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**Preface, Accountability Statement and  
Executive Summary - 2008-09 Annual Report**  
*of the Government of Alberta*

**Annual Report**  
2008–2009

**Government of Alberta** ■

This is the report to Albertans on **Budget 2008** *The Right Plan for Today & Tomorrow*. It is a permanent public record of the dollars spent and the results achieved by the Government of Alberta for the 2008-09 fiscal year.

The Government of Alberta Annual Report consists of two parts:

- **Consolidated Financial Statements**, which provide an overall accounting of the government's revenue and spending, and assets and liabilities.
- **Measuring Up**, which reports on the progress that has been made towards achieving the government's goals. *Measuring Up* is published in a separate document.

Annual reports for each ministry are published in September and provide additional detailed information on performance and financial results.



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## **ACCOUNTABILITY STATEMENT**

The government's Annual Report for the year ended March 31, 2009 was prepared under my direction on behalf of the government in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at June 24, 2009 with material economic or fiscal implications have been considered in the preparation of the Annual Report.

**Iris Evans**

**Minister of Finance and Enterprise**

## A MESSAGE FROM THE MINISTER OF FINANCE AND ENTERPRISE

I am pleased to present the Government of Alberta's 2008-09 Annual Report. The past year has been challenging, and government continues to take steps to help the province build on our strength as we move forward.

From the highs of US\$147 per barrel oil price, to the lows of the 30% to 40% losses in world equity markets, Alberta was affected by global conditions, especially the world recession that began to take shape in 2008. As a largely resource-based economy, we understand the need to be prudent in planning, but last year's volatility was even more pronounced than what we've come to expect in the province.

In the face of this volatility, the government continued to provide the programs and services that Albertans expect and deserve. In 2008-09, government committed \$36.7 billion to meet the needs of Albertans, including increased spending in priority areas to meet growth pressures. For example, Health expense increased 6.7 per cent from 2007-08, and included additional funding for health authority operations, physician services, supplementary health benefits, human tissue and blood services as well as new funding for Safe Communities Initiatives. Education spending increased 5.9 per cent, reflecting greater operating support for basic and post-secondary education.

Revenue was down almost \$3 billion from budget, mainly due to the stock market downfall. This will see the province post its first deficit in 15 years, at \$852 million. The 2008-09 deficit was permitted under the *Fiscal Responsibility Act*, as it arose due to lower-than-budgeted non-energy revenue.

Moving forward, Albertans can be confident the government will carefully manage spending to get the best value for the dollars you've entrusted us with. Further, the government has a 4-point plan that will help position Alberta for a strong economic recovery. Emphasis will be placed on keeping a close eye on government spending; drawing down our savings to protect the programs and services Albertans depend on; continuing to invest in public infrastructure to support jobs and the economy; and promoting Alberta to a global market. These priorities are part of a wider strategy to green Alberta's technology, maintain a competitive tax regime, boost internal and international trade, and support industry.

As the global economy begins to recover, the government will ensure that the programs and services Albertans expect and deserve continue to be provided, and that we take the necessary steps to position the province to be even stronger in the future.

**Iris Evans**

**Minister of Finance and Enterprise**

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## PREFACE

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 ministries.

**This annual report of the Government of Alberta contains the Minister's accountability statements, an Executive Summary, the consolidated financial statements of the Province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's business plan. The *Measuring Up* report is published in a separate document.**

The annual reports of ministries, released in the fall of each year, contain Ministers' accountability statements, the audited consolidated financial statements of the ministries and a comparison of actual performance results to desired results set out in the ministries' business plans. Each ministry annual report also includes:

- Financial statements of entities making up the ministry including departments (all departments combined form the General Revenue Fund), regulated funds, provincial agencies and Crown-controlled corporations,
- Other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of financial statements, to the extent that the ministry has anything to report, and
- Financial information relating to accountable organizations and trust funds.

## **EXECUTIVE SUMMARY**

## EXECUTIVE SUMMARY

### BUDGET 2008: THE RIGHT PLAN FOR TODAY AND TOMORROW

*Budget 2008* built on previous actions taken to manage Alberta's growth and support priorities for the future, with emphasis on:

- energy development and the environment;
- health care;
- strong, safe and vibrant communities;
- long-run sustainability of Alberta's economy;
- infrastructure required to meet the growth in Alberta's economy and population.

The strong global economic growth prevailing when *Budget 2008* was developed had elevated energy prices and pushed Alberta's economy to capacity. During 2008-09, a liquidity crisis led to severe disruptions in financial markets, falling energy prices and ultimately to global recession.

Alberta's fiscal position, with no accumulated debt and significant short-term savings, protected Albertans' programs, services, infrastructure spending and low tax regime. However, substantial losses on Heritage Fund and endowment fund investments caused Alberta's first deficit in 15 years.

## MAJOR INITIATIVES

### Program Initiatives

Operating expense increased by \$2.8 billion or 10% to \$29.8 billion.

- **Health.** Increased operating funding and consolidated nine regional health authority boards into one Health Services Board. Announced *Vision 2020*, a blueprint for a more efficient, effective and sustainable health care system, and a new *Pharmaceutical Strategy* for more accessible and affordable drug coverage.
- **Advanced and Basic Education.** Increased operating support to school boards and post-secondary institutions, providing for more student spaces, apprenticeship seats and the Small Class Size Initiative. Enhanced student financial assistance, early learning opportunities, adult literacy programs and efforts to improve high school completion rates.
- **Strong communities.** Established Safe Communities Secretariat, increased funding for policing, prosecution and court services and implemented Traffic Safety Plan initiatives.

- **Other.** Increases for climate change and water and wastewater management initiatives, AISH and PDD programs, and for child care spaces. Expanded continuing care system. Enhanced immigration and homelessness programs. Supported livestock industry.

### Capital Plan

Support for capital projects increased from 2007-08 by 8.9%, or \$623 million, to \$7.6 billion, with major increases for highways, housing, water and wastewater management and environmental projects.

### Revenue

Albertans and Alberta businesses continued to pay the lowest overall taxes when compared to other provinces. Health Care Insurance Premiums were eliminated, personal income taxes indexed and a new Scientific Research and Experimental Development Credit introduced. A new royalty framework became effective January 1, 2009.

### Fiscal Framework

The deficit was permitted under *Fiscal Responsibility Act* (FRA), as it arose due to lower-than-budgeted non-energy revenue. The FRA has been amended for 2009-10, to simplify the fiscal framework and increase flexibility.

#### NOTE ON SCOPE OF REPORTING

The Annual Report includes a larger scope of reporting than the budget and quarterly presentations. **On a budget presentation basis, the 2008-09 deficit was \$852 million. On the larger reporting basis, the deficit was \$2.9 billion.** The larger reporting scope includes:

- Net income of Crown-controlled entities in the SUCH sector (schools, universities, colleges, health authorities). Adds \$38 million to revenue.
- The change in pension liabilities. Adds \$2 billion to expense.
- An adjustment is also needed to reflect nominal sum disposals to SUCH sector entities. On the larger reporting scope they are treated as transfers of assets, but on the budget basis, as revenue and expense.

Commentary on changes from 2007-08 include the change in equity of the SUCH sector, while changes from budget and forecast exclude the change, as this information was not available.

## FISCAL HIGHLIGHTS

**Overview.** On a fully consolidated basis (includes \$2 billion for pension provisions and \$38 million increase in the equity of SUCH sector), the Province recorded a deficit of \$2.9 billion. On the same basis, in 2007-08 a surplus of \$2.4 billion was recorded.

On a budget basis (excluding pension provisions and the SUCH sector), the deficit was \$852 million, compared to a surplus of \$4.6 billion in 2007-08. The deficit resulted mainly from losses on investments.

**Revenue** was \$35.8 billion, \$2.5 billion or 6.5% lower than 2007-08 and \$2.9 billion lower than estimated in the budget.

- **Change from 2007-08.** Increases of \$1.1 billion in federal transfers and \$0.9 billion in non-renewable resource revenue were more than offset by decreases of \$4.3 billion in investment income and a net \$0.2 billion in other revenue.
- **Change from Budget.** Increases of \$0.5 billion in corporate income tax, \$0.4 billion in federal transfers and \$0.4 billion in net other revenue were more than offset by decreases of \$3.9 billion in investment income and \$0.3 billion in commercial operations net income.

**Expense** was \$38.7 billion, \$2.8 billion, or 7.8% higher than in 2007-08, and \$1.3 billion higher than estimated in the budget. Excluding pension provisions, the increase from 2007-08 was \$3.1 billion or 9.1%, and the decrease from budget was \$518 million or 1.4%.

- **Change from 2007-08.** The increase was mainly due to higher operating expense, which increased by \$2.8 billion or 10%.
- **Change from Budget.** The increase was mainly due to the \$1.9 billion increase in pension provisions, partly offset by a reduction of \$0.6 billion in capital grants.

**Fourth Quarter Results.** The deficit was reduced by \$574 million from the Third Quarter forecast. Revenue was \$178 million higher and expense was \$396 million lower (excluding the change in pension provisions).

**Net Assets.** At March 31, 2009, net assets were \$46.3 billion. This included \$15.8 billion in capital assets and \$3.6 billion in equity in Crown-controlled SUCH sector organizations. More details on assets and liabilities are provided on pages 16–17.

### Fiscal Summary

(millions of dollars)

	2008-09			2007-08
	Budget	Forecast	Actual	Actual
1 <b>Revenue</b>				
2 Revenue (budget basis)	38,743	35,627	35,805	38,169
3 SUCH sector increase in equity <sup>a</sup>	n.a.	n.a.	38	156
4 Adjustment for nominal sum disposals treatment <sup>b</sup>	-	-	(16)	-
5 <b>Total Revenue</b>	<b>n.a.</b>	<b>n.a.</b>	<b>35,827</b>	<b>38,325</b>
<b>Expense</b>				
6 Program expense				
7 Operating expense	29,941	30,118	29,829	27,077
8 Capital grants	5,904	5,260	5,279	5,170
9 Disaster/emergency/natural gas rebates	375	744	718	553
10 Capital amortization and nominal sum disposals	735	716	623	574
11 Debt servicing costs	220	215	208	214
12 <b>Total Expense (budget basis)</b>	<b>37,175</b>	<b>37,053</b>	<b>36,657</b>	<b>33,588</b>
13 Adjustment for nominal sum disposals treatment <sup>b</sup>	-	-	(16)	-
14 <b>Total Expense</b>	<b>37,362</b>	<b>39,623</b>	<b>38,682</b>	<b>35,878</b>
15 <b>Surplus (Deficit)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>(2,855)</b>	<b>2,447</b>
16 Adjustment for pension provisions	187	2,570	2,041	2,290
17 Adjustment for SUCH sector	n.a.	n.a.	(38)	(156)
18 <b>Adjusted Surplus (Deficit)</b>	<b>1,568</b>	<b>(1,426)</b>	<b>(852)</b>	<b>4,581</b>
19 Sustainability Fund withdrawal to balance budget	-	1,426	852	-
20 <b>Surplus (budget basis) <sup>c</sup></b>	<b>1,568</b>	<b>-</b>	<b>-</b>	<b>4,581</b>

<sup>a</sup> Increase in equity of Crown-controlled organizations in the SUCH sector was not available for budget and quarterly forecasts.

<sup>b</sup> Adjusts revenue and expense as nominal sum disposals to SUCH sector entities are considered a transfer of assets under the larger reporting entity, rather than as expense and revenue.

<sup>c</sup> For the purposes of the *Fiscal Responsibility Act*, the change in equity of SUCH sector organizations and the annual change in pension liabilities are excluded from balanced budget requirements.

# ALBERTA SUSTAINABILITY FUND

## Transfers and Adjustments

- The *Fiscal Responsibility Act* (FRA) applicable in 2008-09 required non-renewable resource revenue above \$5.3 billion to be transferred to the Alberta Sustainability Fund. Withdrawals were permitted to offset costs of emergencies, disasters and natural gas rebates, or declines in non-energy revenue.
- These transfers were a net \$2.8 billion in 2008-09. This included \$6.6 billion in resource revenue above \$5.3 billion, less withdrawals for the \$3.1 billion net decline in non-energy revenue and \$0.7 billion for costs of emergencies/disasters and natural gas rebates.
- The amount of cash available for allocation also depends on adjustments for differences between accrued revenue and cash receipts, non-cash expenses and transfers not reported on the income statement. In 2008-09, these comprised a net negative \$0.5 billion.
- This consisted of \$4.2 billion transferred to the Capital Account for current-year use, \$1.5 billion in cash from 2008-09 fourth quarter results not transferred until 2009-10, less \$0.9 billion in cash from 2007-08 fourth quarter results transferred

in 2008-09 and \$4.3 billion in positive cash adjustments (mainly including adjustments for timing of receipt of natural gas royalties, capital cash requirements, retained income of funds and agencies and Heritage Fund and endowment fund losses that are absorbed by the funds through reduced values).

## Allocation of Available Assets

- The FRA permitted assets above \$2.5 billion to be allocated from the Sustainability Fund. An allocation of \$100 million was forecast in *Budget 2008* to establish the Alberta Enterprise Corporation. During 2008-09, allocations were made to carbon capture and storage and GreenTRIP initiatives. These allocations were forecast at \$2.2 billion in the *2008-09 Third Quarter Fiscal Update*.
- Changes to the FRA for 2009-10 include retaining this \$2.2 billion in the Sustainability Fund and consolidating Capital Account assets into the Sustainability Fund. Accordingly, the Sustainability Fund is shown with a balance of \$9.9 billion in the Consolidated Financial Statements.

## Sustainability Fund (at March 31, 2009)

<i>(millions of dollars)</i>	<b>2008-09 Actual</b>	<b>2007-08 Actual</b>
<b>Assets at start of year</b>	<b>7,653</b>	<b>7,653</b>
<b>Transfers to (withdrawals from) Sustainability Fund</b>		
Non-renewable resource revenue above \$5.3 billion	6,615	5,724
Other net transfers	(3,097)	2,422
Withdrawals for disaster/emergency assistance/natural gas rebates	(718)	(553)
<b>Net transfers (withdrawals)</b>	<b>2,800</b>	<b>7,593</b>
<b>Adjustments</b>		
Cash transferred from previous year fourth quarter results	928	682
Cash from fourth quarter results to be transferred following year	(1,503)	(928)
Assets transferred to Capital Account for current-year use	(4,226)	(4,174)
Cash adjustments	4,296	(31)
<b>Total adjustments</b>	<b>(505)</b>	<b>(4,451)</b>
<b>Assets prior to allocation</b>	<b>9,948</b>	<b>10,795</b>
<b>Allocation to:</b>		
Heritage Fund - deposit and inflation-proofing	-	(1,384)
Scholarship Fund	-	(227)
Medical Research Endowment Fund	-	(150)
Capital Account - future-year use	-	(1,381)
Alberta Enterprise Corporation	(100)	-
<b>Assets at end of year<sup>a</sup></b>	<b>9,848</b>	<b>7,653</b>

<sup>a</sup> Year-end assets include \$2.2 billion set aside for Carbon Capture and Storage and Green TRIP initiatives. A further \$1.5 billion cash from the fourth quarter results will be transferred after March 31, 2009.

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# ECONOMIC AND TAX HIGHLIGHTS

## ECONOMIC HIGHLIGHTS

(calendar year basis)

**2008 Economic Growth.** The global financial crisis affected economies around the world, with many entering recessions. After years of robust growth, the Alberta economy contracted by 0.2% in 2008.

**Employment.** Alberta's employment grew by 53,900 or 2.8% in 2008. While employment growth was slower than in previous years, it was still the strongest growth rate in the country. Labour market conditions remained tight, with Alberta's 3.6% unemployment rate the lowest among provinces.

**Population Growth.** Alberta's annual population growth in the 2008 census year stood at 2.1%, the strongest among provinces and almost double the national rate of 1.2%. While international migration accounted for half of the annual increase, interprovincial migration remained strong.

**Personal Income.** Albertans continued to have the highest per capita disposable income in Canada, at \$37,189 in 2008. This was \$8,598, or 30% higher than the Canadian average. Healthy employment growth and strong wage gains pushed total labour income up by 8.4%.

**Consumer Sector.** Following strong increases in 2006 and 2007, Alberta's retail sales were essentially flat in 2008 due in large part to weaker spending on autos.

**Housing.** Alberta housing starts fell by almost 40% to 29,164 in 2008. The new house price index grew by 0.7% in 2008, down from 22.5% in 2007.

**Inflation and Cost Pressures.** Easing house prices lowered Alberta's CPI inflation rate to 3.1% in 2008, down from 5.0% in 2007. Excluding shelter, Alberta's CPI inflation rate averaged 2.3% in both 2007 and 2008.

The sharp correction in the housing market lowered the residential construction price index by 1.7%, following an increase of 18.7% in 2007. The non-residential construction price index grew 7.0% in 2008 compared to 6.9% in 2007.

**Energy Sector.** Although drilling activity began strengthening in the summer of 2008 in response to high energy prices, the sharp fall in energy prices and tight credit conditions depressed drilling activity towards the end of 2008. As a result, the

average number of rigs drilling for 2008 as a whole was essentially unchanged from 2007. Overall real business investment in 2008 was also unchanged.

**Manufacturing Sector.** Despite a global recession, the value of Alberta's manufacturing shipments increased by 6.9% in 2008, reflecting higher prices for petroleum and coal products in the first three quarters of the year.

**Agriculture Sector.** The value of international crop exports nearly doubled to reach \$4.3 billion in 2008, driven by record high grain prices. However, the value of international exports of live animals declined by 19.6% as livestock prices remained weak for most of the year.

## TAX HIGHLIGHTS

**Lowest Overall Taxes.** Albertans and Alberta businesses continue to pay the lowest overall taxes in Canada.

**Elimination of Health Care Insurance Premiums.** As of January 1, 2009, health care insurance premiums were eliminated. This will save Albertans and Alberta businesses about \$1 billion a year.

**Indexation.** Alberta indexed the provincial personal income tax system by 3.8% in 2009, saving Albertans \$115 million.

**Alberta Family Employment Tax Credit.** Beginning July 2008, the maximum credit was enhanced by 10%, in addition to the annual inflation adjustment.

**Introduction of a Scientific Research and Experimental Development Credit.** To encourage Alberta companies to do more research and development, and to make Alberta a more attractive location for knowledge-intensive companies, the Alberta Scientific Research and Experimental Development Credit was introduced beginning in 2009. The credit is 10% of eligible expenditures up to \$4 million, for a maximum credit of \$400,000.

**Increased Small Business Threshold.** The small business threshold was increased on April 1, 2008, to \$460,000, which will help to encourage the growth of small businesses.

# OVERVIEW OF PROGRAM AND CAPITAL SPENDING

## EXPENSE

Total expense was \$38.7 billion in 2008-09. This included \$2 billion in pension provisions. Pension provisions were unusually large in 2008-09, for the second consecutive year, due primarily to a change in the discount rate used to calculate the pre-1992 Teachers' Pension Plans liability. This increased the liability by approximately \$1.7 billion.

The pension provision was also unusually large in 2007-08, as the Province assumed the \$2.2 billion teachers' share of the pre-1992 Teachers' Pension Plans liability.

Health and education accounted for 61% of total expense (excluding pension provisions).

**Year-over-Year Comparison.** Total expense increased by 7.8% or \$2.8 billion. Excluding pension provisions, the increase was 9.1% or \$3.1 billion. This included:

- **Operating expense.** \$2.8 billion or 10% increase, primarily related to health and education.
- **Capital grants.** \$109 million or 2.1% increase, due mainly to higher support for water and wastewater management, housing and other capital programs.
- **Disaster/emergency assistance.** \$269 million or 120% increase, due mainly to livestock industry support.

- **Natural gas rebates.** \$104 million decrease, due to lower natural gas prices.

**Budget-to-Actual Changes.** Total expense (excluding pension provisions) was \$518 million lower than budgeted. Lower-than-budgeted capital grants and other expense were partially offset by higher disaster assistance.

- **Operating expense.** \$112 million decrease, due to lower spending in most program areas.
- **Capital grants.** \$625 million decrease, due mainly to re-scheduling health facility grants to future years.
- **Disaster/emergency assistance.** \$443 million increase, primarily for livestock industry support and forest fire-fighting costs.
- **Other expense.** \$224 million decrease, due mainly to lower natural gas rebates, amortization and nominal sum disposals.

**Forecast-to-Actual Changes.** Expense was down \$396 million from the Third Quarter forecast (excludes change in pension provisions). This was mainly due to lower operating expense, amortization and nominal sum disposals.

## Expense

(millions of dollars)

	2008-09		2007-08	Change from	
	Budget	Actual	Actual	Budget	2007-08 Actual
Operating expense	29,941	29,829	27,077	(112)	2,752
Capital grants	5,904	5,279	5,170	(625)	109
Disaster/emergency assistance	50	493	224	443	269
Natural gas rebates	325	225	329	(100)	(104)
Capital amortization and nominal sum disposals	735	623	574	(112)	49
Debt servicing costs	220	208	214	(12)	(6)
<b>Total Expense (budget basis)</b>	<b>37,175</b>	<b>36,657</b>	<b>33,588</b>	<b>(518)</b>	<b>3,069</b>
Adjustment for nominal sum disposals treatment	-	(16)	-	(16)	(16)
Pension provisions	187	2,041	2,290	1,854	(249)
<b>Total Expense</b>	<b>37,362</b>	<b>38,682</b>	<b>35,878</b>	<b>1,320</b>	<b>2,804</b>
Capital investment	2,817	2,315	1,801	(502)	514

### Note on Capital Investment

In 2008-09, capital investment in government-owned facilities and equipment was \$2.3 billion, an increase of \$514 million from 2007-08. Capital investment is not recorded as an expense; only the amortization cost of government-owned capital is reflected in expense. Capital support to external authorities (including the SUCH sector) is treated as an expense and is not amortized in provincial government financial statements. Capital investment plus capital grants to external authorities, and support for other infrastructure equal the total Capital Plan support provided by the provincial government. The Capital Plan does not include amortization costs.

## Expense by Function

(millions of dollars)

	2008-09		2007-08 Actual	Change from		
	Budget	Actual		2007-08		%
			Budget	Actual		
Health	13,461	13,107	12,286	(354)	821	6.7
Education	9,315	9,410	8,886	95	524	5.9
Social Services	3,418	3,418	3,117	-	301	9.7
Transportation, Communications and Utilities	2,497	2,436	2,306	(61)	130	5.6
Agriculture, Resource Management and Economic Development	2,141	2,394	1,912	253	482	25.2
Protection of Persons and Property	1,382	1,412	1,293	30	119	9.2
Regional Planning and Development	1,068	1,005	755	(63)	250	33.1
Recreation and Culture	655	620	538	(35)	82	15.2
Housing	619	676	538	57	138	25.7
Environment	483	414	345	(69)	69	20.0
General Government	1,916	1,557	1,398	(359)	159	11.4
Debt Servicing Costs	220	208	214	(12)	(6)	(2.8)
<b>Total Expense (budget basis)</b>	<b>37,175</b>	<b>36,657</b>	<b>33,588</b>	<b>(518)</b>	<b>3,069</b>	<b>9.1</b>
Adjustment for nominal sum disposals treatment	-	(16)	-	(16)	(16)	n.a.
Pension provisions	187	2,041	2,290	1,854	(249)	(10.9)
<b>Total Expense</b>	<b>37,362</b>	<b>38,682</b>	<b>35,878</b>	<b>1,320</b>	<b>2,804</b>	<b>7.8</b>

## CAPITAL PLAN

- The Capital Plan supported \$7.6 billion of capital projects in 2008-09. This was an increase of \$623 million, or 8.9% from 2007-08 but \$1.1 billion lower than budgeted.
- While capital support increased in most areas in 2008-09, support for health facilities was lower due to re-scheduling of grants to future years.
- The decrease from budget primarily reflected lower support for health facilities, \$282 million in the provision for cost escalation not being required, and delays in highway construction and a number of other major projects.

## Capital Plan

(millions of dollars)

	2008-09		2007-08 Actual	Change from	
	Budget	Actual		2007-08	
			Budget	Actual	
Provincial highway network	1,852	1,711	1,388	(141)	323
Municipal infrastructure support	1,626	1,567	1,526	(59)	41
Health facilities and equipment	1,375	970	1,290	(405)	(320)
Post-secondary facilities	841	879	906	38	(27)
Schools	624	677	620	53	57
Government facilities, equipment and other capital	769	603	375	(166)	228
Housing	409	438	349	29	89
Community facilities	526	376	359	(150)	17
Water and wastewater management	260	373	158	113	215
Provision for capital cost escalation <sup>a</sup>	309	-	-	(309)	-
Capital for emergent projects <sup>a</sup>	130	-	-	(130)	-
<b>Total Capital Plan</b>	<b>8,721</b>	<b>7,594</b>	<b>6,971</b>	<b>(1,127)</b>	<b>623</b>
Funded from:					
Current-year revenue	1,661	1,314	2,607	(347)	(1,293)
Capital Account	6,865	5,834	4,174	(1,031)	1,660
Alternative financing including P3s	195	446	190	251	256
<b>Total Capital Plan</b>	<b>8,721</b>	<b>7,594</b>	<b>6,971</b>	<b>(1,127)</b>	<b>623</b>

<sup>a</sup> Capital for emergent projects and the provision for capital cost escalation funding are reallocated to appropriate functional areas based on the projects funded.

## SPENDING HIGHLIGHTS (by functional area)

### HEALTH

- Health expense was \$13.1 billion, an increase of 6.7% or \$821 million from 2007-08 but \$354 million lower than budgeted.
- The **increase from 2007-08** includes additional funding for health authority services, supplementary health benefits, human tissue and blood services as well as new funding for Safe Communities Initiatives.
- Operating increases in 2008-09 included:
  - » \$522 million, or 8%, in base funding to health authorities. Also provided was \$97 million for health authority net accumulated deficits as of March 31, 2008, \$80 million for transition costs in moving to a single health authority, and \$200 million in additional operating funding.
  - » \$318 million, or 14%, for Physician Services, which reflects rate and volume increases under the Tri-lateral Master Agreement.
  - » \$17 million, or 13%, for Human Tissue and Blood Services which is a result of increased utilization and lower exchange rates.

The **decrease from budget** is primarily a result of re-scheduling of capital grant funding to future years, lower than anticipated utilization of supplementary health benefits, savings from Mental Health

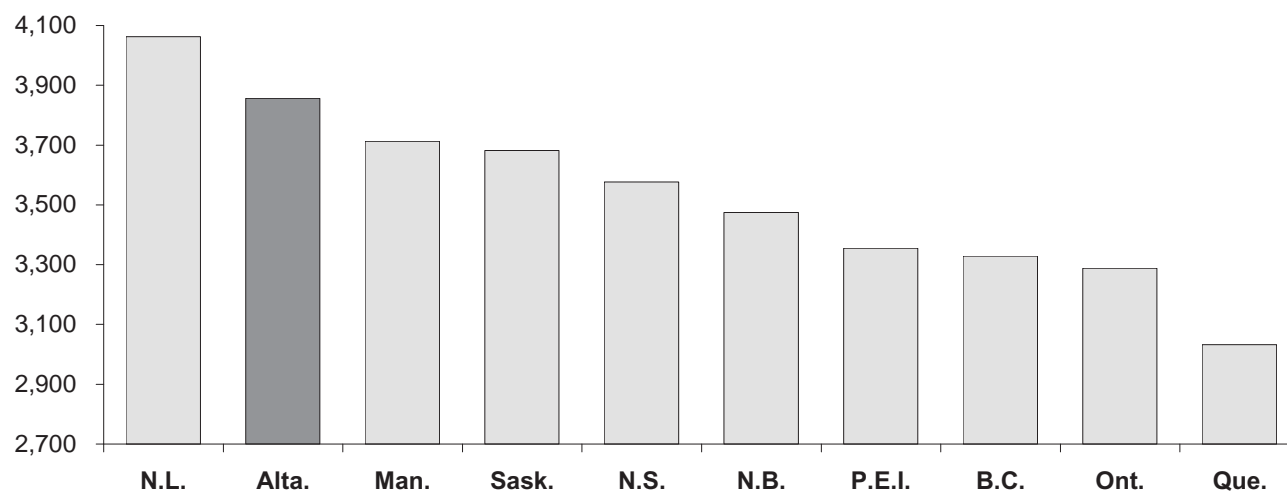
Innovation, and delays in implementation of some Safe Communities Initiatives.

#### Major Initiatives

- Released the final *Health Action Plan* status report on December 15, 2008 to document progress made on immediate, three-month, six-month and nine-month initiatives identified in the action plan. The government's *Health Action Plan* aims to make the province's health care system more efficient, effective and sustainable.
- Consolidated the former nine regional health authority boards, Alberta Cancer Board, Alberta Mental Health Board and the Alberta Alcohol and Drug Abuse Commission into one Health Authority – Alberta Health Services. The new Health Authority is the first major decision to come out of the government's *Health Action Plan*.
- Launched *Vision 2020* to improve Alberta's health system into the future. The five goals of *Vision 2020* are: to provide the right service, in the right place, and at the right time; enhance access to high quality services in rural areas; match workforce supply to demand for services; improve co-ordination of care and delivery of care; and build a strong foundation for public health.

### 2008–09 Comparison of Provincial Government Health Expenditures

(dollars per capita)



Source: Canadian Institute for Health Information, National Health Expenditure Trends, 1975-2008, 2008.

Notes: 2008-09 expenditures are forecasts. Provincial Government Health Expenditures refers to spending by the Ministry of Health and health related spending by other government departments and agencies.

- Introduced the *Children's Mental Health Action Plan* to improve access and address mental health needs of children and youth at risk. This is another component of the government's *Health Action Plan*.
- Announced the *Alberta Pharmaceutical Strategy* to make drug coverage more accessible, affordable, efficient and effective.
- Developed the continuing care strategy, *Aging in the Right Place*, in consultation with Albertans as outlined in *Vision 2020*. This will enhance home care through improved assessments, expansion of current programs and increased daily personal care hours, and will help individuals transition from facilities to home or community living.
- Introduced the Human Papillomavirus (HPV) Immunization program. All girls who entered Grade 5 in September 2008 were eligible for a vaccination to prevent 70 per cent of cervical cancers.
- Required retailers, effective July 1, 2008, to remove all advertising and to store tobacco products out of sight. In addition, effective January 1, 2009, the sale of tobacco products in pharmacies, stores that contain pharmacies, health-care facilities and public post-secondary institutions became prohibited.
- Safe Communities initiatives included: *Addiction Prevention in Schools*, *Provincial Family Violence Treatment Program including Addiction Treatment*, *Provincial Diversion Program*, *Mobile/Outreach/Street Intervention Teams* and additional beds for mental health and addiction issues.

## Capital Plan

- Renovation and redevelopment projects included the ambulatory care and emergency departments at the Northern Lights Regional Health Centre in Fort McMurray, the emergency department and the endoscopy suite in Grande Prairie's Queen Elizabeth II Hospital, the Viking Health Centre, the new Eastwood Primary Health Care Centre in Edmonton, the new Edmonton Clinic, a new primary care clinic in the Sheldon M. Chumir Health Centre in Calgary, and upgrading of the Richmond Road Diagnostic and Treatment Centre in Calgary.
- Acute care projects included the expansions of the Foothills Medical Centre, Peter Lougheed Centre and Rockyview General Hospital, the

new South Calgary Health Campus in Calgary, a new orthopedic surgical facility at the Royal Alexandra Hospital, the Mazankowski Alberta Heart Institute, and redevelopment of the Grey Nuns Community Hospital in Edmonton, and replacement of the Fort Saskatchewan Health Centre.

- Funding for new facilities for radiation therapy and cancer clinics in Lethbridge and Red Deer to support the North-South Radiation Therapy Corridor.
- Funding for continuing care projects included the new Garrison Green Care Centre in Calgary, the replacement of the Good Samaritan Care Centre in Stony Plain, replacement of the Vegreville Care Centre, and continuing care facilities for Extencicare Eaux Claires and Covenant Health Pine View in Edmonton.
- Enhancements to improve hand hygiene in health facilities in support of the *Provincial Review of Infection Prevention and Control* report.
- Maintenance upgrades to fire safety systems, as well as roofing, heating, ventilation and cooling systems in seven health regions.

## EDUCATION

- Education expense was \$9.4 billion in 2008-09, an increase of 5.9% or \$524 million from 2007-08.
- The **increase from 2007-08** mainly reflected greater operating support for basic and post-secondary education.

### Major Initiatives

#### Kindergarten to Grade 12 Education

- Increased operating support for public and separate schools (excluding adjustments for unfunded pension liabilities) by \$204 million, or 4.2% from 2007-08. Support for school facilities, including P3 construction in progress, increased by 7%.
- Hired more than 2,900 new teachers over the last five years to reduce class sizes under the *Small Class Size Initiative*, provided improved access to early learning opportunities under the *Early Learning Initiative*, and supported school boards to improve high school completion rates.
- Supported students with visual impairments and innovative technology in classrooms. Enhanced career and technology studies programs.

- Consulted on the importance of having an education 20 years from now (*Inspiring Education*), on a new education framework for students with disabilities (*Setting the Direction*), and on how education programs can be supportive, flexible and consistent with students' needs (*Speak Out*).

### Advanced Education

- Base operating support for post-secondary institutions increased by \$145 million from 2007-08. This included a 6% grant rate increase.
- Continued implementation of the *Roles and Mandates Policy Framework for Alberta's Publicly Funded Advanced Education System*.
- Released the *Alberta Access Planning Framework* to promote collaboration among post-secondary institutions and address the need for new programs or the expansion of existing programs.
- Funded 949 new spaces in health programs at post-secondary institutions for the 2008-09 academic year.
- Funded 2,447 new certificate, diploma and degree spaces at post-secondary institutions and created over 900 additional apprenticeship technical training seats.
- Continued implementation of the *Affordability Framework* initiatives for student financial assistance including increasing living allowances by 5%, increasing the annual loan limits to \$13,300 per year, increasing the part-time earnings exemption to \$800 per month, removing all scholarships as a resource, and reducing the variable interest rate on Alberta direct student loans to the prime lending rate and the fixed rate to prime plus 2%.
- Provided additional \$2.25 million to the Community Adult Learning Program to increase access to literacy and lifelong learning programs and services for adult learners in 37 Alberta communities.
- Provided \$46 million through the Access to the Future Fund to match donations and fund innovative advanced learning system projects.
- Awarded \$70 million in scholarships, the most ever and a significant increase over the prior year as a result of an expansion of graduate scholarships within the Achievement Scholarships program and the increased investment in the Alberta Heritage Scholarship Endowment Fund.
- Provided \$12.6 million to support WorldSkills Calgary 2009 as part of the government's overall \$24 million commitment. This event creates awareness of the high quality career opportunities in the trades and technologies, and the commitment supported the acquisition of state-of-the-art training equipment for use by apprenticeship students.

### Capital Plan

- Provided \$879 million to support expansion and preservation of post-secondary facilities, comprising \$699 million for expansion and \$180 million for capital maintenance and renewal.
- New projects in 2008-09 included expansion of the science facilities at Mount Royal College and Grant MacEwan College, renovations/expansions at the Medical faculties at University of Alberta and the University of Calgary, Foothills Campus Development at the University of Calgary, and 34 capital maintenance and renewal projects.
- Completed 12 new schools, 4 additions, and replaced or modernized 11 schools. Approved 106 modular classrooms.
- The Alberta Schools Alternative Procurement Phase One (ASAP 1) will construct 18 schools in Edmonton and Calgary as a P3 project. Planning for a second phase of ASAP school construction continued.

### SOCIAL SERVICES

- Social services expense was \$3.4 billion in 2008-09, an increase of 9.7% or \$301 million from 2007-08, but unchanged from budget.
- The **increase from 2007-08** was mainly due to higher monthly income support benefits, financial benefits and caseloads for the Assured Income for Severely Handicapped (AISH) program, increases for child care and child intervention services, funding to Persons with Developmental Disabilities Boards (PDD) for agency staff retention and recruitment, and staff salary settlements.

### Major Initiatives

- Total funding for AISH increased by almost 5% due to caseload growth and the full-year impact of the increase in monthly financial assistance to \$1,088 effective January 1, 2008.

- Monthly income support benefits were increased and earnings exemptions doubled for workers who qualify for income support assistance.
- Continuing care system expanded with 890 new units and modernization of 263 units. In addition, over 1,900 units are at various stages of modernization with funding from the Lodge Renovation and Repairs program. Monitored 468 licensed supportive living facilities and 147 lodges, and inspected 176 long-term care facilities, to seek quality improvements.
- Implemented the Personal Directives registry which gives Albertans the option of registering their personal directive.
- Developed the Six Priority Areas for Action for PDD to promote consistency, clarity of mandate, long-term sustainability, efficiency and effectiveness.
- Implemented strategies to increase and sustain quality child care spaces, recruit and retain child care staff and provide assistance to low and middle income families. Supported the creation of over 8,000 new child care spaces and the purchase and installation of modular units to support the space creation initiative.
- Expanded the Fetal Alcohol Spectrum Disorder Network Program from 7 to 12 networks, to coordinate targeted prevention programs, assessment and diagnosis services, and support families affected by the disorder.
- Enhanced the *Protection of Sexually Exploited Children Act* to provide better needs assessment.
- Implemented Prevention of Family Violence and Bullying Strategies including 93 projects in 51 communities. Expanded the safe visitation program to 7 sites and funded 12 communities that provide victim support services.

## AGRICULTURE, RESOURCE MANAGEMENT AND ECONOMIC DEVELOPMENT

- Expense was \$2.4 billion in 2008-09, an increase of 25% or \$482 million from 2007-08 and \$253 million from budget.
- The **increase from 2007-08** mainly reflected the second phase of the Alberta Farm Recovery Plan, which provided assistance to transition

the livestock industry toward more competitive production and marketing.

- The **increase from budget** also mainly reflected higher support for the Farm Recovery Plan.

### Major Initiatives

- Provided over \$31 million for the Film Development program, an increase of \$13 million.
- Released the *Foreign Qualifications Recognition Plan for Alberta* in November 2008, to improve the integration of immigrants into Alberta's labour market, recognizing the critical role of employers, educational institutions, professional regulatory organizations and immigrant servicing agencies.
- Expanded the Alberta Immigrant Nominee Program to include family members.
- Released *Alberta's Action Plan for Bringing Technology to Market* which is intended to build a community of researchers, mentors, investors and businesspeople who can support and encourage technology to be brought to market.
- Allocated \$100 million to the Alberta Enterprise Corporation which will invest in promising companies in priority sectors to stimulate growth in Alberta's high technology.
- Developed *The Roles and Mandates Framework for Alberta's Provincially Funded Research and Innovation System* which consolidates and reorganizes provincially-funded research and innovation organizations.

## TRANSPORTATION, COMMUNICATIONS AND UTILITIES

- Expense was \$2.4 billion in 2008-09, an increase of 5.6% or \$130 million from 2007-08, but \$61 million lower than budgeted.
- The **increase from 2007-08** primarily reflected greater support for municipal infrastructure, including water and wastewater capital support for Fort McMurray, and provincial highway maintenance and preservation.
- The **decrease from budget** primarily reflected lower natural gas rebates.

### Major Initiatives

- Provided \$1.4 billion to municipalities, primarily to address local transportation infrastructure priorities through grant programs such as the

Alberta Municipal Infrastructure Program, Alberta Cities Transportation Partnership, Streets Improvement Program, Rural Transportation Partnership and *Water for Life* program.

- Provided \$225 million in rebates to Albertans under the Natural Gas Rebate program.

### Capital Plan

- \$1.4 billion in municipal infrastructure grants, an increase of \$162 million from 2007-08. The grants include \$313 million for water and wastewater infrastructure.
- \$1.7 billion in capital investment for the provincial highway network, an increase of \$375 million from 2007-08. Projects included:
  - » The Northeast section of ring road in Calgary. The project will involve 25 kilometres of six-lane roadway, nine interchanges, two flyover crossings and 29 total bridge structures.
  - » The Northwest Anthony Henday Ring Road, which includes 21 kilometres of four and six-lane divided freeway, 29 bridges, five fly-overs, eight interchanges, and two rail crossings.
  - » Twinning of Highway 63 south of Fort McMurray.
  - » A Design-Build contract was awarded to construct an interchange at Anthony Henday Drive/Stony Plain Road. The Design-Build approach will reduce the duration of the project by one year.
  - » Rehabilitation and preservation of highways and roads throughout the province: 1,347 km of highways were repaved and 79 bridges were preserved.

### PROTECTION OF PERSONS AND PROPERTY

- Expense was \$1.4 billion in 2008-09, an increase of \$119 million or 9.2% from 2007-08, and \$30 million from budget.
- The **increase from 2007-08** primarily reflected increases for Traffic Safety Plan initiatives, prosecution and court services, policing and correctional services and Safe Communities initiatives.
- The **increase from budget** reflected higher costs for fighting forest fires.

### Major Initiatives

- Key projects under the *Alberta Traffic Safety Plan: Saving Lives on Alberta's Roads* included initiatives to help prevent motor vehicle collisions, enforce traffic laws, build safer roads, and better educate all Albertans about traffic safety.
- The *Community Mobilization Strategy* to engage and support local law enforcement, health, education and industry groups in meeting community-based Alberta Traffic Safety Plan objectives. This included the development of an Aboriginal Traffic Safety Strategy in collaboration with Métis and First Nation Elders and other stakeholders.
- Introduced *2008-2010 Alberta Traffic Safety Communications Plan* to educate road users on safe driving basics and habits, and promote positive driver attitudes.
- Took measures to reduce impaired driving such as the new mandatory Ignition Interlock Program. Drivers under this program are required to have an alcohol sensor attached to their vehicle ignition before being allowed to drive. In addition, the province became the first jurisdiction in Canada to enable licence suspensions for drug impairment offences. The Enhanced Alberta Checkstop Program with over 50 Checkstops also helped to make Alberta's roads safer.
- Issued *Ensuring the Safety of our Children: A Report on School Bus Safety in Alberta* and began implementing the recommendations.
- Established the Safe Communities Secretariat to implement the Crime Reduction and Safe Communities Task Force recommendations.
- Added new prosecution staff (including 26 prosecutors) to improve bail hearings, and prosecute serious and violent crime.
- Increased court resources to respond to increasing volumes and complexity of court cases.
- Expanded the Provincial Court Civil Claims Mediation Program to Wetaskiwin for use in resolving conflicts through a mediator.
- Established a Law Information Centre in Calgary to help individuals learn about court procedures, legal advice options and alternatives to court.
- Launched a web-based public awareness campaign aimed at young workers, as part of the *Work Safe Alberta* initiative.

## REGIONAL PLANNING AND DEVELOPMENT

- Expense was \$1 billion in 2008-09, 33% or \$250 million higher than 2007-08, but \$63 million lower than budgeted.
- The **increase from 2007-08** primarily reflected increased support under the Municipal Sustainability Initiative and through the First Nations Development Fund.
- The **decrease from budget** mainly reflected lower Alberta Capital Finance Authority loan activity.

### Major Initiatives

- Provided \$500 million to municipalities under the Municipal Sustainability Initiative.
- Provided \$4.7 million from the Community Development Trust primarily for aboriginal economic development and workplace and sectoral productivity initiatives.

## OTHER PROGRAM EXPENSE

- Other program expense was \$3.3 billion in 2008-09. This was an increase of 15.9% or \$448 million from 2007-08, but \$406 million lower than budget.
- The **increase from 2007-08** primarily reflected increased spending on housing, cultural facilities, climate change initiatives and facility maintenance and accommodations.
- The **decrease from budget** primarily reflected lower-than-expected spending on recreation and cultural facilities, on facility maintenance and accommodations, and re-scheduling of Canada ecoTrust spending to future years.

### Major Initiatives

**Recreation and Culture.** \$620 million, a 15% increase from 2007-08.

- Approved 141 grants totalling \$162 million through the Major Community Facilities Program including \$140 million in projects originally budgeted and \$19 million through the Government of Canada's Building Canada Fund for the Art Gallery of Alberta and Heritage Park in Calgary.
- Provided a \$9 million increase to the Alberta Foundation for the Arts to support the implementation of *The Spirit of Alberta: Alberta's Cultural Policy*.

- Provided \$20 million for the initial year of the Community Spirit Donation Grant Program benefiting 1,496 Alberta-based non-profit and charitable organizations.
- Provided \$40 million to support the construction of a new TELUS World of Science Creative Kids Museum near the Calgary Zoo.
- Provided \$50 million for phase one of the development of the Capital Region River Valley Park, stretching from Devon to Fort Saskatchewan.
- Provided an additional \$20 million for the Canadian Winter Sport Institute (Calgary Olympic Development Association). In total, the government has committed \$69 million to this initiative.

**Housing.** \$676 million, a 26% increase from 2007-08. Projects supported included:

- Over \$84 million for 31 Affordable Supportive Living projects involving over 1,150 units.
- \$36 million for 29 projects under the Lodge Renovation and Repairs program.
- A \$91 million increase to:
  - » Continue to meet the provincial mandate of developing 11,000 new affordable housing units.
  - » Maintain housing programs already in place for low-income Albertans.
  - » Support the operations of homeless and emergency shelters, and organizations offering outreach support services for the homeless.

**Environment.** \$414 million, a 20% increase from 2007-08. Major initiatives included:

- Supporting Watershed Planning and Advisory Councils, key partners in implementing Alberta's *Water for Life* strategy. Each council leads watershed planning, reports on the state of the watershed, ensures a high level of protection of the aquatic ecosystem, and facilitates more efficient water use.
- Launching a new provincial consumer incentive program for energy efficient purchases. Rebates are available to existing homeowners who improve their energy efficiency, to new home buyers who purchase energy efficient homes and to taxi operators who are transitioning their fleet to hybrid vehicles.

- Industry paid \$85 million into the Climate Change and Emissions Management Fund for the compliance period 2008, the first full year of mandatory targets. These funds will be provided to the Climate Change and Emissions Management Corporation, an independent not-for-profit organization, which will invest in initiatives and projects that support developing and implementing transformative technologies that will reduce greenhouse gas emissions and improve our ability to adapt to climate change.
- Initiated the *One Simple Act* and the *Alberta Conservation Team* as three-year parallel programs to inspire environmental stewardship.
- Assessed air management plans from the Capital Airshed Partnership, Parkland Airshed Management Zone and Calgary Regional Airshed Zone.

**General Government.** \$1.6 billion, an 11.4% increase from 2007-08. This mainly reflected increased requirements related to taking over the pre-1992 Teachers' Pension Plans, higher lease costs, and increased facility preservation and amortization expense. The decrease from budget mainly reflected the funds set aside for capital cost escalation not being required, Capital for Emergent Projects lapse and transfers, transfers to capital investment and unspent capital planning funds.

## DEBT SERVICING COSTS

- Debt servicing costs primarily represent the interest paid on unmatured accumulated debt and interest costs related to Agriculture Financial Services Corporation's lending operations.
- Debt servicing costs were \$208 million in 2008-09, a decrease of \$6 million from 2007-08 and \$12 million from the budget estimate, primarily due to lower debt and in-year financing requirements.
- Sufficient funds have been set aside in the Debt Retirement Account to repay the outstanding \$1.2 billion in accumulated debt as it matures.

## Accumulated Debt

(millions of dollars)

	2008-09	2007-08
Accumulated debt at start of year	1,784	2,030
Repayment of debt maturities	(624)	(246)
Accumulated debt at end of year	1,160	1,784
Less Debt Retirement Account	1,175	1,794
<b>Accumulated Debt</b>		
<b>less Debt Retirement Account<sup>a</sup></b>	<b>(15)</b>	<b>(10)</b>

<sup>a</sup> The assets in the Debt Retirement Account exceeded unmatured accumulated debt by \$15 million.

## PENSION PROVISIONS

- Pension liabilities in respect of public sector pension plans increased by \$2 billion in 2008-09.
- \$1.7 billion of the increase reflected the change in the discount rate used to calculate the pre-1992 Teachers' Pension Plans liability.
- In addition, overall pension liabilities increased by a net \$341 million in 2008-09.
- This year, the government is also recognizing a liability for the Local Authorities Pension Plan (LAPP), as organizations that are controlled by the Province are the employers. This results in an opening adjustment increasing government liabilities by \$157 million. A year-over-year increase of \$29 million for LAPP is included in the overall net \$341 million pension liability increase above.
- For purposes of the *Fiscal Responsibility Act*, the annual change in pension liabilities is excluded from expense and fiscal framework requirements.

## Pension Liabilities

**Government obligations for pension plan liabilities**

(millions of dollars)

	2008-09	2007-08
Teachers' Pension Plans		
– Pre-1992 unfunded liability	8,478	6,776
– Post-1992 unfunded liability	300	79
Public Service Management (Closed)	650	699
Universities Academic	266	205
Local Authorities Pension Plan	186	-
Special Forces	112	50
Members of the Legislative Assembly	50	50
Management Employees	35	20
Provincial Judges and Masters in Chambers	4	4
<b>Total Pension Liabilities</b>	<b>10,081</b>	<b>7,883</b>

## REVENUE HIGHLIGHTS

### TOTAL REVENUE

- Total revenue was \$35.8 billion, \$2.5 billion, or 6.5% lower than in 2007-08. Revenue was \$2.9 billion, or 7.6% lower than budgeted.
- The **decrease from budget** was primarily due to lower investment income.
- The **decrease from 2007-08** was mainly due to lower investment income and corporate income tax revenue, partly offset by higher federal transfers, resource revenue and personal income tax revenue.
- The \$178 million **increase from the Third Quarter forecast** was due mainly to higher income tax revenue, offset by lower resource revenue and federal transfers.

### Revenue

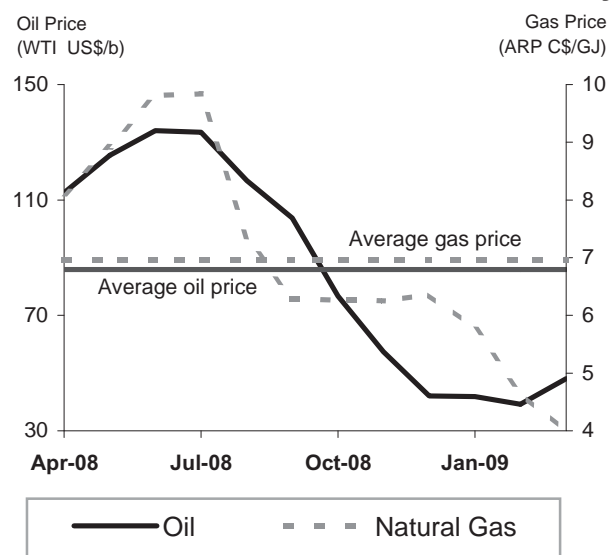
(millions of dollars)

	2008-09		2007-08	Change from	
	Budget	Actual	Actual	Budget	2007-08 Actual
Personal income tax	8,614	8,708	8,271	94	437
Corporate income tax	3,774	4,252	4,695	478	(443)
Other taxes	3,770	3,641	3,573	(129)	68
Non-renewable resource revenue	11,709	11,915	11,024	206	891
Transfers from Government of Canada	3,795	4,185	3,048	390	1,137
Investment income	2,011	(1,919)	2,414	(3,930)	(4,333)
Net income from commercial operations	2,465	2,211	2,331	(254)	(120)
Premiums, fees and licences	1,822	1,991	2,062	169	(71)
Other	783	821	751	38	70
Increase in equity of SUCH sector organizations	n.a.	38	156	n/a	(118)
Adjustment for nominal sum disposals treatment	-	(16)	-	(16)	(16)
<b>Total Revenue</b>	<b>38,743</b>	<b>35,827</b>	<b>38,325</b>	<b>(2,954)</b>	<b>(2,498)</b>

### Non-Renewable Resource Revenue

- Resource revenue reached \$11.9 billion in 2008-09, \$891 million higher than in 2007-08 and \$206 million higher than budgeted.
- Energy prices exhibited extreme volatility in 2008-09. Oil prices increased dramatically early in the fiscal year, peaking at US\$147 per barrel in July 2008, before reaching lows of about US\$34 by December, as global economic conditions deteriorated. Natural gas prices followed a similar pattern, primarily due to the impact of the US recession on demand and increased North American supplies from US shale gas development.
- Oil prices averaged US\$85.94 per barrel (WTI), \$3.69 higher than in 2007-08 and \$7.94 higher than the budget estimate.
- Natural gas prices averaged Cdn\$6.97 per gigajoule, \$1.05 higher than in 2007-08 but just 22 cents higher than budgeted.
- Revenue from bonuses and sales of Crown leases was \$244 million higher than budgeted, but \$41 million lower than in 2007-08, reflecting

### 2008-09 Oil / Natural Gas Price Volatility



- lower prices per hectare partly offset by an increase in the number of hectares sold.
- Alberta's new royalty framework, implemented January 1, 2009, is more sensitive to prices and production rates.

## Tax Revenue

- Tax revenue was \$16.6 billion, about the same as 2007-08, but \$443 million higher than budgeted.
- **Personal income tax revenue** was \$8.7 billion, \$437 million higher than in 2007-08 due to personal income growth, and \$94 million higher than budgeted due to a positive adjustment to prior years' estimates. The increases reflect higher income growth. Excluding prior years' adjustments in both 2007-08 and 2008-09, the underlying increase in personal income tax revenue was 5.9%.
- **Corporate income tax revenue** was \$4.3 billion. This was \$433 million lower than in 2007-08, but \$478 million higher than the budget estimate. The increase from budget was primarily due to the high energy prices and resulting strong corporate profits in the first half of the year.
- **Other tax revenue** was \$3.6 billion, \$68 million higher than in 2007-08 but \$129 million lower than the budget estimate. The increase from 2007-08 was primarily due to higher education property tax and insurance taxes. The decrease from budget was mainly due to lower-than-expected tobacco, freehold mineral rights and fuel taxes.

## Transfers from Government of Canada

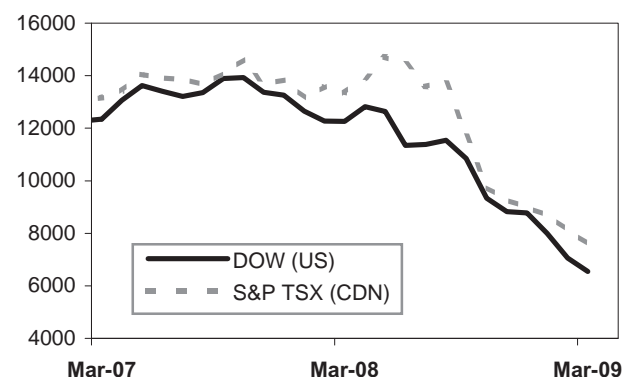
- **Transfers from Government of Canada** were \$4.2 billion, \$1.1 billion higher than in 2007-08 and \$390 million higher than the budget estimate.
- The increase from 2007-08 was primarily due to higher transfers for agricultural support and positive adjustments to prior years' estimates for health and social programs.
- The increase from budget primarily reflected positive adjustments to prior years' estimates for health and social transfers, offset by reduced agricultural support requirements and the re-scheduling of funds under several specific trust agreements to future years.

## Investment Income

- **Investment income** was negative \$1.9 billion in 2008-09, \$4.3 billion less than in 2007-08 and

\$3.9 billion less than budgeted. The liquidity crisis and global recession caused a major decline in financial markets beginning in the fall of 2008. This caused the Heritage Fund and endowment funds to lose \$3 billion, primarily from equity investments. Other shorter-term savings had income of \$1.1 billion.

## Performance of Major Stock Markets



## Net Income of SUCH Sector Organizations

- The net increase in equity of Crown-controlled SUCH sector organizations was \$38 million, \$118 million lower than in 2007-08. The increase comprised a \$117 million school board increase, an \$83 million post-secondary institution increase, less a \$162 million health authority decrease.

## Other Revenue

- Revenue from all other sources was \$5 billion, \$121 million lower than 2007-08 and \$47 million lower than budgeted. The decreases were primarily due to lower net income from commercial enterprises, partially offset by higher premiums, fees and licenses revenue.
- Alberta Treasury Branches net income was \$256 million lower than budgeted, primarily due to write-downs of \$225 million related to asset backed commercial paper.
- Revenue from Energy Resources Conservation Board levies was \$109 million in 2008-09, an increase of \$18 million from 2007-08.

## Energy Prices and Exchange Rates

Fiscal year averages, 1997-98 to 2008-09

	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09
Oil Price (WTI US\$/bbl)	18.93	13.70	23.18	30.20	24.13	29.04	31.38	45.03	59.94	64.89	82.25	85.94
Natural Gas Price (Cdn\$/GJ)	1.76	1.89	2.52	5.76	3.57	4.72	5.45	6.05	8.29	5.94	5.92	6.97
Exchange Rate (US\$/Cdn\$)	71.3	66.6	68.0	66.5	63.9	64.6	74.0	78.4	83.9	87.9	97.1	89.59

## NET FINANCIAL AND CAPITAL ASSETS

At March 31, 2009, Government of Alberta financial and capital assets exceeded liabilities by \$46.3 billion. This included \$15.8 billion in capital assets and \$3.6 billion in equity in Crown-controlled SUCH sector organizations. Net assets were \$2.9 billion lower than at March 31, 2008, primarily due to losses in value of the Heritage Fund and endowment funds.

### FINANCIAL ASSETS

\$57.6 billion as at March 31, 2009.

- **Heritage Fund.** \$13.8 billion (book value), a decrease of \$2.6 billion from March 31, 2008.
- **Endowment funds.** \$2.5 billion, a decrease of \$0.7 billion from March 31, 2008. In addition, there was \$0.7 billion in the Alberta Cancer Prevention Legacy Fund, Climate Change and Emissions Management Fund and the Alberta Enterprise Fund.
- **Sustainability Fund.** \$9.8 billion. This includes the \$2.2 billion allocated for Carbon Capture and Storage and GreenTRIP initiatives. Under the new *Fiscal Responsibility Act*, these amounts and Capital Account assets are being consolidated into the Sustainability Fund. Additional cash of \$1.5 billion from 2008-09 fourth quarter results will also be deposited in the Fund in 2009-10.
- **Capital Account.** \$7 billion, a decrease of \$0.5 billion from March 31, 2008.

### Capital Account

(millions of dollars)

	2008-09	2007-08
Assets at start of year	7,472	6,091
Allocations to Capital Account	5,336	5,555
Withdrawals		
Local authority capital	(4,226)	(3,012)
Government-owned capital	(1,608)	(1,162)
<b>Assets at End of Year</b>	<b>6,974</b>	<b>7,472</b>

- **Debt Retirement Account.** \$1.2 billion, to repay remaining accumulated debt as it matures.
- **Self-supporting lending organizations.** \$9.2 billion in financial assets of Alberta Capital Finance Authority and Agriculture Financial Services Corporation. These assets more than offset the liabilities of these organizations.

- **Equity in commercial enterprises.** \$2.3 billion, primarily equity in Alberta Treasury Branches.
- **Equity in Crown-controlled SUCH sector organizations.** \$3.6 billion, including \$2.6 billion in post-secondary institutions, \$654 million in school boards, and \$304 million in health authorities and boards.
- **Other financial assets.** \$7.4 billion. A further \$1.5 billion in cash from 2008-09 fourth quarter results will be transferred after March 31, 2009 to the Sustainability Fund in 2009-10. The remaining \$5.9 billion represents accounts and interest receivable, natural gas royalty deposits, and cash associated with future liabilities such as federal transfers and corporate income tax refunds.

### LIABILITIES

\$27.2 billion as at March 31, 2009.

- **Pension liabilities.** \$10.1 billion, of which \$8.8 billion related to the Teachers' Pension Plans.
- **Self-supporting lending organizations.** \$8.4 billion in liabilities of Alberta Capital Finance Authority and Agriculture Financial Services Corporation.
- **Accumulated debt.** \$1.2 billion, fully offset by Debt Retirement Account. The majority of accumulated debt will mature and be repaid by 2013.
- **Liabilities for capital projects.** \$0.9 billion, an increase of \$441 million from March 31, 2008. These represent P3 project liabilities.
- **Accounts and interest payable and other liabilities.** \$6.6 billion. This includes natural gas royalty and security deposits, unearned revenue and trade payable and liabilities. There is an offsetting relationship between some of these liabilities and Other Financial Assets.

## Balance Sheet Details

(millions of dollars)

	As at March 31		Change from 2008
	2009 Actual	2008 Actual	
<b>Financial Assets</b>			
Alberta Heritage Savings Trust Fund	13,838	16,412	(2,574)
Alberta Heritage Foundation for Medical Research	1,174	1,511	(337)
Alberta Heritage Science and Engineering Research	658	831	(173)
Alberta Heritage Scholarship	645	817	(172)
Alberta Cancer Prevention Legacy Fund	485	487	(2)
Energy Innovation Fund	-	97	(97)
Climate Change and Emissions Management Fund	146	40	106
Alberta Enterprise Fund	100	-	100
Sustainability Fund <sup>a</sup>	9,848	7,653	2,195
Capital Account	6,974	7,472	(498)
Debt Retirement Account	1,175	1,794	(619)
Equity in Crown-controlled SUCH sector organizations	3,553	3,519	34
Self-supporting lending organizations			
Alberta Capital Finance Authority	6,976	5,878	1,098
Agriculture Financial Services Corporation	2,259	2,072	187
Other financial assets			
Equity in commercial enterprises	2,345	2,262	83
Student loans	256	221	35
Other cash, marketable securities and accounts receivable	7,172	8,381	(1,209)
<b>Total Financial Assets</b>	<b>57,604</b>	<b>59,447</b>	<b>(1,843)</b>
<b>Liabilities</b>			
Accumulated debt			
General Revenue Fund	1,990	2,446	(456)
Alberta Social Housing Corporation	278	300	(22)
School construction loans	204	256	(52)
Less General Revenue Fund holdings of provincial corporations' debt	(1,312)	(1,218)	(94)
Accumulated debt	1,160	1,784	(624)
Pension liabilities	10,081	7,883	2,198
Self-supporting lending organizations			
Alberta Capital Finance Authority	6,976	5,878	1,098
Agriculture Financial Services Corporation	1,448	1,373	75
Liabilities for capital projects	880	439	441
Other liabilities			
Accounts and interest payable	6,390	6,821	(431)
Guarantees, indemnities and remissions	1	3	(2)
Other accrued liabilities	242	220	22
<b>Total Liabilities</b>	<b>27,178</b>	<b>24,401</b>	<b>2,777</b>
<b>Net Financial Assets</b>	<b>30,426</b>	<b>35,046</b>	<b>(4,620)</b>
Capital assets	15,848	14,140	1,708
<b>Net Assets</b>	<b>46,274</b>	<b>49,186</b>	<b>(2,912)</b>
Adjustment for equity in Crown-controlled SUCH sector organizations	(3,553)	(3,519)	(34)
Adjustment for pension obligations	10,081	7,883	2,198
<b>Net Assets for Fiscal Policy Purposes <sup>b</sup></b>	<b>52,802</b>	<b>53,550</b>	<b>(748)</b>
Balance sheet adjustments <sup>b</sup>	(104)	-	(104)
<b>Net Assets for Fiscal Policy Purposes (excluding balance sheet adjustments)</b>	<b>52,698</b>	<b>53,550</b>	<b>(852)</b>

<sup>a</sup> Sustainability Fund balance includes \$2.2 billion set aside for carbon capture and storage and GreenTRIP initiatives.

<sup>b</sup> The balance sheet adjustments reflect \$83 million in unrealized gains of the Alberta Treasury Branches that are included in the Consolidated Financial Statements, and \$21 million primarily related to a post-March 2008 adjustment to assets of the Climate Change and Emissions Management Fund.

## Historical Fiscal Summary, 1989–90 to 2008–09<sup>a</sup>

(millions of dollars)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	
	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	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	
<b>INCOME STATEMENT</b>																					
<b>Revenue</b>																					
1	Personal income tax <sup>b</sup>	2,536	2,796	3,057	2,794	2,877	3,063	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
2	Corporate income tax	700	803	731	637	854	1,073	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
3	Education property tax	824	915	1,027	1,115	1,168	1,196	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
4	Other tax revenue	683	878	1,029	1,055	1,053	1,126	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
5	Resource revenue	2,240	2,688	2,022	2,183	2,817	3,378	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	Investment income	1,891	2,125	2,155	1,711	1,837	1,567	1,724	1,616	1,747	1,610	1,906	1,353	788	(462)	1,838	1,812	2,348	3,013	2,414	(1,919)
7	Other own-source revenue	2,022	1,615	1,566	2,319	2,710	2,832	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,321	4,122	4,375	4,588	4,971	5,144	5,023
8	Total own-source revenue	10,896	11,820	11,587	11,814	13,316	14,235	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	31,620
9	Federal transfers	1,943	2,365	2,150	2,457	2,090	1,929	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
10	Total Revenue	12,839	14,185	13,737	14,271	15,406	16,164	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	35,805
<b>Expense by Function <sup>c</sup></b>																					
11	Health	3,631	3,895	4,129	4,352	4,194	3,928	3,773	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,646	9,059	9,709	10,878	12,286	13,107
12	Basic / advanced education	3,379	3,532	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,854	6,370	6,852	7,976	8,886	9,410
13	Social services	1,502	1,567	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,272	2,438	2,710	2,931	3,117	3,418
14	Other program expense	5,328	5,741	5,501	6,031	5,172	4,301	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,708	5,984	7,472	7,507	9,085	10,514
15	Total program expense	13,840	14,735	15,052	16,176	15,123	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,053	21,480	23,851	26,743	29,292	33,374	36,449
16	Debt servicing costs	1,115	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	980	774	476	271	302	248	215	214	208
17	Total Expense	14,955	16,017	16,366	17,595	16,777	15,226	14,364	14,163	15,095	15,725	17,312	18,956	20,845	20,529	21,751	24,153	26,991	29,507	33,588	36,657
18	Surplus (Deficit)	(2,116)	(1,832)	(2,629)	(3,324)	(1,371)	938	1,151	2,489	2,659	1,094	2,791	6,571	1,081	2,133	4,136	5,175	8,551	8,510	4,581	(852)
<b>BALANCE SHEET</b>																					
19	Net Financial Assets (Debt) <sup>d</sup>	2,296	464	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,696	15,607	20,395	28,318	36,047	39,410	36,850
20	Capital Assets <sup>e</sup>	N/A	N/A	N/A	N/A	8,220	7,669	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
21	Net Assets (Debt) <sup>d</sup>	N/A	N/A	N/A	N/A	(93)	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,005	26,141	31,316	39,870	48,476	53,550	52,698
22	Pension obligations	8,243	6,156	5,774	4,770	5,066	5,352	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
23	Accumulated Debt <sup>f</sup>	15,527	16,647	17,406	20,305	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,730	—	—	—	—	—
24	Sustainability Fund assets														—	2,500	3,498	4,083	7,653	7,653	9,848
25	Capital Account assets														910	1,180	674	4,243	6,091	7,472	6,974

<sup>a</sup> On a budget basis. Numbers have been restated on 2008-09 basis where possible. Numbers for 2001-02 forward are fully comparable. The 1992-93 to 2000-01 numbers are essentially comparable to the 2008-09 presentation with exception of the treatment of disposal of capital assets, which results in revenue being overstated by approximately \$600 million over the nine year period on a comparable basis and the gross up of external investment management fees, which increases both revenue and expense in 2007-08 by \$156 million and in 2008-09 by \$172 million. Prior to 1992-93, spending is on an expenditure basis, using actual capital spending rather than capital amortization costs.

<sup>b</sup> The cost of the Alberta 2005 Resource Rebate of \$1.32 billion is netted against personal income tax revenue in 2005-06.

<sup>c</sup> Beginning in 1996-97, valuation adjustments have been allocated by function. In prior years, all valuation adjustments were included in other program expense.

<sup>d</sup> Excludes pension obligations. Net debt was increased by \$1,474 million in 1992-93 primarily for a provision for school construction debt, reduced by \$125 million in 1993-94 to record personal income tax and established programs financing entitlements on an accrual basis, and increased by \$32 million in 1995-96 to report some other revenues on accrual basis.

<sup>e</sup> Capital Assets information not available prior to 1993-94. In 1994-95, includes the disposal of \$449 million in capital assets (primarily transfer of secondary highways to municipalities). 2000-01 and 2001-02 include transfers of \$587 million and \$1.8 billion, respectively, of secondary highways from municipalities to the province.

<sup>f</sup> Net of cash set aside for future debt repayments. In 2001-02, the amount of \$5,261 million includes commitment of \$414 million to debt retirement based on a higher-than-expected year-end cushion. This amount was transferred in 2002-03 from other assets.

## 2008–09 Ministry Expense by Function<sup>a</sup>

(millions of dollars)

	Health	Education	Social Services	Transportation, Communications, and Utilities	Economic Development <sup>b</sup>	Protection of Persons and Property	Regional Planning and Development	Recreation and Culture	Housing	Environment	General Government	Debt Servicing Costs	Total Expense
Legislative Assembly	-	-	-	-	-	-	-	-	-	-	87	-	87
Aboriginal Relations	-	-	-	-	-	141	-	-	-	-	-	-	141
Advanced Education and Technology	-	3,208	-	-	223	-	-	-	-	-	-	-	3,431
Agriculture and Rural Development	-	-	-	-	1,317	-	-	-	-	-	-	57	1,374
Children and Youth Services	-	-	1,093	-	-	-	-	-	-	-	-	-	1,093
Culture and Community Spirit	-	-	-	-	97	8	-	419	-	-	-	-	524
Education	-	5,897	-	-	-	-	-	-	-	-	-	-	5,897
Employment and Immigration	40	270	537	-	66	50	5	5	-	-	2	-	975
Energy	-	-	-	29	305	-	-	-	-	11	48	-	393
Environment	-	-	-	-	-	-	-	-	-	332	-	-	332
Executive Council	-	-	-	-	-	-	-	-	-	-	29	-	29
Finance and Enterprise	83	2	-	-	50	31	256	-	-	-	632	113	1,167
Health and Wellness	12,881	-	-	-	-	-	-	-	-	-	-	-	12,881
Housing and Urban Affairs	-	-	59	-	-	3	8	-	553	-	3	20	646
Infrastructure	1	33	-	227	-	-	-	-	1	32	480	-	774
International and Intergovernmental Relations	-	-	-	-	19	-	-	-	-	-	9	-	28
Justice	-	-	83	-	-	359	-	-	-	-	-	-	442
Municipal Affairs	-	-	-	-	-	53	593	22	-	-	37	-	705
Seniors and Community Supports	102	-	1,620	-	-	-	-	-	122	-	-	-	1,844
Service Alberta	-	-	-	-	3	91	-	-	-	-	190	-	284
Solicitor General and Public Security	-	-	26	-	-	552	-	1	-	-	-	-	579
Sustainable Resource Development	-	-	-	-	225	223	-	-	-	37	-	-	485
Tourism, Parks and Recreation	-	-	-	-	67	-	-	173	-	-	-	-	240
Transportation	-	-	-	2,180	22	42	-	-	-	2	-	18	2,264
Treasury Board	-	-	-	-	-	-	2	-	-	-	40	-	42
<b>Total Expense</b>	<b>13,107</b>	<b>9,410</b>	<b>3,418</b>	<b>2,436</b>	<b>2,394</b>	<b>1,412</b>	<b>1,005</b>	<b>620</b>	<b>676</b>	<b>414</b>	<b>1,557</b>	<b>208</b>	<b>36,657</b>

<sup>a</sup> Excludes pension provisions.

<sup>b</sup> Agriculture, Resource Management and Economic Development.

