

## Note on Scope of Reporting

The 2007-08 Government of Alberta Annual Report includes a larger scope of reporting than the budget and quarterly documents. The Annual Report includes the change in equity of Crown-controlled organizations in the SUCH sector (schools, universities, colleges and health authorities), which adds \$156 million to revenue. It also includes the change in pension obligations, which adds \$2.3 billion to expense. As a result, the surplus in the Annual Report is \$2.4 billion. This is \$2.1 billion lower than the \$4.6 billion surplus reported on budget/quarterly basis.

The following tables are on the same basis as *Budget 2007* and the quarterly updates (the changes in SUCH sector equity and pension obligations are excluded). The "Change from Forecast" refers to the 2007-08 Forecast published in *Budget 2008* (April 2008).

## FISCAL SUMMARY<sup>a</sup>

(millions of dollars)

2007-08

	Budget	Actual	Change from	
			Budget	Forecast <sup>b</sup>
1 Revenue	35,332	38,013	2,681	256
2 Expense				
3 Operating expense	27,019	26,921	(98)	(217)
4 Capital grants	4,656	5,170	514	(11)
5 Disaster/emergency assistance/natural gas rebates	527	553	26	(27)
6 Capital amortization and nominal sum disposals	625	574	(51)	(28)
7 Debt servicing costs	235	214	(21)	(11)
8 Total Expense	33,062	33,432	370	(294)
9 Surplus	2,270	4,581	2,311	550
<b>Cash Available For allocation</b>				
10 Surplus	2,270	4,581	2,311	550
11 Adjustments <sup>c</sup>	(1,836)	(1,193)	643	329
12 Cash transferred from previous year fourth quarter results	-	682	682	-
13 Net Cash Available for Allocation	434	4,070	3,636	879
<b>Allocation</b>				
14 Capital Account - net deposits for future-year commitments <sup>d</sup>	-	1,381	1,381	-
15 Heritage Fund - deposit	-	918	918	-
16 Heritage Fund - inflation-proofing	284	466	182	-
17 Scholarship Fund	-	227	227	-
18 Medical Research Endowment Fund	150	150	-	-
19 Current-Year Allocation	434	3,142	2,708	-
20 Cash from fourth quarter results transferred after March 31 <sup>e</sup>				
21 Deposit in Capital Account	-	616	616	586
22 Deposit in Heritage Fund	-	19	19	-
23 Deposit for Savings	-	293	293	293
24 Total Allocation	434	4,070	3,636	879

<sup>a</sup> For purposes of the *Fiscal Responsibility Act*. Revenue does not include the change in equity of Crown-controlled SUCH sector organizations. Expense does not include the change in unfunded pension obligations. Numbers have been restated to reflect a change to the accounting treatment of spending on provincial highway rehabilitation. This change has decreased expense by \$87 million and increased Capital Investment and the surplus by an equivalent amount.

<sup>b</sup> Forecast refers to the updated 2007-08 revenue and expense published in the *Budget 2008* documents. Revenue was \$227 million lower than the forecast published in the 2007-08 *Third Quarter Fiscal Update* due mainly to investment income. Expense was \$37 million lower due to lapses in some programs.

<sup>c</sup> Includes cash adjustments, retained income of funds and agencies and capital investment cash requirements.

<sup>d</sup> Net amount deposited in the Capital Account after current-year allocations and withdrawals. This includes \$0.5 billion surplus allocation spent in 2007-08.

<sup>e</sup> The forecast included \$30 million to be transferred to the Capital Account and \$19 million to be transferred to the Heritage Fund in 2008-09.

# REVENUE

(millions of dollars)

	2007-08		Change from		Main Reasons for Change from Budget
	Budget	Actual	Budget	Forecast	
<b>Income Taxes</b>					
Personal income tax	7,318	8,271	953	(82)	Higher personal income growth/prior years' adjustments
Corporate income tax	3,126	4,695	1,569	312	Higher profits/adjustment for tax refunds
	10,444	12,966	2,522	230	
<b>Other Taxes</b>					
Education property tax	1,378	1,393	15	15	Higher supplemental tax revenue
Tobacco tax	890	845	(45)	(25)	Lower-than-anticipated sales
Fuel tax	720	751	31	(4)	Stronger economic/population growth
Freehold mineral rights tax	333	247	(86)	(1)	Lower natural gas price/production
Insurance taxes	244	265	21	16	Stronger-than-expected prior year results/cash receipts
Tourism levy	65	72	7	-	Increase in hotel rates/number of stays
	3,630	3,573	(57)	1	
<b>Non-Renewable Resource Revenue</b>					
Natural gas and by-products royalty	6,023	5,199	(824)	22	Lower natural gas price
Crude oil royalty	1,060	1,655	595	49	Higher oil price/production
Synthetic crude oil and bitumen royalty	1,795	2,913	1,118	(5)	Higher oil price
Coal royalty	15	14	(1)	-	Various
Bonuses and sales of Crown leases	1,214	1,128	(86)	15	Lower price per hectare/fewer hectares sold
Rentals and fees	153	159	6	1	Increased oil sands leased hectares
Royalty tax credit	-	(44)	(44)	(14)	Revised forecast
	10,260	11,024	764	68	
<b>Transfers from Government of Canada</b>					
Health transfers	1,828	1,355	(473)	(1)	Higher income tax revenue/prior years' adjustments
Canada Social Transfer	924	866	(58)	-	Prior years' adjustments
Agriculture support programs	329	171	(158)	(24)	Lower AgriStability/CAIS program requirements
Other	634	656	22	7	Various changes
	3,715	3,048	(667)	(18)	
<b>Investment Income</b>					
Alberta Heritage Savings Trust Fund	1,219	827	(392)	(111)	Lower equity returns/write-downs of investments
Alberta Capital Finance Authority	295	320	25	9	Higher loan volume
Agriculture Financial Services Corporation	101	105	4	-	Higher balances
Sustainability Fund	275	339	64	3	Higher returns on short-term investments
Capital Account	210	313	103	7	Higher balances
Debt Retirement Account	81	91	10	2	Higher returns on short-term investments
Endowment Funds					
Medical Research	100	58	(42)	(15)	Lower equity market returns
Science and Engineering Research	56	28	(28)	(8)	Lower equity market returns
Scholarship	42	38	(4)	(4)	Lower equity market returns
Other	121	230	109	26	Higher balances
	2,500	2,349	(151)	(91)	
<b>Net Income from Commercial Operations</b>					
Alberta Gaming and Liquor Commission					
Gaming and lottery revenue	1,448	1,615	167	57	Higher casino activity
Liquor revenue	642	678	36	16	Volume increase
Alberta Treasury Branches	262	30	(232)	(144)	Write-downs of asset-backed commercial paper
Other	6	8	2	-	Various changes
	2,358	2,331	(27)	(71)	
<b>Premiums, Fees and Licences</b>					
Health care insurance premiums	919	979	60	(3)	Increased registrants
Motor vehicle licences	332	361	29	(1)	Increase in vehicle registrations
Crop and hail insurance premiums	181	146	(35)	(1)	Lower participation
Timber rentals and fees	40	35	(5)	(5)	Pine beetle infestations and fire damage
Land titles	70	78	8	(3)	Strong real estate market
Other	334	372	38	21	Various changes
	1,876	1,971	95	8	
<b>Other</b>					
Refunds of Expense	100	125	25	12	Various changes
Climate change and emissions management	-	40	40	(23)	Emissions management credits
Fines and penalties	95	97	2	(4)	Volume increase
Miscellaneous	354	489	135	144	Over accrual/Husky Oil interest/capital disposals
	549	751	202	129	
<b>Total Revenue</b>	<b>35,332</b>	<b>38,013</b>	<b>2,681</b>	<b>256</b>	

## EXPENSE BY MINISTRY

(millions of dollars)

2007-08

Program <sup>a</sup>	Budget	Actual	Change from		Main Reasons for Change from Budget
			Budget	Forecast	
Legislative Assembly	93	86	(7)	(4)	MLA costs and allowances
Advanced Education and Technology	3,108	3,233	125	(16)	Post-secondary facility infrastructure
Agriculture and Food	1,026	832	(194)	(32)	Lower AgriStability/CAIS expenses
Children's Services	972	976	4	(6)	Contracted agency recruitment/retention
Education	5,447	5,619	172	(5)	Capital maintenance/payment to teachers
Employment, Immigration and Industry	854	870	16	-	Income support programs
Energy	300	294	(6)	(19)	Lower AUC transition costs/biofuel programs
Environment	164	266	102	(5)	Legal settlement/landfill development
Executive Council	23	23	-	(1)	
Finance	827	846	19	2	Pension contribution on behalf of teachers
Health and Wellness	12,072	12,062	(10)	(64)	Lower physician services billings/non-group benefits
Infrastructure and Transportation	2,967	2,884	(83)	(57)	Lower natural gas rebates/prices
International, Intergovernmental and Aboriginal Relations	68	64	(4)	(4)	Savings in foreign offices/strong Canadian dollar
Justice	383	382	(1)	(10)	Computer systems delays/vacancies
Municipal Affairs and Housing	837	1,017	180	(15)	Affordable housing/flood assistance
Seniors and Community Supports	1,765	1,732	(33)	(14)	Slower growth in AISH and senior benefits
Service Alberta	279	272	(7)	(5)	Decrease in amortization expense
Solicitor General and Public Security	512	517	5	(3)	Salary settlements
Sustainable Resource Development	354	484	130	(14)	Forest fires/mountain pine beetles
Tourism, Parks, Recreation and Culture	757	745	(12)	(10)	Horse racing and breeding renewal/Bingo Associations
Treasury Board	19	14	(5)	(1)	Program lapses
<b>Total Program Expense</b>	<b>32,827</b>	<b>33,218</b>	<b>396</b>	<b>(282)</b>	
Debt Servicing Costs	235	214	(21)	(11)	Lower borrowing and interest rates
<b>Total Expense</b>	<b>33,062</b>	<b>33,432</b>	<b>370</b>	<b>(294)</b>	

<sup>a</sup> Numbers have been restated to reflect transfers for "capital for emergent projects" totaling \$51.6 million, and transfers for capital project planning totaling \$11.5 million, from Infrastructure and Transportation to other ministries; and to reflect reclassification of \$83 million in capital grants and \$4 million in operating expense to Capital Investment.

## DISASTER/EMERGENCY ASSISTANCE AND NATURAL GAS REBATES

(millions of dollars)

2007-08

	Budget	Actual	Change from	
			Budget	Forecast
<b>Disaster/Emergency Assistance</b>				
Municipal Affairs and Housing (floods)	-	38	38	(11)
Sustainable Resource Development				
Mountain pine beetles	50	75	25	(5)
Forest fires	-	111	111	(1)
<b>Natural Gas Rebates</b>				
Infrastructure and Transportation	477	329	(148)	(10)
<b>Total Disaster/Emergency Assistance and Natural Gas Rebates</b>	<b>527</b>	<b>553</b>	<b>26</b>	<b>(27)</b>

# ALBERTA SUSTAINABILITY FUND

AT MARCH 31, 2008

(millions of dollars)

2007-08

	Budget	Actual	Change from	
			Budget	Forecast
<b>Assets at start of year</b>	7,653	7,653	-	-
<b>Transfers to (withdrawals from) Sustainability Fund</b>				
Non-renewable resource revenue transfer from general revenue	4,960	5,724	764	68
Other net transfers	-	2,422	2,422	455
Withdrawals for disaster/emergency assistance/natural gas rebates	(527)	(553)	(26)	27
Net transfers (withdrawals)	4,433	7,593	3,160	550
<b>Adjustments</b>				
Cash adjustments	(376)	46	422	176
Retained income of funds and agencies	(365)	(77)	288	153
Fourth quarter results				
Cash transferred from previous year	-	682	682	-
Assets transferred to Capital Account - current-year use	(3,258)	(4,174)	(916)	-
Total adjustments	(3,999)	(3,523)	476	329
<b>Assets prior to allocation</b>	8,087	11,723	3,636	879
Allocation to:				
Capital Account - future-year use	-	(1,381)	(1,381)	-
Heritage Fund - deposit	-	(918)	(918)	-
Heritage Fund - inflation-proofing	(284)	(466)	(182)	-
Scholarship Fund	-	(227)	(227)	-
Medical Research Endowment Fund	(150)	(150)	-	-
Cash from fourth quarter results transferred after March 31				
<b>Savings</b>				
Heritage Fund	-	(19)	(19)	-
To be determined	-	(293)	(293)	(293)
<b>Capital Account</b>	-	(616)	(616)	(586)
<b>Assets at end of year</b>	7,653	7,653	-	-

## CAPITAL PLAN SUMMARY

(millions of dollars)

	2007-08			
	Budget	Actual	Change from	
			Budget	Forecast
Municipal infrastructure support	1,402	1,526	124	39
Provincial highway network	1,342	1,388	46	(96)
Health facilities and equipment	1,220	1,290	70	(22)
Post-secondary facilities	747	906	159	-
Schools	508	620	112	1
Community facilities	407	359	(48)	(16)
Water and wastewater management	209	158	(51)	(26)
Housing, government facilities and equipment, and other capital	706	724	18	(36)
Capital for emergent projects <sup>a</sup>	166	-	(166)	(28)
<b>Total Capital Plan</b>	<b>6,707</b>	<b>6,971</b>	<b>264</b>	<b>(184)</b>

<sup>a</sup> Capital for emergent projects funding is reallocated to appropriate functional areas based on the projects funded.

## CAPITAL GRANTS TO LOCAL AUTHORITIES AND OTHER INFRASTRUCTURE SUPPORT<sup>a</sup>

(millions of dollars)

	2007-08			
	Budget	Actual	Change from	
			Budget	Forecast
Advanced Education and Technology	759	900	141	-
Agriculture and Food	30	24	(6)	(1)
Education	518	617	99	2
Employment, Immigration and Industry	9	1	(8)	-
Energy	2	4	2	2
Environment	1	16	15	-
Finance	4	6	2	-
Health and Wellness	1,173	1,237	64	(1)
Infrastructure and Transportation	1,362	1,429	67	(11)
Municipal Affairs and Housing	456	560	104	-
Seniors and Community Supports	30	70	40	(1)
Solicitor General and Public Security	6	-	(6)	(1)
Sustainable Resource Development	1	-	(1)	-
Tourism, Parks, Recreation and Culture	305	306	1	-
<b>Total Support</b>	<b>4,656</b>	<b>5,170</b>	<b>514</b>	<b>(11)</b>

<sup>a</sup> Included in program expense. Includes capital support for provincial capital planning, accommodations and government facility preservation expense. The Legislative Assembly, Children's Services, Executive Council, International, Intergovernmental and Aboriginal Relations, Justice, Service Alberta and Treasury Board have no capital grants, or they are under \$500,000. Numbers have been restated to reflect transfers for "capital for emergent projects" totaling \$51.6 million, and transfers for capital project planning totaling \$11.5 million, from Infrastructure and Transportation to other ministries; and to reflect reclassification of \$83 million in capital grants to Capital Investment.

## CAPITAL INVESTMENT AND AMORTIZATION<sup>a</sup>

(millions of dollars)

	2007-08				2007-08			
	Capital Investment				Capital Amortization			
	Budget	Actual	Change from		Budget	Actual	Change from	
		Budget	Forecast			Budget	Forecast	
Legislative Assembly	2	2	-	-	1	1	-	-
Advanced Education and Technology	11	12	1	(1)	8	5	(3)	-
Agriculture and Food	15	13	(2)	(2)	12	12	-	-
Children's Services	10	10	-	-	3	2	(1)	(1)
Education	1	2	1	-	1	2	1	1
Employment, Immigration and Industry	4	4	-	-	3	2	(1)	(1)
Energy	18	25	7	2	16	14	(2)	(2)
Environment	2	1	(1)	(1)	21	20	(1)	(1)
Executive Council	-	-	-	-	-	-	-	-
Finance	6	7	1	1	8	8	-	1
Health and Wellness	74	53	(21)	(21)	54	42	(12)	(12)
Infrastructure and Transportation	1,782	1,544	(238)	(120)	337	331	(6)	3
International, Intergovernmental and Aboriginal Relations	-	-	-	-	-	-	-	-
Justice	4	5	1	1	8	7	(1)	(1)
Municipal Affairs and Housing	1	1	-	-	26	25	(1)	(1)
Seniors and Community Supports	1	3	2	2	1	1	-	-
Service Alberta	41	40	(1)	(1)	40	31	(9)	(3)
Solicitor General and Public Security	24	5	(19)	(28)	1	2	1	1
Sustainable Resource Development	32	20	(12)	-	12	9	(3)	(3)
Tourism, Parks, Recreation and Culture	23	54	31	(5)	14	12	(2)	(2)
Treasury Board	-	-	-	-	-	-	-	-
<b>Total Capital Investment</b>	<b>2,051</b>	<b>1,801</b>	<b>(250)</b>	<b>(173)</b>	<b>566</b>	<b>526</b>	<b>(40)</b>	<b>(21)</b>

<sup>a</sup> Capital Investment includes purchase of inventory. Amortization includes consumption of inventory. Numbers have been restated to reflect a reclassification of \$87 million expense to Capital Investment. This includes \$83 million in capital grants and \$4 million in operating expense.

## FISCAL YEAR ASSUMPTIONS

	2007-08					
	Budget	1st	2nd	3rd	April	Actual
		Quarter	Quarter	Quarter	Forecast	
		Forecast	Forecast	Forecast	Forecast	
Oil Price (WTI US\$/bbl)	58.00	64.00	80.00	79.82	80.72	82.25
Natural Gas Price (Cdn\$/GJ)	6.75	6.50	6.00	5.85	5.88	5.92
Exchange Rate (Us\$/Cdn\$)	86.00	93.00	98.70	96.90	97.1	97.1
Interest Rates:						
3-month Canadian treasury bills	4.05	4.45	4.10	4.05	3.84	3.84
10-year Canadian bonds	4.25	4.60	4.45	4.25	4.18	4.18