decrease, falling an estimated 13% in 2011, as shale gas production in the US continues to displace Alberta imports. Alberta's domestic demand for natural gas is expected to grow, as expanding oil sands production depends on natural gas as a source of electricity and steam generation. Alberta demand is expected to exceed gas exports by 2013-14.

Manufacturing sales near pre-recession peak

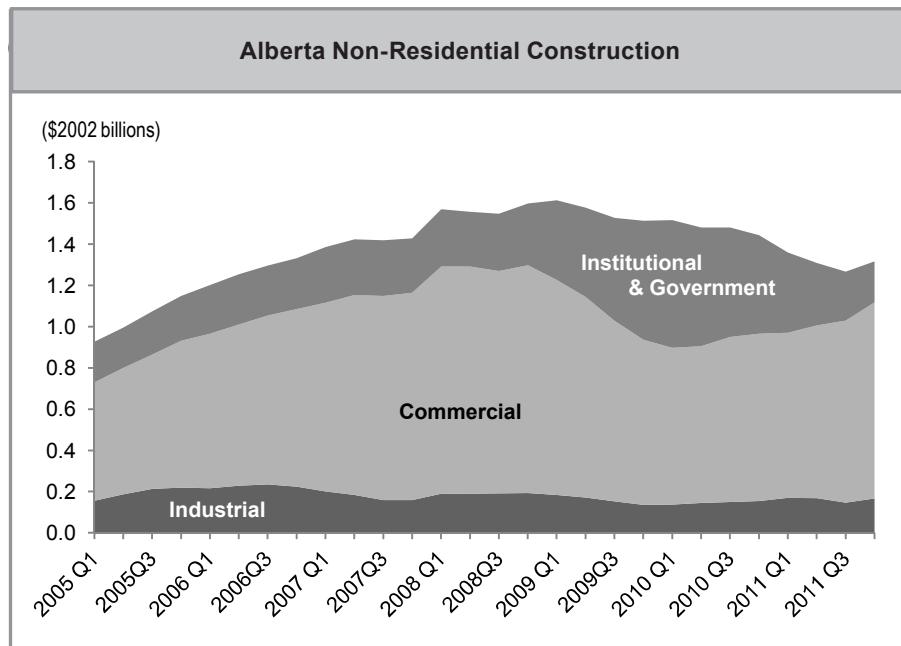


Source: Statistics Canada

Manufacturing shipments continue to recover, approaching their monthly pre-recession peak by late 2011, led by gains in petroleum and coal, petrochemical and machinery and equipment. While manufacturing companies will continue to be challenged by a strong Canadian dollar and moderate external demand, they should benefit from growth in the energy and agriculture sectors.

Non-residential investment has been held back by the institutional and government sectors, as many large capital projects were completed and not replaced with new spending. With permits up sharply over last year, 2012 is set to be a rebound year for non-residential construction.

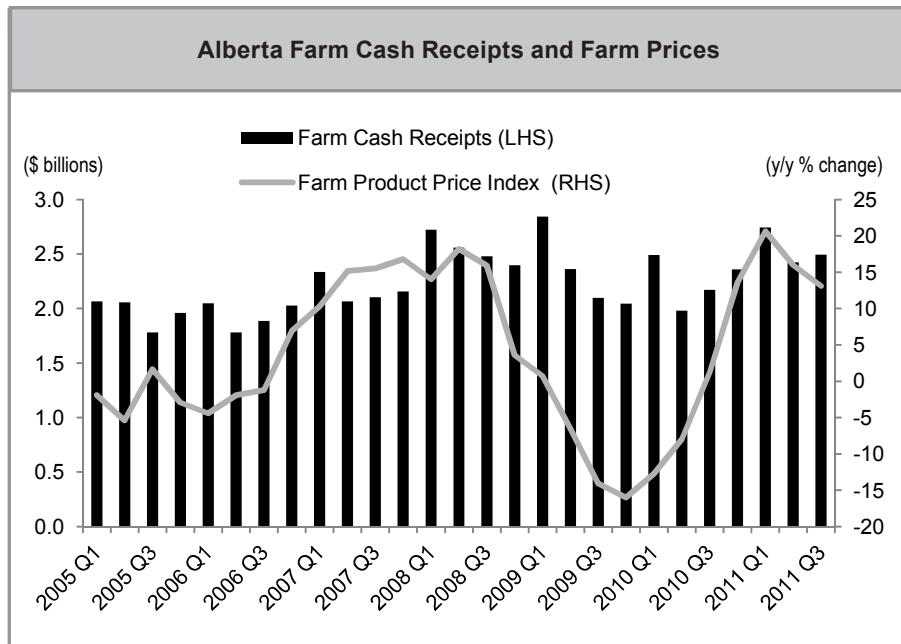
Government spending weighs on non-residential construction



Source: Statistics Canada

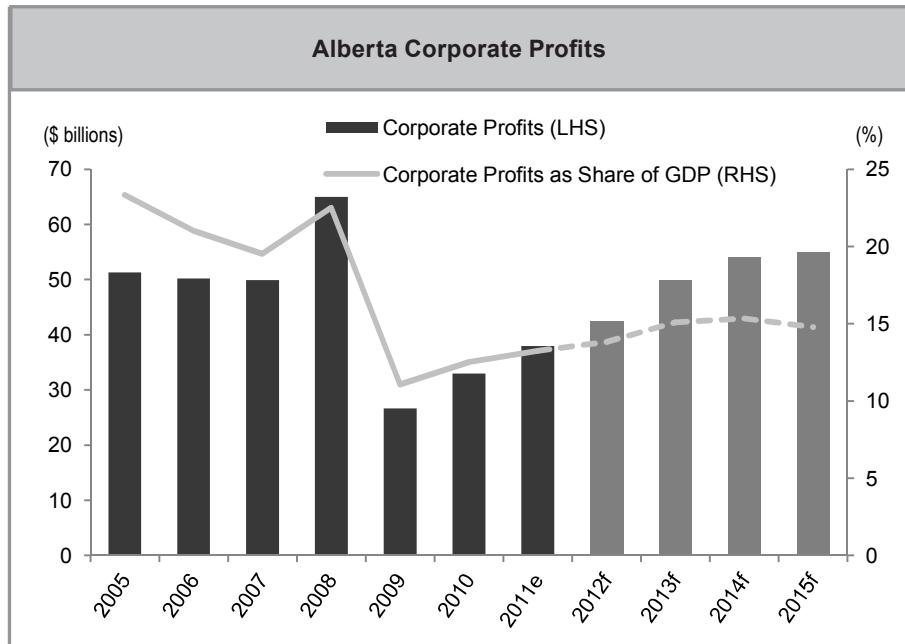
Lifted by higher agricultural prices, farm cash receipts have bounced back to gain an estimated 15% in 2011 after a slight drop in 2010. Farmers will continue to benefit from elevated prices, and agricultural exports are expected to gain strength in 2012.

Alberta farmers benefit from higher crop and livestock prices



Source: Statistics Canada

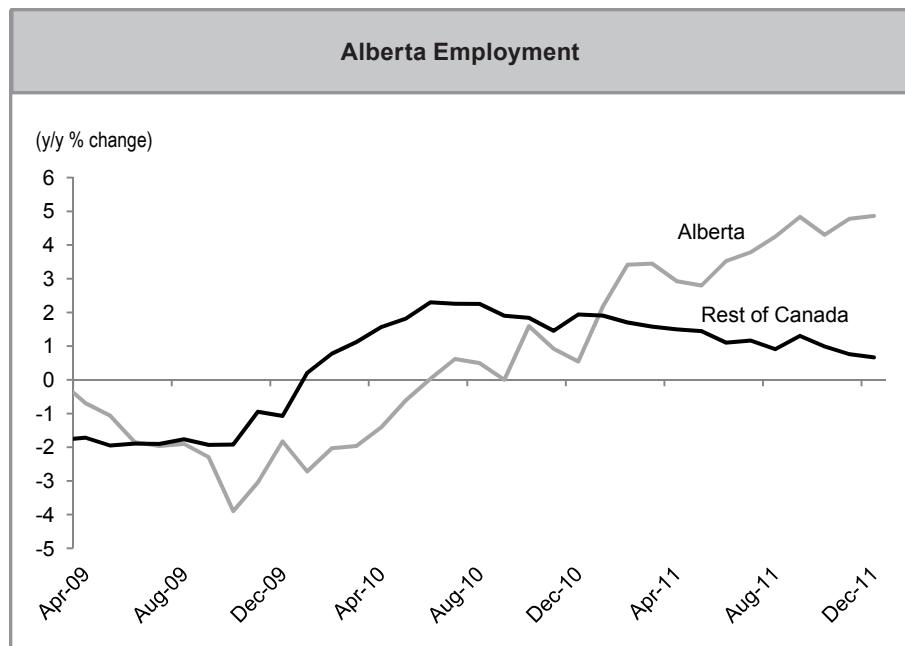
Corporate profits rebound sharply



Sources: Statistics Canada and Alberta Finance

After plummeting in 2009, corporate profits have staged an impressive rally in Alberta, lifted by stronger demand and improvements in oil, food and manufacturing prices. Corporate profits are expected to average around 15% of nominal GDP over the medium term, close to their historical average.

Alberta job creation gains momentum, bucking national trend

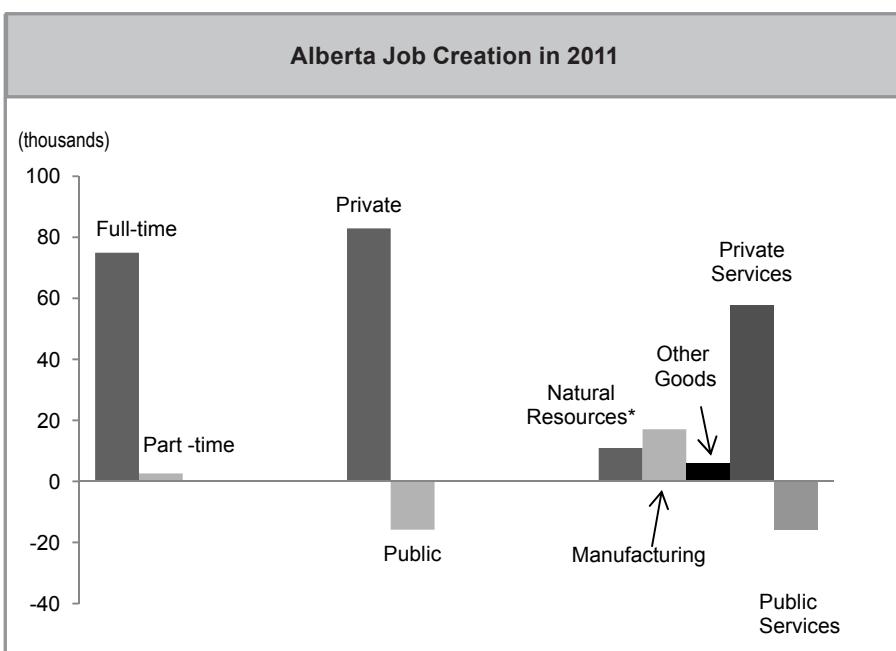


Source: Statistics Canada

As employment growth in the rest of Canada lost steam in late 2011, Alberta has bucked the softening trend and powered ahead. Average employment was up 3.8% for the year, the fastest growth in the country. In December 2011 a record 2,131,000 Albertans were working, up about 99,000 from December 2010.

Full-time, private sector positions drive overall gains

In addition to employment gains across a variety of sectors, the province has also created high quality jobs, with over 95% of the new jobs in full-time positions. Additionally, all the employment gains have been in the private sector, more than offsetting public sector losses.

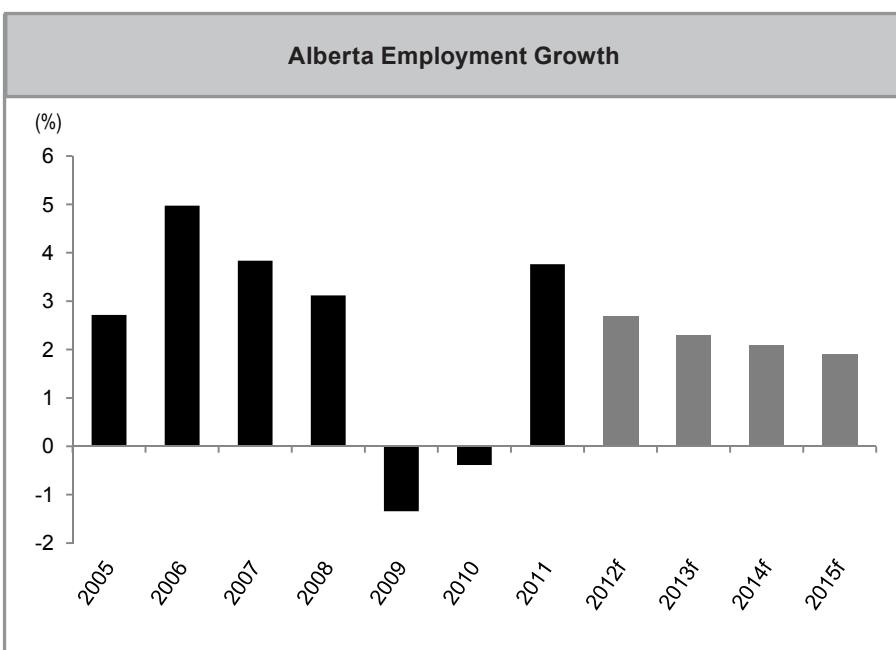


Source: Statistics Canada

* Includes forestry, fishing, mining, oil and gas

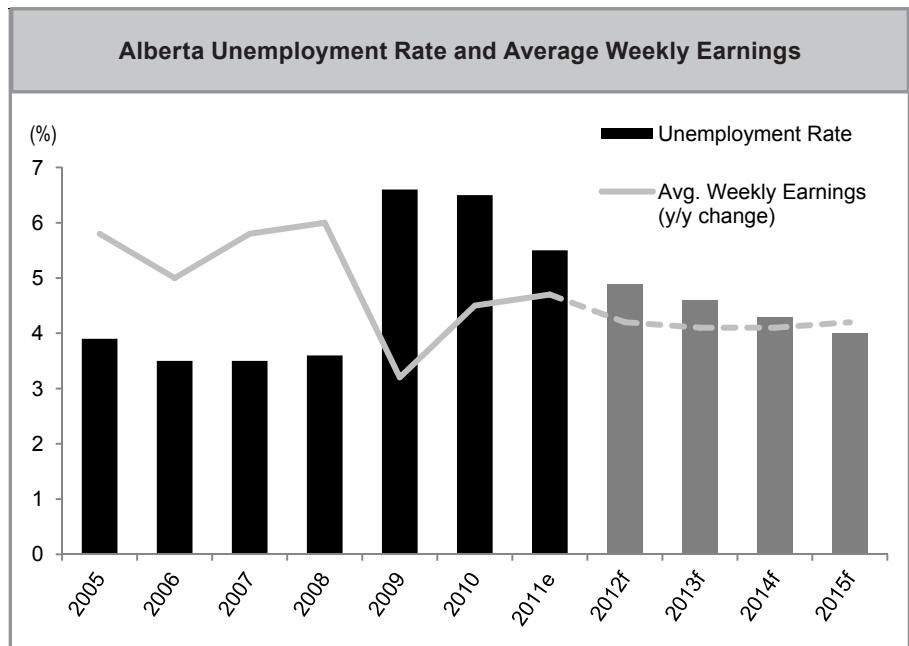
Pace of job creation to moderate, but remain strong

The momentum from Alberta's spectacular employment growth in 2011 is expected to continue into 2012, with a 2.7% increase in employment forecast. Over the medium term, job growth is expected to downshift to near 2% per year.



Sources: Statistics Canada and Alberta Finance

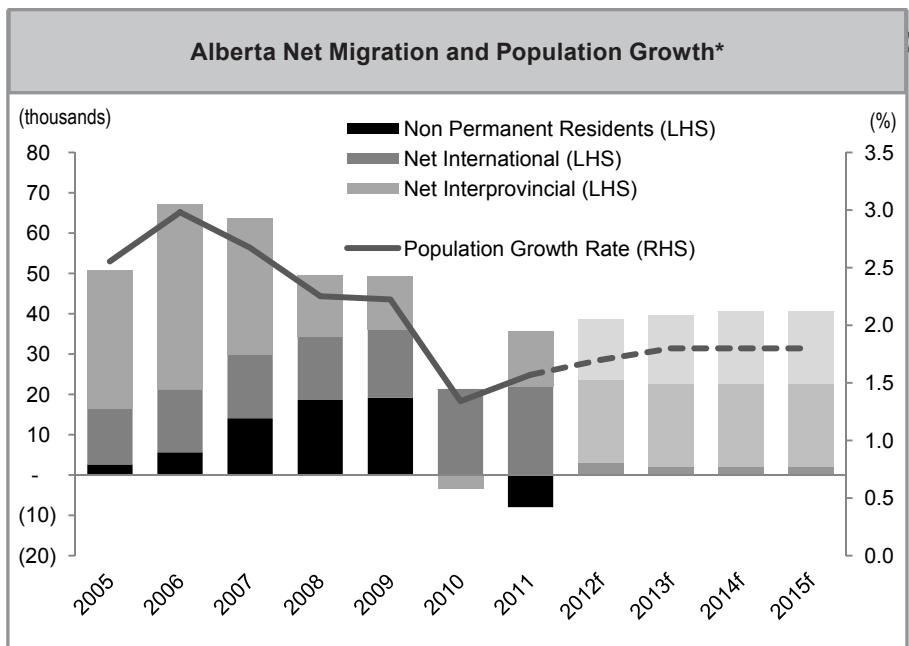
A tightening of the labour market pushes up wages



Sources: Statistics Canada and Alberta Finance

Driven by continuing job gains, the unemployment rate is expected to average 4.9% in 2012 and decline further to 4.6% by 2013. With an unemployment rate below 5% the economy will face labour shortages. Albertans earn the highest wages in the country with average weekly earnings at close to \$1,050, nearly 20% higher than the national average. As the labour market tightens, wages are expected to rise further.

Jobs attract new wave of migrants, boosting population



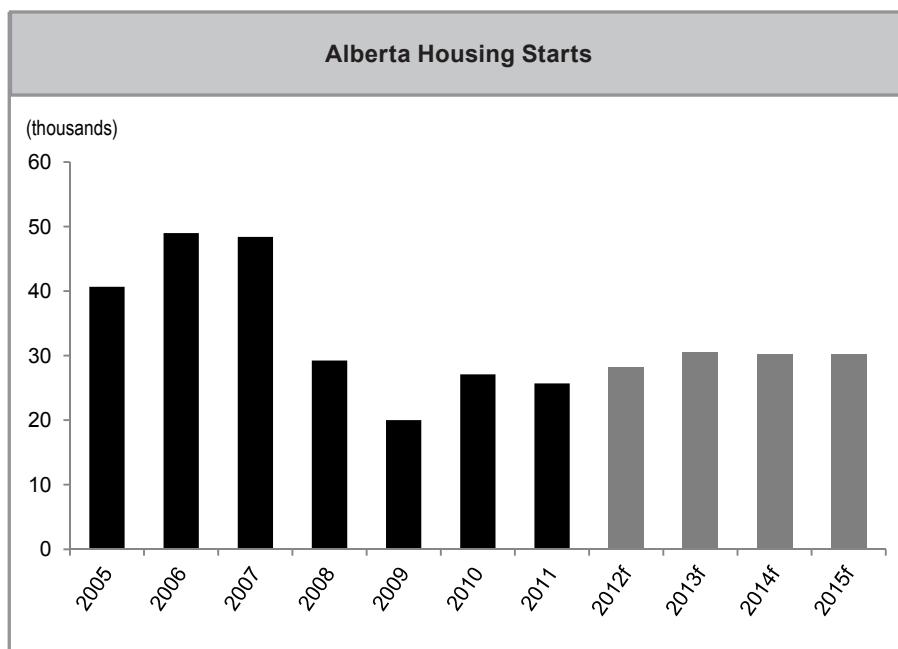
Sources: Statistics Canada and Alberta Finance

* By census year

Job opportunities are attracting new residents to Alberta. After net outflows of interprovincial migrants in 2010, Alberta once again gained people from other provinces in 2011. Alberta is expected to gain 15,000 people from other provinces in 2012, rising to 18,000 per year over the medium term. The overall population is expected to grow by 1.8% per year between 2012 and 2015, well above the national average of about 1%. Alberta is currently home to close to 3.8 million people, and this number is forecast to grow to over 4 million by 2015.

Housing market stabilizes after boom years

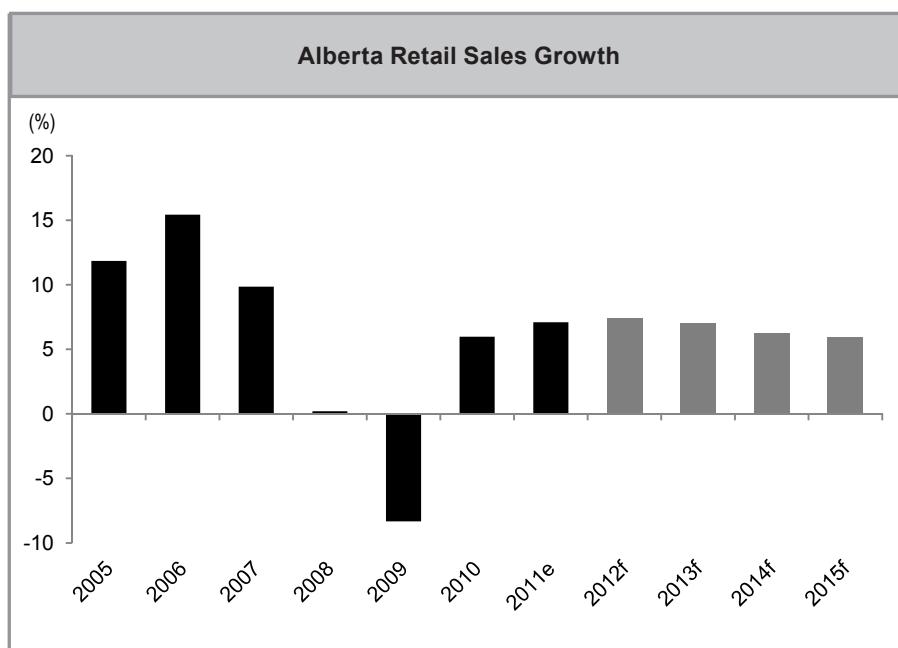
After a slow start to the year, Alberta's housing starts have picked up heading into 2012. With net inflows of new migrants, personal income gains and low interest rates, starts are forecast to rise about 2,500 units to over 28,000 in 2012 before reaching about 30,000 per year over the medium term.



Sources: Canada Mortgage and Housing Corporation and Alberta Finance

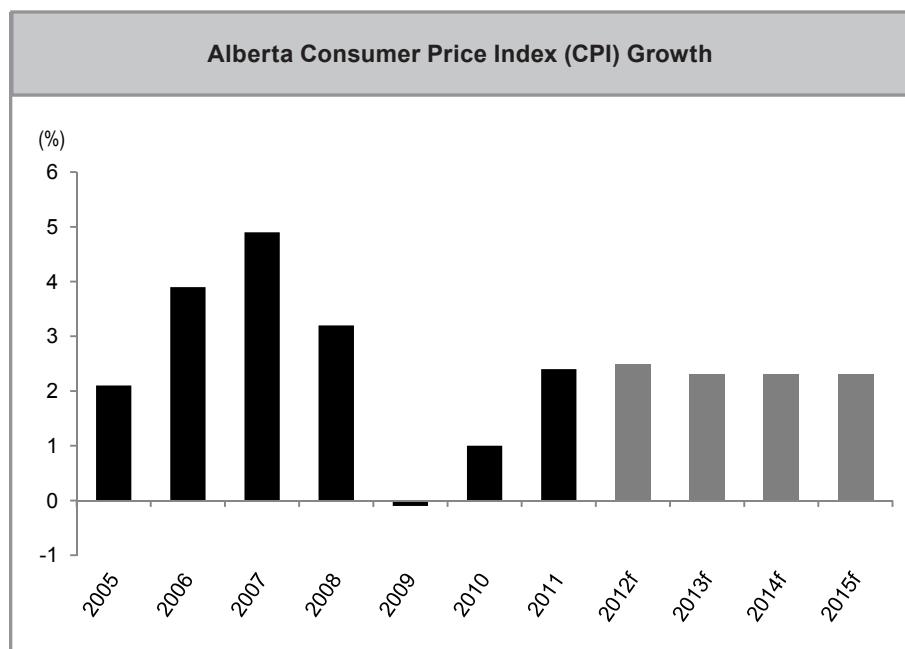
Retail sales strengthen on job and income gains

Retail sales have benefited from strong wage and employment gains, climbing by an estimated 7.1% in 2011, nearly double the national average, and the strongest growth since 2007. Albertans will continue to spend, with growth in retail sales expected to remain robust at around 6% per year through to 2015, as wages and salaries continue to rise.



Sources: Statistics Canada and Alberta Finance

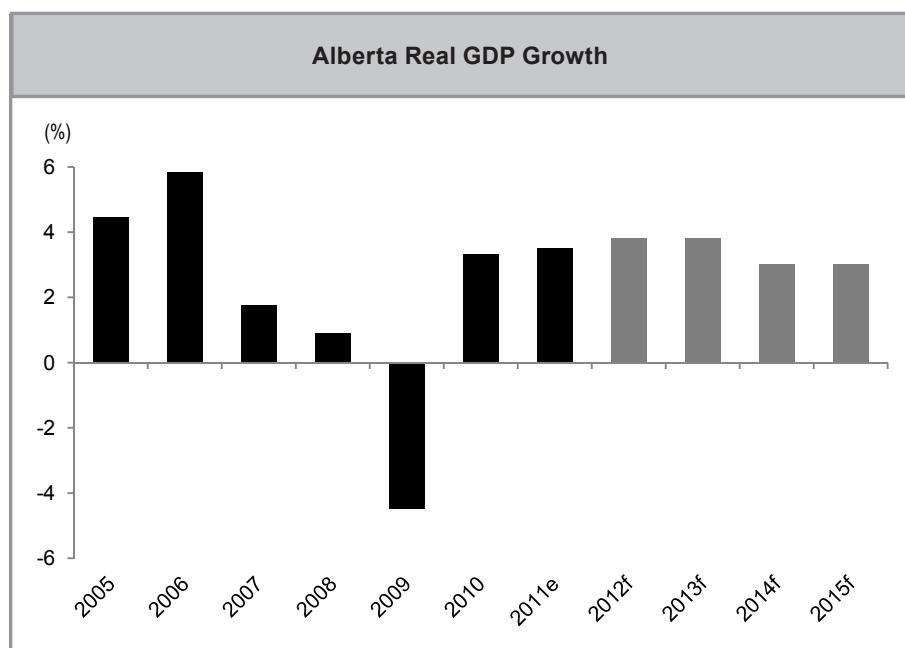
Inflation moves higher, but stays contained



Sources: Statistics Canada and Alberta Finance

The Consumer Price Index (CPI) inflation rate came in at 2.4% in 2011, up from 1.0% in the prior year. The uptick was in large part caused by a jump in electricity and energy prices. Inflation is expected to remain almost unchanged at 2.5% in 2012. Over the medium term, annual inflation is expected to come in near 2.3%, reflecting strong economic growth. However, cost pressures will remain largely contained through the forecast horizon, as global and national inflationary pressures stay muted.

Alberta's economy to post solid growth



Sources: Statistics Canada and Alberta Finance

Alberta's economy is forecast to grow by 3.8% in 2012 and 2013 after posting a 3.5% estimated gain in 2011. This solid growth is more sustainable than the highs seen in the boom years, and well above the forecast gain for both the US and Canadian economies. Investment in the oil sector, exports and consumers are expected to be the growth drivers in the province.

ANNEX: RISKS, SENSITIVITIES AND BENCHMARKING

RISKS TO THE ECONOMIC OUTLOOK

- ❖ The small, but serious, risk of a financial crisis starting in the Eurozone could have far reaching implications for the global banking system. As witnessed in 2009, tighter financing conditions and lower oil prices could potentially put capital projects on hold.
- ❖ A severe deceleration in emerging markets could pose a risk to global economic growth. There are fears of possible asset price bubbles in China, the bursting of which could lead to problems in the Chinese banking system. Additionally, China's currency is seen to be undervalued and in a slower growth environment, currency tensions could disrupt global trade.
- ❖ The US fiscal situation also poses a risk to the outlook; too much austerity could push the US into recession, and not enough could test the patience of bondholders as they await a fiscal consolidation plan from the federal government.
- ❖ The Canadian dollar remains elevated, buoyed by high commodity prices and Canada's relatively strong economic position. An appreciation of the Canadian dollar could hurt Alberta exporters.
- ❖ Large increases in oil prices undermine global economic growth. Should supply disruptions lead to such price spikes, the global economy will suffer.
- ❖ Over the medium term, access to markets for Alberta's exports could be constrained, limiting Alberta's continued economic growth.
- ❖ A further tightening in Alberta's labour market could worsen labour shortages, driving up costs and hurting competitiveness.
- ❖ Upside risks to the outlook include stronger than forecast growth in the US and a timely resolution to the Eurozone debt crisis.

Sensitivities to Fiscal Year Assumptions, 2012–13^a

(millions of dollars)

	Change	Net Impact (2012-13)
Oil Price (WTI US\$/bbl)	-\$1.00	-223
Natural Gas Price (Cdn\$/GJ)	-10 Cents	-28
Exchange Rate (US¢/Cdn\$)	+ 1 Cent	-247
Interest Rates	+1%	-223
Personal Income	-1%	-119

^a Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12-month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Oil Price Benchmark

West Texas Intermediate (US\$/bbl)

Organization	2012	2013	2014	2015
National Forecasting Agencies				
Conference Board of Canada (Jan/12)	99.64	106.91	112.24	117.47
IHS Global Insight (Jan/12)	91.00	107.88	115.44	104.50
Centre for Spatial Economics (Jan/12)	91.00	95.01	99.48	103.50
Banks and Investment Dealers				
BMO Capital Markets (Dec/11)	95.00	98.00	n/a	n/a
Credit Suisse (Jan/12)	99.00	113.00	117.75	84.00
Deutsche Bank (Jan/12)	105.00	113.00	117.00	n/a
CIBC World Markets (Oct/11)	92.00	n/a	n/a	n/a
Goldman Sachs (Jan/12)	120.00	130.00	85.00	85.00
JP Morgan (Dec/11)	107.00	118.00	n/a	n/a
National Bank Financial (Jan/12)	95.00	90.00	90.00	90.00
Peters & Co. Limited (Jan/12)	102.20	99.84	95.40	95.40
RBC Capital Markets (Jan/12)	100.00	106.00	100.00	100.00
Scotiabank (Jan/12)	100.00	105.00	n/a	n/a
Toronto Dominion Bank (Dec/11)	95.00	103.75	n/a	n/a
Industry Analysts				
U.S. Energy Information Administration (Jan/12)	100.25	103.75	n/a	n/a
GLJ Petroleum Consultants (Jan/12)	97.00	100.00	100.00	100.00
Sproule Associates Limited (Dec/11)	98.07	94.90	92.00	97.42
Confidential Forecasts Provided to Alberta Energy^a				
Average	99.71	105.42	110.69	111.27
High	120.00	130.00	129.50	137.75
Low	91.00	90.00	85.00	84.00
Average of All Private Forecasts	99.38	105.35	105.20	102.81
Alberta Government (calendar year)	98.71	104.52	108.07	108.46

^a The Alberta Department of Energy also surveys, on a confidential basis, private sector forecasts from CERI, PIRA, KBC, Petral, Purvin & Gertz, IHS CERA and Wood Mackenzie. The annual figures presented here are the average forecast prices from these sources. High/ Low forecasts may represent one of the confidential forecasts.

Includes forecasts finalized on or before January 16, 2012.

How Oil Price Forecasters Did in Budget 2011

Organization	How did they do in Budget 2011?
National Forecasting Agencies (3)	86.49
Banks and Investment Dealers (11)	90.15
Industry Analysts (3)	89.94
Confidential Forecasts (8)	88.88
Average	89.28
Alberta Government (calendar year)	88.06
Actual	95.15

Sources: Alberta Finance and Alberta Energy.

Both the Government of Alberta and the private sector underestimated oil prices for 2011, by 8% and 7% respectively.

Natural Gas Price Benchmark

Henry Hub (US\$/MMBTU)^a

Organization	2012	2013	2014	2015
National Forecasting Agencies				
Conference Board of Canada (Jan/12)	4.04	4.72	5.24	5.84
IHS Global Insight (Jan/12)	3.34	4.27	4.90	5.08
Centre for Spatial Economics (Jan/12)	4.12	4.31	4.45	4.58
Banks and Investment Dealers				
BMO Capital Markets (Dec/11)	3.80	4.25	n/a	n/a
Credit Suisse (Jan/12)	3.50	4.70	5.10	5.50
Deutsche Bank (Jan/12)	3.50	4.25	4.50	n/a
CIBC World Markets (Oct/11)	4.50	n/a	n/a	n/a
JP Morgan (Nov/11)	4.10	4.75	n/a	n/a
National Bank Financial (Jan/12)	3.25	3.75	4.50	4.50
Peters & Co. Limited (Jan/12)	3.10	3.81	4.61	4.61
RBC Capital Markets (Jan/12)	4.00	4.75	6.00	6.00
Scotiabank (Jan/12)	3.50	4.25	n/a	n/a
Toronto Dominion Bank (Dec/11)	4.00	4.50	n/a	n/a
Industry Analysts				
U.S. Energy Information Administration (Jan/12)	3.53	4.14	n/a	n/a
GLJ Petroleum Consultants (Jan/12)	3.80	4.50	5.00	5.50
Sproule Associates Limited (Dec/11)	3.55	4.18	4.54	5.95
Confidential Forecasts Provided to Alberta Energy^b				
Average	3.41	3.89	4.80	5.06
High	4.50	4.75	6.00	6.00
Low	3.10	2.75	4.45	4.50
Average of All Private Forecasts	3.66	4.25	4.86	5.23
Alberta Government (calendar year)	3.62	4.20	4.99	5.39

^a The natural gas price is the US price of gas at Henry Hub Louisiana, as this is the benchmark for natural gas prices in the rest of North America. The Alberta Government forecast in the table above is the Alberta Reference Price (used in natural gas royalty calculations) adjusted for the exchange rate and transportation costs to be equivalent to the price of Alberta natural gas at Henry Hub Louisiana.

^b The Alberta Department of Energy also surveys, on a confidential basis, private sector forecasts from PIRA, Petral, IHS CERA and Wood McKenzie. The annual figures presented here are the average forecast prices from these sources. High/ Low forecasts may represent one of the confidential forecasts.

Includes forecasts finalized on or before January 16, 2012.

How Natural Gas Price Forecasters Did in Budget 2011

Henry Hub (US\$/MMBTU)

How did they do in Budget 2011?

Both the Government of Alberta and the private sector overestimated natural gas prices for 2011, by 4% and 8% respectively.

Organization	How did they do in Budget 2011?
National Forecasting Agencies (3)	4.26
Banks and Investment Dealers (10)	4.56
Industry Analysts (3)	4.36
Confidential Forecasts (4)	4.12
Average	4.40
Alberta Government (calendar year)	4.22
Actual	4.04

Sources: Alberta Finance and Alberta Energy.

Canadian Short-Term Interest Rate Benchmark

3-month Government of Canada Treasury Bills (per cent)

Organization	2012	2013	2014	2015
National Forecasting Agencies				
Conference Board of Canada (Jan/12)	1.00	1.80	3.10	3.80
IHS Global Insight (Jan/12)	0.95	1.56	2.50	3.63
Centre for Spatial Economics (Jan/12)	1.10	1.10	2.00	2.50
Banks				
BMO Capital Markets (Jan/12)	0.82	1.22	n/a	n/a
CIBC World Markets (Dec/11)	0.93	n/a	n/a	n/a
RBC Royal Bank (Jan/12)	1.30	2.10	n/a	n/a
Scotiabank (Jan/12)	0.95	1.89	n/a	n/a
Toronto Dominion Bank (Dec/11)	0.94	1.95	n/a	n/a
Laurentian Bank (Jan/12)	0.93	n/a	n/a	n/a
High	1.30	2.10	3.10	3.80
Low	0.82	1.10	2.00	2.50
Average of All Private Forecasts	0.99	1.66	2.53	3.31
Alberta Government (calendar year)	1.00	1.40	2.75	3.25

Includes forecasts finalized on or before January 16, 2012.

Canadian Long-Term Interest Rate Benchmark

10-Year Government of Canada Bonds (per cent)

Organization	2012	2013	2014	2015
National Forecasting Agencies				
Conference Board of Canada (Jan/12)	2.00	2.40	3.20	3.90
IHS Global Insight (Jan/12)	2.48	2.99	3.73	4.75
Centre for Spatial Economics (Jan/12)	2.60	2.70	3.80	4.00
Banks				
BMO Capital Markets (Jan/12)	2.16	3.04	n/a	n/a
CIBC World Markets (Dec/11)	2.48	n/a	n/a	n/a
RBC Royal Bank (Jan/12)	2.55	3.25	n/a	n/a
Scotiabank (Jan/12)	2.36	3.15	n/a	n/a
Toronto Dominion Bank (Dec/11)	2.53	3.49	n/a	n/a
Laurentian Bank (Jan/12)	2.30	n/a	n/a	n/a
High	2.60	3.49	3.80	4.75
Low	2.00	2.40	3.20	3.90
Average of All Private Forecasts	2.38	3.00	3.58	4.22
Alberta Government (calendar year)	2.60	3.25	4.00	4.25

Includes forecasts finalized on or before January 16, 2012.

Canada / United States Exchange Rate Benchmark

(US¢/Cdn\$)

Organization	2012	2013	2014	2015
National Forecasting Agencies				
Conference Board of Canada (Jan/12)	99.4	101.8	102.9	102.0
IHS Global Insight (Jan/12)	97.6	98.2	98.9	95.8
Centre for Spatial Economics (Jan/12)	97.2	95.0	93.3	92.7
Banks				
BMO Capital Markets (Jan/12)	96.6	101.0	n/a	n/a
CIBC World Markets (Dec/11)	96.0	n/a	n/a	n/a
RBC Royal Bank (Jan/12)	100.0	n/a	n/a	n/a
Scotiabank (Jan/12)	100.0	103.0	n/a	n/a
Toronto Dominion Bank (Dec/11)	92.3	99.5	n/a	n/a
Laurentian Bank (Jan/12)	100.25	n/a	n/a	n/a
High	100.3	103.0	102.9	102.0
Low	92.3	95.0	93.3	92.7
Average of All Private Forecasts				
Alberta Government (calendar year)	97.7	99.8	98.4	96.8
Alberta Government (calendar year)	98.4	99.0	99.0	99.0

Includes forecasts finalized on or before January 16, 2012.

Alberta Real Gross Domestic Product Benchmark

(per cent change)

Organization	2012	2013	2014	2015
National Forecasting Agencies				
Conference Board of Canada (Oct/11)	3.6	4.5	3.7	3.3
IHS Global Insight (Jan/12)	2.7	3.2	3.7	3.5
Centre for Spatial Economics (Jan/12)	2.6	2.3	1.5	2.5
Banks				
BMO Capital Markets (Jan/12)	2.8	3.1	n/a	n/a
CIBC World Markets (Jan/12)	3.2	3.0	n/a	n/a
RBC Royal Bank (Dec/11)	3.9	3.8	n/a	n/a
Scotiabank (Jan/12)	3.1	3.3	n/a	n/a
Toronto Dominion Bank (Jan/12)	2.6	2.9	n/a	n/a
Laurentian Bank (Dec/11)	2.8	3.1	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Nov/11)	3.5	n/a	n/a	n/a
High	3.9	4.5	3.7	3.5
Low	2.6	2.3	1.5	2.5
Average of All Private Forecasts				
Alberta Government (calendar year)	3.1	3.2	3.0	3.1
Alberta Government (calendar year)	3.8	3.8	3.0	3.0

Includes forecasts finalized on or before January 17, 2012.

Alberta Personal Income Benchmark

(per cent change)

Organization	2012	2013	2014	2015
Conference Board of Canada (Oct/11)	6.3	5.8	5.2	5.1
IHS Global Insight (Jan/12)	4.6	5.6	6.3	5.4
Centre for Spatial Economics (Jan/12)	3.4	2.9	1.5	3.2
Toronto Dominion Bank (Jan/12)	3.6	4.5	n/a	n/a
High	6.3	5.8	6.3	5.4
Low	3.4	2.9	1.5	3.2
Average of All Private Forecasts	4.5	4.7	4.3	4.6
Alberta Government (calendar year)	6.2	6.0	6.3	6.2

Note: Total personal income is used as opposed to per capita personal income.

Includes forecasts finalized on or before January 16, 2012.

Alberta Corporate Profits Benchmark

(per cent change)

Organization	2012	2013	2014	2015
Conference Board of Canada (Oct/11)	8.2	10.2	5.5	4.4
IHS Global Insight (Jan/12)	6.5	3.6	8.7	8.6
Centre for Spatial Economics (Jan/12)	3.7	10.6	9.7	7.2
Toronto Dominion Bank (Jan/12)	-9.1	0.5	n/a	n/a
High	8.2	10.6	9.7	8.6
Low	-9.1	0.5	5.5	4.4
Average of All Private Forecasts	2.3	6.2	8.0	6.7
Alberta Government (calendar year)	11.8	17.5	8.4	1.7

Includes forecasts finalized on or before January 16, 2012.

Alberta Housing Starts Benchmark

(thousands)

Organization	2012	2013	2014	2015
National Forecasting Agencies				
Conference Board of Canada (Oct/11)	28.2	29.9	30.9	30.6
IHS Global Insight (Jan/12)	27.0	26.8	27.2	26.7
Centre for Spatial Economics (Jan/12)	28.2	30.1	27.9	26.3
Banks				
BMO Capital Markets (Jan/12)	25.5	29.5	n/a	n/a
CIBC World Markets (Aug/11)	27.0	n/a	n/a	n/a
RBC Royal Bank (Dec/11)	31.0	32.0	n/a	n/a
Scotiabank (Jan/12)	26.0	28.0	n/a	n/a
Toronto Dominion Bank (Jan/12)	25.8	26.2	n/a	n/a
Laurentian Bank (Dec/11)	28.0	29.0	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Nov/11)	29.2	n/a	n/a	n/a
High	31.0	32.0	30.9	30.6
Low	25.5	26.2	27.2	26.3
Average of All Private Forecasts	27.6	28.9	28.7	27.9
Alberta Government (calendar year)	28.2	30.6	30.3	30.3

Includes forecasts finalized on or before January 16, 2012.

Alberta Employment Benchmark

(per cent change)

Organization	2012	2013	2014	2015
National Forecasting Agencies				
Conference Board of Canada (Oct/11)	3.9	2.4	2.0	1.8
IHS Global Insight (Jan/12)	2.1	1.8	1.7	1.4
Centre for Spatial Economics (Jan/12)	1.4	1.4	0.6	1.6
Banks				
BMO Capital Markets (Jan/12)	2.7	1.8	n/a	n/a
CIBC World Markets (Aug/11)	2.0	n/a	n/a	n/a
RBC Royal Bank (Dec/11)	3.1	2.5	n/a	n/a
Scotiabank (Jan/12)	2.0	1.7	n/a	n/a
Toronto Dominion Bank (Jan/12)	1.5	1.8	n/a	n/a
Laurentian Bank (Dec/11)	1.3	2.0	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Nov/11)	2.3	n/a	n/a	n/a
High	3.9	2.5	2.0	1.8
Low	1.3	1.4	0.6	1.4
Average of All Private Forecasts				
Alberta Government (calendar year)	2.7	2.3	2.1	1.9

Includes forecasts finalized on or before January 16, 2012.

Alberta Unemployment Rate Benchmark

(per cent)

Organization	2012	2013	2014	2015
National Forecasting Agencies				
Conference Board of Canada (Oct/11)	5.1	4.7	4.3	4.0
IHS Global Insight (Jan/12)	5.2	4.7	4.6	4.5
Centre for Spatial Economics (Jan/12)	5.5	5.6	6.0	5.5
Banks				
BMO Capital Markets (Jan/12)	5.0	4.7	n/a	n/a
CIBC World Markets (Aug/11)	5.2	n/a	n/a	n/a
RBC Royal Bank (Dec/11)	5.0	4.7	n/a	n/a
Scotiabank (Jan/12)	5.0	4.5	n/a	n/a
Toronto Dominion Bank (Jan/12)	5.0	4.8	n/a	n/a
Laurentian Bank (Dec/11)	5.5	5.6	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Nov/11)	5.1	n/a	n/a	n/a
High	5.5	5.6	6.0	5.5
Low	5.0	4.5	4.3	4.0
Average of All Private Forecasts				
Alberta Government (calendar year)	4.9	4.6	4.3	4.0

Includes forecasts finalized on or before January 16, 2012.

TAX PLAN

BUDGET
2012
Investing in People

TABLE OF CONTENTS

TAX PLAN

Highlights	97
Corporate Taxes	97
Personal Taxes.....	98
Property Taxes	100

TABLES AND CHARTS

Alberta's Tax Advantage, 2012	97
Provincial Taxes Paid by Small Business Owners, 2012.....	98
Source of Alberta Personal Income Tax Revenue	99
Alberta Non-Refundable Tax Credit Block.....	99
Education Property Tax Rates.....	100
Distribution of Property Tax Burden	100
2012–13 Tax Revenue	102
2012–13 Revenue from Tax Sources.....	103
Interprovincial Tax and Health Premium Comparison, 2012	104
Major Provincial Tax Rates, 2012.....	105

TAX PLAN

HIGHLIGHTS

- ❖ The Alberta Scientific Research and Experimental Development Tax Credit will be enhanced by \$25 million.
- ❖ Personal income tax credits will increase by 1.8 per cent to offset inflation.
- ❖ Education property tax rates will be frozen at 2011 levels.

Albertans have one of the most competitive tax systems in North America. Alberta has low personal and corporate income taxes, the lowest fuel taxes among provinces, no capital tax, no payroll tax, no health premiums, and no sales tax. If Alberta had any other provincial tax system, Albertans and Alberta businesses would pay at least \$10.7 billion more in taxes each year.

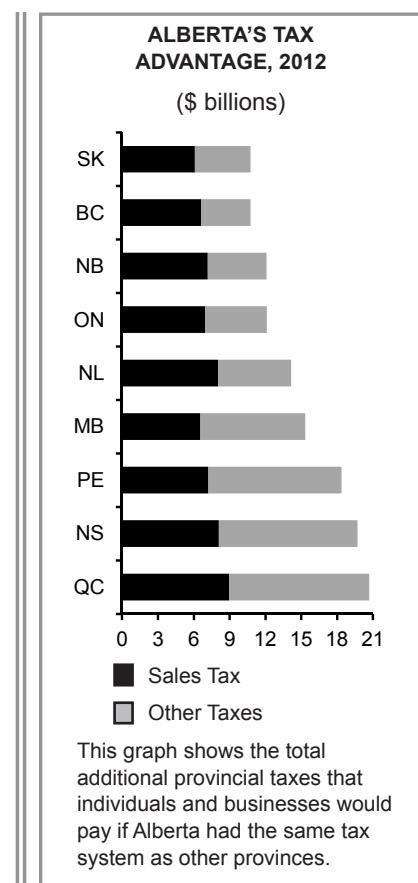
CORPORATE TAXES

SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT TAX CREDIT

Since 2009, companies conducting research and development in Alberta have been eligible for a provincial tax credit. The government introduced the Scientific Research and Experimental Development (SR&ED) Tax Credit to encourage more research and development in Alberta. Because knowledge is easily transferable, research undertaken by one company often benefits other companies. This reduces the incentive for companies to undertake research. Research and development tax credits encourage companies to increase the amount of research to more socially optimal levels.

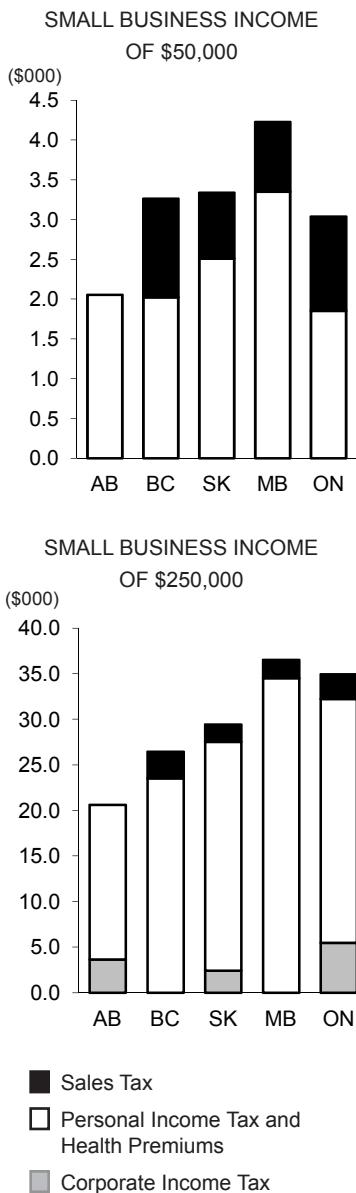
Alberta's credit is worth 10 per cent of eligible expenditures up to \$4 million, for a maximum credit of \$400,000. The credit is refundable to all companies, which is especially helpful for start-up and early-stage companies because these companies can benefit from the credit even if they do not earn enough income to pay income taxes.

During 2011, the government undertook an internal review of the program to consider whether the original focus of targeting small start-up businesses is still appropriate, whether there are deficiencies in the program and whether there are changes to the credit design that would better align the program with the intended goals. The government invited stakeholders to make written submissions with respect to the program.



*SR&ED tax credit
enhanced by
\$25 million!*

PROVINCIAL TAXES PAID BY SMALL BUSINESS OWNERS, 2012



Notes:

- Small business income is before compensation is paid to the owner.
- It is assumed that the owner is paid a salary until RRSP contributions are maximized, with any remainder taken as dividends.

Overall, the program seems to be working as intended. One of the things the government consistently heard from stakeholders, though, is that deducting the federal investment tax credit when calculating Alberta's credit (called the "grind") reduces the competitiveness of Alberta's program in comparison to other provinces. It also adds complexity to both program compliance and administration. The government believes that the credit would be more effective and less complicated without the grind. As a result, Alberta will eliminate the grind, effective for tax years ending after March 31, 2012. This will enhance the program by about \$25 million annually, or roughly 35 per cent.

TAX COMPETITIVENESS FOR SMALL BUSINESS

Alberta small business owners continue to pay the lowest overall taxes when compared to small business owners elsewhere in Canada. While small business rates are lower in four provinces, small business owners in Alberta are still better off. Alberta does not levy a sales tax, payroll tax, or health premium and has low fuel taxes. In addition to this, Alberta has low personal income taxes that apply to the salaries and dividends that owners take out of their small businesses.

PERSONAL TAXES

ALBERTA'S TAX SYSTEM IS FAIR

Alberta's tax system is designed to raise revenue to pay for public programs and services in an equitable manner that impacts the economy as little as possible. The tax system has to be competitive with other jurisdictions to attract skilled labour and business investment, but it also has to be fair. Alberta's tax system is fair.

Sales taxes can hurt low income taxpayers more than other taxpayers. Alberta has no sales tax.

The province's income tax system is progressive, which is achieved through the highest basic, spousal and eligible dependant credit amounts in Canada. Albertans can earn significantly more income than residents in other provinces before having to pay income tax. A single individual can earn over \$18,000 before paying any provincial income tax while a two-income family of four can earn over \$46,000 before paying provincial income tax.

Of the nearly 2.7 million Albertans who file personal income tax returns, 1.9 million are subject to federal income tax, while 1.7 million are subject to provincial income tax. Nearly 40 per cent of taxfilers pay no provincial income tax, while 10 per cent account for more than half of Alberta's personal income tax revenue.

Alberta's single-rate system treats one- and two-income families equitably. In other provinces, one-income families pay more tax than two-income families with the same income because their income gets pushed into higher tax brackets sooner.

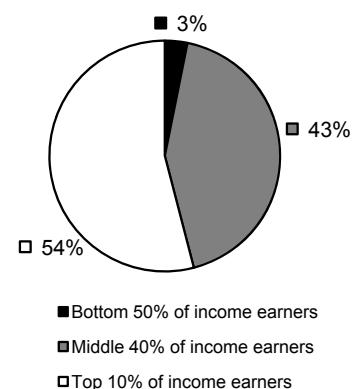
Low- and middle-income Alberta families with children benefit from the Alberta Family Employment Tax Credit (AFETC) which provides up to \$1,885 annually in benefits. Over 140,000 Alberta families receive the AFETC.

INDEXATION

The personal income tax system is indexed to inflation. This ensures that Alberta's tax credits keep pace with inflation and are not eroded over time. In 2012, credit amounts will increase by 1.8 per cent.

The AFETC is also indexed to inflation. Beginning in July 2012, payments will rise to \$715 for one child, \$1,365 for two children, \$1,755 for three children and \$1,885 for four children. The income level at which the credit starts to phase out will rise to \$34,897.

SOURCE OF ALBERTA PERSONAL INCOME TAX REVENUE

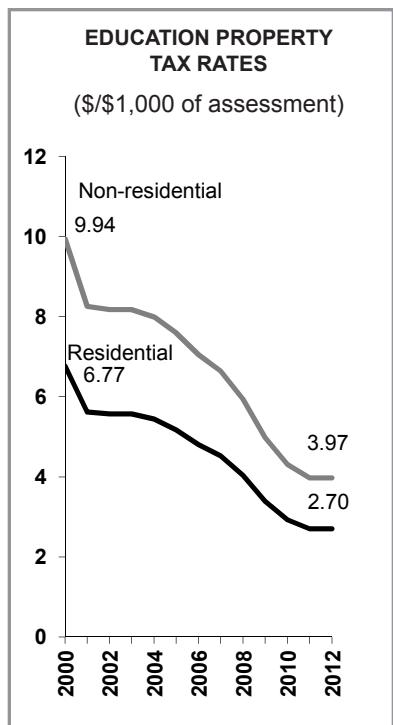


Alberta Non-Refundable Tax Credit Block

(dollars)

	2011		2012	
	Maximum Amount	Deduction from Alberta Tax	Maximum Amount	Deduction from Alberta Tax
Basic personal amount	16,977	1,698	17,282	1,728
Spousal amount	16,977	1,698	17,282	1,728
Eligible dependant amount	16,977	1,698	17,282	1,728
Age amount	4,731	473	4,816	482
Infirm dependant amount	9,827	983	10,004	1,000
CPP contributions	2,218	222	2,307	231
EI premiums	787	79	840	84
Pension income amount	1,307	131	1,331	133
Disability amount	13,095	1,310	13,331	1,333
Disability supplement	9,827	983	10,004	1,000
Tuition and education amounts	Variable	Variable	Variable	Variable
Adoption expenses	11,611	1,161	11,820	1,182
Medical expenses	Variable	Variable	Variable	Variable
Medical expenses (other dependants)	Variable	Variable	Variable	Variable
Caregiver amount	9,827	983	10,004	1,000
Interest on student loans	Variable	Variable	Variable	Variable
Donations and gifts				
- first \$200	200	20	200	20
- over \$200	75% of income	Variable	75% of income	Variable

In general, credit amounts are multiplied by 10% to arrive at the deduction from Alberta tax. In the case of donations and gifts over \$200, the credit rate is 21%.



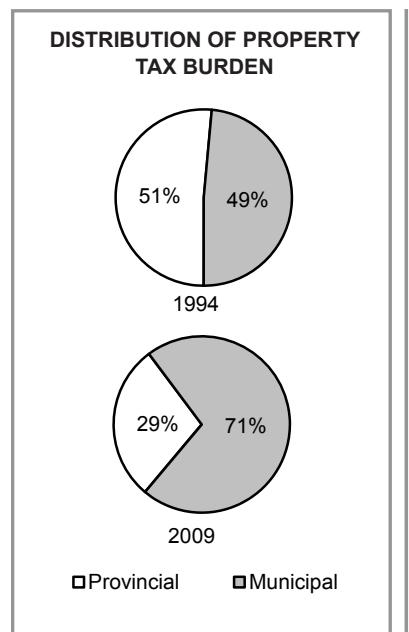
PROPERTY TAXES

Since the province assumed responsibility for education property taxes in 1994, the province has significantly reduced its reliance on property taxes for funding education. Education property taxes now fund about 30 per cent of education costs, excluding infrastructure, compared to about 50 per cent in 1994-95. While education costs have continued to rise, the province has either frozen or reduced education property tax rates in each of the last 19 years. Rates have fallen by 65 per cent during this time.

Since 1994, the province's share of property tax revenue has declined from 51 per cent to 29 per cent.

In 2012, education property tax rates will be frozen at 2011 levels. The residential/farm rate will be \$2.70 per \$1,000 of equalized assessment and the non-residential rate will be \$3.97 per \$1,000 of equalized assessment.

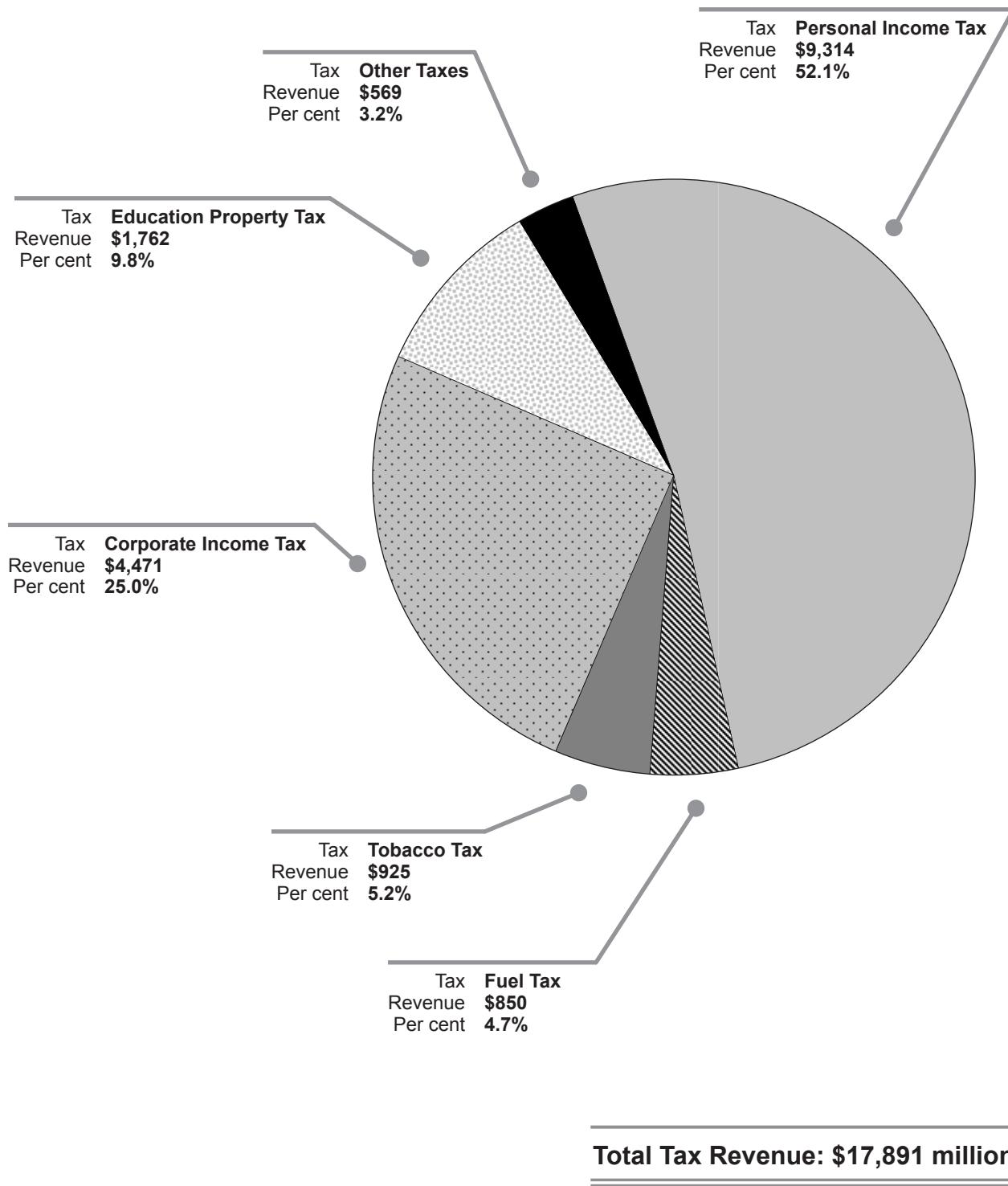
The province assumed responsibility for education property taxes because it wanted to ensure that all Alberta students have access to high quality education. Education property tax revenue flows directly to opted-out school boards or to the Alberta School Foundation Fund. All school boards receive equal per student funding.



TABLES AND CHARTS

2012–13 Tax Revenue

(millions of dollars)



2012–13 Revenue from Tax Sources

(millions of dollars)

Tax	Total Revenue	Tax Rate	Revenue per Unit of Tax
1. Personal Income Tax^a	9,314	10.0%	931.4 per point
2. Corporate Income Tax^a	4,471		
General	3,978	10.0%	397.8 per point
Small business	493	3.0%	164.3 per point
3. Education Property Tax^b	1,762		
Residential/farm property	1,068	\$2.70 / \$1,000 of assessment	395.6 per mill
Non-residential property	694	\$3.97 / \$1,000 of assessment	174.8 per mill
4. Tobacco Tax	925	\$40/carton	23.1 per \$/carton
5. Fuel Tax	850		
Gasoline and diesel	833	9.0 ¢/litre	92.6 per ¢/litre
Propane	2	6.5 ¢/litre	0.3 per ¢/litre
Aviation	11	1.5 ¢/litre	7.3 per ¢/litre
Railway	4	1.5 ¢/litre	2.7 per ¢/litre
6. Freehold Mineral Rights Tax	152		n/a
7. Insurance Taxes	344		
Life, accident, sickness	96	2% of premium	48.0 per point
Other	248	3% of premium	82.7 per point
8. Tourism Levy	73	4.0%	18.3 per point

^a In prior years, the costs of Alberta's refundable tax credits were netted against provincial tax revenue for budget reporting. Based on changes in national accounting standards, the SR&ED credit (\$92 million) and the AFETC (\$118 million) are now reported as operating expenses in the Ministry of Finance.

^b Does not include revenue of approximately \$217 million raised for opted-out school boards.

Interprovincial Tax and Health Premium Comparison, 2012

(dollars)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Employment Income of \$35,000 – One Income Family with Two Children										
Provincial income tax	(1,337)	581	(537)	963	(1,000)	(3,453)	903	1,824	1,938	1,474
Provincial sales tax	-	823	993	1,034	677	1,291	1,404	1,638	1,453	1,555
Health premium	-	461	-	-	225	300	-	-	-	-
Payroll tax	-	-	-	266	312	703	-	-	-	103
Fuel tax	270	618	450	345	441	539	408	465	474	495
Total	(1,067)	2,483	906	2,608	655	(620)	2,715	3,927	3,865	3,627
Alberta Advantage		3,550	1,973	3,675	1,722	447	3,782	4,994	4,932	4,694
Employment Income of \$75,000 – One Income Family with Two Children										
Provincial income tax	3,128	3,098	3,248	5,711	3,677	3,886	5,368	7,007	6,683	5,677
Provincial sales tax	-	2,165	1,497	1,552	2,053	2,041	2,118	2,458	2,201	2,369
Health premium	-	1,152	-	-	450	300	-	-	-	-
Payroll tax	-	-	-	571	669	1,505	-	-	-	220
Fuel tax	270	618	450	345	441	539	408	465	474	495
Total	3,398	7,033	5,195	8,179	7,290	8,271	7,894	9,930	9,358	8,761
Alberta Advantage		3,635	1,797	4,781	3,892	4,873	4,496	6,532	5,960	5,363
Employment Income of \$100,000 – Two Income Family with Two Children										
Provincial income tax	5,005	3,586	5,016	7,534	3,945	7,074	6,505	7,864	7,835	6,423
Provincial sales tax	-	2,780	1,881	1,966	2,635	2,680	2,706	3,175	2,828	3,049
Health premium	-	1,152	-	-	680	300	-	-	-	-
Payroll tax	-	-	-	761	892	2,007	-	-	-	294
Fuel tax	405	928	675	518	662	808	612	698	711	743
Total	5,410	8,446	7,572	10,779	8,814	12,869	9,823	11,737	11,374	10,509
Alberta Advantage		3,036	2,162	5,369	3,404	7,459	4,413	6,327	5,964	5,099
Employment Income of \$200,000 – Two Income Family with Two Children										
Provincial income tax	13,617	11,563	16,105	20,819	14,029	22,464	16,971	21,895	21,272	17,582
Provincial sales tax	-	5,034	3,329	3,474	4,678	5,119	4,860	5,587	4,998	5,442
Health premium	-	1,152	-	-	1,013	300	-	-	-	-
Payroll tax	-	-	-	1,523	1,785	4,014	-	-	-	587
Fuel tax	405	928	675	518	662	808	612	698	711	743
Total	14,022	18,677	20,109	26,334	22,167	32,705	22,443	28,180	26,981	24,354
Alberta Advantage		4,655	6,087	12,312	8,145	18,683	8,421	14,158	12,959	10,332

Calculations are based on other provinces' tax parameters known as of January 24, 2012.

Assumptions:

- * In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for health premiums.
- * Fuel tax is based on estimated consumption of 3,000 litres per year for one-income families and 4,500 litres for two-income families.
- * RRSP/RPP contributions of \$0, \$6,000, \$9,700, and \$22,970 are included in the calculation of personal income tax for the \$35,000, \$75,000, \$100,000 and \$200,000 families, respectively.
- * For two-income families, income and RRSP/RPP contributions are split 60/40 between the two spouses.
- * The children in each family are assumed to be 6 and 12 years old.

Major Provincial Tax Rates, 2012

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax										
Statutory rate range										
- lowest rate	(%)	10.00	5.06	11.00	10.80	5.05	16.00 ^a	9.10	8.79	9.80
- highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00 ^a	14.30	21.00	16.70
Surtax	(%)	-	-	-	-	20/36	-	-	-	10.00
Combined federal/provincial										
top marginal rate ^b	(%)	39.00	43.70	44.00	46.40	46.41	48.22	43.30	50.00	47.37
Personal amount	(\$)	17,282	11,354	14,942	8,634	9,405	10,925	9,203	8,481	7,708
Spousal amount	(\$)	17,282	9,964	14,942	8,634	7,986	10,925	7,815	7,201	6,546
Corporate Income Tax										
General rate	(%)	10.0	10.0	12.0	12.0	11.0 ^c	11.9	10.0	16.0	16.0
M&P rate	(%)	10.0	10.0	10.0	12.0	10.0	11.9	10.0	16.0	5.0
Small business										
- rate	(%)	3.0	0.0	2.0	0.0	4.5	8.0	4.5	4.0	4.0
- threshold	(\$000)	500	500	500	400	500	500	500	400	500
Capital Tax										
General	(max.%)	-	-	-	-	-	-	-	-	-
Financial institutions	(max.%)	-	-	3.25	3.00	-	0.25 ^e	3.00	4.00	5.00
Sales Tax										
	(%)	-	7.0	5.0	7.0	8.0	9.5 ^f	8.0	10.0	10.0 ^f
Gasoline Tax	(¢/litre)	9.0	21.2 ^{g, h}	15.0	11.5	14.7 ^h	18.2 ^{g, h}	13.6 ^h	15.5 ^h	15.8 ⁱ
Tobacco Tax	(\$/carton)	40.00	37.00 ^h	42.00 ^h	45.00	24.70 ^h	21.80	34.00 ^h	43.04 ^h	50.80
Payroll Tax	(max.%)	-	-	-	2.15	1.95	4.26 ^j	-	-	2.00

Rates for other provinces known as of January 24, 2012.

^a Quebec residents receive an abatement of 16.5% of basic federal tax because of the province's decision to opt out of federal cash transfers in support of provincial programs.

^b The top federal personal income tax rate is 29%, except in Quebec where the top federal rate is 24.22% because of the federal abatement.

^c Ontario's corporate income tax rate will be reduced from 11.5% to 11.0% on July 1, 2012.

^d Nova Scotia will reduce its Large Corporations Tax from 0.05% to 0% on July 1, 2012.

^e Quebec levies a 0.25% compensation tax on the paid-up capital of financial institutions.

^f These provinces apply their sales tax on the retail price of the goods and services inclusive of the Goods and Services Tax (GST).

^g An additional 9 ¢/litre is imposed in the greater Vancouver area, 3.5 ¢/litre in Victoria and 3 ¢/litre in Montreal. The British Columbia rate includes the carbon tax on gasoline of 6.67 ¢/litre (carbon tax rate is 5.56 ¢/litre for the first six months of the year). Quebec will increase its fuel tax from 17.2 ¢/litre to 18.2 ¢/litre on April 1, 2012.

^h These provinces apply their retail sales tax or the provincial portion of their Harmonized Sales Tax (HST) on the retail price of the good inclusive of the particular excise tax. In British Columbia, gasoline is subject to the HST, but receives an immediate point of sale rebate for the provincial portion of the HST.

ⁱ This rate is based on a 7.1 ¢/litre base rate and 10.7% of the average wholesale price. The rate is calculated on a monthly basis with the total tax rate capped at 15.8 ¢/litre.

^j Quebec also levies a compensation tax of up to 3.9% on salaries and wages paid by financial institutions that is not included in this rate.

FISCAL PLAN TABLES

BUDGET
2012
Investing in People

TABLE OF CONTENTS

FISCAL PLAN TABLES

Fiscal Summary	109
Revenue	110
2012–13 Revenue	111
Expense by Ministry.....	112
Debt Servicing Costs	112
2012–13 Program Expense by Ministry	113
2012–13 Expense by Priority	113
Operating Expense.....	114
Disaster / Emergency Assistance.....	114
Capital Amortization / Consumption of Inventory	115
Expense by Function	115
Capital Plan	116
Capital Grants and Other Support.....	117
Capital Investment / Purchases of Inventory	117
Cash Adjustments	118
Balance Sheet Details	119
Capital Assets.....	120
Accumulated Debt.....	120
Pension Liabilities	120
Liabilities for Capital Projects.....	121
General Revenue Fund Term Debt Maturities	121
2012–13 Financing Requirements	121
Loans and Advances.....	122
Guarantees	122
2012–13 Allocation of Lottery Fund Revenue	123
Premiums, Fees and Licences Changes	123
Major Provincial Tax Rates, 2012.....	124
Key Energy and Economic Assumptions	125
Sensitivities to Fiscal Year Assumptions, 2012–13	125
Full-Time Equivalent Employment	126
2012–13 Ministry Expense by Function.....	127
2012–13 Ministry Expense by Object	128
2012–13 Operating Expense	129
Historical Fiscal Summary, 1995–96 to 2014–15	130

Fiscal Summary^a

(millions of dollars)	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Revenue	35,034	35,787	38,499	40,263	43,989	49,044
Expense^b						
Program expense						
Operating expense	33,104	34,130	34,175	36,526	38,036	39,175
Capital grants ^c	3,697	3,895	3,981	3,526	3,877	3,552
Disaster / emergency assistance	438	-	595	44	17	2
Capital amortization / nominal sum disposals	733	808	797	882	918	922
In-year savings	-	(240)	(240)	(360)	(360)	(360)
Debt servicing costs	472	588	509	531	549	560
Total Expense	38,444	39,181	39,817	41,149	43,037	43,851
Surplus / (Deficit)	(3,410)	(3,394)	(1,318)	(886)	952	5,193

Cash Adjustments

(requirements) / sources

Retained income of funds and agencies	(849)	(890)	(938)	(836)	(905)	(993)
Capital cash adjustments	(1,166)	(1,018)	(1,290)	(1,190)	(687)	(1,239)
Other cash adjustments	23	(598)	(803)	(820)	(696)	(601)
Net Cash Adjustments	(1,992)	(2,506)	(3,031)	(2,846)	(2,288)	(2,833)
Net Cash-Adjusted Surplus / (Deficit)	(5,402)	(5,900)	(4,349)	(3,732)	(1,336)	2,360

Alberta Sustainability Fund

At March 31

	2011 Actual	2012 Budget	2012 Forecast	2013 Estimate	2014 Target	2015 Target
Balance at start of year	14,983	11,192	11,192	7,462	3,730	2,394
Cash transferred from previous year 4th quarter results	2,230	-	619	-	-	-
Cash to be transferred from previous year 4th quarter results	(619)	-	-	-	-	-
Transfer of cash-adjusted surplus / (deficit)	(5,402)	(5,900)	(4,349)	(3,732)	(1,336)	2,360
Balance at End of Year	11,192	5,292	7,462	3,730	2,394	4,754

^a For fiscal policy purposes under the *Fiscal Responsibility Act*. Does not include revenue and expense of SUCH sector organizations or Alberta Innovates corporations, or changes in pension liabilities. Amounts in 2010-11 and 2011-12 have been restated on the 2012-13 basis. Accounting standards now require transfers made through the tax system (Alberta Family Employment and Scientific Research and Experimental Development tax credits) to be reported as expense instead of deducted from personal and corporate income taxes. As a result, 2010-11 and 2011-12 Budget and Forecast revenue and expense have been increased by \$175, \$181 and \$177 million, respectively.

^b Capital investment (not included in expense): 2,192 2,737 2,315 **2,218** 1,846 1,464

^c Includes capital grants and project planning, accommodation and facility preservation expense.

Balance Sheet Summary

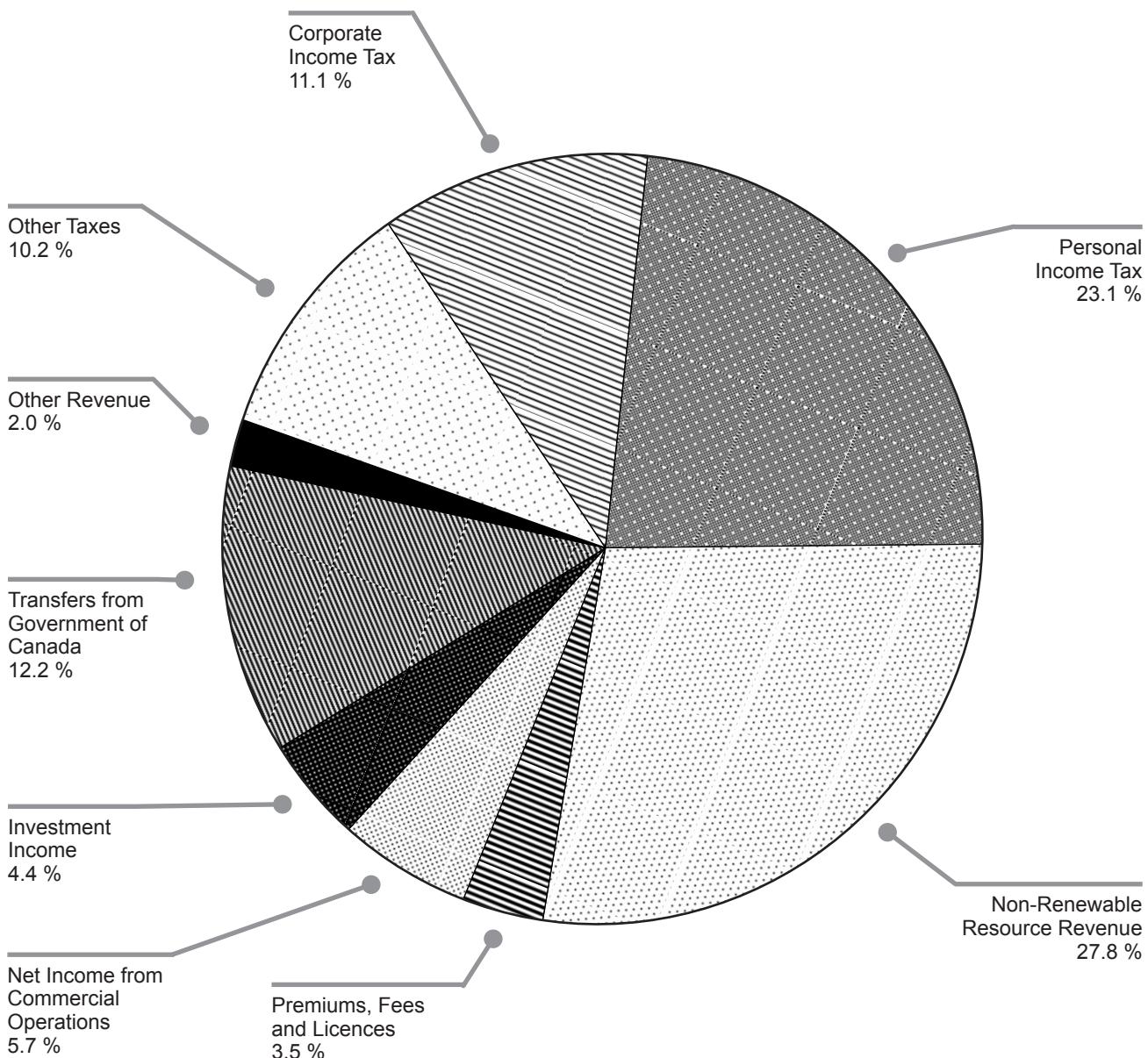
At March 31

	2011 Actual	2012 Forecast	2013 Estimate	2014 Target	2015 Target
Financial Assets					
Heritage Fund, endowments and other funds	17,500	17,779	18,078	18,386	18,711
Self-supporting lending organizations	12,606	14,016	15,275	16,619	17,588
Sustainability Fund	11,192	7,462	3,730	2,394	4,754
Other financial assets	10,422	10,062	10,867	11,611	12,317
Total Financial Assets	51,720	49,319	47,950	49,010	53,370
Liabilities					
Liabilities for capital projects	3,199	3,435	3,579	3,817	3,117
Pension liabilities	9,716	9,947	10,155	10,336	10,491
Other liabilities	20,407	20,525	21,197	21,992	22,398
Total Liabilities	33,322	33,907	34,931	36,145	36,006
Net Financial Assets	18,398	15,412	13,019	12,865	17,364
Capital assets	18,975	20,412	21,711	22,636	23,175
Net Assets	37,373	35,824	34,730	35,501	40,539

Revenue (millions of dollars)	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Income Taxes						
Personal income tax	7,631	8,812	8,521	9,314	9,936	10,637
Corporate income tax	3,334	3,671	4,010	4,471	4,964	5,565
	10,965	12,483	12,531	13,785	14,900	16,202
Other Taxes						
Education property tax	1,589	1,634	1,655	1,762	1,812	1,859
Tobacco tax	893	910	910	925	940	955
Fuel tax	662	795	830	850	870	890
Insurance taxes	293	322	318	344	371	400
Freehold mineral rights tax	127	142	150	152	159	163
Tourism levy	65	63	69	73	77	81
	3,629	3,866	3,932	4,106	4,229	4,348
Non-Renewable Resource Revenue						
Bitumen royalty	3,723	4,123	4,355	5,653	7,617	9,916
Crude oil royalty	2,236	1,925	2,199	2,100	2,265	2,295
Natural gas and by-products royalty	1,416	1,022	1,225	1,222	1,381	1,641
Bonuses and sales of Crown leases	2,635	1,068	3,304	2,037	1,916	1,926
Rentals and fees	161	141	168	151	149	147
Coal royalty	31	42	26	35	40	46
Drilling stimulus initiatives	(1,774)	-	-	-	-	-
	8,428	8,321	11,277	11,198	13,368	15,971
Transfers from Government of Canada						
Canada Health Transfer	2,176	2,266	2,170	2,358	2,500	3,593
Canada Social Transfer	1,215	1,260	1,260	1,310	1,358	1,408
Agriculture support programs	273	287	296	322	333	334
Labour market agreements	229	171	181	173	175	121
Infrastructure support	557	424	418	333	299	38
Other	575	360	402	419	336	294
	5,025	4,768	4,727	4,915	5,001	5,788
Investment Income						
Alberta Heritage Savings Trust Fund	1,152	1,050	480	986	1,098	1,158
Endowment Funds	221	198	65	176	185	191
Alberta Capital Finance Authority	181	242	244	254	261	268
Sustainability Fund	579	225	495	165	90	105
Agriculture Financial Services Corporation	109	115	110	130	157	185
Debt Retirement Account	48	26	36	15	8	6
Other	70	71	66	68	75	86
	2,360	1,927	1,496	1,794	1,874	1,999
Net Income from Commercial Operations						
AGLC - Gaming/lottery	1,441	1,388	1,423	1,336	1,362	1,415
AGLC - Liquor	684	718	693	701	711	726
Alberta Treasury Branches	199	188	206	214	279	330
Other	13	24	25	28	31	35
	2,337	2,318	2,347	2,279	2,383	2,506
Premiums, Fees and Licences						
Motor vehicle licences	383	431	412	429	441	455
Crop, hail and livestock insurance premiums	257	297	284	273	284	285
Energy industry levies	146	162	162	162	152	152
Land titles	53	66	75	68	69	79
Land and grazing	70	63	66	67	69	70
Supplementary health benefits premiums	58	58	58	58	58	58
Other	318	319	322	334	360	387
	1,285	1,396	1,379	1,391	1,433	1,486
Other						
AIMCo investment management charges	154	131	141	138	142	145
Fines and penalties	109	117	122	120	121	121
Refunds of expense	270	112	135	120	126	130
Climate change and emissions management	76	68	68	70	71	73
Miscellaneous	396	280	344	347	341	275
	1,005	708	810	795	801	744
Total Revenue	35,034	35,787	38,499	40,263	43,989	49,044

2012–13 Revenue

\$40.3 billion



Expense by Ministry^a

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Investing in Families and Communities						
Culture and Community Services	250	218	242	231	225	220
Health and Wellness	14,736	14,947	14,809	15,982	16,787	17,454
Human Services	2,403	2,398	2,424	2,556	2,585	2,607
Justice	489	500	528	537	557	563
Municipal Affairs	1,576	1,317	1,642	1,335	1,475	1,423
Seniors	2,048	2,107	2,141	2,461	2,607	2,733
Solicitor General and Public Security	655	682	685	772	809	817
Tourism, Parks and Recreation	164	163	179	182	186	188
	22,321	22,332	22,650	24,056	25,231	26,005
Securing Alberta's Economic Future						
Advanced Education and Technology	3,297	3,015	3,053	2,938	3,064	3,120
Education	5,985	6,152	6,379	6,543	6,847	6,846
Finance	1,102	1,156	1,140	1,199	1,222	1,252
Infrastructure	683	1,524	1,397	1,364	1,316	1,422
Service Alberta	276	300	296	318	315	316
Transportation	1,880	1,952	2,012	1,885	1,988	1,850
Treasury Board and Enterprise	58	80	61	169	171	172
	13,281	14,179	14,338	14,416	14,923	14,978
Advancing World-leading Resource Stewardship						
Agriculture and Rural Development	973	975	957	1,002	1,009	1,012
Energy	351	443	416	539	780	737
Environment and Water	289	293	282	318	259	264
Intergovernmental, International and Aboriginal Relations	202	172	174	191	192	192
Sustainable Resource Development	427	290	576	291	302	307
	2,242	2,173	2,405	2,341	2,542	2,512
Other						
Executive Council	30	30	30	32	32	32
Legislative Assembly	98	119	125	133	120	124
In-year savings ^b	-	(240)	(240)	(360)	(360)	(360)
	37,972	38,593	39,308	40,618	42,488	43,291
Debt servicing costs	472	588	509	531	549	560
Total Expense	38,444	39,181	39,817	41,149	43,037	43,851

^a Includes operating expense, capital grants and other support, disaster/emergency assistance, amortization of capital assets, consumption of inventories and nominal sum disposals.

^b In-year savings have not been allocated to any ministry.

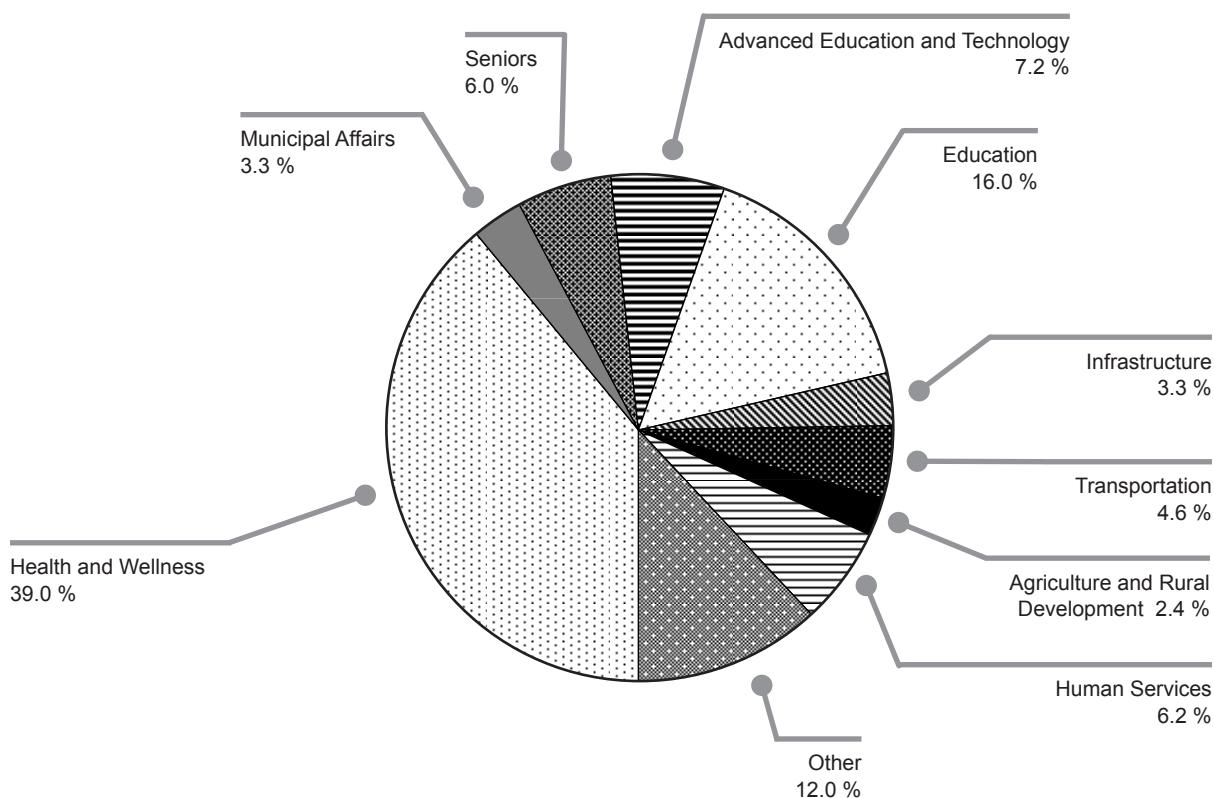
Debt Servicing Costs

(millions of dollars)

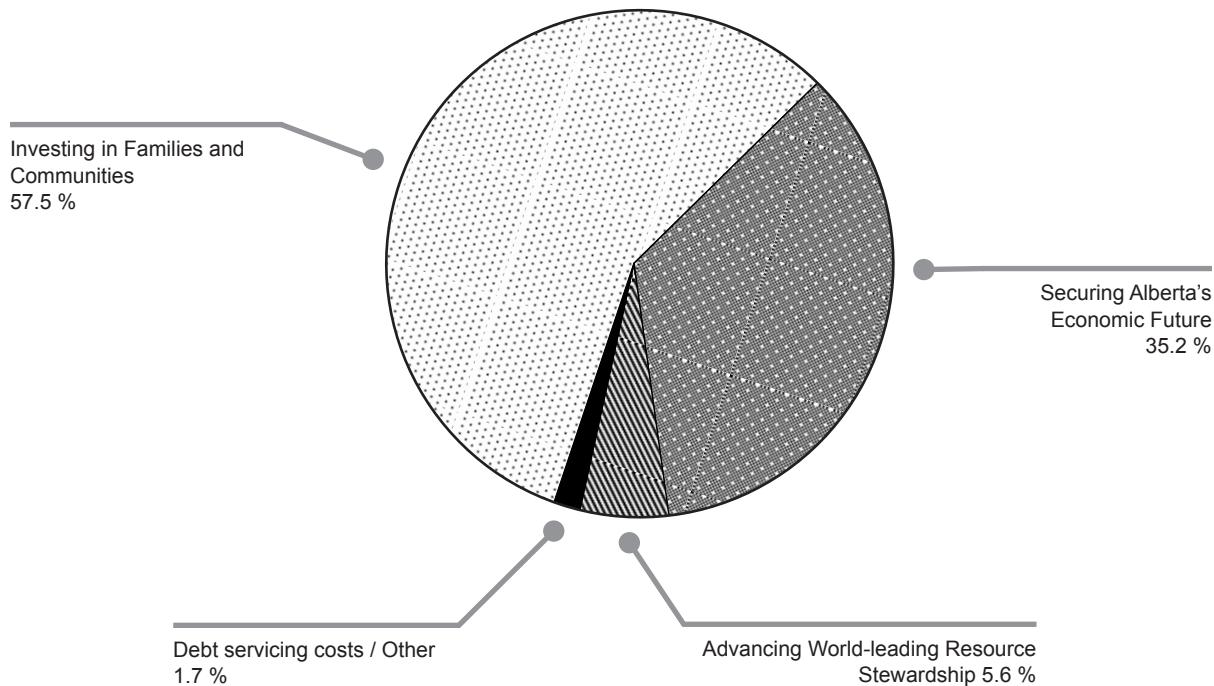
	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Agriculture and Rural Development						
Agriculture Financial Services Corporation	54	68	60	75	90	101
Education						
Alberta Schools Alternative Procurement P3 financing costs ^a	17	22	22	26	27	26
Finance						
Alberta Capital Finance Authority	177	228	209	223	240	248
General government	116	99	98	71	56	57
Direct borrowing for capital purposes	51	103	51	51	51	42
School construction debentures	15	12	12	9	6	4
Municipal Affairs						
Alberta Social Housing Corporation	17	16	16	14	12	10
Transportation						
Ring road P3 financing costs ^a	25	40	41	62	67	72
Total Debt Servicing Costs	472	588	509	531	549	560

^a P3s are public-private partnerships.

2012–13 Program Expense by Ministry



2012–13 Expense by Priority



Operating Expense^a

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Investing in Families and Communities						
Culture and Community Services	164	167	169	174	178	178
Health and Wellness	14,609	14,813	14,706	15,864	16,674	17,249
Human Services	2,390	2,392	2,418	2,547	2,577	2,599
Justice	481	491	519	531	547	555
Municipal Affairs	337	353	353	369	384	392
Seniors	1,954	2,031	2,057	2,435	2,581	2,707
Solicitor General and Public Security	652	677	679	755	792	800
Tourism, Parks and Recreation	148	145	160	163	167	169
	20,735	21,069	21,061	22,838	23,900	24,649
Securing Alberta's Economic Future						
Advanced Education and Technology	2,683	2,759	2,780	2,856	2,983	3,039
Education	5,609	5,863	5,977	6,179	6,387	6,625
Finance	1,093	1,145	1,129	1,188	1,200	1,227
Infrastructure	421	476	499	507	518	516
Service Alberta	232	250	251	266	266	268
Transportation	414	470	472	475	485	485
Treasury Board and Enterprise	57	60	60	65	66	65
	10,509	11,023	11,168	11,536	11,905	12,225
Advancing World-leading Resource Stewardship						
Agriculture and Rural Development	757	922	836	945	952	955
Energy	327	352	340	380	468	522
Environment and Water	192	180	178	197	183	186
Intergovernmental, International and Aboriginal Relations	190	172	174	191	192	192
Sustainable Resource Development	267	264	265	275	285	291
	1,733	1,890	1,793	1,988	2,080	2,146
Other						
Executive Council	30	30	30	32	32	32
Legislative Assembly	97	118	123	132	119	123
Total Operating Expense	33,104	34,130	34,175	36,526	38,036	39,175

^a Excludes debt servicing costs, capital grants and other support, disaster/emergency assistance, amortization of capital assets, consumption of inventories and nominal sum disposals.

Disaster / Emergency Assistance

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Agriculture and Rural Development	159	-	38	2	2	2
Municipal Affairs	144	-	277	42	15	-
Sustainable Resource Development	135	-	280	-	-	-
Total Disaster / Emergency Assistance	438	-	595	44	17	2

Capital Amortization / Consumption of Inventory^a

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Investing in Families and Communities						
Culture and Community Services	2	3	3	4	3	4
Health and Wellness	56	75	58	60	64	69
Human Services	4	6	7	9	8	8
Justice	8	9	9	6	10	8
Municipal Affairs	25	26	26	30	31	31
Seniors	1	1	1	1	1	1
Solicitor General and Public Security	3	5	6	17	17	17
Tourism, Parks and Recreation	16	18	18	18	18	18
	115	143	128	145	152	156
Securing Alberta's Economic Future						
Advanced Education and Technology	5	5	4	6	5	5
Education	3	1	1	2	1	1
Finance	9	11	11	11	22	25
Infrastructure	81	100	97	136	132	107
Service Alberta	44	50	45	52	49	48
Transportation	376	412	424	452	476	500
Treasury Board and Enterprise	1	1	1	2	2	2
	519	580	583	661	687	688
Advancing World-leading Resource Stewardship						
Agriculture and Rural Development	13	15	15	16	16	16
Energy	24	21	21	21	23	23
Environment and Water	20	22	22	22	22	22
Sustainable Resource Development	11	16	16	16	17	16
	68	74	74	75	78	77
Other						
Legislative Assembly	1	1	2	1	1	1
Total Amortization Expense	703	798	787	882	918	922

^a Capital amortization and inventory consumption are included in expense. Ministries not listed above have no capital amortization or inventory consumption expense or the amount rounds to less than \$1 million.

Expense by Function

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Health	15,034	15,989	15,750	16,845	17,622	18,420
Education	9,276	9,145	9,405	9,436	9,830	9,851
Social Services	4,130	4,260	4,301	4,727	4,918	5,085
Agriculture, Resource Management and Economic Development	2,000	2,072	2,055	2,208	2,483	2,444
Transportation, Communications and Utilities	1,870	1,933	2,008	1,895	1,996	1,859
Protection of Persons and Property	1,597	1,390	1,964	1,587	1,620	1,617
Regional Planning and Development	1,139	1,103	1,116	1,122	1,279	1,280
Environment	347	353	352	394	345	350
Recreation and Culture	376	346	371	370	363	358
Housing	419	234	268	250	240	200
General Government	1,784	2,008	1,958	2,144	2,152	2,187
Debt Servicing Costs	472	588	509	531	549	560
In-year savings ^a	-	(240)	(240)	(360)	(360)	(360)
Total Expense	38,444	39,181	39,817	41,149	43,037	43,851

^a In-year savings have not been allocated to any functional area.

Capital Plan

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target	2012-15 Total	% of Total
Municipal infrastructure support	1,768	1,628	1,698	1,620	1,812	1,664	5,096	30.9%
Provincial highway network	1,533	1,665	1,572	1,367	1,194	956	3,517	21.3%
Health facilities and equipment	281	1,022	879	816	772	993	2,581	15.7%
Schools	388	289	402	364	459	220	1,043	6.3%
Post-secondary facilities	609	251	269	76	76	76	228	1.4%
Community facilities	111	120	132	135	168	147	450	2.7%
Water and wastewater management	183	297	308	272	232	202	706	4.3%
Housing	370	273	321	162	142	107	411	2.5%
Government facilities, equipment and other	646	1,087	715	932	868	651	2,451	14.9%
Total Capital Plan	5,889	6,632	6,296	5,744	5,723	5,016	16,483	100.0%

Capital Plan

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Investing in Families and Communities						
Culture and Community Services	86	51	72	56	47	41
Health and Wellness	136	144	108	135	126	219
Human Services	17	10	11	6	5	5
Justice	2	3	5	7	2	2
Municipal Affairs	1,088	979	1,037	957	1,123	1,083
Seniors	94	76	84	26	26	26
Solicitor General and Public Security	39	184	95	107	95	68
Tourism, Parks and Recreation	19	15	18	15	19	19
	1,481	1,462	1,430	1,309	1,443	1,463
Securing Alberta's Economic Future						
Advanced Education and Technology	614	256	274	81	81	81
Education	378	289	406	366	460	221
Finance	23	23	23	33	34	24
Infrastructure	509	1,397	1,166	1,119	865	962
Service Alberta	29	50	27	53	82	17
Transportation	2,638	2,735	2,695	2,342	2,217	1,806
Treasury Board and Enterprise	-	156	-	102	103	105
	4,191	4,906	4,591	4,096	3,842	3,216
Advancing World-leading Resource Stewardship						
Agriculture and Rural Development	57	51	80	50	49	48
Energy	46	101	86	155	301	204
Environment and Water	80	91	82	108	55	57
Intergovernmental, International and Aboriginal Relations	12	-	-	-	-	-
Sustainable Resource Development	20	16	24	23	30	25
	215	259	272	336	435	334
Legislative Assembly	2	5	3	3	3	3
Total Capital Plan	5,889	6,632	6,296	5,744	5,723	5,016

Capital Grants and Other Support^a

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Investing in Families and Communities						
Culture and Community Services	84	48	70	53	44	38
Health and Wellness	71	59	45	58	49	136
Human Services	9	-	-	-	-	-
Municipal Affairs	1,061	938	986	894	1,045	1,000
Seniors	93	75	83	25	25	25
Tourism, Parks and Recreation	1	1	1	1	1	1
	1,319	1,121	1,185	1,031	1,164	1,200
Securing Alberta's Economic Future						
Advanced Education and Technology	609	251	269	76	76	76
Education	373	288	401	362	459	220
Infrastructure	174	948	801	721	666	799
Transportation	1,090	1,070	1,116	958	1,027	865
Treasury Board and Enterprise	-	19	-	102	103	105
	2,246	2,576	2,587	2,219	2,331	2,065
Advancing World-leading Resource Stewardship						
Agriculture and Rural Development	43	38	68	39	39	39
Energy	-	70	55	138	289	192
Environment and Water	77	90	81	99	54	56
Intergovernmental, International and Aboriginal Relations	12	-	-	-	-	-
Sustainable Resource Development	-	-	5	-	-	-
	132	198	209	276	382	287
Total Capital Grants	3,697	3,895	3,981	3,526	3,877	3,552

^a Capital grants and other support are included in expense. Other support includes project planning, accommodation and facility preservation expense. Ministries not listed above have no capital grants or other support or the amount rounds to less than \$1 million.

Capital Investment / Purchases of Inventory^a

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Investing in Families and Communities						
Culture and Community Services	2	3	2	3	3	3
Health and Wellness	65	85	63	77	77	83
Human Services	8	10	11	6	5	5
Justice	2	3	5	7	2	2
Municipal Affairs	27	41	51	63	78	83
Seniors	1	1	1	1	1	1
Solicitor General and Public Security	39	184	95	107	95	68
Tourism, Parks and Recreation	18	14	17	14	18	18
	162	341	245	278	279	263
Securing Alberta's Economic Future						
Advanced Education and Technology	5	5	5	5	5	5
Education	5	1	5	4	1	1
Finance	23	23	23	33	34	24
Infrastructure	335	449	365	398	199	163
Service Alberta	29	50	27	53	82	17
Transportation	1,548	1,665	1,579	1,384	1,190	941
Treasury Board and Enterprise	-	137	-	-	-	-
	1,945	2,330	2,004	1,877	1,511	1,151
Advancing World-leading Resource Stewardship						
Agriculture and Rural Development	14	13	12	11	10	9
Energy	46	31	31	17	12	12
Environment and Water	3	1	1	9	1	1
Sustainable Resource Development	20	16	19	23	30	25
	83	61	63	60	53	47
Legislative Assembly	2	5	3	3	3	3
Total Capital Investment	2,192	2,737	2,315	2,218	1,846	1,464

^a Capital investment and inventory purchases are not included in expense. Ministries not listed above have no capital investment or inventory purchases or the amount rounds to less than \$1 million.

Cash Adjustments^a

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Capital Cash Adjustments						
Requirements						
Capital investment	(2,192)	(2,737)	(2,315)	(2,218)	(1,846)	(1,464)
Principal repayment / amortization of debt issue costs	(11)	(19)	(19)	(28)	(33)	(943)
Total requirements	(2,203)	(2,756)	(2,334)	(2,246)	(1,879)	(2,407)
Sources						
Capital amortization	703	798	787	882	918	922
Net book value of capital asset disposals	12	2	2	2	3	3
Alternatively-financed capital investment	247	156	168	146	229	220
Alternatively-financed capital grants	75	45	56	26	42	23
Direct borrowing	-	737	31	-	-	-
Total sources	1,037	1,738	1,044	1,056	1,192	1,168
Total Capital Cash Adjustments	(1,166)	(1,018)	(1,290)	(1,190)	(687)	(1,239)

Retained Income of Funds and Agencies

Alberta Heritage Savings Trust Fund inflation-proofing	(360)	(339)	(383)	(306)	(313)	(319)
Alberta Treasury Branches	(199)	(188)	(206)	(214)	(279)	(330)
Agriculture Financial Services Corporation	(192)	(259)	(289)	(268)	(305)	(316)
Alberta Social Housing Corporation	(36)	1	(16)	11	16	16
Access to the Future Fund	(5)	(50)	(50)	(52)	(9)	(11)
Heritage Foundation for Medical Research Endowment Fund	(15)	(10)	52	3	11	9
Heritage Science and Engineering Research Endowment Fund	(19)	(7)	27	(1)	(6)	(15)
Heritage Scholarship Fund	(28)	(13)	24	(5)	(9)	(11)
Alberta School Foundation Fund	28	(14)	(37)	26	-	-
Alberta Capital Finance Authority	-	(13)	(33)	(30)	(20)	(19)
Alberta Cancer Prevention Legacy Fund	(2)	10	1	10	10	10
Other	(21)	(8)	(28)	(10)	(1)	(7)
Total Retained Income of Funds and Agencies	(849)	(890)	(938)	(836)	(905)	(993)

Other Cash Adjustments

Energy royalties	246	(428)	(553)	(633)	(493)	(176)
Student loans	(118)	(124)	(89)	(106)	(97)	(84)
Other	(105)	(46)	(161)	(81)	(106)	(341)
Total Other Cash Adjustments	23	(598)	(803)	(820)	(696)	(601)

^a Negative cash adjustments are a cash requirement; positive cash adjustments are a cash source.

Balance Sheet Details

(millions of dollars)

	At March 31				
	2011 Actual	2012 Forecast	2013 Estimate	2014 Target	2015 Target
Financial Assets					
Heritage Fund equity	14,198	14,581	14,887	15,200	15,519
Endowment funds					
Alberta Heritage Foundation for Medical Research	1,264	1,212	1,209	1,198	1,189
Alberta Heritage Science and Engineering Research	727	700	701	707	721
Alberta Heritage Scholarship	721	697	702	712	723
Alberta Cancer Prevention Legacy Fund	491	491	481	471	461
Alberta Enterprise Corporation	99	98	98	98	98
Sustainability Fund	11,192	7,462	3,730	2,394	4,754
Debt Retirement Account	843	503	253	203	156
Self-supporting lending organizations					
Alberta Capital Finance Authority	9,889	10,919	11,664	12,458	12,889
Agriculture Financial Services Corporation	2,717	3,097	3,611	4,161	4,699
Equity in commercial enterprises ^a	2,615	2,723	3,068	3,441	3,886
Student loans	438	528	634	730	814
Other cash, marketable securities and accounts receivable	6,526	6,308	6,912	7,237	7,461
Total Financial Assets	51,720	49,319	47,950	49,010	53,370
Liabilities					
Accumulated debt					
General Revenue Fund direct term debt	477	196	-	-	-
Alberta Social Housing Corporation	228	201	173	142	110
School construction loans	123	91	65	46	31
Accumulated debt	828	488	238	188	141
Pension liabilities	9,716	9,947	10,155	10,336	10,491
Self-supporting lending organizations					
Alberta Capital Finance Authority	9,889	10,919	11,664	12,458	12,889
Agriculture Financial Services Corporation	1,738	1,840	2,086	2,333	2,554
Liabilities for capital projects	3,199	3,435	3,579	3,817	3,117
Debt issued to reduce pre-1992 Teachers' Pension Plan unfunded liability	1,186	1,186	1,187	1,187	943
Accounts and interest payable	6,520	5,867	5,797	5,601	5,646
Other accrued liabilities, including guarantees, indemnities and remissions	246	225	225	225	225
Total Liabilities	33,322	33,907	34,931	36,145	36,006
Net Financial Assets	18,398	15,412	13,019	12,865	17,364
Capital assets	18,975	20,412	21,711	22,636	23,175
Net Assets	37,373	35,824	34,730	35,501	40,539
Adjustment for pension liabilities	9,716	9,947	10,155	10,336	10,491
Net Assets for Fiscal Policy Purposes^b	47,089	45,771	44,885	45,837	51,030

^a An adjustment reducing the net equity of Alberta Treasury Branches by \$109 million is being made to the April 1, 2011 opening balance to reflect adopting International Financial Reporting Standards. This is included in the March 31, 2012 forecast.

^b Under the *Fiscal Responsibility Act*. Excludes assets and liabilities of SUCH sector organizations and Alberta Innovates corporations, and pension liabilities.

Capital Assets

(millions of dollars)

	2010-11 Actual	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Net book value at start of year	17,532	18,975	20,412	21,711	22,636
Capital investment	2,192	2,315	2,218	1,846	1,464
Capital amortization	(703)	(787)	(882)	(918)	(922)
Net book value of capital asset disposals	(12)	(2)	(2)	(3)	(3)
Adjustments / writedowns	(34)	(89)	(35)	-	-
Net Book Value of Capital Assets at End of Year	18,975	20,412	21,711	22,636	23,175

Accumulated Debt

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Accumulated debt at start of year	1,092	828	828	488	238	188
Repayments from Debt Retirement Account:						
General Revenue Fund direct term debt maturities	(202)	(281)	(281)	(196)	-	-
School construction loan repayments	(37)	(32)	(32)	(26)	(20)	(15)
Alberta Social Housing Corporation debt repayment	(25)	(27)	(27)	(28)	(30)	(32)
Accumulated debt at end of year	828	488	488	238	188	141
Less: Debt Retirement Account	(843)	(503)	(503)	(253)	(203)	(156)
Accumulated Debt less Debt Retirement Account	(15)	(15)	(15)	(15)	(15)	(15)

Pension Liabilities

(millions of dollars)

	At March 31					
	2011 Actual	2012 Budget	2012 Forecast	2013 Estimate	2014 Target	2015 Target
Teachers' Pension Plan - pre-1992 unfunded liabilities	7,540	7,374	7,474	7,390	7,289	7,178
Teachers' Pension Plan - post-1992 unfunded liabilities	418	414	453	484	505	510
Public Service Management (Closed) Pension Plan ^a	621	659	601	581	561	541
Local Authorities Pension Plan	410	625	525	640	755	870
Universities Academic Pension Plan	316	323	331	346	361	376
Management Employees Pension Plan	137	166	197	257	317	377
Special Forces Pension Plan	121	124	123	125	127	129
Public Service Pension Plan	67	210	157	247	337	427
Members of the Legislative Assembly Pension Plan ^a	44	49	43	42	41	40
Public Service Supplementary Retirement Plan	40	40	41	41	41	41
Provincial Judges and Masters in Chambers Pension Plan	2	11	2	2	2	2
Total Pension Liabilities	9,716	9,995	9,947	10,155	10,336	10,491

^a Membership for the plans is closed and pensionable service is no longer being accrued.

Liabilities for Capital Projects

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Opening balance	2,888	4,303	3,199	3,435	3,579	3,817
Alternative financing (P3s - public-private partnerships)	322	201	224	172	271	243
Direct borrowing	-	737	31	-	-	-
Principal repayment / amortization of debt issue costs	(11)	(19)	(19)	(28)	(33)	(943)
Total Liabilities for Capital Projects	3,199	5,222	3,435	3,579	3,817	3,117

General Revenue Fund Term Debt Maturities^a

(millions of dollars)

	Par Amount (Cdn\$ millions)	Coupon Rate (%)	Maturity Date
2011-12 Term Debt Maturities			
1992 Canada Pension Plan debenture	281	9.92	March 2, 2012
School construction loans / Alberta Social Housing Corporation debt	59	varied	varied
2011-12 Total		340	
2012-13 Term Debt Maturities			
1993 Canada Pension Plan debenture	196	9.37	March 1, 2013
School construction loans / Alberta Social Housing Corporation debt	54	varied	varied
2012-13 Total		250	
2013-14			
School construction loans / Alberta Social Housing Corporation debt	50	varied	varied
2013-14 Total		50	
2014-15 Term Debt Maturities			
School construction loans / Alberta Social Housing Corporation debt	47	varied	varied
Debt issued to reduce pre-1992 Teachers' Pension Plan unfunded liability	244	2.75	December 1, 2014
Direct borrowing for capital purposes	291	2.93	October 2, 2014
Direct borrowing for capital purposes	536	2.75	December 1, 2014
Direct borrowing for capital purposes	78	3.30	March 15, 2015
2014-15 Total		1,196	

^a Does not include principal repayment on borrowing on-lent to provincial corporations (Agriculture Financial Services Corporation, Alberta Capital Finance Authority), or to Alberta Treasury Branches, or related to liabilities under public-private partnerships (P3s). General Revenue Fund (GRF) term debt includes:

1) Accumulated debt, which is more than offset by assets in the Debt Retirement Account, and comprises:

- Direct GRF debt of \$196 million at March 31, 2012 (will be fully repaid by March 31, 2013);
- Alberta Social Housing Corporation debt of \$201 million at March 31, 2012, maturing between 2013-30;
- School construction loans of \$91 million at March 31, 2012, maturing between 2013-20.

2) Debt of \$1.187 billion at March 31, 2012, incurred in 2009-10 to reduce the pre-1992 Teachers Pension Plan unfunded liability, partially maturing in 2014-15, in 2019-20 and fully repaid in 2040-41.

3) Direct borrowing for capital purposes of \$1.494 billion at March 31, 2012, partially maturing in 2014-15 and fully repaid in 2019-20.

2012-13 Financing Requirements

(millions of dollars)

	2010-11 Actual	2011-12 Budget	2011-12 Forecast	2012-13 Estimate	2013-14 Target	2014-15 Target
Term debt borrowing for provincial corporations:						
Agriculture Financial Services Corporation	410	280	295	353	319	264
Alberta Capital Finance Authority	-	2,100	2,570	2,585	2,725	1,070
Alberta Treasury Branches	-	800	1,350	550	400	300
Direct borrowing for capital purposes	-	737	31	-	-	-
Total Financing Requirements	410	3,917	4,246	3,488	3,444	1,634

Loans and Advances^a

(millions of dollars)

	At March 31		
	2011 Actual	2012 Forecast	
Loans and Advances			
Agriculture Financial Services Act	1,428	1,712	
Student Financial Assistance Act	618	766	
Alberta Heritage Savings Trust Fund Act			
Ridley Grain Ltd.	169	165	
Vencap Acquisition Corporation	3	3	
Alberta Housing Act	8	7	
Financial Administration Act			
Accountable advances	7	8	
	2,233	2,661	
Allowance for doubtful loans, advances, implemented guarantees and indemnities^a			
Ridley Grain Ltd.	(24)	-	
Student Loan Relief Completion Payments	(113)	(152)	
Other	(74)	(87)	
	(211)	(239)	
Total Loans and Advances	2,022	2,422	

^a When a loan is considered to be impaired, accrued interest is no longer included in income. This does not alter the borrower's obligation to pay all accrued interest.

Guarantees

(millions of dollars)

	At March 31		
	2011 Actual	2012 Forecast	
Guarantees			
Student Financial Assistance Act	2	2	
Alberta Housing Act	9	-	
Feeder Associations	42	41	
Agriculture Financial Services Act	8	8	
Securities Act	2	2	
University of Calgary	1	-	
	64	53	
Provision for loan defaults under guarantee	(1)	-	
Total Guarantees	63	53	

2012–13 Allocation of Lottery Fund Revenue

(thousands of dollars)

Lottery Fund Revenue ^a	1,338,405
Advanced Education and Technology	
Capital Maintenance and Renewal	76,000
	Alberta Health Services - Community and Population Health Services
	450,000
Agriculture and Rural Development	
Major Fairs and Exhibitions	21,840
Agricultural Service Boards	11,600
Agricultural Societies	8,670
Agriculture Initiatives	1,450
	Human Services
	Family and Community Support Services
	45,000
	Fetal Alcohol Spectrum Disorder Initiatives
	12,000
	Summer Temporary and Other Employment Programs
	7,400
	Prevention of Family Violence and Bullying
	6,500
	Settlement and Integration
	4,574
Culture and Community Services	
Community Facility Enhancement Program	38,000
Assistance to the Alberta Foundation for Arts	26,925
Community Initiatives Program	25,250
Alberta Multimedia and Development Fund	19,780
Community Spirit Donation Grant Program	15,500
Support for Cantos Music Foundation	15,500
Assistance to the Alberta Historical Resources Foundation	8,415
Other Initiatives	4,100
	Intergovernmental, International and Aboriginal Relations
	First Nations Development Fund
	120,000
	First Nations and Metis Relations
	200
	Justice
	Assistance to the Human Rights Education and Multiculturalism Fund
	1,700
	Tourism, Parks and Recreation
	Assistance to the Alberta Sport, Recreation, Parks and Wildlife Foundation
	23,379
	Parks Operations
	10,000
Education	
School Facilities Infrastructure	113,600
	Environment and Water
Resource Management	500
	Transportation
	Municipal Water Wastewater Program / Water for Life
	84,568
Finance	
Horse Racing and Breeding Renewal Program	26,000
Bingo Associations	7,100
Gaming Research	1,600
	Total Lottery Fund Allocation
	1,338,405

^a Includes \$2 million of interest income.

Premiums, Fees and Licences Changes

Ministry / Description	2011-12	2012-13
Tourism, Parks and Recreation		
Parks		
Seasonal Camping at Selected Parks - per season based on base camping fee	\$0	\$600-\$3,000
Comfort Camping at Selected Parks - per camping party per night	\$0	\$80-\$200
Recreational Camping Vehicle & Equipment	\$0	\$40-\$100
Tourism		
Cypress Hills and Writing-on-Stone - overnight lodging and visitor centre rentals	\$0	\$30-\$1,000
Cypress Hills and Writing-on-Stone - staff housing rental and utility rates	\$100-\$465	\$110-\$515

Major Provincial Tax Rates, 2012

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax										
Statutory rate range										
- lowest rate	(%)	10.00	5.06	11.00	10.80	5.05	16.00 ^a	9.10	8.79	9.80
- highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00 ^a	14.30	21.00	16.70
Surtax	(%)	-	-	-	-	20/36	-	-	-	10.00
Combined federal/provincial top marginal rate ^b	(%)	39.00	43.70	44.00	46.40	46.41	48.22	43.30	50.00	47.37
Personal amount	(\\$)	17,282	11,354	14,942	8,634	9,405	10,925	9,203	8,481	7,708
Spousal amount	(\\$)	17,282	9,964	14,942	8,634	7,986	10,925	7,815	7,201	6,546
Corporate Income Tax										
General rate	(%)	10.0	10.0	12.0	12.0	11.0 ^c	11.9	10.0	16.0	16.0
M&P rate	(%)	10.0	10.0	10.0	12.0	10.0	11.9	10.0	16.0	16.0
Small business										
- rate	(%)	3.0	0.0	2.0	0.0	4.5	8.0	4.5	4.0	4.0
- threshold	(\\$000)	500	500	500	400	500	500	500	400	500
Capital Tax										
General	(max.%)	-	-	-	-	-	-	-	- ^d	-
Financial institutions	(max.%)	-	-	3.25	3.00	-	0.25 ^e	3.00	4.00	5.00
Sales Tax	(%)	-	7.0	5.0	7.0	8.0	9.5 ^f	8.0	10.0	10.0 ^f
Gasoline Tax	(¢/litre)	9.0	21.2 ^{g, h}	15.0	11.5	14.7 ^h	18.2 ^{g, h}	13.6 ^h	15.5 ^h	15.8 ⁱ
Tobacco Tax	(\$/carton)	40.00	37.00 ^h	42.00 ^h	45.00	24.70 ^h	21.80	34.00 ^h	43.04 ^h	50.80
Payroll Tax	(max.%)	-	-	-	2.15	1.95	4.26 ^j	-	-	2.00

Rates for other provinces known as of January 24, 2012.

^a Quebec residents receive an abatement of 16.5% of basic federal tax because of the province's decision to opt out of federal cash transfers in support of provincial programs.

^b The top federal personal income tax rate is 29%, except in Quebec where the top federal rate is 24.22% because of the federal abatement.

^c Ontario's corporate income tax rate will be reduced from 11.5% to 11.0% on July 1, 2012.

^d Nova Scotia will reduce its Large Corporations Tax from 0.05% to 0% on July 1, 2012.

^e Quebec levies a 0.25% compensation tax on the paid-up capital of financial institutions.

^f These provinces apply their sales tax on the retail price of the goods and services inclusive of the Goods and Services Tax (GST).

^g An additional 9 ¢/litre is imposed in the greater Vancouver area, 3.5 ¢/litre in Victoria and 3 ¢/litre in Montreal. The British Columbia rate includes the carbon tax on gasoline of 6.67 ¢/litre (carbon tax rate is 5.56 ¢/litre for the first six months of the year). Quebec will increase its fuel tax from 17.2 ¢/litre to 18.2 ¢/litre on April 1, 2012.

^h These provinces apply their retail sales tax or the provincial portion of their Harmonized Sales Tax (HST) on the retail price of the good inclusive of the particular excise tax. In British Columbia, gasoline is subject to the HST, but receives an immediate point of sale rebate for the provincial portion of the HST.

ⁱ This rate is based on a 7.1 ¢/litre base rate and 10.7% of the average wholesale price. The rate is calculated on a monthly basis with the total tax rate capped at 15.8 ¢/litre.

^j Quebec also levies a compensation tax of up to 3.9% on salaries and wages paid by financial institutions that is not included in this rate.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2010-11 Actual	2011-12 Estimates	2012-13	2013-14	2014-15
Prices					
Crude Oil Price					
WTI (US\$/bbl)	83.38	96.25	99.25	106.25	108.25
Alberta Wellhead (Cdn\$/bbl) ^a	73.57	89.27	90.18	96.94	99.04
WCS @ Hardisty (Cdn\$/bbl)	66.70	77.98	83.28	91.23	92.94
Natural Gas Price					
Alberta Reference Price (Cdn\$/GJ)	3.28	3.11	3.00	3.50	4.25
Production					
Conventional crude oil (000s barrels/day)	464	492	524	529	515
Raw bitumen (000s barrels/day)	1,614	1,788	2,045	2,208	2,402
Natural gas (billions of cubic feet)	4,530	4,327	4,085	3,888	3,734
Interest rates					
3-month Canada treasury bills (per cent)	0.75	0.95	1.00	1.70	3.25
10-year Canada bonds (per cent)	3.20	2.55	2.80	3.40	4.25
Exchange Rate (US\$/Cdn\$)	98.4	100.3	98.6	99.0	99.0
Calendar Year Assumptions	2011 Actual	2012	2013	2014	2015
Gross Domestic Product					
Nominal (millions of dollars)	286,552 ^b	306,657	330,377	352,443	372,047
per cent change	8.7 ^b	7.0	7.7	6.7	5.6
Real (millions of 2002 dollars)	189,622 ^b	196,913	204,470	210,588	216,883
per cent change	3.5 ^b	3.8	3.8	3.0	3.0
Other Indicators					
Employment (thousands)	2,094	2,151	2,200	2,246	2,288
per cent change	3.8	2.7	2.3	2.1	1.9
Unemployment rate (per cent)	5.5	4.9	4.6	4.3	4.0
Average Weekly Earnings (per cent change)	4.7 ^b	4.2	4.1	4.1	4.2
Personal Income (per cent change)	6.9 ^b	6.2	6.0	6.3	6.2
Corporate Profits (per cent change)	15.0 ^b	11.8	17.5	8.4	1.7
Housing starts (number of units)	25,704	28,200	30,600	30,300	30,300
Alberta Consumer Price Index (per cent change)	2.4	2.5	2.3	2.3	2.3
Population (thousands)	3,779	3,848	3,919	3,990	4,061
per cent change	1.6	1.8	1.8	1.8	1.8

^a Refers to the average price per barrel of Alberta light, medium and heavy oil.

^b Alberta Finance estimate.

Sensitivities to Fiscal Year Assumptions, 2012–13^a (millions of dollars)

	Change	Net Impact (2012-13)
Oil Price (WTI US\$/bbl)	-\$1.00	-223
Natural Gas Price (Cdn\$/GJ)	-10 Cents	-28
Exchange Rate (US\$/Cdn\$)	+ 1 Cent	-247
Interest Rates	+1%	-223
Personal Income	-1%	-119

^a Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12-month period. Sensitivities can vary significantly at different price and rate levels.

The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Full-Time Equivalent Employment

	2011-12 Budget ^a	2012-13 Estimate	Change
Investing in Families and Communities			
Culture and Community Services	479	479	-
Health and Wellness	795	822	27
Human Services	4,912	4,912	-
Justice	3,050	3,065	15
Municipal Affairs	502	535	33
Seniors	1,946	1,960	14
Solicitor General and Public Security	3,480	3,746	266
Tourism, Parks and Recreation	595	595	-
	15,759	16,114	355
Securing Alberta's Economic Future			
Advanced Education and Technology	601	601	-
Education	703	703	-
Finance	1,189	1,264	75
Infrastructure	944	940	(4)
Service Alberta	1,372	1,372	-
Transportation	798	798	-
Treasury Board and Enterprise	410	417	7
	6,017	6,095	78
Advancing World-leading Resource Stewardship			
Agriculture and Rural Development	1,650	1,650	-
Energy	1,807	1,817	10
Environment and Water	919	919	-
Intergovernmental, International and Aboriginal Relations	265	297	32
Sustainable Resource Development	1,703	1,703	-
	6,344	6,386	42
Other			
Executive Council	185	185	-
Legislative Assembly	587	607	20
Total Full-Time Equivalent Employment	28,892	29,387	495

^a The 2011-12 Budget numbers have been restated to be on a comparable basis with the 2012-13 Estimate numbers, increasing Municipal Affairs FTEs by 14 and Advanced Education and Technology FTEs by 6.

2012–13 Ministry Expense by Function

(millions of dollars)

	Health	Education	Social Services	Economic Development ^a	Transportation ^b	Protection of Persons and Property	Regional Planning and Development	Environment	Recreation and Culture	Housing	General Government	Debt Servicing Costs	Total Expense
Legislative Assembly	-	-	11	-	-	-	-	-	-	-	122	-	133
Advanced Education and Technology	-	2,652	-	286	-	-	-	-	-	-	-	-	2,938
Agriculture and Rural Development	-	-	-	1,002	-	-	-	-	-	-	-	75	1,077
Culture and Community Services	-	-	-	20	-	-	-	-	211	-	-	-	231
Education	-	6,543	-	-	-	-	-	-	-	-	-	26	6,569
Energy	-	-	-	431	39	-	-	13	-	-	56	-	539
Environment and Water	-	-	-	-	-	-	-	318	-	-	-	-	318
Executive Council	-	-	-	-	-	-	-	-	-	-	32	-	32
Finance	-	3	118	129	-	44	1	-	9	-	895	354	1,553
Health and Wellness	15,982	-	-	-	-	-	-	-	-	-	-	-	15,982
Human Services	35	233	2,163	60	-	61	-	-	-	-	4	-	2,556
Infrastructure	693	5	-	-	4	-	3	32	-	36	591	-	1,364
Intergovernmental, International and Aboriginal Relations	-	-	-	25	-	-	156	-	2	-	8	-	191
Justice	-	-	86	-	-	451	-	-	-	-	-	-	537
Municipal Affairs	-	-	20	-	-	81	957	-	32	188	57	14	1,349
Seniors	135	-	2,300	-	-	-	-	-	-	26	-	-	2,461
Service Alberta	-	-	-	-	-	89	-	-	-	-	229	-	318
Solicitor General and Public Security	-	-	29	17	-	719	-	4	3	-	-	-	772
Sustainable Resource Development	-	-	-	155	-	111	-	25	-	-	-	-	291
Tourism, Parks and Recreation	-	-	-	69	-	-	-	-	113	-	-	-	182
Transportation	-	-	-	-	1,852	31	-	2	-	-	-	62	1,947
Treasury Board and Enterprise	-	-	-	14	-	-	5	-	-	-	150	-	169
In-year savings ^c	-	-	-	-	-	-	-	-	-	-	-	-	(360)
Total Expense	16,845	9,436	4,727	2,208	1,895	1,587	1,122	394	370	250	2,144	531	41,149

^a Agriculture, Resource Management and Economic Development.^b Transportation, Communications and Utilities.^c In-year savings have not been allocated to any functional area.

2012–13 Ministry Expense by Object

(millions of dollars)

	Salaries, Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers	Financial Transactions and Others	Amortization of Capital Assets ^a	Intra-Ministry Consolidation Adjustments	Ministry Expense	Inter-Ministry Consolidation Adjustments	Total Expense
Legislative Assembly	67	47	-	-	18	1	-	133	-	133
Advanced Education and Technology	69	60	2,713	2	90	6	(2)	2,938	-	2,938
Agriculture and Rural Development	161	64	159	367	677	16	(367)	1,077	-	1,077
Culture and Community Services	48	32	147	35	-	4	(35)	231	-	231
Education	71	92	6,378	3	26	2	-	6,572	(3)	6,569
Energy	212	85	221	45	-	21	(45)	539	-	539
Environment and Water	111	54	131	-	-	22	-	318	-	318
Executive Council	25	7	-	-	-	-	-	32	-	32
Finance	171	111	43	2,600	1,217	11	(2,270)	1,883	(330)	1,553
Health and Wellness	86	139	15,695	-	2	60	-	15,982	-	15,982
Human Services	506	682	1,359	938	-	9	(938)	2,556	-	2,556
Infrastructure	92	425	711	3	-	136	-	1,367	(3)	1,364
Intergovernmental, International and Aboriginal Relations	39	12	140	-	-	-	-	191	-	191
Justice	354	76	74	2	27	6	(2)	537	-	537
Municipal Affairs	63	37	1,204	92	15	30	(92)	1,349	-	1,349
Seniors	159	612	1,688	655	1	1	(655)	2,461	-	2,461
Service Alberta	128	138	-	49	-	52	-	367	(49)	318
Solicitor General and Public Security	310	300	145	1	-	17	-	773	(1)	772
Sustainable Resource Development	154	114	6	18	1	16	(16)	293	(2)	291
Tourism, Parks and Recreation	59	80	24	74	1	18	(74)	182	-	182
Transportation	67	408	958	-	62	452	-	1,947	-	1,947
Treasury Board and Enterprise	45	17	105	-	-	2	-	169	-	169
In-year savings ^b										(360)
Total Expense	2,997	3,592	31,901	4,884	2,137	882	(4,496)	41,897	(388)	41,149

^a Includes consumption of inventories.^b In-year savings have not been allocated to any expense category. They are included in Total Expense for the purposes of this presentation.

2012–13 Operating Expense^a

(millions of dollars)

	2011-12 Forecast	2012-13 Estimate	Change from 2011-12 Forecast		
			\$	%	Main Reasons for Change
Investing in Families and Communities					
Culture and Community Services	169	174	5	3.0	Salary, wage and employee benefit adjustments / historic sites and museums
Health and Wellness	14,706	15,864	1,158	7.9	Alberta Health Services (base plus new capacity) / new strategic investments
Human Services	2,418	2,547	129	5.4	Child Intervention / Child Care Subsidy caseloads / CFSA contract agency wages
Justice	519	531	12	2.4	Salary, wage and employee benefit adjustments
Municipal Affairs	353	369	16	4.4	Grants in place of taxes
Seniors	2,057	2,435	378	18.4	AISH financial benefits / PDD contracted agency wages
Solicitor General and Public Security	679	755	76	11.1	Policing / Edmonton Remand Centre / salary, wage and employee benefit adjustments
Tourism, Parks and Recreation	160	163	3	2.2	Salary, wage and employee benefit adjustments
	21,061	22,838	1,777	8.4	
Securing Alberta's Economic Future					
Advanced Education and Technology	2,780	2,856	76	2.7	Operating support for post-secondary institutions
Education	5,977	6,179	202	3.4	Operating support for public and separate school boards
Finance	1,129	1,188	59	5.2	SR & ED Tax Credit / teachers' pre-1992 pensions
Infrastructure	499	507	8	1.5	Salary, wage and employee benefit adjustments
Service Alberta	251	266	15	6.2	Salary, wage and employee benefit adjustments
Transportation	472	475	3	0.6	Salary, wage and employee benefit adjustments
Treasury Board and Enterprise	60	65	5	8.2	Salary, wage and employee benefit adjustments
	11,168	11,536	368	3.3	
Advancing World-leading Resource Stewardship					
Agriculture and Rural Development	836	945	109	13.1	Federal / provincial agriculture income support programs
Energy	340	380	40	11.8	Bioenergy initiatives / salary, wage and employee benefit adjustments
Environment and Water	178	197	19	10.6	Canada ecoTrust initiatives / salary, wage and employee benefit adjustments
Intergovernmental, International and Aboriginal Relations	174	191	17	9.5	International relations (externships)
Sustainable Resource Development	265	275	10	4.0	Salary, wage and employee benefit adjustments
	1,793	1,988	195	10.9	
Other					
Executive Council	30	32	2	4.7	Salary, wage and employee benefit adjustments
Legislative Assembly	123	132	9	7.3	Child and Youth Advocate / salary, wage and employee benefit adjustments
Total Operating Expense	34,175	36,526	2,351	6.9	

^a Excludes debt servicing costs, capital grants and other support, disaster/emergency assistance, amortization of capital assets, consumption of inventories and nominal sum disposals. Percentage change calculations based on changes in thousands of dollars.

Historical Fiscal Summary, 1995–96 to 2014–15^a

(millions of dollars)

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
																	Actual	Forecast	Estimate	Target	Target
INCOME STATEMENT^b																					
Revenue																					
1 Personal income tax ^c	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,834	4,613	4,649	4,677	7,622	8,271	8,708	7,877	7,631	8,521	9,314	9,936	10,637	
2 Corporate income tax	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,019	1,696	2,364	2,917	3,606	4,695	4,252	4,754	3,334	4,010	4,471	4,964	5,565	
3 Education property tax	1,205	1,169	1,212	1,118	1,128	1,151	1,094	1,113	1,178	1,247	1,283	1,330	1,393	1,466	1,532	1,589	1,655	1,762	1,812	1,859	
4 Other tax revenue	1,112	1,157	1,218	1,178	1,241	1,386	1,469	1,633	1,838	1,918	1,990	2,138	2,180	2,175	2,029	2,040	2,277	2,344	2,417	2,489	
5 Natural resource revenue	2,786	4,034	3,778	2,368	4,650	10,586	6,227	7,130	7,676	9,744	14,347	12,260	11,024	11,915	6,768	8,428	11,277	11,198	13,368	15,971	
6 Investment income	1,724	1,616	1,747	1,610	1,906	1,353	788	(462)	1,838	1,809	2,348	3,013	2,414	(1,917)	3,413	2,360	1,496	1,794	1,874	1,999	
7 Other own-source revenue	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,321	4,122	4,378	4,588	4,971	5,144	5,027	4,344	4,627	4,536	4,465	4,617	4,736	
8 Total own-source revenue	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,588	22,961	26,109	32,150	34,940	35,121	31,626	30,717	30,009	33,772	35,348	38,988	43,256	
9 Federal transfers	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,074	2,926	3,219	3,392	3,077	3,048	4,185	4,941	5,025	4,727	4,915	5,001	5,788	
10 Total revenue	15,515	16,652	17,754	16,819	20,103	25,527	21,926	22,662	25,887	29,328	35,542	38,017	38,169	35,811	35,658	35,034	38,499	40,263	43,989	49,044	
Expense by Function																					
11 Health	3,773	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,646	9,059	9,709	10,880	12,281	13,107	13,180	15,034	15,750	16,845	17,622	18,420	
12 Basic and Advanced Education	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,854	6,370	6,900	7,817	8,884	9,411	9,538	9,276	9,405	9,436	9,830	9,851	
13 Social Services	1,456	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,272	2,438	2,707	2,879	3,117	3,418	3,807	4,130	4,301	4,727	4,918	5,085	
14 Other program expense ^d	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,708	5,984	7,427	7,716	8,936	10,519	9,802	9,532	9,852	9,610	10,118	9,935	
15 Total program expense	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,053	21,480	23,851	26,743	29,292	33,218	36,455	36,327	37,972	39,308	40,618	42,488	43,291	
16 Debt servicing costs ^e	1,683	1,462	1,322	1,379	956	980	774	476	271	302	248	215	214	208	363	472	509	531	549	560	
17 Total expense	14,364	14,163	15,095	15,725	17,312	18,956	20,845	20,529	21,751	24,153	26,991	29,507	33,432	36,663	36,690	38,444	39,817	41,149	43,037	43,851	
18 Surplus (Deficit)	1,151	2,489	2,659	1,094	2,791	6,571	1,081	2,133	4,136	5,175	8,551	8,510	4,737	(852)	(1,032)	(3,410)	(1,318)	(886)	952	5,193	
19 CAPITAL PLAN^f	939	821	1,310	1,256	1,878	2,091	2,860	997	1,659	2,842	3,743	4,769	6,971	7,593	6,528	5,889	6,296	5,744	5,723	5,016	
BALANCE SHEET^b																					
20 Net financial assets (debt)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,696	15,607	20,398	28,318	36,047	39,410	36,954	33,017	28,114	25,359	23,174	23,201	27,855	
21 Capital assets	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,309	10,534	10,921	11,552	12,429	14,140	15,848	17,532	18,975	20,412	21,711	22,636	23,175	
22 Net Assets (Debt)	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,005	26,141	31,319	39,870	48,476	53,550	52,802	50,549	47,089	45,771	44,885	45,837	51,030	
23 Pension liabilities	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,927	5,059	5,235	5,435	5,593	7,883	10,081	9,279	9,716	9,947	10,155	10,336	10,491	
24 Accumulated debt ^g	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,730	2,500	3,498	4,083	7,653	7,653	9,848	14,983	11,192	7,462	3,730	2,394	4,754
25 Sustainability Fund assets ^h								910	1,180	674	4,243	6,091	7,472	6,974							
26 Capital Account assets ^h																					

^a Numbers have been restated on 2012-13 basis where possible. Beginning in 2012-13, transfers made through the tax system (Alberta Family Employment and Scientific Research and Experimental Development tax credits) are no longer netted against revenue. In addition, the Safety Codes Council is now reported on a line-by-line basis as opposed to modified equity basis. These increase both revenue and expense by the same amount. 2010-11 and 2011-12 numbers have been restated by \$180 and \$182 million. Beginning in 2007-08, external investment management fees are no longer netted against revenue, increasing both revenue and expense by the same amount.

^b Excludes revenue, expense, assets and liabilities of SUCH sector organizations and Alberta Innovates corporations, and the amount of, and annual change in pension liabilities.

^c The costs of the Alberta energy tax refund (\$345 million in 2000-01, \$320 million in 2001-02) and the 2005 Resource Rebates (\$1.3 billion in 2005-06) were netted against personal income tax.

^d In-year savings of \$240 million in 2011-12 and \$360 million in each of 2012-13, 2013-14 and 2014-15 are allocated to "Other program expense" for the purposes of this presentation.

^e Beginning in 2011-12, Alberta Capital Finance Authority debt charges are included in debt servicing costs rather than in program expense. Numbers for 2009-10 and 2010-11 have been restated.

^f Reflects capital grants and other capital support included in expense, and capital investment in government-owned assets not included in expense. Capital investment adds to capital assets which are depreciated over time through amortization expense.

^g Net of cash set aside for debt repayment.

^h The Capital Account was consolidated with the Sustainability Fund in 2009-10.

RESPONSE TO THE AUDITOR GENERAL

BUDGET
2012
Investing in People

TABLE OF CONTENTS

RESPONSE TO THE AUDITOR GENERAL

November 2011	133
April 2011	139

RESPONSE TO THE AUDITOR GENERAL – NOVEMBER 2011

The Auditor General reports twice a year on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's semiannual report titled *Report of the Auditor General of Alberta – November 2011* and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Environment and Water Climate Change and Emissions Management Fund—Use of Offsets 1. Department—Clarify guidance (Repeated) We again recommend the Department of Environment and Water clarify the guidance it provides to facilities, verifiers, offset project developers and offset protocol developers, to ensure they consistently follow the requirements in place to achieve the Alberta government's emissions reduction targets. 2. Department—Ensure all protocols meet new standard, and improve transparency We recommend the Department of Environment and Water implement processes to ensure that all approved protocols adhere to its protocol development standard. We also recommend the Department of Environment and Water improve its transparency by making key information about how protocols are developed publicly available.	<p>Accepted. The Department updates guidance documents on an annual basis. In 2011, the Department updated guidance to facilities, verifiers, offset project developers and offset protocol developers. Guidance documents for offset protocol developers were finalized in early 2011. The other guidance documents are currently posted for public comment and review.</p> <p>Accepted. Starting 2010, all new protocols have adhered to guidance published in the <i>Technical Guidance for Offset Protocol Developers</i> (January 2011) and existing protocols are being revised to meet these standards. Permanent records for protocol development are housed on the Carbon Offset Solutions website.</p>
Ministry Annual Reports 3. Department—Improving processes to select performance measures We recommend the Department of Treasury Board and Enterprise work with other ministries to improve processes for selecting measures for public reporting, including the sample to be reviewed by the Auditor General.	<p>Accepted. The Department continues to work with other ministries to improve processes relating to the selection of measures for public reporting, including those selected for review by the Auditor General. A checklist was developed and implemented to assist ministries in selecting appropriate measures for review and to manage issues such as changes to measure methodology. Quarterly progress reports will be shared with the Office of the Auditor General.</p>

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Advanced Education and Technology	
4. Alberta Innovates—Technology Futures—Improve project management governance and controls for new information systems	<p>We recommend that Alberta Innovates—Technology Futures improve its governance practices for the Corporate Information Systems project, by:</p> <ul style="list-style-type: none">• establishing formal project management policies, processes, standards and controls for the Corporate Information System project• establishing a project steering committee comprised of key stakeholders• documenting and communicating the roles and responsibilities for all stakeholders, including the steering committee, board sub-committee and project sponsors• updating the business case to set out the project's objectives that enables the steering committee to monitor and measure the project's progress• formally assessing the impact of the project on other strategic business initiatives and periodically updating the assessment
5. University of Calgary—Enterprise risk management	<p>We recommend that the University of Calgary adopt an integrated risk management approach to identify and manage the risks that impact the University as a whole.</p>
6. University of Calgary—Improve IT change management controls	<p>We recommend that the University of Calgary implement:</p> <ul style="list-style-type: none">• an organization-wide IT change management policy with supporting procedures and standards• processes to ensure the policy is consistently followed throughout the organization

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
7. University of Calgary—Secure access to its PeopleSoft system We recommend that the University of Calgary ensure access to its PeopleSoft system is secured and meets the University's security standards.	Accepted. The University of Calgary adopted an authentication process with the implementation of the IS2 (Innovative Support Services) project. Quarterly reviews of the effectiveness of the authentication process began in fall 2011.
Agriculture and Rural Development	
8. Agriculture Financial Services Corporation— Lending controls We recommend that the Agriculture Financial Services Corporation ensure its key lending controls operate as designed.	Accepted. Agriculture Financial Services Corporation is in the process of reviewing its policy and procedures to implement changes to further improve the effectiveness of internal controls in specific areas by March 31, 2012.
9. Agriculture Financial Services Corporation— AgriStability accrual process We recommend that the Agriculture Financial Services Corporation ensure its procedures to develop the AgriStability accrual are properly documented and reviewed.	Accepted. Agriculture Financial Services Corporation has established procedures and approvals for determining the AgriStability accrual. During the 2011-12 fiscal year, the documentation of procedures will be formalized along with the segregation of duties, review and approval.
10. Alberta Livestock and Meat Agency Ltd.—Enterprise risk management We recommend that the Alberta Livestock and Meat Agency Ltd. improve its risk management processes.	Accepted. Alberta Livestock and Meat Agency Ltd. has developed and implemented a risk management process which has been incorporated into its strategic and business planning process.
11. Alberta Livestock and Meat Agency Ltd.— Compliance with contracting procedures We recommend that the Alberta Livestock and Meat Agency Ltd. ensure compliance with its contracting procedures.	Accepted. Alberta Livestock and Meat Agency Ltd. has changed its processes to ensure compliance with its contract policies.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Education	
12. Department—Consolidation processes	<p>We recommend that the Department of Education improve its processes to consolidate the financial information of school jurisdictions into the Ministry of Education's financial statements.</p>
Energy	
13. Department—Improving processes to recognize royalty revenue estimates in the financial statements	<p>We recommend that the Department of Energy improve its controls for:</p> <ul style="list-style-type: none"> • using consistent methods to calculate bitumen royalty estimates • conducting timely reviews of the calculations used to estimate natural gas royalty revenue
Finance	
14. Alberta Investment Management Corporation—Investment risk IT system	<p>We recommend that the Alberta Investment Management Corporation improve its controls over the investment risk IT system.</p>
15. Alberta Investment Management Corporation—AIMCo's revenue from cost recoveries	<p>We recommend that the Alberta Investment Management Corporation reconcile its revenue from cost recoveries reported in its financial statements to the total fees it recovers from its clients and investment pools.</p>
	<p>Accepted. The Ministry of Education will restrict stub period adjustments for school jurisdictions to amounts that materially affect the financial position or operating results of the Ministry. The consolidation process will ensure that any errors in calculations, estimates or adjusting entries are detected and corrected on a timely basis.</p>
	<p>Accepted. The Department will implement a revised methodology and develop a checklist to ensure that consistent methods are used to calculate bitumen royalty estimates for fiscal year end 2011-12. The Department has engaged an external consultant to undertake a comprehensive review of business processes, controls, and performance measures used to determine natural gas royalties. As part of this review, a comprehensive checklist and sign-off process will be established for the 2011-12 fiscal year end process.</p>
	<p>Accepted. Alberta Investment Management Corporation is developing an execution plan to improve its controls over the investment risk IT system. The plan is expected to be completed by March 31, 2012. These changes will help make risk assessments more accurate.</p>
	<p>Accepted. Alberta Investment Management Corporation (AIMCo) is in the process of improving its systems and controls. AIMCo is working on reconciling the amounts they charge to the investment pools with their Controller's Reports. This will be completed by March 31, 2012.</p>

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>16. ATB Financial—New banking system internal controls</p> <p>We recommend that ATB Financial confirm that the key controls in the new banking system, as identified in its risk and control matrices, are implemented and operate effectively.</p>	<p>Accepted. Management had concluded that internal controls were adequate prior to go-live. ATB started using the new banking system in September 2011. Management expects six to nine months to test the system's operating effectiveness.</p>
<p>Municipal Affairs</p> <p>17. Alberta Social Housing Corporation—Social housing contracting policy</p> <p>We recommend that the Alberta Social Housing Corporation develop a contracting policy for capital additions to its social housing portfolio and strengthen related contract management processes.</p>	<p>Accepted. The Ministry of Municipal Affairs will review and update the Alberta Social Housing Corporation's construction policies and related contracting processes. This recommendation will be implemented by March 31, 2012.</p>
<p>18. Department—Disaster recovery estimation methodology</p> <p>We recommend that the Department of Municipal Affairs clarify its method for initially estimating disaster recovery expenses.</p>	<p>Accepted. The Department will clarify its method for estimating future disaster recovery expenses. This recommendation will be implemented by March 31, 2012.</p>

RESPONSE TO THE AUDITOR GENERAL – APRIL 2011

The Auditor General reports twice a year on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's semiannual report titled *Report of the Auditor General of Alberta – April 2011* and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Finance and Enterprise</p> <p>Alberta Treasury Branches—Treasury Management</p> <p>1. Interest rate risk model assumptions (Repeated)</p> <p>We again recommend that Alberta Treasury Branches improve processes for creating, applying and validating assumptions used in its interest rate risk models.</p>	<p>Accepted. Significant progress has been made in identifying and quantifying key model assumptions. Additional efforts are required to institute an appropriate model review process for those assumptions. A completed project plan and preliminary key assumption reviews are anticipated by the end of the 2011-12 fiscal year.</p>
<p>Sustainable Resource Development</p> <p>Natural Resources Conservation Board—Confined Feeding Operations</p> <p>2. Surface water risks</p> <p>We recommend that the Natural Resources Conservation Board demonstrate that its compliance approach is adequate in proactively managing surface water risks.</p>	<p>Accepted. The current compliance and enforcement policy of the Natural Resources Conservation Board (NRCB) emphasizes education and a series of escalating steps where appropriate to ensure compliance with the <i>Agricultural Operation Practices Act</i>. The policy is complaint-based and employs a risk-based approach to dealing with the potential risk to groundwater, as well as surface water quality. NRCB has undertaken to demonstrate that its current approach in dealing with surface water quality risks is appropriate.</p>

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Advanced Education and Technology</p> <p>Grant MacEwan University</p> <p>3. Ensure contracts are signed before work begins (Repeated)</p> <p>We again recommend that Grant MacEwan University have signed contracts (interim or final) in place before projects start.</p>	<p>Accepted.</p>