



Fiscal Plan

Budget **2015**



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Fiscal Plan 2015–20

PRESENTED BY

ROBIN CAMPBELL
PRESIDENT OF TREASURY BOARD
AND MINISTER OF FINANCE

in the Legislative Assembly of Alberta
March 26, 2015

Budget **2015**

ACCOUNTABILITY STATEMENT

The government's Fiscal Plan for the five years commencing April 1, 2015 was prepared under my direction in accordance with the *Fiscal Sustainability Act* and the government's accounting policies. All of the government's policy decisions as of March 5, 2015 with material economic or fiscal implications have been considered in preparing the five-year Fiscal Plan.

Original signed by

Robin Campbell
President of Treasury Board and Minister of Finance
March 19, 2015

BUDGET 2015

FISCAL PLAN 2015–20

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NOTE: Amounts presented in tables may not add to totals due to rounding.

OVERVIEW

Budget
2015

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OVERVIEW

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BUDGET 2015

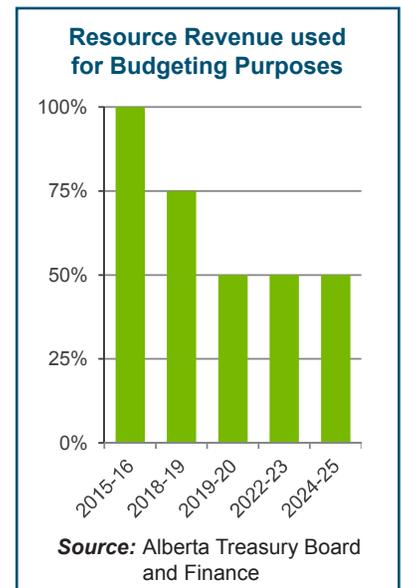
HIGHLIGHTS

Between June 2014 and March 2015 oil prices have fallen by over 50%. Lower oil prices and the associated economic impact has caused a significant revenue gap for Alberta in 2015-16, with ongoing implications well beyond this year. In response, the government is making the tough choices required to stabilize Alberta's public finances. Together with the government's new strategic direction, the new *Fiscal Sustainability Act* and the fiscal principles described below, *Budget 2015* will ensure long-term financial stability for Alberta and reduce the government's reliance on non-renewable resource revenue.

FISCAL PRINCIPLES

The fiscal principles reflected in *Budget 2015* include:

1. For the first time, the budget provides detailed 5-year fiscal plan and capital plans, within the context of an overarching ten-year vision for Alberta's finances (see page 10). Also for the first time, the budget is presented on a fully consolidated basis in a format supported by the Auditor General.
2. The current revenue gap will be addressed with a balanced approach using three "levers": Expense; Revenue, and the Contingency Account.
3. While protecting both front-line services and vulnerable Albertans, the cost of Alberta's public services will be brought in-line with the national average over the next three to four years.
4. Beginning in 2019-20, and for the following five years, only 50% of non-renewable resource revenue will be used for budgeting purposes, with the other 50% dedicated to rebuilding the Contingency Account, reducing capital debt and increasing the value of the Alberta Heritage Savings Trust Fund.
5. Income tax changes will introduce greater personal income tax progressivity while protecting the working family with enhancements to the Alberta Family Employment Tax Credit and a new Alberta Working Family Supplement for lower income families.
6. Alberta will maintain the lowest overall taxes and the most competitive tax system in Canada.
7. The government will continue to invest in the infrastructure Alberta's families and communities need, while maintaining a \$30 billion cap on direct funding for capital projects over any five-year period.
8. Alberta will continue to maintain its AAA credit rating and the strongest balance sheet in Canada.
9. The government will aggressively pursue improved market access for Alberta's goods and services and opportunities to better diversify Alberta's economy.
10. Moving to more of a user pay philosophy where government fees and charges will better reflect the costs of service delivery.

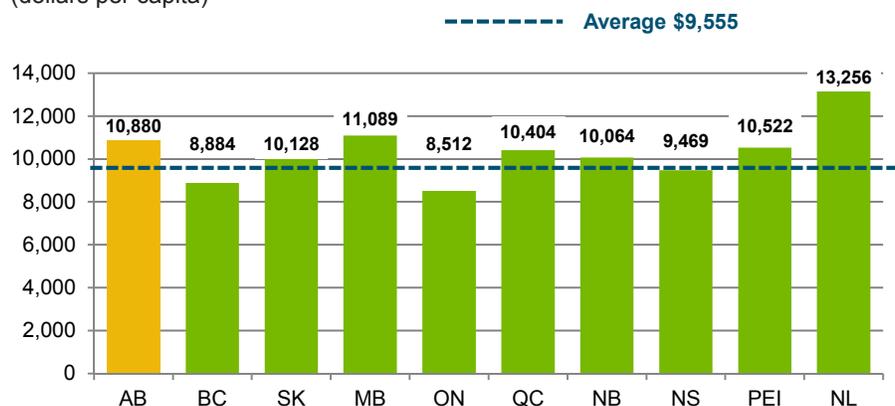


Budget 2015 reflects the priorities of Albertans gathered through extensive consultations, as Ministers and MLAs made formal presentations to 26 communities across the province and the government received over 40,000 submissions in response to the online survey.

EXPENSE (CONSOLIDATED)

As shown in Chart 1, provincial government program spending in Alberta was about \$1,300 higher per capita than the national average in 2013-14.

Chart 1: Provincial Government Program Spending*, 2013–14
(dollars per capita)



Source: Finance Canada Fiscal Reference Tables and Statistics Canada.

* On a fully accrued basis. Includes capital amortization but excludes debt servicing costs.

The fiscal principle is to bring the cost of public goods and services in Alberta in-line with the national average over the next three to four years. This means that ministries will have to absorb anticipated operating cost increases due to population growth, salary settlements and other inflation of \$1.9 billion in 2015-16 and \$3.8 billion by 2017-18. This will require changes to what programs and services are delivered to Albertans, adjustments to program delivery approaches, and increased efficiencies in operations across the public sector. It will also require rethinking the overall approach to labour relations and collective agreements where the province has a significant funding role.

Consolidated Operating Expense

Budget 2015 vs Budget 2014 with Pressures

(millions of dollars)	2015-16	2016-17	2017-18
<i>Budget 2015</i>	42,030	42,162	42,256
<i>Budget 2014 with pressures</i>	43,934	45,114	46,006
Difference	(1,904)	(2,952)	(3,750)

Budget 2015 reflects significant restraint measures to manage these growth pressures, as consolidated operating expense will be held essentially flat at just over \$42 billion for the next three years.

- ◆ **Health.** *Budget 2015* will see the ministry absorb \$950 million in growth pressures in 2015-16 through significant restraint measures implemented by Alberta Health Services, lower payments to primary care networks and drug cost savings.
- ◆ **Education.** *Budget 2015* will see the ministry absorb about \$200 million in growth pressures in 2015-16, in part through a 3% (\$78 million) reduction across the system, excluding teachers' compensation costs. School boards will not be funded for projected enrolment growth of 1.9%.

- ◆ **Innovation and Advanced Education.** *Budget 2015* will see the ministry absorb growth pressures of about \$80 million in 2015-16. The government will work with post-secondary institutions to transition over five years to a more sustainable model that reduces the system's reliance on government funding.
- ◆ **Human Services.** *Budget 2015* protects vulnerable Albertans, maintaining some of the most generous supports in Canada for AISH and PDD clients. Ministry-wide administrative reductions and other measures partially offset growth pressures of about \$200 million in 2015-16.
- ◆ **Public Sector Compensation.** *Budget 2015* honours all existing collective agreements. However, the budget restraint measures will significantly reduce the growth of Alberta's public sector compensation costs, with over 2,000 FTEs eliminated in 2015-16.

Budget 2015 protects vulnerable Albertans, maintaining some of the most generous supports in Canada for AISH and PDD clients.

Effective July 1, 2016 the Alberta Family Employment Tax Credit will be enhanced and a new Alberta Working Family Supplement introduced. Consolidated expense includes \$1 billion over the next five years for these programs. Total consolidated expense will be \$48.4 billion in 2015-16, more than \$300 million lower than the 2014-15 forecast. Government will hold the line on expense, with growth over the next four years well below population plus inflation.

Total consolidated expense will be \$48.4 billion in 2015-16, more than \$300 million lower than the 2014-15 forecast.

Budget 2015 Consolidated Expense

(millions of dollars)	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Operating Expense	42,096	42,030	42,162	42,256	43,351	44,646
Disaster assistance (incl. 2013 flood support)	451	301	220	204	400	400
Capital Grants	2,612	2,021	2,177	2,080	2,132	2,033
Amortization / Inventory Consumption / Loss on Disposals	2,995	3,117	3,182	3,153	3,131	3,128
Debt Servicing Costs: Capital Plan & General Government	732	890	1,179	1,524	1,767	1,856
Pension Provisions	(176)	31	(42)	(97)	(97)	(142)
Total Consolidated Expense	48,711	48,388	48,875	49,118	50,684	51,919

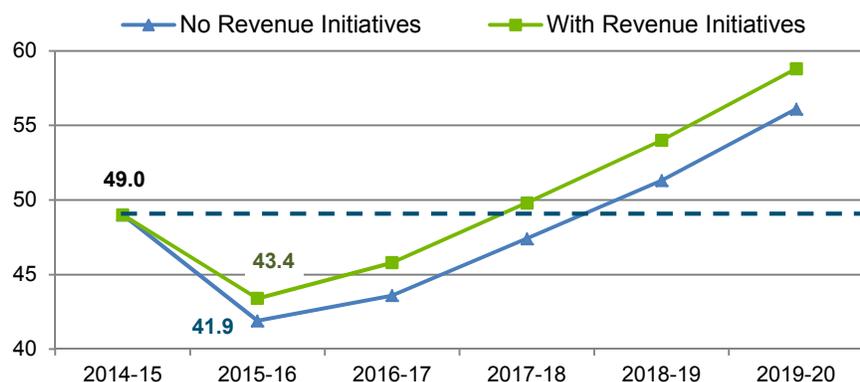
REVENUE (CONSOLIDATED)

Chart 2 shows the impact on government revenue as lower oil prices result in significantly lower non-renewable resource and income tax revenue. In order to reduce the reliance on resource revenue and help stabilize Alberta's finances, a number of new revenue initiatives will be implemented in *Budget 2015*.

- ◆ A new Health Care Contribution Levy will be introduced effective July 1, 2015. The levy will phase in for Albertans with taxable incomes over \$50,000, with a maximum of \$1,000 in 2016 for Albertans with taxable incomes over \$130,800.
- ◆ Alberta's personal income tax rate will increase from 10% to 10.5% effective January 1, 2016 for Albertans with taxable income over \$100,000, with further 0.5% increases planned for January 1, 2017 and January 1, 2018.
- ◆ A three-year temporary tax of 0.5% will be applied to taxable incomes over \$250,000, beginning January 1, 2016.
- ◆ The Charitable Donations Tax Credit will be reduced to its 2006 level (12.75%) effective January 1, 2016.
- ◆ Insurance Premiums Tax rates will increase one percentage point on April 1, 2016.

Chart 2: Revenue Challenge

(billions of dollars)



Source: Alberta Treasury Board and Finance

- ◆ The fuel tax will increase four cents to 13 cents per litre, effective 12:01 a.m., March 27. The Tax-Exempt Fuel Use program and Farm Fuel Benefit are capped at nine cents per litre.
- ◆ Tobacco taxes increase from \$40 to \$45 per carton, effective 12:01 a.m., March 27, with an equivalent increase applied to other tobacco products.
- ◆ Liquor revenue increases 10%, with changes to various liquor mark-ups taking effect March 27.
- ◆ Numerous fees and charges will increase under the user pay principle. This includes fees for land titles transactions and motor vehicle registrations, among others.

Total consolidated revenue will be \$43.4 billion in 2015-16, \$5.6 billion lower than 2014-15 forecast.

These revenue initiatives are expected to generate \$1.5 billion in new revenue in 2015-16, and about \$2.7 billion by 2019-20. Even with these changes, consolidated revenue will be \$43.4 billion in 2015-16, \$5.6 billion lower than the 2014-15 forecast of \$49 billion.

Alberta will maintain the lowest overall tax regime in Canada, with no provincial sales tax. There will be no changes to corporate income tax rates or to the oil and gas royalty structure.

As Alberta's revenue stabilizes, the government will move aggressively to reduce the reliance on non-renewable resource revenue to support program spending. In 2018-19 only 75% of projected resource revenue will be used for budgeting purposes, and this will be reduced to 50% for 2019-20 and the following five years.

Budget 2015

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Consolidated Revenue	48,959	43,397	45,828	49,827	52,394	54,407
Consolidated Expense	48,711	48,388	48,875	49,118	50,684	51,919
Consolidated Surplus / (Deficit)	248	(4,991)	(3,047)	709	1,710	2,488
Other Key Metrics:						
Contingency Account Year-end Balances	6,527	2,479	1,000	2,902	4,609	5,000
Heritage Fund Year-end Balances	15,091	15,257	15,501	15,780	16,095	17,146

CONTINGENCY ACCOUNT AND OTHER SAVINGS

Even with the spending restraint measures and new revenue initiatives, consolidated deficits are expected in 2015-16 and 2016-17, before surpluses resume beginning in 2017-18. As per the new *Fiscal Sustainability Act*, the Contingency Account will be used to cover any deficits, after adjusting for the net cash requirements of government. The contingency is now forecast to end 2014-15 at \$6.5 billion. The contingency will be drawn down to \$2.5 billion by the end of 2015-16, and to \$1 billion by the end of 2016-17.

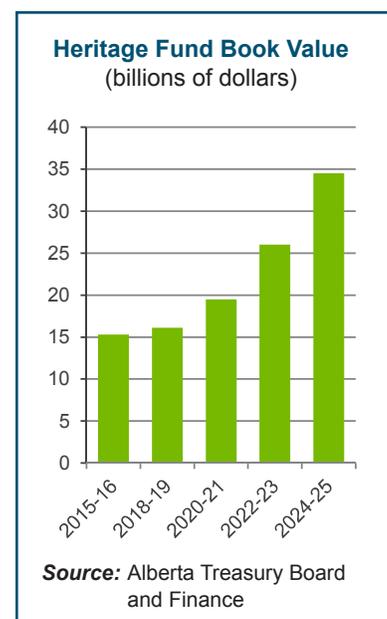
With a return to surplus budgets in 2017-18, the contingency will be replenished over time, reaching \$5 billion by 2019-20. With the contingency replenished, savings in the Heritage Fund will increase. This approach is expected to add \$18 billion to the Heritage Fund over six years, increasing the book value of the Fund to over \$34 billion by 2024-25.

ENERGY AND ECONOMIC ASSUMPTIONS

The *Budget 2015* outlook is cautious, in line with the averages of other forecasts for energy prices, exchange rates, and other economic and financial variables. The revenue forecast is based on WTI averaging US\$54.84/bbl in 2015-16, \$62.80 in 2016-17 and reaching just under \$84 by 2019-20. It is forecast that oil prices will rebound starting in the second half of 2015.

The Alberta economy grew by an estimated 3.8% in 2014, in line with the 3.7% increase expected at *Budget 2014*. In 2015, real GDP growth is expected to slow to 0.4% due to lower oil prices. Alberta's population growth remained strong in 2014, growing by 2.9%. In 2015, population growth is forecast to moderate as a result of lower interprovincial migration, but remain solid at 2.0%, or 84,500.

Business activity remained strong in 2014, with international exports and business investment rising to record levels. Lower oil prices will weigh on the business sector in 2015, reducing corporate profits and energy investment. Despite weaker investment, oil exports will continue to rise. Other sectors, like



In 2015, population growth is forecast to moderate as a result of lower interprovincial migration, but remain solid at 2.0%, or 84,500.

Energy and Economic Assumptions

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
WTI Oil (US\$ / bbl)	79.87	54.84	62.80	75.14	78.89	83.83
WCS@Hardisty (Cdn\$ / bbl)	69.86	46.33	51.12	61.77	65.76	74.23
Differential (WCS / WTI in US\$)	17.30	17.07	20.37	23.25	23.00	20.00
Natural Gas (Cdn\$ / GJ)	3.53	2.94	3.17	3.44	3.53	3.64
Exchange Rate (US¢ / Cdn\$)	88.3	81.5	83.0	84.0	85.0	86.0
Interest Rate (3 month, %)	0.85	0.60	0.95	1.75	2.00	2.00
	2014	2015	2016	2017	2018	2019
Real Economic Growth (GDP, %)	3.8	0.4	1.7	3.0	3.2	3.2
Population (%)	2.9	2.0	1.7	1.7	1.8	1.9
Employment Growth (%)	2.2	0.6	1.0	1.9	2.1	2.1
Unemployment Rate (%)	4.7	5.7	5.9	5.3	4.7	4.5
Household Income (%)	6.4	2.4	3.5	4.3	5.4	5.6
Net Corporate Operating Surplus (%)	18.2	(50.6)	27.2	37.0	16.8	15.3
Alberta CPI (%)	2.6	0.9	1.5	1.7	2.0	2.1

forestry, agriculture and tourism will benefit from a stronger US economy, a lower loonie and reduced cost pressures.

Alberta's labour market continued to add jobs in 2014, with employment rising 2.2%. As the labour market cools employment growth is expected to fall to 0.6% in 2015. Alberta's unemployment rate was 4.7% in 2014, and is forecast to rise to 5.7% in 2015.

Consumer prices rose at an average rate of 2.6% in 2014. Inflation is expected to fall to 0.9% in 2015, due to lower energy prices and a slowdown in economic activity. The loonie has stabilized at around 80 US¢/Cdn\$ after falling throughout most of 2014. The forecast for 2014-15 has been lowered to 88.3 US¢/C\$ and the forecast for 2015-16 is 81.5 cents.

2015–20 CAPITAL PLAN

The Budget 2015 Capital Plan supports \$29.5 billion in infrastructure projects, including \$4.8 billion for maintenance and renewal of existing infrastructure.

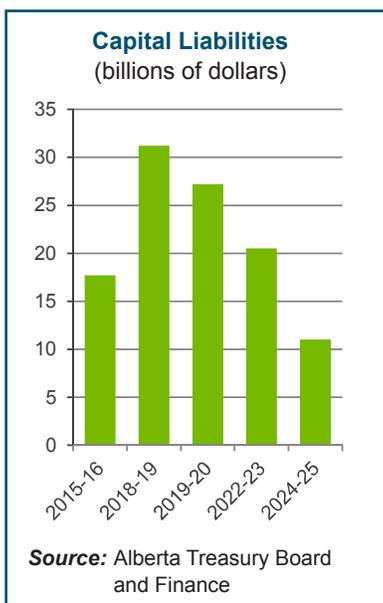
Budget 2015 will provide the public infrastructure Alberta's families and communities need. The *Budget 2015* Capital Plan supports \$29.5 billion in infrastructure projects, including \$4.8 billion for maintenance and renewal of existing infrastructure. The 2015-20 Capital Plan includes:

- ◆ \$7.9 billion for municipal infrastructure support through the Municipal Sustainability Initiative and other programs;
- ◆ \$6.7 billion for the provincial transportation network; with \$4.6 billion for construction and \$2.1 billion for maintenance and renewal;
- ◆ \$5.0 billion for schools, with \$4.1 billion for construction and \$909 million for maintenance and renewal;
- ◆ \$3.4 billion for health care facilities, with over \$2.7 billion for construction and \$653 million for maintenance and renewal;
- ◆ \$2.3 billion for government facilities and other infrastructure, with nearly \$1.9 billion for construction and \$452 million for maintenance and renewal;
- ◆ \$2.3 billion for other capital projects, including housing, water and wastewater management and community facilities, with \$127 million budgeted for maintenance and renewal of seniors facilities;
- ◆ \$1.1 billion for post-secondary facilities, with \$580 million for construction and \$547 million for maintenance and renewal; and
- ◆ \$779 million for flood recovery and mitigation projects.

There is another \$1.6 billion in capital investment self-financed by Alberta Health Services, school boards and post-secondary institutions for ancillary and other projects.

CAPITAL PLAN FINANCING

Albertans continue to express support for the government to finance investments in long-term capital assets. For the next four years a significant portion of the Capital Plan will be financed through direct borrowing. The government's plan to stabilize Alberta's finances includes an end to direct capital borrowing after 2018-19. Total liabilities for capital projects are expected to peak at \$31.2 billion in 2018-19, and over the following six years these liabilities will be reduced to \$11 billion by 2024-25.



Budget 2015 Capital Plan

(millions of dollars)

	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target	5-year Total
Capital Plan Spending:						
Municipal Infrastructure Support	1,249	1,638	1,678	1,704	1,610	7,879
Roads and Bridges	1,305	780	908	776	814	4,583
Schools	839	1,287	1,114	679	177	4,096
Maintenance and Renewal (details below)	754	739	879	1,037	1,388	4,797
Health Care Facilities and Equipment	604	533	433	665	512	2,747
Government Facilities, Equipment and Other	640	358	294	281	299	1,872
Flood Recovery and Mitigation	305	254	105	65	50	779
Post-Secondary	163	187	163	21	46	580
Other Capital Projects	573	458	406	396	336	2,169
Total Capital Plan – Fiscal Plan Basis	6,431	6,235	5,979	5,624	5,233	29,502
SUCH Sector Self-financed Projects	493	246	331	212	316	1,598
Total Capital Plan – Fully Consolidated Basis	6,925	6,480	6,311	5,836	5,548	31,100
Capital Plan Financing:						
Direct Borrowing	5,681	5,535	5,229	2,775	-	19,220
Alternative Financing (P3s)	114	150	211	242	338	1,055
Current-year Revenue	530	509	445	2,597	2,919	7,000
Retained Income of Funds and Agencies	107	40	95	10	11	263
Transfer of Available Cash	-	-	-	-	1,964	1,964
SUCH Sector Self-financing	493	246	331	212	316	1,598
Total Capital Plan Financing	6,925	6,480	6,311	5,836	5,548	31,100

Budget 2015 Capital Maintenance and Renewal

(millions of dollars)

	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target	5-year Total
Roads and Bridges	308	319	334	440	708	2,109
Schools	190	123	169	199	228	909
Health Care Facilities	111	121	121	146	154	653
Post-Secondary	60	76	129	133	149	547
Government Facilities	56	61	86	110	139	452
Seniors Facilities	29	39	40	9	10	127
Total Capital Maintenance and Renewal	754	739	879	1,037	1,388	4,797

Budget 2015 Capital Liabilities

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Liabilities for Capital Projects:						
Beginning Balance	8,724	11,930	17,700	23,349	28,744	31,213
Alternative Financing (P3s)	227	114	150	211	242	338
Direct Borrowing	3,000	5,681	5,535	5,229	2,775	-
Re-financing of existing debt	905	-	-	-	-	-
Principal repayments / amortization of issue costs	(926)	(25)	(36)	(45)	(548)	(951)
Allocation from surplus cash for debt repayment	-	-	-	-	-	(1,051)
Total Liabilities for Capital Projects	11,930	17,700	23,349	28,744	31,213	29,549

10-Year Fiscal Information

(millions of dollars)

		1	2	3	4	5	6	7	8	9	10
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
CONSOLIDATED FINANCIAL STATEMENTS BASIS (CFS)	Forecast	Estimate	Target	Target	Target	Target	Projected	Projected	Projected	Projected	Projected
Revenue											
1 Resource revenue	8,794	2,869	3,477	4,753	6,279	8,739	10,302	11,193	11,463	12,311	12,744
2 Resource revenue risk adjustment	-	-	-	-	(1,570)	(4,370)	(5,151)	(5,597)	(5,732)	(6,156)	(6,372)
3 % of resource revenue for budget purposes	-	-	-	-	75%	50%	50%	50%	50%	50%	50%
4 Other revenue	40,165	40,528	42,351	45,074	47,685	50,037	51,957	53,949	56,017	58,164	60,393
5 Total Revenue	48,959	43,397	45,828	49,827	52,394	54,407	57,108	59,545	61,748	64,319	66,765
6 Total Expense	48,711	48,388	48,875	49,118	50,684	51,919	53,493	54,946	56,421	57,936	59,519
7 Surplus / (Deficit) - CFS basis	248	(4,991)	(3,047)	709	1,710	2,488	3,615	4,599	5,327	6,383	7,246
8 Total Capital Plan	7,253	6,925	6,480	6,311	5,836	5,548	6,000	6,000	6,000	6,000	6,000
9 Resource revenue risk adjustment (line 2)	-	-	-	-	1,570	4,370	5,151	5,597	5,732	6,156	6,372
10 Surplus cash for allocation	-	-	-	-	-	-	-	696	904	1,897	2,531
11 Total for allocation	-	-	-	-	1,570	4,370	5,151	6,293	6,636	8,053	8,903
Allocated to:											
12 Contingency Account	-	-	-	-	1,570	304	-	-	-	-	-
13 Capital Plan	-	-	-	-	-	1,964	417	-	-	-	-
14 Reduction in capital borrowing	-	-	-	-	-	1,051	2,367	3,146	3,318	4,026	4,452
15 Savings (Heritage Fund)	-	-	-	-	-	1,051	2,367	3,146	3,318	4,026	4,452
16 Total allocation	-	-	-	-	1,570	4,368	5,151	6,293	6,636	8,053	8,903
17 Contingency Account											
18 Allocation from NRR set aside for Contingency Account	-	-	-	-	1,570	304	-	-	-	-	-
19 Contingency Account Balance at End of Year	6,527	2,479	1,000	2,902	4,609	5,000	5,000	5,000	5,000	5,000	5,000
Capital Plan liabilities											
20 Opening balance	8,724	11,930	17,700	23,349	28,744	31,213	29,549	27,192	24,180	20,471	15,986
21 Additions	3,227	5,795	5,685	5,440	3,017	338	365	192	171	106	-
22 Principal repayments	(21)	(25)	(36)	(45)	(548)	(951)	(355)	(58)	(562)	(565)	(693)
23 Allocation from surplus cash for debt repayment	-	-	-	-	-	(1,051)	(2,367)	(3,146)	(3,318)	(4,026)	(4,452)
24 Total Liabilities for Capital Projects, net of surplus cash	11,930	17,700	23,349	28,744	31,213	29,549	27,192	24,180	20,471	15,986	10,842
Savings											
25 Allocation from surplus cash for savings	-	-	-	-	-	1,051	2,367	3,146	3,318	4,026	4,452
26 Total Accumulated Savings	-	-	-	-	-	1,051	3,418	6,564	9,882	13,908	18,360
27 Heritage Fund year-end balance	15,091	15,257	15,501	15,780	16,095	17,146	19,513	22,659	25,977	30,003	34,455
28 Capital assets	45,316	48,014	50,025	51,959	53,363	54,591	55,862	57,083	58,264	59,405	60,506
29 Net assets	54,119	49,128	46,081	46,790	50,070	56,928	65,694	75,890	86,948	99,487	113,105

CONSOLIDATED EXPENSE

Budget
2015

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CONSOLIDATED EXPENSE

Budget 2015 reflects the fiscal principle that, while protecting both front-line services and vulnerable Albertans, the cost of Alberta's public services will be brought in-line with the national average over the next three to four years.

The budget reflects the tough choices required to stabilize Alberta's finances. Ministries will have to absorb anticipated operating cost pressures due to population growth, salary settlements and other inflation totalling \$1.9 billion in 2015-16 and \$3.8 billion by 2017-18. This will require changes to what programs and services are delivered to Albertans, adjustments to program delivery approaches, and increased efficiencies in operations across the public sector.

The government is presenting *Budget 2015* on a fully consolidated basis, consistent with the year-end financial statements and in a format supported by the Auditor General. A fully consolidated budget includes school boards, universities and colleges, and health entities (the SUCH sector) and the Alberta Innovates corporations on a line-by-line basis. As a result, the level of expense reported in *Budget 2015* is significantly higher than the amounts presented in previous budgets. A comparison is provided below:

(millions of dollars)	2014-15F	2015-16	2016-17	2017-18	2018-19	2019-20
Fully Consolidated	48,711	48,388	48,875	49,118	50,684	51,919
Fiscal Plan Basis	44,281	43,685	44,073	44,366	46,070	47,300
Difference	4,430	4,703	4,802	4,752	4,614	4,619

Budget 2015 includes \$48.4 billion in consolidated expense in 2015-16, more than \$300 million lower than the 2014-15 forecast. Over the next four years, modest growth in expense is planned at rates well below population growth plus inflation.

Budget 2015 includes \$48.4 billion in consolidated expense in 2015-16, more than \$300 million lower than the 2014-15 forecast.

The four largest ministries (Health, Education, Innovation and Advanced Education and Human Services) account for 75% of consolidated expense. Most of this section will summarize these four ministry budgets. While consolidated expense includes capital grants to municipalities, capital spending is described in the Capital Plan chapter.

Budget 2015 Consolidated Expense

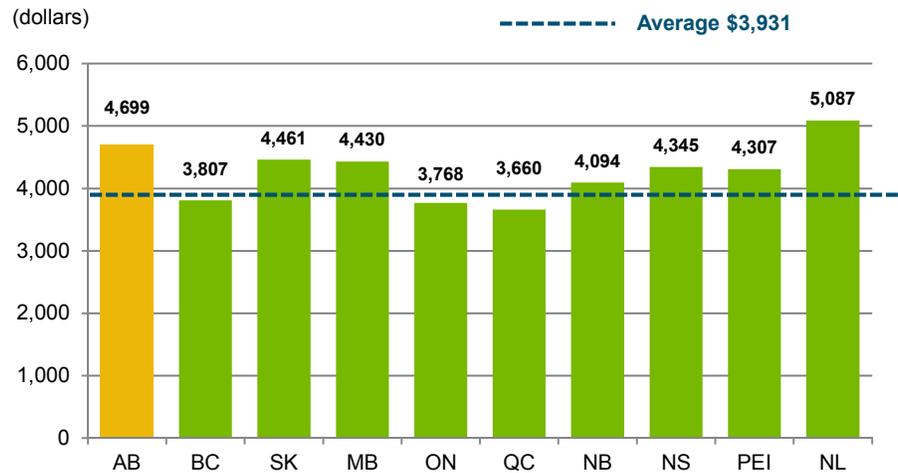
(millions of dollars)	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Health	19,027	18,868	18,843	18,823	19,347	19,924
Education	7,343	7,488	7,592	7,640	7,892	8,123
Innovation and Advanced Education	5,865	5,810	5,843	5,864	5,842	5,976
Human Services	4,137	4,209	4,198	4,187	4,313	4,443
Other Ministries and Legislative Assembly	11,522	10,692	10,960	10,923	11,170	11,290
2013 Alberta Flood Assistance	261	199	102	54	50	50
Unallocated Disaster / Emergency Assistance	-	200	200	200	400	400
Debt Servicing Costs	732	891	1,179	1,524	1,767	1,855
Pension Provisions	(176)	31	(42)	(97)	(97)	(142)
Total Consolidated Expense	48,711	48,388	48,875	49,118	50,684	51,919

MINISTRY OF HEALTH

Health's consolidated expense is budgeted at \$18.9 billion in 2015-16, about \$160 million or 0.8% lower than the 2014-15 forecast (excluding debt servicing costs and flood recovery initiatives), and held flat for the following two years. As shown in the chart, provincial per capita health spending in Alberta was forecast to be 19% above the national average in 2014 (the gap is noticeably higher on an age-gender adjusted basis), and yet Albertans are not getting the best health outcomes. With *Budget 2015* the government will take significant steps to bring Alberta's health care spending in-line with the national average, with improved outcomes, the protection of front-line services and enhanced patient care.

Provincial Government Per Capita Health Expenditures

(2014 Forecast)



Source: National Health Expenditure Trends, 1975-2014, Canadian Institute for Health Information (CIHI).

Definition: Provincial Government Health expenditures refer to spending by the Ministry and health related spending by other government departments and agencies.

\$13.4 billion budgeted for Alberta Health Services operations in 2015-16.

Alberta Health Services (AHS). There is \$13.4 billion budgeted for AHS operations in 2015-16, about \$300 million lower than the 2014-15 forecast. AHS will take a three-pronged approach to manage \$450 million in growth pressures and the overall budget reduction:

- ◆ workforce cost management including better staff scheduling to lower overtime costs, staff attrition and non-clinical staff reductions;
- ◆ benchmarking and service delivery strategies to improve performance at the 16 largest acute care facilities as well as clinical and support areas; and
- ◆ administrative and overhead cost reductions across the organization.

The budget includes over \$100 million in 2015-16 for the incremental costs of the recent collective agreements with the United Nurses of Alberta and the Health Sciences Association of Alberta.

Physician Compensation and Development. There is a total of \$4.6 billion budgeted in 2015-16 for various compensation and development programs for almost 9,700 physicians and 1,500 medical residents. The government's agreement with the Alberta Medical Association (AMA) includes a 2.5% fee

rate increase costing about \$100 million in 2015-16. Alberta physicians are the highest paid in Canada, with both family physicians and specialists earning much more than their provincial counterparts. The government will work with the AMA to implement cost savings strategies while ensuring continued quality patient care.

Drugs and Supplemental Health Benefits. There is a total of \$1.8 billion budgeted for these benefits in 2015-16, including senior's health benefit programs that will provide \$452 million for prescription drugs and \$122 million for dental, optical and other supplementary health benefits. This budget also includes a total of \$350 million for outpatient cancer and specialized high cost drugs, a \$72 million increase from 2014-15. About \$60 million in savings are expected this year through better cost management for brand name drugs, working with clinicians to minimize the overuse or misuse of drugs, and increasing the use of lower cost generic drugs with proven records of effectiveness.

\$1.8 billion budgeted for drug and supplemental health benefit programs in 2015-16.

Other Programs. There is \$138 million budgeted in 2015-16 to support primary care networks and family care clinics. Payments to the primary care networks will be reduced by \$75 million in 2015-16 as the networks will be required to draw down accumulated surpluses. Only one of nine previously announced new family care clinics will now open (Peace River).

Ministry of Health – Consolidated Expense (excluding debt servicing costs and flood recovery initiatives)

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Alberta Health Services' Operations:						
Facility-Based Patient Services	5,174	5,055	5,040	5,020	5,097	5,170
Administration and Support Services	2,425	2,303	2,280	2,266	2,271	2,278
Diagnostic, Therapeutic and Other Patient Services	2,043	1,983	1,977	1,970	1,984	1,998
Care Based Services	1,655	1,722	1,760	1,794	2,018	2,273
Physician Compensation and Development	942	945	945	945	945	945
Information Systems	523	499	492	487	487	487
Drugs and Supplemental Health Benefits	454	448	446	446	446	447
Community Programs and Healthy Living	352	346	346	345	345	345
Research and Education	102	83	83	83	83	83
Department of Health:						
Physician Compensation and Development	3,521	3,637	3,638	3,638	3,678	3,725
Drugs and Supplemental Health Benefits	1,370	1,368	1,369	1,370	1,420	1,485
Diagnostic, Therapeutic and Other Patient Services	237	246	246	246	246	246
Support Programs	153	151	147	147	147	147
Community Programs and Healthy Living	114	121	124	127	152	177
Care Based Services	132	103	103	103	193	283
Information Systems	79	95	95	95	95	95
Ministry Support Services	75	89	91	91	91	91
Alberta Innovates - Health Solutions	150	141	119	104	104	99
Health Quality Council of Alberta	8	7	7	7	7	7
Consolidation and Accounting Policy Adjustments	(481)	(475)	(466)	(461)	(462)	(458)
Total	19,027	18,868	18,843	18,823	19,347	19,924
Change (%)		(0.8)	(0.1)	(0.1)	2.8	3.0

MINISTRY OF EDUCATION

Education's consolidated expense is budgeted at \$7.5 billion in 2015-16, an increase of \$145 million or 2.0% from the 2014-15 forecast (excluding debt servicing costs, pension provisions and flood recovery initiatives). Smaller increases are planned for the following two years.

The budget includes \$89 million for the final year of the Teachers' Framework Agreement. This will increase total teachers' compensation to over \$4 billion in 2015-16. Alberta teachers' salaries are 9.8% above the Canadian average, based on five years of university education and the maximum level of experience.

Growth pressures of about \$200 million will be absorbed in part through a 3% (\$78 million) reduction across the education system, excluding teachers' compensation costs, with a combination of grant reductions as well as departmental and school board administrative savings.

\$7.1 billion budgeted for public and separate school board operations in fiscal 2015-16.

School Board Operations. There is \$7.1 billion budgeted for public and separate school board operations in fiscal 2015-16. This budget includes:

- ◆ \$5.6 billion for ECS to Grade 12 instruction;
- ◆ \$597 million to operate and maintain schools;
- ◆ \$334 million to support student transportation services;
- ◆ \$302 million for amortization of existing school facilities;
- ◆ \$247 million for governance and system administration; and
- ◆ \$98 million for program support services.

There is no additional funding to address projected enrolment growth of 12,000 students (1.9%) in 2015-16, as the budget is expected to maintain the overall number of classroom-based teachers in the publicly funded system at about 33,500 full-time equivalents. As a result, overall class-size averages could

Ministry of Education – Consolidated Expense (excluding debt servicing costs, pension provisions and flood recovery initiatives)

(millions of dollars)	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
School Board Operations:						
Instruction – ECS to Grade 12	5,481	5,570	5,623	5,673	5,886	6,081
Operations and Maintenance	561	597	599	604	618	636
Student Transportation	335	334	336	339	346	356
School Facilities Amortization	295	302	355	346	348	337
Governance and System Administration	240	247	249	251	257	264
Program Support Services	93	98	99	99	102	105
Accredited Private Schools and ECS Operators	230	226	226	228	236	243
Departmental Program Support Services	61	53	52	52	51	51
Basic Education Programs	45	49	46	46	46	48
Ministry Support Services	24	24	24	24	24	24
School Facilities (Peerless Lake, Trout Lake schools)	-	10	5	-	-	-
Consolidation Adjustments	(22)	(22)	(22)	(22)	(22)	(22)
Totals	7,343	7,488	7,592	7,640	7,892	8,123
Increase (%)		2.0	1.4	0.6	3.3	2.9

increase by about 1.5 students this fall (current class-size averages range from 20.2 students for Kindergarten to Grade 3, and 23.3 students in high school).

Teachers' Pensions. Funding for school boards includes \$399 million in 2015-16 for current service payments for teachers' pensions, with a further \$465 million budgeted in the Ministry of Treasury Board and Finance to provide for the costs of the pre-1992 teachers' pension liability.

\$864 million budgeted for teachers' pensions in 2015-16.

Private Schools. There is \$226 million budgeted in 2015-16 to support about 140 accredited private schools and over 100 private operators that provide Early Childhood Services programs for children as young as two-and-a-half years of age.

Aboriginal Education. There is \$9 million budgeted in 2015-16, \$28 million in 2016-17, and \$37 million per year thereafter to focus on improving educational outcomes and creating opportunities for Aboriginal students.

MINISTRY OF INNOVATION AND ADVANCED EDUCATION

Innovation and Advanced Education's consolidated expense is budgeted at \$5.8 billion in 2015-16, a \$55 million or 1.0% reduction from the 2014-15 forecast (excluding debt servicing costs, pension provisions and flood recovery initiatives), and will be essentially flat for the following three years.

The government remains committed to strengthening alignment within the Campus Alberta system. This includes aligning post-secondary research and commercialization initiatives with the government's efforts to diversify Alberta's economy. Alberta's colleges and universities contribute towards job creation, enhanced productivity and the vitality of communities across the province.

Ministry of Innovation and Advanced Education – Consolidated Expense (excluding debt servicing costs, pension provisions and flood recovery initiatives)

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Post-Secondary Operations	5,260	5,188	5,225	5,269	5,232	5,351
Student Aid	213	227	230	230	235	239
Alberta Innovates Corporations	204	188	189	192	194	197
Other Support for Adult Learning	50	53	58	58	61	64
Apprenticeship Delivery	47	41	45	45	46	48
Technology and Industry Partnerships	16	39	39	14	15	16
Economic Development and Innovation	25	25	25	25	27	29
Alberta Centennial Education Savings Plan	16	19	-	-	-	-
Ministry Support Services	32	29	30	29	30	31
Other Programs	2	1	2	2	2	1
Total	5,865	5,810	5,843	5,864	5,842	5,976
Change (%)		(1.0)	0.4	0.5	(0.4)	2.3

\$5.2 billion budgeted for post-secondary operations in 2015-16.

Post-Secondary Operations. There is \$5.2 billion budgeted in 2015-16 for post-secondary operations. A recent national comparison indicated Alberta universities receive 58% of their operating revenue from the government, compared to 42% in Ontario and the national average of 53%. With *Budget 2015*, the department will work with the board-governed institutions to transition over five years to a more sustainable model that reduces the system's reliance on government funding.

Student Aid. Enhancements to student aid programs result in a \$14 million or 6.6% increase in the budget, to \$227 million in 2015-16. This budget includes:

- ◆ \$83 million for merit based scholarship awards to about 47,500 students;
- ◆ \$57 million for the costs of providing students loans and student debt management programs; and
- ◆ \$51 million for grants to about 16,000 students;

In addition, \$579 million in student loans will be disbursed in 2015-16 to more than 77,000 students. This is a \$171 million increase from 2014-15, as student loan limits and living allowances are increased, and apprentices and students in pre-apprenticeship programs are now eligible for loans and grants.

There is \$19 million budgeted for the final year of the Alberta Centennial Education Savings Plan.

Economic Development and Innovation, Technology and Industry

Partnerships. There is a total of \$64 million budgeted in 2015-16 to support strategic economic development and innovation initiatives outside of Campus Alberta and Alberta Innovates, including \$28 million for commercialization capacity focused on diversifying Alberta's economy.

MINISTRY OF HUMAN SERVICES

Human Services' consolidated expense is budgeted at \$4.2 billion in 2015-16, a net increase of \$72 million or 1.8% from the 2014-15 forecast (excluding flood recovery initiatives), then held flat for the following two years. Growth pressures of about \$200 million will be partially offset by administrative cost savings and other measures.

Support to Persons with Disabilities. Alberta continues to provide generous supports to the vulnerable, including persons with developmental disabilities (PDD). There is nearly \$1.1 billion budgeted in 2015-16 for programs supporting persons with disabilities including PDD, families of children with disabilities, and Fetal Alcohol Spectrum Disorder Initiatives. This is an increase of \$66 million or 6.6% from 2014-15. This budget includes funding for expected caseload growth and to operate Michener Centre.

AISH. Income and other support (budgeted in Human Services) and related health benefits (budgeted in the Ministry of Health) will be provided to over 52,000 disabled adults to help them live more independently. The AISH maximum monthly income benefit is maintained at \$1,588, the most generous benefit of all provinces, about \$500 more per month than second-place

\$1.1 billion budgeted in 2015-16 for programs supporting persons with disabilities, an increase of \$66 million from 2014-15.

Ontario. There is \$972 million budgeted in Human Services and an additional \$201 million budgeted in Health for AISH in 2015-16. Combined, the budgets reflect an increase of \$41 million or 3.6% from 2014-15 to address expected caseload growth.

Employment and Income Support. These programs help underemployed and 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, as well as health benefits. There is \$750 million budgeted in Human Services for these programs in 2015-16, including \$471 million for income support programs. There is an additional \$166 million budgeted in Health for related health benefits.

\$637 million budgeted for income support programs and related health benefits in 2015-16.

Child Intervention. There is \$697 million budgeted in 2015-16 for child intervention, a \$27 million or 3.8% reduction from 2014-15 due to lower caseloads as the government continues implementation of the Child Intervention Practice Framework and tools such as the Signs of Safety. These practice changes emphasize early assessment and connecting families to community resources and other supports so that children can remain safe at home with their families whenever possible.

Child Care. There is \$297 million budgeted in 2015-16 for child care programs, a \$10 million or 3.5% increase from 2014-15. This budget maintains full child care subsidies for families with a household income of less than \$50,000, as introduced in *Budget 2012*.

Homeless and Outreach Supports. There is \$163 million budgeted in 2015-16 for homeless and outreach support programs. This budget will help house about 1,800 homeless Albertans this year and fund over 3,200 spaces in homeless shelters. Since 2009-10, about 10,600 Albertans who were homeless have been provided housing and supports to help them remain housed.

\$163 million budgeted for homeless and outreach support programs in 2015-16.

Ministry of Human Services – Consolidated Expense (excluding flood recovery initiatives)

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Supports to Persons with Disabilities	1,002	1,068	1,068	1,067	1,099	1,132
Assured Income for the Severely Handicapped	941	972	972	973	1,003	1,034
Employment and Income Support	747	750	741	732	754	777
Child Intervention	725	697	695	693	714	736
Child Care	287	297	297	297	306	315
Homeless and Outreach Supports	165	163	163	163	168	173
Early Intervention Services for Children and Youth	95	91	91	91	94	97
Family and Community Support Services	76	76	76	76	78	80
Other Programs and Services	67	66	66	66	68	70
Ministry Support Services	40	38	38	38	38	38
Consolidation Adjustments	(8)	(9)	(9)	(9)	(9)	(9)
Total	4,137	4,209	4,198	4,187	4,313	4,443
Change (%)		1.8	(0.3)	(0.3)	3.0	3.0

OTHER MINISTRIES

Aboriginal Relations. Consolidated expense is budgeted at \$196 million in 2015-16, a net \$9 million or 4.1% reduction from the 2014-15 forecast (excluding flood recovery initiatives). This budget includes \$128 million for the First Nations Development Fund, a \$10 million reduction from 2014-15 to reflect lower proceeds from government owned slot machines in First Nations casinos. This budget also includes \$42 million for First Nations and Métis Relations, providing support for initiatives to improve socio-economic outcomes for First Nations and to ensure the Metis Settlements have the resources to build stronger, self-sustaining communities through the Long-Term Governance and Funding Arrangements.

\$931 million budgeted for Agriculture and Rural Development in 2015-16.

Agriculture and Rural Development. Consolidated expense is budgeted at \$931 million in 2015-16, excluding debt servicing costs. This is a \$16 million reduction from 2014-15 after adjusting the forecast for \$109 million in disaster/emergency assistance provided in-year. The budget supports ongoing efforts to expand existing and open new markets for Alberta's agricultural products, ensure food safety and animal health, and encourage rural economic development. Agricultural insurance, lending and income support programs, delivered primarily through the Agriculture Financial Services Corporation, are maintained. There is \$32 million budgeted for the Alberta Livestock and Meat Agency Ltd. in 2015-16.

Culture and Tourism. Consolidated expense is budgeted at \$313 million in 2015-16, a \$7.5 million reduction from 2014-15 (excluding flood recovery initiatives). This budget includes \$64 million in support for creative industries, with \$26 million for the Alberta Media Fund. This Fund supports organizations active in screen-based media production, book and magazine publishing and sound recording in the province. This budget also provides \$69 million for tourism related initiatives, including \$54.5 million in assistance to Travel Alberta, the tourism marketing agency for the Government of Alberta.

\$250 million budgeted for operations of the Alberta Energy Regulator in 2015-16.

Energy. Consolidated expense is budgeted at \$1 billion in 2015-16, a net \$243 million increase from 2014-15. Capital grants for Carbon Capture and Storage increase by \$250 million, to \$313 million, based on current project schedules. This budget includes \$250 million for operations of the Alberta Energy Regulator and \$30.5 million for the Orphan Well Abandonment program, which doubles this year. This budget also provides \$92 million for the final year of the Biofuel Initiatives program.

Environment and Sustainable Resource Development. Consolidated expense is budgeted at \$717 million in 2015-16, excluding flood recovery initiatives. This is a \$35 million reduction from 2014-15, after adjusting the forecast for \$249 million in disaster/emergency assistance and flood recovery costs. This budget includes \$78 million for the Alberta Environmental Monitoring, Evaluation and Reporting Agency and \$61 million for ongoing parks operations and infrastructure management. This budget also provides \$29 million to continue to address the 21 recommendations of the Flat Top Complex Wildfire Review Committee.

Executive Council. Consolidated expense is budgeted at \$21.6 million in 2015-16, a \$127,000 reduction from 2014-15. This budget reflects savings from the voluntary 5% reduction in compensation for Premier's Office staff.

Infrastructure. Consolidated expense is budgeted at \$729 million in 2015-16, excluding flood recovery initiatives. This is a net \$72 million increase from 2014-15, primarily related to re-profiling Parsons Creek development funding from 2014-15 to 2015-16. This budget includes \$361 million for property management, with \$39 million to continue operations of the Swan Hills Treatment Centre, the only facility of its kind in Canada.

International and Intergovernmental Relations. Consolidated expense is budgeted at \$37.4 million in 2015-16, a \$0.5 million increase from 2014-15. This budget includes \$25 million for international relations as the government continues to pursue market access for Alberta products and services. This budget reflects about \$2 million in savings from the closure of offices in Chicago, Munich and Ottawa, as well as the decision not to proceed with new offices previously announced for Brazil and California.

Jobs, Skills, Training and Labour. Consolidated expense is budgeted at \$186 million in 2015-16, a \$23 million increase from 2014-15. This budget includes \$97 million for workforce strategies, with \$35 million for labour market programs which are funded in part by the Canada-Alberta Job Fund. It also provides \$62 million for safe, fair and healthy workplaces, with \$43 million for the Occupational Health and Safety program, a \$4 million increase from 2014-15.

Justice and Solicitor General. Consolidated expense is budgeted at \$1.3 billion in 2015-16, a \$10 million increase from 2014-15. This budget provides \$511 million for public security programs including policing, provincial sheriffs, enforcement and the first responders radio system. Funding for contract policing increases to \$245 million in 2015-16 to maintain the RCMP complement at 1,613 officers. Municipal policing grants increase by \$1 million to \$85 million to address population growth. This budget also includes \$251 million for Correctional Services, a \$5 million reduction from 2014-15.

\$245 million budgeted for contract policing, maintaining the RCMP complement at 1,613 officers in 2015-16.

Municipal Affairs. Consolidated expense is budgeted at \$1.3 billion in 2015-16, excluding flood recovery initiatives. This budget includes \$850 million in capital and \$30 million in operating support to municipalities through the Municipal Sustainability Initiative, and a further \$209 million in capital support from the Federal Gas Tax Fund. This budget also provides \$65 million for Grants in Place of Taxes and \$36 million for public library services, a \$3 million increase from 2014-15.

Seniors. Consolidated expense is budgeted at \$703 million in 2015-16, a \$49 million increase from 2014-15 (excluding debt servicing costs and flood recovery initiatives). This budget includes \$357 million for the Alberta Seniors Benefit, supporting about 150,000 low income seniors. This budget also includes \$200 million for programs delivered by the Alberta Social Housing Corporation, with \$80 million for seniors housing and \$63 million for the rent supplement program.

\$357 million budgeted for the Alberta Seniors Benefit, supporting about 150,000 low income seniors in 2015-16.

\$1 billion budgeted over five years for the Alberta Family Employment Tax Credit and the new Alberta Working Family Supplement.

Service Alberta. Consolidated expense is budgeted at \$294 million in 2015-16, consistent with 2014-15. This budget includes \$185 million for technology and business services to government ministries under shared-services arrangements which centralize core administrative functions to maximize their efficiency and effectiveness. This budget also includes a total of \$97 million for services to Albertans, including motor vehicles and other registry services, land titles and consumer awareness and advocacy.

Transportation. Consolidated expense is budgeted at \$1.3 billion in 2015-16, a \$120 million reduction from 2014-15 (excluding flood recovery initiatives and debt servicing costs). This budget includes \$401 million for on-going provincial highway maintenance and preservation, and a total of \$240 million in capital support to municipalities for the GreenTRIP, Municipal Water Wastewater and Water for Life programs.

Treasury Board and Finance. Consolidated expense is budgeted at \$1.4 billion in 2015-16, consistent with 2014-15 (excluding debt servicing costs and pension provisions). This budget includes \$465 million for the pre-1992 Teachers' Pension Liability, \$410 million for the Alberta Investment Management Corporation and \$116 million for the Alberta Family Employment Tax Credit (AFETC). In 2016-17, the AFETC will be enhanced and a new Alberta Working Family Supplement introduced. Over \$1 billion is budgeted for these two programs over the next five years.

PUBLIC SECTOR COMPENSATION

In 2013, average weekly earnings in provincial public administration in Alberta were 12% above the national average, with private sector earnings 26% higher than the national private sector average.

Alberta Public Service. A 2012 Government of Alberta salary survey focused on comparable public service positions with the Governments of British Columbia, Saskatchewan and Ontario. In a comparison of maximum salaries, the survey, updated for 2013 increases provided in British Columbia and Saskatchewan, indicated the following:

- ◆ For management positions (across four management categories) the average salary was 8% higher in the Alberta Public Service (APS) than in the three reference provinces (i.e. 8% above the 3-province average);
- ◆ For opted out and excluded positions, the average salary was 7% higher in the APS; and
- ◆ For bargaining unit positions (across nine occupational groups), the average salary was 10% higher in the APS than for the three reference provinces.

Compensation for public sector employees in other sectors in Alberta are also higher than other provinces.

Health Care. A 2012-13 survey indicated that gross provincial payments to physicians in Alberta were substantially above the national average, 34.5% for family physicians and 25.6% for specialists. A 2014 survey of incomes for

Registered Nurses and Registered Psychiatric Nurses indicated that median annual incomes for these groups were 12% above the Canadian average. For Licensed Practical Nurses, median incomes in 2014 were 12.5% above the Canadian average.

Teachers. A review of teachers' salaries indicated that average maximum teacher salaries in Alberta are 9.8% above the Canadian average (based on five years of university and maximum experience levels).

Post-secondary Faculty. A 2010-11 survey of salaries for full-time university faculty indicated that salaries at Alberta universities were 8% above the average of the ten provinces.

Budget 2015 honours all existing collective agreements. Based on the existing agreements, and assuming similar wage increases for pending agreements and management and opted-out staff in the public sector, the government was facing \$600 million in potential wage increases in 2015-16, and a total of \$2.6 billion over three years. The restraint measures in *Budget 2015* will reduce the growth in public sector compensation costs to about \$1.2 billion over the next three years (compared to the 2014-15 estimate). Restraint measures include eliminating over 2,000 FTEs in 2015-16 and freezing management salaries in Alberta Health Services. Even with the restraint measures, total public sector compensation will increase to \$24 billion in 2015-16, about one-half of total consolidated expense.

Budget 2015 honours all existing collective agreements.

Budget 2015 Public Sector Compensation

(millions of dollars)

	2014-15 Estimate	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Alberta Health Services	7,350	7,260	7,280	7,265	7,420	7,580
School Boards	5,365	5,540	5,580	5,630	5,810	5,995
Post-Secondary Institutions	3,235	3,245	3,280	3,330	3,310	3,405
Alberta Public Service	2,745	2,780	2,790	2,790	2,860	2,945
Other Government Agencies	580	640	640	655	660	670
Sub-total	19,275	19,465	19,570	19,670	20,060	20,595
Physician Compensation and Development	4,460	4,580	4,580	4,580	4,625	4,670
Total Public Sector Compensation Costs	23,735	24,045	24,150	24,250	24,685	25,265

Going forward, the government will be developing a co-ordinated and disciplined long-term approach to funding for public sector bargaining that is fair, consistent and respectful of both workers and taxpayers.

On March 2, the government announced a working group, led by the Deputy Minister of Justice and Solicitor General, will review best practices in other jurisdictions and present recommendations in four months on how to revitalize and modernize the province's approach to labour negotiations.

The working group will examine how to:

- ◆ establish a disciplined, collaborative, long-term approach to public sector bargaining, including defining roles and responsibilities;
- ◆ achieve fair settlements for public sector employees that are consistent with the government's fiscal goals;
- ◆ make accurate, objective market data available to bargaining teams in a timely fashion, including the costs of proposals; and
- ◆ promote labour stability and the protection of public services.

CONSOLIDATED REVENUE

Budget
2015

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CONSOLIDATED REVENUE

REVENUE OUTLOOK

Total revenue, on the Consolidated Financial Statements (CFS) basis, is forecast to be \$43.4 billion in 2015-16, a decline of \$5.6 billion, or 11% from the 2014-15 forecast. The CFS basis includes additional revenue of school boards, universities and colleges and health entities (the SUCH sector) and Alberta Innovates corporations. It also requires moving to the “deferred capital contribution” accounting treatment for transfers received for capital purposes. These result in additional net revenue of \$4.3 billion. A reconciliation between the CFS basis and the previous Fiscal Plan basis is provided on page 108 of the Fiscal Plan Tables chapter.

Drop in global oil prices has significantly decreased Alberta's revenue forecast.

On the Fiscal Plan basis, total revenue is forecast to be \$39 billion, a decrease of \$5.6 billion, or 12.6% from 2014-15. The decrease is almost entirely due to the impact of substantially lower oil prices on resource and income tax revenue, partially offset by a number of initiatives increasing taxes, fees and traffic violation fines, and by general growth in other revenue. Without the revenue initiatives, revenue would have dropped by \$7.1 billion, or 16% in 2015-16 from the 2014-15 forecast. Relative to *Budget 2014* forecasts for fiscal years 2015-16 and 2016-17, and after removing the impact of the *Budget 2015* initiatives, total revenue on the Fiscal Plan basis would be \$8.3 billion and \$9.4 billion lower.

Without revenue initiatives, 2015-16 revenue would have been \$7.1 billion lower than 2014-15.

Budget 2014 vs. Budget 2015 revenue forecasts Prior to revenue initiatives, Fiscal Plan basis

(millions of dollars)

	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
	Budget 2014 Forecast			Difference		
Non-renewable						
resource revenue	9,209	9,327	10,070	(415)	(6,458)	(6,593)
Personal income tax	11,153	11,930	12,705	(159)	(714)	(1,010)
Corporate income tax	5,495	5,656	6,115	222	(1,127)	(1,529)
Other revenue	18,497	18,985	19,807	710	(11)	(275)
Total Revenue	44,354	45,898	48,697	358	(8,310)	(9,407)

The impact of lower oil prices on the revenue forecast has been slightly diminished by a lower estimate for the US-Canadian dollar exchange rate and a lower light-heavy oil price differential. With continued, though slower, population and personal

Total Revenue

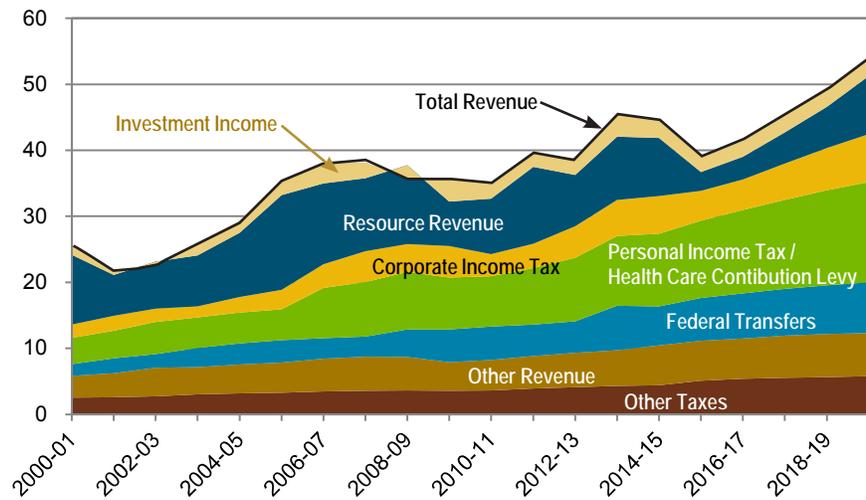
(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Personal income tax / health						
care contribution levy	10,994	11,699	12,647	13,477	14,402	15,167
Corporate income tax	5,717	4,529	4,586	5,499	6,371	7,283
Other tax revenue	4,605	5,322	5,617	5,744	5,877	6,012
Non-renewable						
resource revenue	8,794	2,869	3,477	4,753	6,279	8,739
Federal transfers	6,291	6,922	7,275	7,563	7,878	8,173
Investment income	3,073	2,562	2,630	2,840	3,048	3,189
Other revenue	9,485	9,494	9,596	9,951	10,109	10,214
Total Revenue	48,959	43,397	45,828	49,827	53,964	58,777

Total revenue forecast to be \$43.4 billion in 2015-16.

Total Revenue, 2000-01 to 2019-20

(billions of dollars)



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

income growth in Alberta, personal income tax revenue is forecast to increase in 2015-16, but by much less than previously expected. In addition, federal transfer revenue is estimated to increase due to the national escalators and Alberta's population growth relative to other provinces. There are a myriad of other factors that affect Alberta's revenue, as outlined in the following discussion, but changes to commodity prices, the exchange rate and population growth impact the economic forecast directly and drive most of the other variables factored into the revenue forecast. A more detailed discussion of these elements is provided in the Economic Outlook chapter.

The 50% drop in oil prices between June 2014 and March 2015, and resulting significant reduction to Alberta government revenue in 2015-16, encouraged a re-evaluation of fiscal planning policies. In an effort to manage the inevitable revenue volatility associated with an economy dominated by the resource sector, and to balance the budget, the government is implementing a number of changes to its revenue structure. This will mean a higher proportion of funding for programs and services will come from taxes and user fees.

A higher proportion of funding for programs and services will come from taxes and user fees.

Incremental Revenue from Budget 2015 Initiatives

(millions of dollars)

	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Personal income tax	87	420	649	820	790
Health care contribution levy	396	532	540	557	567
Fuel tax	530	535	546	562	579
Tobacco tax	90	90	91	91	92
Insurance premiums tax	-	165	177	177	177
Liquor mark-ups	75	76	77	77	80
Traffic fines	60	60	60	60	60
Land titles fees	160	163	167	172	177
Motor vehicle fees	34	37	38	39	40
Other fees	50	78	92	108	122
Total Revenue Initiatives	1,482	2,156	2,437	2,663	2,684

Revenue initiatives being implemented amount to \$1.5 billion in 2015-16 and grow to \$2.7 billion by 2019-20. This primarily reflects higher personal income taxes, introducing a health care contribution levy through the personal income tax system, raising tobacco, fuel and insurance premium taxes, liquor mark-ups, traffic violation fines, and land titles, motor vehicle and other fees. Details on the tax changes are provided in the Tax Plan chapter, and on the fee changes, in following sections.

Revenue initiatives amount to \$1.5 billion in 2015-16, growing to \$2.7 billion by 2019-20.

In addition, the government is altering how resource revenue is factored into budgeting, such that by 2019-20 (or earlier, depending on the fiscal situation), only 50% of resource revenue will be used for the budget, with the other 50% allocated to savings or paying for investment in infrastructure (or alternatively, reduction of debt for the Capital Plan). The impact over time will be to reduce reliance on volatile resource revenue for budget purposes. In the current ten-year outlook, resource revenue is forecast to climb to 17.4% of total revenue, but under the new fiscal policy, resource revenue used for budget purposes would remain below 10% of total revenue for budget purposes.

By 2019-20, only 50% of resource revenue will be used for budget purposes, reducing risk and reliance on the volatile revenue source.

Reduced reliance on resource revenue for budget purposes

	2014-15	2015-16	2019-20	2024-25
Resource revenue / Total revenue	18.0%	6.6%	14.9%	17.4%
Resource revenue for budget purposes / Total revenue for budget purposes	18.0%	6.6%	8.0%	9.5%

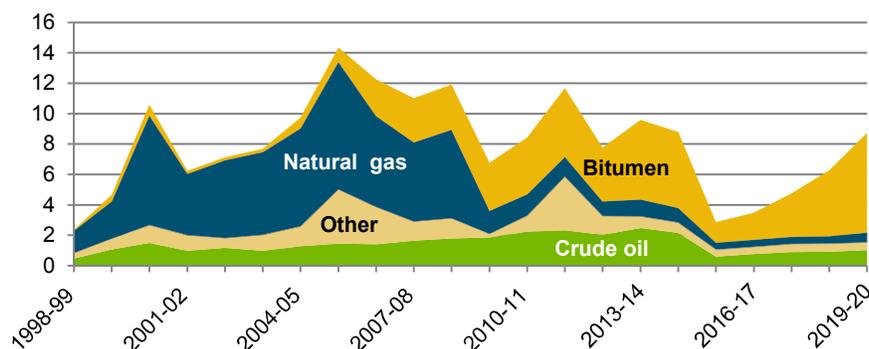
NON-RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue in 2015-16 accounts for under 7% of total revenue, though its share is expected to grow to 15% by 2019-20. It is forecast at \$2.9 billion, \$5.9 billion, or 67% lower than in 2014-15, with bitumen and crude oil royalties \$5.2 billion, or 73% lower. Resource revenue is estimated to increase by an average of 32% per year between 2015-16 and 2019-20, to \$8.7 billion, with substantial growth in bitumen royalties, mainly due to rising production and a steady climb in oil prices. Revenue forecast for 2019-20 is basically the same level as forecast for 2014-15.

Resource revenue in 2015-16 is estimated at \$2.9 billion, less than 7% of total revenue, and 67% lower than 2014-15.

Non-Renewable Resource Revenue, 1998-99 to 2019-20

(billions of dollars)



^a Other includes Crown land lease sales revenue.

Increasing supply, decreasing demand growth and OPEC's decision not to cut production resulted in oil price free fall.

Oil prices tumbled from a high of US\$107 per barrel (/bbl) in June 2014 to mid-\$40/bbl in January and have remained in the \$40-50/bbl range since. The drop in prices arose from a combination of factors, including an acceleration of global supply growth, mainly from steadily increasing North American production over the last several years, and from the return of production from Iran, Iraq and Libya. At the same time, global demand growth has been weakening, due to a deceleration of expansion in developing economies, continued economic problems in Europe, and other geopolitical events. Finally, OPEC members in November determined that their interests were best served by not cutting their production to support prices, but rather continuing to produce with a goal of forcing other market participants to restrain their contribution to what was considered an “over-supplied” global market. The result was a dramatic free fall in oil prices.

Global energy producers have responded, with reduced capital investment announced or expected, and significantly reduced North American rigs drilling. Analysts vary considerably on how long the oversupply will continue, when prices will bottom out, and how fast prices will climb and what level they will attain. The Alberta government forecast is for prices to rebound starting in the second half of 2015, as the impact of lower drilling in North America, reduced investment elsewhere and production disruptions in war-torn regions impact supply, and as demand picks up.

Revenue forecast based on US\$54.84 in 2015-16, with prices starting to rebound in second half of 2015.

The revenue forecast is based on West Texas Intermediate oil price (WTI) averaging US\$54.84 in 2015-16, \$62.80 in 2016-17 and reaching just under \$84 by 2019-20. Other factors affecting oil royalty revenue are the light-heavy oil price differential, the US-Canadian dollar exchange rate, actual Alberta production and producer costs:

- ◆ The Western Canadian Select price (WCS), a benchmark price for heavy oil (bitumen), has not declined to the same degree as WTI, so that the differential between the two prices has narrowed. In both 2014-15 and

Oil Assumptions

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Revenue (\$ millions)						
Bitumen royalty	5,001	1,361	1,767	2,850	4,326	6,551
Crude oil royalty	2,163	594	776	907	928	1,022
Prices						
West Texas Intermediate (US\$/bbl)	79.87	54.84	62.80	75.14	78.89	83.83
WCS @ Hardisty (Cdn\$/bbl)	69.86	46.33	51.12	61.77	65.76	74.23
Differential (US\$/bbl)	(17.30)	(17.07)	(20.37)	(23.25)	(23.00)	(20.00)
Production (thousands of barrels per day)						
Conventional	585	575	566	545	527	510
Raw bitumen	2,346	2,552	2,676	2,944	3,313	3,567
Exchange rate (USc/Cdn\$)	88.30	81.50	83.00	84.00	85.00	86.00

2015-16, it is estimated at just over US\$17/bbl, which has positively impacted revenue. However, with Alberta production expected to continue increasing, with more projects coming on stream and existing projects expanding, access to Texas refineries or coastal ports for export is anticipated to remain insufficient or to be achieved through more costly rail transportation. The light-heavy oil price differential is thus forecast to expand to US\$23.25 by 2017-18.

- ◆ Similarly, the weakening of the Canadian dollar relative to the US dollar, caused mostly by the strength of the US dollar relative to most currencies with a return to healthy US economic performance, supports royalty revenue. The bitumen royalty rate is based on the WTI price expressed in Canadian dollars, so the royalty rate is higher with a lower Canadian dollar. A lower dollar also elevates producers' incomes in Canadian dollars. The exchange rate is, however, expected to strengthen over the forecast period.
- ◆ Bitumen production continues to grow, and is estimated to increase 52% between 2014-15 and 2019-20. Conventional crude oil production is expected to slowly decline.
- ◆ Finally, business costs are forecast to ease. Low oil prices should dampen Alberta's previously red-hot labour market and reduce prices for condensate used to dilute bitumen for transportation (as condensate prices follow oil prices). Natural gas is a significant input for certain oil sands operations and gas prices also remain weak. Since costs are part of royalty calculations, these support royalty revenue, though it is also the case that royalty rates are sensitive to prices, so that rates are lower with lower prices.

Lower US-Canadian dollar exchange rate, easing business costs and increasing bitumen production help support royalty revenue.

Bitumen royalties are estimated at \$1.4 billion in 2015-16, \$3.6 billion, or 73% lower than in 2014-15. They are forecast to increase to \$1.8 billion in 2016-17, and then climb to \$6.6 billion by 2019-20, with an average annual growth rate of 48% between 2015-16 to 2019-20. The main drivers are increasing oil prices and higher production.

Bitumen royalties expected to grow to \$6.6 billion by 2019-20.

The government will supply bitumen to the North West Upgrader, tentatively scheduled to begin operations in 2017, which 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, but is also responsible to pay monthly cost of service tolls 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 estimated at \$594 million in 2015-16, \$1.6 billion or 73% lower than in 2014-15. While they are forecast to recover also, they are only forecast at \$1 billion by 2019-20, with average annual growth of 14.5% between 2015-16 and 2019-20. Changes to the royalty system implemented five years ago have encouraged the use of new technologies to drill wells that previously would have been too costly to develop. Production has risen since 2011, but an increasing amount of production is from horizontal wells, subject to the same 5% royalty rate as all conventional oil wells for year one of production, but then paying the 5% rate for an additional

one to three years, depending on well depth. In 2014, 83% of crude oil wells placed on production were horizontal wells.

Immediate outlook for natural gas prices and royalties remains weak.

Natural gas and by-product royalties are estimated at \$450 million in 2015-16, \$510 million or 53% lower than in 2014-15. They are expected to grow marginally, at 9% per year on average, out to 2019-20, when they are forecast at \$645 million. Revenue includes royalties from natural gas by-products, such as propane, butane and pentane. The prices of these by-products more closely follow oil prices, and thus revenue tracks the oil price forecast.

The immediate outlook for natural gas prices continues to be weak, with abundant natural gas supplies keeping prices low. North American natural gas storage levels recovered during 2014 from the low levels reached at the end of 2013, with mild summer weather, no hurricane-induced supply disruptions, and a generally warm, though tumultuous, winter. Continued strong growth in US shale gas production is expected to meet demand growth arising from improving US economic conditions, US liquid natural gas exports and increasing North American demand from retirement of coal-fired electricity plants over the medium term.

As a result, the Alberta Reference Price (ARP) for 2015-16 is estimated at Cdn\$2.94/GJ, 59 cents lower than in 2014-15. The ARP is forecast to remain low over the next four years, reaching \$3.64/GJ by 2019-20. Natural gas production is forecast to increase slightly in 2015-16 and then to trend down during the next four years.

Natural Gas Assumptions

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Forecast	Estimate	Target	Target	Target	Target
Revenue (\$ millions)	960	450	466	474	505	645
Price (Cdn\$/GJ)	3.53	2.94	3.17	3.44	3.53	3.64
Production (billions of cubic feet)	4,700	4,743	4,546	4,399	4,397	4,398

Lower demand for Crown leases expected.

Bonuses and sales of Crown land leases revenue has fallen substantially since the \$3.3 billion realized in 2011-12, when the June 1, 2011 sale brought in \$842 million, the highest one-day sale amount in Alberta's history. In 2014-15, revenue from land lease sales is expected to be only \$484 million, while in 2015-16 it is estimated at \$315 million. With companies tightening their belts, it is anticipated that fewer hectares will be requested and sold over the forecast period.

Non-Renewable Resource Revenue

(millions of dollars)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Forecast	Estimate	Target	Target	Target	Target
Bitumen royalty	5,001	1,361	1,767	2,850	4,326	6,551
Crude oil royalty	2,163	594	776	907	928	1,022
Natural gas & by-products royalty	960	450	466	474	505	645
Bonuses & sales of Crown leases	484	315	334	396	400	404
Rentals and fees	168	135	120	112	106	103
Coal royalty	18	14	14	14	14	14
Total Resource Revenue	8,794	2,869	3,477	4,753	6,279	8,739

TAX REVENUE

Tax revenue is forecast at \$21.6 billion in 2015-16. This is an increase of only \$234 million, or 1% from 2014-15. While a number of tax increases are being implemented, including the introduction on July 1, 2015 of a new health care contribution levy administered through the personal income tax system, other personal income tax changes are not effective until January 1, 2016 or later. Thus the full impact of these measures is not realized in 2015-16 revenue. Furthermore, an estimated 50% drop in corporate profits is forecast to reduce corporate income tax revenue by \$1.2 billion.

New health care contribution levy, administered through personal income tax system, to be introduced July 1, 2015.

Personal income tax is estimated at \$11.3 billion in 2015-16. After removing the impact of tax measures and a prior-years' adjustment included in 2014-15 revenue, this is an increase of \$284 million, or 2.6% from 2014-15. This is due mainly to a lower forecast for primary household income, expected to increase by only 2.4% in 2015. It is estimated that population, employment and wage growth will be slower, with economic activity dampened by lower oil prices. Revenue is forecast to increase between 2015-16 and 2019-20, with average growth of almost 7%, both from the anticipated strengthening of oil prices and the economy, and to the tax measures.

Personal income tax revenue estimated at \$11.3 billion for 2015-16.

Personal Income Tax / Health Care Contribution Levy Revenue

(millions of dollars)	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Total personal income tax (PIT) revenue	10,994	11,303	12,115	12,937	13,845	14,600
Adjustments to prior years	(62)	-	-	-	-	-
PIT measures	-	(87)	(420)	(649)	(820)	(790)
Base PIT revenue	10,932	11,216	11,695	12,288	13,025	13,810
Base PIT revenue change (%)		2.6	4.3	5.1	6.0	6.0
Health care contribution levy	-	396	532	540	557	567

It is estimated that the health care contribution levy will raise \$396 million in 2015-16, when it is only applicable for a portion of the fiscal year, and \$532 million in 2016-17 when it will be in effect for the whole fiscal year. The tax is being administered as part of the personal income tax system to minimize administrative costs, to implement a progressive structure, and to avoid complications for employers. Details of the various personal income tax and health care contribution levy changes are discussed in the Tax Plan chapter.

Corporate income tax is forecast at \$4.5 billion in 2015-16, \$1.2 billion or 21% lower than 2014-15. Cash instalment payments from corporations in 2014-15 remained strong despite the collapse in oil prices, partly from the high oil prices in the first half of 2014. There has also been continued health in the construction, consumer, forestry, agriculture and food manufacturing sectors, aided by the US economy's strength and the low Canadian dollar.

Corporate income tax revenue forecast at \$4.5 billion in 2015-16, 21% lower than 2014-15.

Corporate income tax revenue is expected to remain low in 2016-17, and then strengthen, reaching \$7.3 billion by 2019-20. Net corporate operating surplus is not forecast to recover from the drop of over 50% estimated for 2015 until 2018. Business income is anticipated to rise, driven by oil sands production growth and recovering energy prices, gains in the manufacturing sector, a

positive outlook for the agriculture and forestry sectors, and moderation in labour and other costs.

Corporate Income Tax Revenue

(millions of dollars)	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Total	5,717	4,529	4,586	5,499	6,371	7,283
Revenue change (%)		(20.8)	1.3	19.9	15.9	14.3

Education property tax revenue is forecast at \$2.3 billion in 2015-16, an increase of \$147 million, or 7% from 2014-15. The increase is due primarily to the policy, implemented in *Budget 2013*, that set the next fiscal year's requisition amount based on 32% of the next fiscal year's total education system operating expense target contained in the current year's budget (so the 2015-16 amount was set in *Budget 2014*). This policy will not be continued after 2015-16. The requisition will be determined annually, as it was before 2013-14, giving the government flexibility with respect to property tax policy as part of the budget process.

With the move to budgeting on the CFS basis, property tax revenue now includes the opted-out board portion, which adds about \$220 million to revenue in 2015-16.

Education property tax mill rates reduced about 1.25% in 2015.

Education property tax mill rates for 2015 are being reduced by about 1.25%. The residential/farm rate will drop 3 cents to \$2.50 per \$1,000 of equalized assessment, and the non-residential rate will fall 5 cents to \$3.67 per \$1,000 of equalized assessment. Since the province took over responsibility for the education property tax in 1994, the proportion of provincial education property tax relative to total provincial and municipal property tax has fallen from 51% to 26%, while the municipal portion has increased from 49% to 74%. Education property tax revenue is forecast to increase \$195 million by 2019-20, an average of 2% per year between 2015-16 and 2019-20.

Increases to fuel, tobacco, insurance premiums taxes.

Other tax revenue is forecast at \$3.1 billion in 2015-16, an increase of \$570 million, or 23% from 2014-15. The increase reflects the tax rate increases being implemented with *Budget 2015*, for fuel and tobacco taxes, partly offset by lower revenue forecasts for several of the taxes related to the impact of the oil price drop. The majority of the revenue increase in 2015-16, \$530 million, is due to the 4¢ per litre increase to gasoline and diesel taxes. The insurance premiums tax is also being increased by \$165 million, but not until 2016-17. More details are provided in the Tax Plan chapter. Other tax revenue is anticipated to grow at an annual average of 3.8% for the following four years, reaching \$3.6 billion by 2019-20.

Tax Revenue

(millions of dollars)	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Personal income tax	10,994	11,303	12,115	12,937	13,845	14,600
Health care contrib. levy	-	396	532	540	557	567
Corporate income tax	5,717	4,529	4,586	5,499	6,371	7,283
Education property tax	2,106	2,253	2,318	2,360	2,403	2,448
Other taxes	2,499	3,069	3,299	3,384	3,474	3,564
Total	21,316	21,550	22,850	24,720	26,650	28,462

FEDERAL TRANSFERS

Federal transfers are forecast at \$6.9 billion in 2015-16. This is an increase of \$631 million or 10% from 2014-15, though base 2014-15 revenue is understated by \$246 million. A negative adjustment was required in 2014-15 revenue to account for a revision to revenue reported in 2013-14 financial statements for 2013 flood disaster assistance. After removing this anomaly, the increase is \$385 million, or 6%. The forecast now includes revenue transferred directly to the SUCH sector, mainly for education programs delivered by post-secondary institutions.

Federal transfer forecast to be \$6.9 billion in 2015-16.

Transfers for infrastructure programs are now reported based on the “deferred capital contribution” accounting treatment. Instead of recognizing revenue when the cash is spent, the revenue recognition is deferred and matched to the recognition of the related capital asset’s amortization expense as the asset depreciates over time. This lowers reported revenue slightly in the first few years, and then increases it slightly in the final three years.

The Canada Social Transfer and Canada Health Transfer grow in line with the federal annual escalators (3% for CST and 6% for CHT) and changes to Alberta’s share of the national population. Federal transfers are forecast to grow by an average of 4.2% between 2015-16 and 2019-20, reaching \$8.2 billion.

Transfers from Government of Canada

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Canada Health Transfer	3,618	3,978	4,242	4,460	4,694	4,944
Canada Social Transfer	1,452	1,515	1,570	1,626	1,687	1,751
Transfers to SUCH sector	474	476	478	478	480	480
Agriculture support programs	304	288	296	302	306	308
Infrastructure support	278	259	283	285	299	299
2013 Alberta flood assistance	(246)	-	-	-	-	-
Other transfers	411	406	406	412	412	391
Total	6,291	6,922	7,275	7,563	7,878	8,173

INVESTMENT INCOME

Investment income is forecast at \$2.6 billion in 2015-16, a \$511 million or 16.6% decrease from 2014-15. The decline in investment income is mainly due to significant income realized in 2014-15, a large portion of which was carried forward from exceptional 2013-14 returns, when investment income was the second highest level ever. The strong equity markets during 2013 elevated Heritage Fund and endowment fund earnings, and gains embedded in assets from that year were realized in 2014, boosting 2014-15 income. Although the projected year-over-year change in income seems to be a dramatic drop, investment income in 2014-15 is poised to be the fourth highest level ever.

Investment income to decrease from solid 2014-15 levels.

Investment income is estimated to grow by an average of 5.6% between 2015-16 and 2019-20, to \$3.2 billion, as income realized by the Heritage and endowment funds, and overall financial market returns, reset to normal levels. Income now includes about \$200 million from the SUCH sector, primarily reflecting reserves and post-secondary institution endowments.

Investment income from Alberta Capital Finance Authority (ACFA) is forecast to increase by an average of 18% per year between 2015-16 and 2019-20. ACFA, which accesses the government's triple A credit rating to borrow and then transfers that advantage to municipalities and other local authorities by on-lending the proceeds, is expecting increased lending activity. This elevates both its investment income, and also government's general debt servicing costs, approximately by an equivalent amount. Investment income of the Agriculture Financial Services Corporation (AFSC) is forecast to increase by an annual average of 14.6% between 2015-16 and 2019-20, mainly due to higher estimated balances in its insurance funds.

Contingency Account used to offset deficits and stabilize fiscal situation in short term, which is its purpose.

Investment income from the Contingency Account is forecast to decrease as its balance is depleted over the next several years, as is its function, to deal with the deficits associated with the current revenue challenge. Its income begins to recover as the other two levers employed by government, revenue initiatives and significant expense restraint, take hold, first balancing the budget and then producing surpluses that are allocated initially to replenishing the Contingency Account. The Account's balance, and income, are forecast to start increasing in 2017-18, with the balance reaching \$5 billion by 2019-20.

Fund Assets / Investment Income

(millions of dollars)

	Assets as at Mar. 31, 2015	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Heritage Savings							
Trust Fund	15,091	1,867	1,455	1,413	1,462	1,498	1,514
Endowment Funds ^a	3,319	352	260	283	303	317	331
Contingency Account	6,520	110	103	63	72	144	174
Alberta Capital							
Finance Authority	15,148	289	318	420	512	564	625
Agriculture Financial							
Services Corp.	4,232	129	137	155	185	216	236
SUCH sector	n.a.	212	212	212	212	212	212
Other ^b	583	114	77	84	94	97	97
Total	44,893	3,073	2,562	2,630	2,840	3,048	3,189

^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 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 is forecast at \$9.5 billion in 2015-16, essentially unchanged from 2014-15. However, 2014-15 revenue includes a \$436 million positive adjustment to account for a revision to expense reported in 2013-14 financial statements for 2013 flood disaster assistance ("refund of expense"; a related negative adjustment, noted earlier, was made to federal transfer revenue). After removing this anomaly, the increase is \$445 million, or 4.9%, almost all of which reflects a number of increases to fees, fines and liquor mark-ups.

Other revenue includes preliminary estimates for SUCH sector fees, sales and donations revenue.

The "other revenue" forecast also now includes health and school board fees and charges, post-secondary tuition fees, other SUCH sector sales, rental and services revenue, and SUCH sector fundraising, gifts and donations revenue. The estimates for several of these, in particular, tuition and school board fees,

are based on preliminary assumptions, as post-secondary institutions and school boards will make final decisions on their individual rates.

Other revenue is estimated to grow by an average of about 2% per year over the remaining four years, reaching \$10.2 billion by 2019-20.

- ◆ Revenue from liquor mark-ups administered by the Alberta Gaming and Liquor Commission is being increased by 10%, or \$75 million in 2015-16. Changes to the various mark-ups will take effect March 27. } Revenue from liquor mark-ups increasing 10%.
- ◆ Increases to various motor vehicle fees, including obtaining driver abstracts, vehicle registration and applying for or renewing licences are estimated to increase revenue by a net \$34 million in 2015-16.
- ◆ Increases to various land titles fees, including searches, transfers and title creation and mortgage registrations, are estimated to increase revenue by \$160 million, and will be enacted via enabling legislation. Similarly, changes to corporate registry fees raising \$11 million will be legislated. } Motor vehicle, land titles and other fees are being increased in Budget 2015.
- ◆ Various other fee increases are estimated to increase 2015-16 revenue by \$39 million. These include various civil, family and surrogate court filing fees, vital statistics, land rent for dispositions on public land, application fees for public land leases, royalty rates for sand, silt and gravel, and various parks fees.
- ◆ Changes to various fines for traffic violations, which have not been increased since 2003, are estimated to increase 2015-16 revenue by \$60 million. Average traffic ticket fines will increase 35%. Municipalities will also benefit from these changes, with approximately \$26 million more revenue. } Traffic fines going up 35% on average.

More details on the changes to specific fee and fine rates are provided in the “Changes to Premiums, Fees and Fines” table in the Fiscal Plan Tables chapter.

Revenue from Other Sources

(millions of dollars)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Forecast	Estimate	Target	Target	Target	Target
Alberta Gaming and Liquor Commission	2,243	2,379	2,450	2,525	2,574	2,627
Alberta Treasury Branches	316	283	264	376	401	426
Tuition fees	1,122	1,153	1,172	1,193	1,217	1,242
Health / school board fees	634	671	673	675	677	679
Other prem., fees and licences	1,796	2,048	2,113	2,206	2,246	2,300
SUCH sector sales, rentals	862	855	858	863	868	874
SUCH sector fundraising, gifts	549	563	563	563	564	565
Other	1,963	1,542	1,503	1,550	1,562	1,501
Total	9,485	9,494	9,596	9,951	10,109	10,214

RISKS

Alberta's reliance on volatile and unpredictable revenue puts program and service funding at risk.

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, but in 2015-16 they are estimated at 25% of total revenue (Fiscal Plan basis). This revenue is linked to factors such as energy prices, equity markets, exchange rates, geopolitical events and global economic swings. These are all clearly unpredictable, can fluctuate rapidly, and are outside Alberta's influence. The drop in resource revenue and corporate income tax is directly tied to the current precipitous drop in oil prices.

New fiscal principles reduce reliance on volatile revenue, focus spending on priorities, and increase proportion funded by taxes and user fees.

The degree of revenue uncertainty exposes the Alberta government uniquely relative to other governments. 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. The government has decided to act with *Budget 2015*, developing a new set of fiscal principles that will lead to less reliance on volatile resource revenue for budget planning, and also increase the proportion of revenue from taxes and user fees that covers day-to-day spending. *Budget 2015* also begins the difficult process of retracting Alberta's relatively high spending levels, enabled by the past positive spikes in volatile revenue, and accompanied by economic growth and population-driven operating and infrastructure pressures.

GLOBAL AND US ECONOMIES

- ◆ *Budget 2015* assumes global economic growth of just over 3% in 2015, about the same as in 2014, based on solid performance in the US, continued struggles in Europe, and mixed prospects for the emerging economies. Substantial risks remain.
- ◆ Weaker-than-forecast global growth would further harm Alberta's revenue forecast, as it would likely keep oil prices lower, for a longer period. Stronger growth would have a positive impact.

ENERGY PRICES

- ◆ Oil prices are expected to begin recovering in the second half of 2015, averaging in the mid-US\$50 range for 2015-16, and then to slowly ascend towards US\$80 level by 2019-20. Energy analysts have widely different opinions on the speed of recovery and the level prices will recover to. Views on the underlying fundamental price vary from \$70 to \$100, and time frames are anywhere from two to five years.
- ◆ Price forecasts depend on an array of assumptions about demand and supply. Factors influencing demand include economic growth in disparate regions around the world, from the US to China to Europe, pipeline or refinery outages, and storage and speculative market activities by traders. On the supply side, investment and drilling decisions by producers, geopolitical events, civil unrest or terrorist strikes, economic sanctions, OPEC market-manipulation or simple weather-related production disruptions all have to be factored into forecasting.

- ◆ Alberta's current dependence on a single export market (the US) adds risk.
- ◆ Natural gas prices remain weak due mainly to increasing production of US shale gas that has outstripped demand growth.

INTEREST RATES

- ◆ Interest rates are forecast to remain low as global economic prospects continue to be fragile. Lower rates generally help government investment income. While short-term investments perform poorly, the market value of bonds with higher rates held in endowment portfolios increase.
- ◆ Lower rates also typically encourage business investment, economic activity and consumer spending, all providing economic support to Alberta's resource-based economy harmed by the oil price weakness.
- ◆ However, rates eventually will rise, posing a risk for indebted households, consumer spending and the government as substantial borrowing for the Capital Plan is planned. Higher future interest rates make borrowing or refinancing of debt more expensive.

EXCHANGE RATES

- ◆ The US-Canadian dollar exchange rate has weakened considerably, in large part due to US economic strength relative to other global economies, but more dramatically in early 2015 when the Bank of Canada cut the target interest rate by 25 basis points. The forecast assumes the dollar will remain low at 81.5US¢/Cdn\$ in 2015-16, and move tepidly to 86¢ by 2019-20. A weaker Canadian dollar increases the value of oil exports and the demand for exports priced in Canadian dollars, and in turn 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 impacted due to significant foreign holdings in the Heritage Savings Trust Fund and endowment funds.

Sensitivities to Fiscal Year Assumptions, 2015–16^a

(millions of dollars)

	Change	Net Impact
Oil price (WTI US\$/bbl)	-\$1	-148
Light-heavy oil price differential (US\$/bbl)	+\$1	-82
Natural gas price (Cdn\$/GJ)	-10¢	-31
Exchange rate (US¢/Cdn\$)	+ 1¢	-61
Interest rates	+1%	-188
Primary household income	-1%	-143

^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 lease sales.

EQUITY MARKETS

- ◆ While equity markets performed well in 2013, and 2014 income benefited, markets can be affected by a wide range of factors, such as the strength of the US economy, uncertainty regarding the European and developing economies, or fluctuations in 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 and, in turn investment income, could vary considerably from the average.

NET CORPORATE OPERATING SURPLUS

- ◆ Corporate profits in Alberta are expected to take a significant hit this year and take several years to recover, due to the low oil price environment. Partly offsetting this are the expected easing of labour and other costs, the positive impact of the low Canadian dollar on exports, and continued strength in consumer spending, and manufacturing and agriculture sectors. Energy investment will also decline due to the drop in oil prices, and as energy projects transition from the construction to production phase. However, it can be difficult to predict how forecast net corporate operating surplus translates to corporate income tax revenue, as taxable income can differ significantly from corporate profits, due to tax changes or discretionary deductions such as depreciation or prior-year losses.

CAPITAL PLAN

Budget
2015

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CAPITAL PLAN 2015–20

The Government of Alberta is committed to providing the public infrastructure Alberta’s families and communities need.

Ensuring the best use of taxpayer dollars, government must be strategic in its planning and prudent with its spending. It also means balancing the need for building new with the necessity to maintain or renew existing infrastructure.

With \$29.5 billion budgeted over five years, the 2015-20 Capital Plan provides predictable and sustainable funding directed toward delivering on priority infrastructure commitments. Recognizing the need to take care of existing infrastructure, the plan includes \$4.8 billion for capital maintenance and renewal – almost tripling government’s current annual budget for maintenance and renewal by 2019-20.

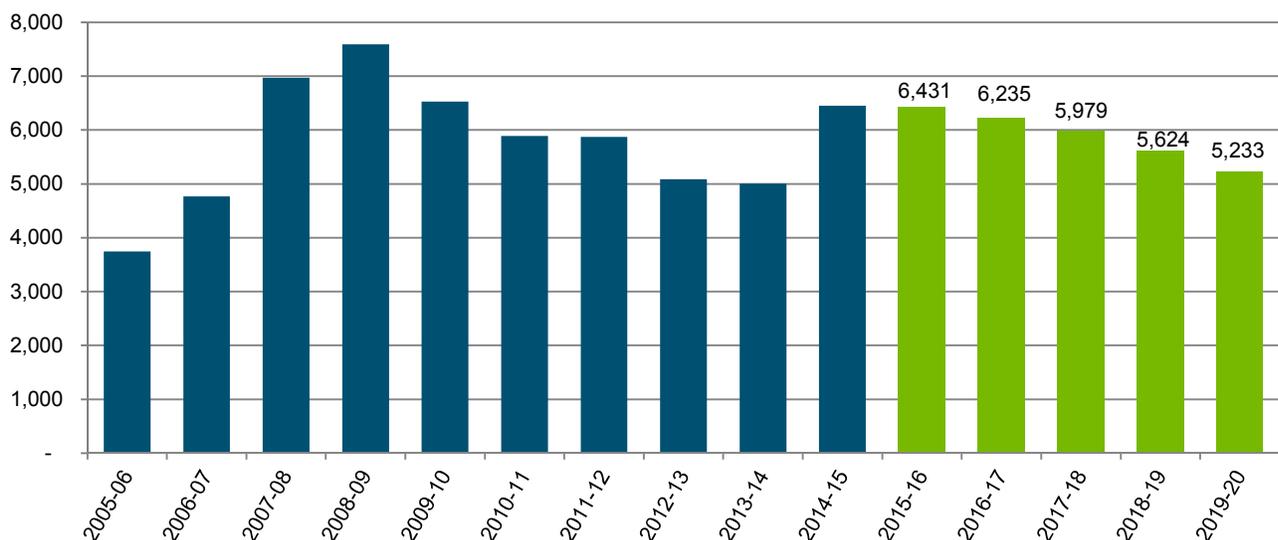
The Budget 2015 Capital Plan supports \$29.5 billion in projects over five years, including \$4.8 billion for capital maintenance and renewal.

The Capital Plan invests in schools and health care facilities, seniors’ accommodations and social housing, and the highways and bridges required to help ensure Albertans and their province will continue to thrive.

Government has revisited a number of projects in the Capital Plan to ensure it is achieving the best value for every dollar spent. This means making sure the necessary planning is completed so government can deliver the right infrastructure at the right time to support the right services across the province. The fiscal situation also demands that government matches affordability with providing the best possible services to Alberta taxpayers.

Capital Plan 2005–2020 (Fiscal Plan basis)^a

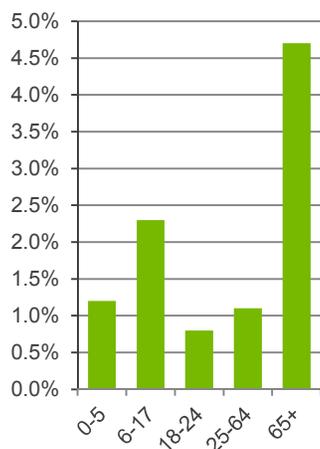
(millions of dollars)



^a 2012-13 to 2019-20 excludes the acquisition of inventory and the development of land held for re-sale.

CAPITAL PLAN HIGHLIGHTS

AVERAGE ANNUAL POPULATION GROWTH BY AGE CATEGORY 2014–2026



Sources: Statistics Canada and Alberta Treasury Board and Finance

Recently the province has experienced significant population growth. The *Budget 2015* forecast anticipates continued growth, particularly in the number of school-aged children and seniors, although at more moderate rates. The government will continue to build the infrastructure required to support this growth, along with a significant investment in maintenance and renewal for existing infrastructure.

The five-year Capital Plan advances the hundreds of capital projects currently underway, ensuring that Albertans' infrastructure needs are being met now and long into the future. The \$29.5 billion Plan includes:

- ◆ \$7.9 billion in municipal infrastructure support through the Municipal Sustainability Initiative and other capital programs;
- ◆ \$6.7 billion for the provincial transportation network; with \$4.6 billion for construction and \$2.1 billion for maintenance and renewal. This includes ongoing construction of the Calgary and Edmonton ring roads, highway rehabilitation projects, and continuing twinning of Highway 63;
- ◆ \$5.0 billion for schools, with \$4.1 billion for construction and \$909 million for maintenance and renewal. There is \$2 billion budgeted for 57 new and 20 modernization projects under Phase 3 of the school capital build;
- ◆ \$3.4 billion for health care facilities, with over \$2.7 billion for construction and \$653 million for maintenance and renewal. There is \$926 million budgeted for planning and capacity expansion in Calgary and Edmonton;
- ◆ \$2.3 billion for government facilities and other infrastructure, with nearly \$1.9 billion for construction and \$452 million for maintenance and renewal;
- ◆ \$2.3 billion for other capital, including housing, water and wastewater management and community facilities. There is \$127 million budgeted for maintenance and renewal of seniors housing;
- ◆ \$1.1 billion for post-secondary facilities, with \$580 million for construction and \$547 million for maintenance and renewal; and
- ◆ \$779 million for flood recovery and mitigation projects.

There is another \$1.6 billion in capital investment self-financed by Alberta Health Services, school boards and post-secondary institutions for ancillary and other projects.

MUNICIPAL INFRASTRUCTURE SUPPORT

Over the next five years, \$7.9 billion for municipal infrastructure support is budgeted to help municipalities build the infrastructure needed in their communities.

\$7.9 billion over five years for municipal infrastructure support.

This includes:

- ◆ \$5.6 billion under the Municipal Sustainability Initiative, including \$1.8 billion in basic municipal transportation grants;
- ◆ \$1.1 billion from the Federal Gas Tax Fund;
- ◆ \$965 million for GreenTRIP; and
- ◆ \$188 million from the Small Communities Fund under the New Building Canada program.

ROADS AND BRIDGES

Albertans rely on a safe and efficient transportation network to move people and goods between communities and across the province.

\$6.7 billion over five years for Alberta's transportation network.

The Capital Plan invests \$6.7 billion to protect the province's core transportation infrastructure while moving forward with major capital projects already underway. This includes:

- ◆ \$2.9 billion for the Calgary and Edmonton ring roads, with funding to begin work on the Southwest Stoney Trail in 2015-16 and complete the Northeast Anthony Henday by 2016-17;
- ◆ \$774 million in highway twinning, widening and expansion projects across the province; and
- ◆ \$353 million to complete twinning of Highway 63 between Grassland and Fort McMurray.

SCHOOLS

The Alberta government is committed to providing innovative, high quality, well-designed learning facilities for Alberta's children. The Capital Plan provides \$5.0 billion to ensure new schools are built in neighbourhoods where students live and that existing schools are modernized to better meet current educational programming needs. This includes:

\$5.0 billion over five years to build new and modernize existing schools.

- ◆ \$3.9 billion to support approximately 200 new and modernization school projects underway throughout the province; and
- ◆ \$80 million to deliver more than 160 modular classrooms in 2015-16 and complete previously approved projects.

HEALTH CARE FACILITIES AND EQUIPMENT

\$3.4 billion over five years to build, modernize, or maintain health care facilities.

Over the next five years, \$3.4 billion is budgeted to build, modernize or maintain the facilities that support Alberta's health care system, enabling the best care possible. This includes:

- ◆ \$926 million for capacity expansion projects in Calgary and Edmonton;
- ◆ \$847 million to continue health facility projects in Edson, Grande Prairie, High Prairie, Lethbridge, Medicine Hat and Red Deer; and
- ◆ \$200 million for long-term care beds and other critical health care projects.

POST-SECONDARY

\$1.1 billion over five years for post-secondary facilities.

The government will continue to invest in post-secondary capital projects across the province. These projects will help increase Alberta's capacity to meet the demands of an ever increasing student population.

There is \$1.1 billion budgeted over the next five years to modernize or renew the facilities that house Alberta's next generation of skilled workers, leaders, innovators, and researchers. This includes:

- ◆ \$124 million for the NAIT Centre for Applied Technology. This will be a central academic centre for the Main Campus, and will include classrooms, simulation labs, station learning/computer commons and a multi-function student service area.
- ◆ \$120 million for NorQuest College's Downtown Campus Development Project (DCDP). The DCDP will allow for the consolidation of six different facilities into one central campus to meet enrolment growth demands, improve student services, and enhance learner experiences.
- ◆ \$105 million for the University of Calgary Schulich School of Engineering, which will provide high quality undergraduate experiential teaching space consolidated with student experience space and research labs.
- ◆ \$70 million for the University of Lethbridge Destination Project. This will provide a new science and lab facility and a new Energy and Utility Centre.

SENIORS AND HOUSING

\$561 million over five years for seniors facilities and other housing projects.

Providing seniors and vulnerable Albertans with greater access to safe and affordable accommodations is a priority for this government.

New supportive living spaces will continue to be built under the Affordable Supportive Living Initiative (ASLI). This includes 311 new "restorative care" spaces designated to help seniors maintain and improve function after a stay in hospital. Fire and safety systems will be upgraded in government-owned or supported seniors housing facilities. Seniors lodges will also be renovated and rebuilt in communities across the province.

- ◆ \$291 million for ASLI projects – these supportive living spaces help seniors remain in their communities close to friends and family; and
- ◆ \$270 million in joint funding through the provincial/federal affordable housing agreement for seniors housing through 2019. Priorities will include adding to Alberta's housing supply and the regeneration of seniors lodges.

CAPITAL MAINTENANCE AND RENEWAL

The government's commitment to providing infrastructure includes more than just building new facilities. With nearly 1,900 public, separate, francophone and charter schools, over 1,000 health care facilities and 1,600 other properties across the province, the government must ensure these facilities continue to serve the needs of Albertans.

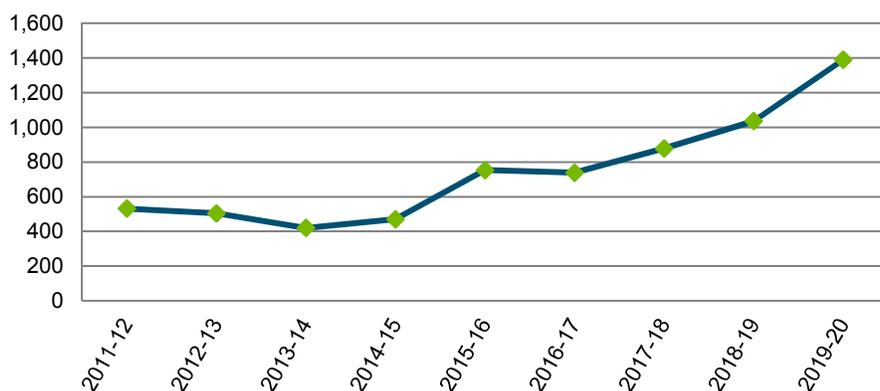
\$4.8 billion over five years for capital maintenance and renewal.

Over the next five years, \$4.8 billion has been budgeted for capital maintenance and renewal. This includes:

- ◆ \$2.1 billion for roads and bridges, with \$1.8 billion to address the most critical highway rehabilitation projects;
- ◆ \$909 million for schools;
- ◆ \$653 million for health facilities, including emergency room renovations;
- ◆ \$452 million for government-owned facilities and other infrastructure;
- ◆ \$547 million for post-secondary facilities; and
- ◆ \$127 million for seniors housing, with \$80 million to upgrade fire sprinklers and safety systems in government-owned and supported seniors lodges and continuing care facilities.

Capital Maintenance and Renewal 2011–2020^{a, b}

(millions of dollars)



^a Figures reflect annual budget for Capital Maintenance and Renewal.

^b 2011-12 to 2014-15 have been comparably restated to reflect *Budget 2015* presentation.

OTHER CAPITAL PROJECTS

Other significant capital projects include:

- ◆ \$691 million for Information Technology projects as the government moves to more of an enterprise approach for these projects;
- ◆ \$526 million for water and wastewater management projects including the Municipal Water Wastewater Program and the Irrigation Rehabilitation Program; and
- ◆ \$391 million for community facilities, including \$190 million under the Community Facility Enhancement Program which provides matching funding to assist communities with construction, renovation or redevelopment of community public-use facilities.

Capital Plan Details

(millions of dollars)

	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target	5-Year Total
Schools						
Phase 2 – 50 New and 70 Modernization Projects	646	757	89	179	177	1,848
Phase 3 – 57 New and 20 Modernization Projects	103	475	975	450	-	2,003
Schools – Modularity and Other Grant Funded Projects	80	50	50	50	-	230
Peerless Lake, Trout Lake Schools	10	5	-	-	-	15
Total Schools	839	1,287	1,114	679	177	4,096
Health Facilities and Equipment						
Addictions and Detox Centres	9	19	7	4	-	39
Beaverlodge Healthcare Centre (planning)	2	-	-	-	-	2
Child, Adolescent and Family Mental Health (CASA)	12	7	-	-	-	19
Continuing Care Capital Program	1	42	104	71	-	218
Edson Healthcare Centre	65	17	-	-	-	82
Equipment for Cancer Corridor Projects	11	-	-	-	-	11
Foothills Medical Centre (Calgary)	18	12	3	7	6	46
Fort McMurray Continuing Care Centre	22	27	-	-	-	49
Grande Prairie Regional Hospital	105	145	115	60	-	425
High Prairie Health Complex	94	58	-	-	-	152
Kaye Edmonton Clinic South	27	8	-	-	-	35
Lethbridge Chinook Regional Hospital	23	9	4	-	-	36
Lloydminster Continuing Care Centre	2	1	-	-	-	3
Long-term care beds and other critical health care pressures	-	50	50	50	50	200
Medical Equipment Replacement and Upgrade Program	24	25	25	25	25	124
Medicine Hat Regional Hospital	73	34	29	-	-	136
Metro Centres Planning and Capacity Expansion	17	21	50	419	419	926
Northern Lights Regional Health Centre Repairs (Fort McMurray)	4	16	12	9	-	41
Other Health Initiatives	-	1	4	3	-	8
Peter Lougheed Centre (Women's Services and Vascular Renovations)	19	15	12	-	-	46
Planning Studies	2	2	2	2	2	10
Provincial Heliports	20	2	-	-	-	22
Raymond and Taber Health Centres	4	-	-	-	-	4
Red Deer Obstetrical	6	4	-	-	-	10
South Health Campus (Calgary)	10	3	-	-	-	13
Stollery Children's Hospital – Pediatric Surgical Suite Expansion (Edmonton)	13	2	-	-	-	15
Stollery Children's Hospital Critical Care Program (Edmonton)	7	13	16	15	10	61
Strathcona Community Hospital (Sherwood Park)	13	-	-	-	-	13
Whitecourt Healthcare Centre	1	-	-	-	-	1
Total Health Facilities and Equipment	604	533	433	665	512	2,747

Capital Plan Details, *continued*

(millions of dollars)

	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target	5-Year Total
Municipal Infrastructure Support						
Municipal Sustainability Initiative:						
Municipal Sustainability Initiative – Capital	497	846	846	846	776	3,811
Basic Municipal Transportation Grant	352	358	368	378	353	1,809
Federal Gas Tax Fund	209	219	219	229	230	1,106
New Building Canada – Small Communities Fund	6	40	40	51	51	188
GreenTRIP	185	175	205	200	200	965
Total Municipal Infrastructure Support	1,249	1,638	1,678	1,704	1,610	7,879
Capital Maintenance and Renewal						
Roads and Bridges	308	319	334	440	708	2,109
Schools	190	123	169	199	228	909
Health Care Facilities	111	121	121	146	154	653
Post-Secondary	60	76	129	133	149	547
Government Facilities	56	61	86	110	139	452
Seniors Facilities	29	39	40	9	10	127
Total Capital Maintenance and Renewal	754	739	879	1,037	1,388	4,797
Roads and Bridges						
Calgary / Edmonton Ring Roads	667	510	587	569	576	2,909
Highway Twinning, Widening and Expansion	153	109	178	140	194	774
Highway 63 Twinning (Grassland to Fort McMurray)	243	95	15	-	-	353
Parsons Creek Land Development Interchanges and other Fort McMurray Projects	27	16	30	29	6	108
Assessment and Support Systems	20	20	20	20	20	100
41st Avenue Interchange (Edmonton)	87	-	-	-	-	87
Interchanges, Intersections and Safety Upgrades	34	14	12	12	12	84
Highway 19	10	10	60	-	-	80
Fort McMurray Urban Area Upgrades	35	-	-	-	-	35
Fort McMurray Land Exchange with the Regional Municipality of Wood Buffalo	24	-	-	-	-	24
P3 Ring Road Rehabilitation	2	3	6	6	6	23
Highway 2 Corridor Expansion Planning	3	3	-	-	-	6
Total Roads and Bridges	1,305	780	908	776	814	4,583

Capital Plan Details, *continued*

(millions of dollars)

	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target	5-Year Total
Post-secondary						
Lethbridge College Trades and Technology Renewal and Innovation Project	20	14	10	-	-	44
MacEwan University City Centre Campus	10	10	-	-	-	20
Mount Royal University Library and Learning Centre (Calgary)	25	47	-	-	-	72
NAIT Centre for Applied Technology (Edmonton)	44	25	55	-	-	124
NorQuest College Expansion and Retrofit (Edmonton)	35	45	40	-	-	120
Other Support	1	1	1	1	1	5
Red Deer College Multiplex Project	-	20	-	-	-	20
University of Calgary Schulich School of Engineering	28	25	52	-	-	105
University of Lethbridge Destination Project	-	-	5	20	45	70
Total Post-secondary	163	187	163	21	46	580
Government Facilities, Equipment and Other						
Long-Term Governance and Funding Arrangements Agreement (LTA) – Infrastructure for Metis Settlements	10	2	2	2	2	18
Rural Utilities Program	4	4	4	4	4	20
Carbon Capture and Storage Initiative	313	124	59	50	50	596
Climate Change and Emissions Management Fund	60	60	60	60	60	300
Wildfire Towers, Camps, and Construction and Maintenance	6	7	7	6	6	32
Land Stewardship Fund	5	5	5	5	5	25
Canada ecoTrust for Clean Air and Climate Change Initiative	4	-	-	-	-	4
Flat Top Complex	2	2	2	2	2	10
Government Strategic Capital Support	55	60	65	65	80	325
Government Accommodation Planning	23	25	30	35	50	163
Courthouse Renewal	10	10	20	20	10	70
Land Purchases and Sales	8	8	8	8	8	40
Federal Building and Centennial Plaza (Edmonton)	28	-	-	-	-	28
Swan Hills Treatment Centre	5	5	5	5	5	25
Alberta First Responders Radio Communications System	64	26	7	4	3	104
Other Infrastructure Projects	43	20	20	15	14	112
Total Government Facilities, Equipment and Other	640	358	294	281	299	1,872
Other Capital Projects						
Information Technology	148	138	129	138	138	691
Flood Recovery and Mitigation	305	254	105	65	50	779
Seniors (includes Alberta Supportive Living Initiative) and Housing	186	125	140	85	25	561
Water and Wastewater Management	86	85	85	135	135	526
Community Facilities	153	110	52	38	38	391
Total Other Capital Envelopes	878	712	511	461	386	2,948
Total Capital Plan – Fiscal Plan basis	6,431	6,235	5,979	5,624	5,233	29,502
SUCH Sector – Self-financed Investment	493	246	331	212	316	1,598
Total Capital Plan – Fully Consolidated basis	6,925	6,480	6,311	5,836	5,548	31,100

ECONOMIC OUTLOOK

✦ ECONOMIC OUTLOOK

✦ ANNEX

Budget
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✦ ECONOMIC OUTLOOK

KEY ENERGY AND ECONOMIC ASSUMPTIONS

Fiscal Year Assumptions	2013-14 Actuals	2014-15 Estimates	2015-16	2016-17	2017-18	2018-19	2019-20
Prices							
Crude Oil Price							
West Texas Intermediate (WTI) (US\$/bbl)	99.05	79.87	54.84	62.80	75.14	78.89	83.83
Alberta Wellhead (Cdn\$/bbl) ^a	91.23	78.98	50.79	57.55	68.82	75.15	86.24
Western Canadian Select (WCS) (Cdn\$/bbl)	80.11	69.86	46.33	51.12	61.77	65.76	74.23
Natural Gas Price							
Alberta Reference Price (ARP) (Cdn\$/GJ)	3.28	3.53	2.94	3.17	3.44	3.53	3.64
Production							
Conventional crude oil (000s barrels/day)	583	585	575	566	545	527	510
Raw bitumen (000s barrels/day)	2,064	2,346	2,552	2,676	2,944	3,313	3,567
Natural gas (billions of cubic feet)	4,499	4,700	4,743	4,546	4,399	4,397	4,398
Interest rates							
3-month Canada treasury bills (%)	0.95	0.85	0.60	0.95	1.75	2.00	2.00
10-year Canada bonds (%)	2.40	2.00	2.20	2.90	3.50	3.75	3.75
Exchange Rate (US¢/Cdn\$)	94.9	88.3	81.5	83.0	84.0	85.0	86.0
Calendar Year Assumptions	2014 Estimates	2015	2016	2017	2018	2019	2020
Gross Domestic Product (GDP)							
Nominal (millions of dollars)	364,544 ^b	334,908	353,885	380,115	403,366	429,141	454,956
% change	7.8 ^b	-8.1	5.7	7.4	6.1	6.4	6.0
Real (millions of 2007 dollars)	314,567 ^b	315,695	321,209	330,919	341,390	352,435	362,476
% change	3.8 ^b	0.4	1.7	3.0	3.2	3.2	2.8
Other Indicators							
Employment (thousands)	2,275	2,288	2,311	2,356	2,407	2,457	2,503
% change	2.2	0.6	1.0	1.9	2.1	2.1	1.9
Unemployment rate (%)	4.7	5.7	5.9	5.3	4.7	4.5	4.4
Average Weekly Earnings (% change)	3.8	1.9	2.2	2.4	2.9	3.3	3.4
Primary Household Income (% change)	6.4 ^b	2.4	3.5	4.3	5.4	5.6	5.3
Net Corporate Operating Surplus (% change)	18.2 ^b	-50.6	27.2	37.0	16.8	15.3	13.0
Housing starts (number of units)	40,590	33,600	30,500	30,300	31,400	34,400	36,200
Alberta Consumer Price Index (% change)	2.6	0.9	1.5	1.7	2.0	2.1	2.1
Retail Sales (% change)	7.6	2.6	3.4	3.9	5.1	5.6	5.3
Population, July 1 (thousands)	4,122	4,206	4,278	4,349	4,428	4,512	4,596
% change	2.9	2.0	1.7	1.7	1.8	1.9	1.9
Net Migration (thousands)	81.2	50.3	37.4	36.7	45.1	50.3	50.3

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

^b Alberta Treasury Board and Finance estimate.

Fiscal Sensitivities to Key Assumptions, 2015-16^a

(millions of dollars)

	Change	Net Impact (2015-16)	
Oil Price (WTI US\$/bbl)	-\$1.00	-148	^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.
Light/Heavy Oil Price Differential (US\$/bbl)	+\$1.00	-82	
Natural Gas Price (Cdn\$/GJ)	-10 Cents	-31	
Exchange Rate (US¢/Cdn\$)	+ 1 Cent	-61	
Interest Rates	+1%	-188	
Primary Household Income	-1%	-143	

ECONOMIC OUTLOOK 2015–20

LOW OIL PRICES SLOW ALBERTA'S ECONOMY

Alberta's economic expansion will pause in 2015 after five years of exceptional growth. The slowdown is caused by oil prices, which have fallen more than 50% since June 2014. Weaker oil prices will dampen economic activity as energy companies pull back on investment and cut costs. Alberta's labour market, which has attracted people to the province in droves since 2012, is expected to cool significantly in 2015, weighing on interprovincial migration.

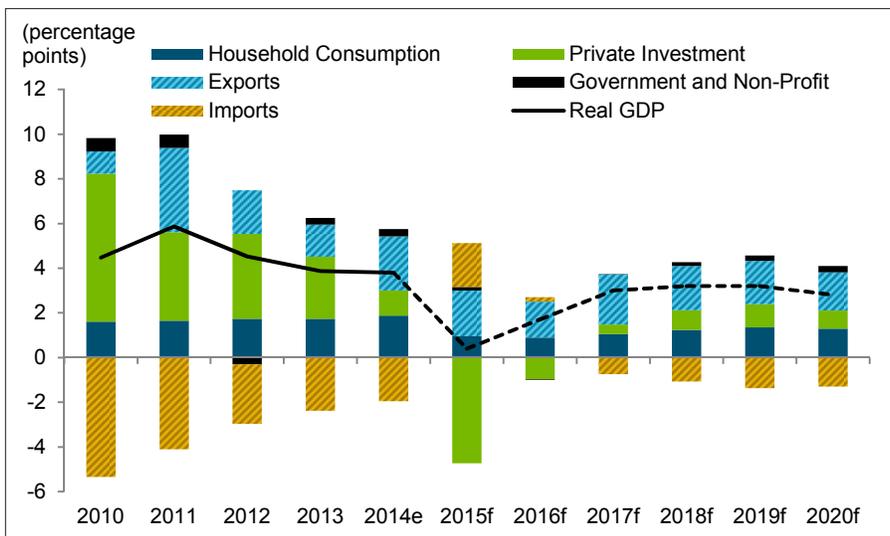
Real GDP is forecast to grow a mere 0.4% in 2015, well below the average annual increase of over 4% since 2010. This weakness will carry into 2016, with growth edging up to 1.7% before normalizing at around 3% in 2017 and over the medium term as oil prices recover. The economy will continue to transition from investment to export-led growth, with real exports expected to rise around 3.5% annually over the forecast period.

The most significant impact of lower oil prices will be on incomes. Nominal GDP, a broad measure of income, is forecast to decline more than 8% in 2015 then gradually improve with energy prices. Corporate profits and Government of Alberta revenue will be hit the hardest, falling well below 2014 levels.

With energy investment declining, trade will drive Alberta's economy in 2015 and 2016 (Chart 1). Exports will increase, lifted by rising oil sands production and a weaker dollar, while imports will decline due to the pullback in investment. A stronger US economy will support many non-energy industries, including agriculture and forestry. All industries will benefit from weaker cost pressures as the Alberta economy performs below its potential over the next two years. Households will add to growth as the population expands and consumers increase spending, although at a much slower pace.

Chart 1: Lower energy investment to weigh on economic growth in 2015

Contribution to Alberta Real GDP Growth



Sources: Statistics Canada and Alberta Treasury Board and Finance

Alberta's GDP growth will pause in 2015 due to weaker energy investment. Over the medium term, growth will normalize to around 3%, driven by exports.

BUSINESS SECTOR

Lower oil prices will force producers to curtail capital spending, slowing oil-related activity. Despite weaker investment, oil sands production will continue to rise, driving export growth. Other sectors will benefit from improved labour availability and reduced cost pressures, along with a weaker dollar and a strengthening US economy.

OIL PRICE OUTLOOK DETERIORATES

The outlook for oil prices has changed dramatically over the past year. Strong crude supply growth, mainly from the US, and lower-than-forecast global oil demand led to an oil market correction in late 2014. OPEC's November decision to not cut production pushed oil prices down further. WTI is forecast at around US\$55/bbl in 2015-16, gradually rising to nearly US\$84/bbl by 2019-20 as excess supplies are removed from the market (Chart 2). This is in contrast to the *Budget 2014* forecast of above US\$90/bbl for 2015-16.

For Alberta producers, a narrower light-heavy differential has partially offset lower world oil prices. The WTI-WCS differential narrowed to US\$17/bbl in 2014-15 reflecting strong heavy oil demand, pipeline expansions and crude-by-rail investments. It is expected to widen again to around US\$23/bbl by 2017-18 due to constraints in the pipeline network.

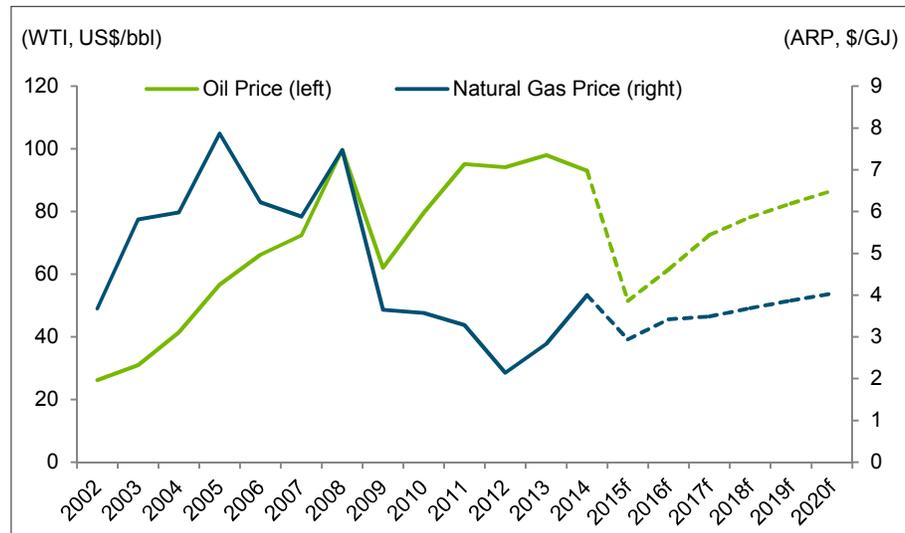
Low natural gas prices are expected to persist, with the Alberta Reference Price averaging \$2.94/GJ in 2015-16 and staying below \$4.00/GJ over the forecast period due to plentiful North American supplies. Prices have been low for five years, and Alberta gas production now represents a small share of exports. Unlike the 2009 downturn, low natural gas prices are not expected to be a significant drag on Alberta's growth.

ENERGY INVESTMENT TO CONTRACT

Lower oil prices will significantly reduce corporate profits. Net corporate operating surplus is expected to fall 50% in 2015, not returning to 2014 levels

Chart 2: Oil prices drop

Crude Oil and Natural Gas Prices



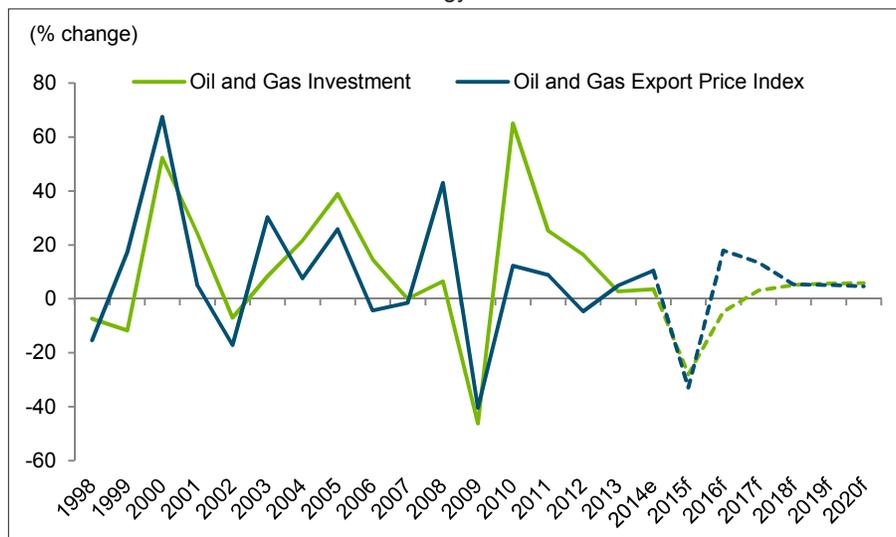
Source: Alberta Energy

The WTI oil price forecast for 2015 is about US\$40/bbl lower than expected at Budget 2014. Over the medium term, oil prices are not expected to return to 2014 average levels, while gas prices are forecast to hold near current levels.

until 2018. In response to lower oil prices, producers have announced steep cuts to capital spending. Energy investment is expected to fall by around 30% in 2015 and 5% in 2016, then post moderate growth through the forecast period (Chart 3). It is forecast to stay below 2014 levels, reflecting a shift to production in the oil sands and a leveling-off of capital spending that was underway before the price correction.

Chart 3: Oil and gas investment to fall with prices

Alberta Oil and Gas Investment and Energy Prices



Oil and gas investment moves with prices. The drop in oil prices is expected to lead to much lower energy investment this year and a further decrease in 2016.

Sources: Statistics Canada and Alberta Treasury Board and Finance

The short life cycle of conventional oil investment makes it more sensitive to the near-term price outlook. Consequently, conventional investment is expected to fall by about 40% in 2015. Junior and medium producers, which dominate conventional production, are subject to greater financial constraints. Lower cashflows will hurt their balance sheets and make it more difficult to access capital. Producers are already responding, as drilling activity has dropped dramatically in the first two months of 2015.

The impact on oil sands investment will be less pronounced. Oil sands projects are extremely capital intensive, take several years to construct and have long production life cycles. To reduce capital spending, firms will delay or slow development of some projects and focus on cost containment.

OIL PRODUCTION CONTINUES TO EXPAND

While conventional oil production will be impacted by lower prices in 2015, oil sands production will continue to expand. Projects nearing completion are expected to add over 500,000 barrels per day of production in the next three years, including Kearn Mine, Cold Lake, Foster Creek, Surmont and Christina Lake. Those already operating are not expected to shut-in production, as per barrel operating costs are below expected prices. Even in 2009, for example, production continued to grow steadily as prices fell below US\$40/bbl.

Projects that are well into construction, such as Fort Hills, are expected to proceed due to large amounts of sunk capital. Lower investment and project delays in 2015 and 2016, however, may affect production towards the end of the forecast horizon. If prices fall below forecast levels, some production may be at risk, particularly in 2019 and 2020 (Chart 4). Real oil exports are expected to grow over 6% per year over the forecast period, adding significantly to overall exports and economic growth (Chart 5).

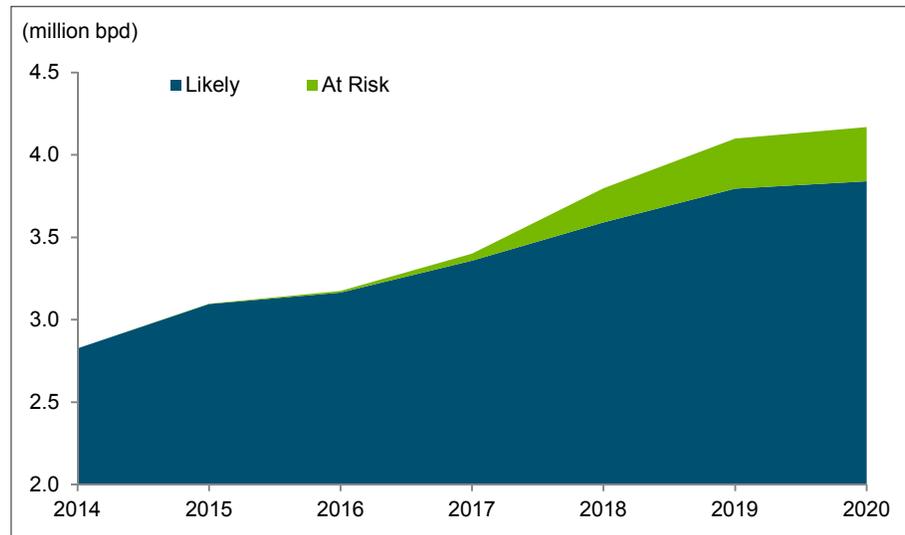
NATURAL GAS EXPORTS TRENDING LOWER

Natural gas exports will continue to decline over the forecast period due to low prices and a glut of North American supply. Natural gas drillers have

Oil production will continue to rise, reflecting oil sands projects already underway. If prices fall below levels currently forecast, future production is at risk.

Chart 4: Oil production to rise as oil sands projects come online

Alberta Oil Production Forecast

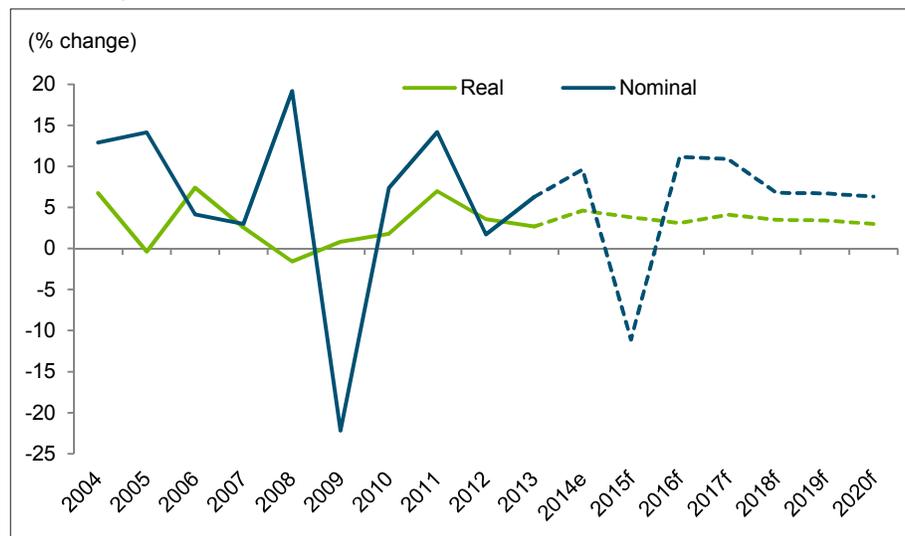


Source: Alberta Energy

Chart 5: Export volumes continue to grow despite nominal decline

Alberta Export Growth

Lower oil prices will lead to a negative income shock, reducing Alberta's export earnings. While the value of exports will fall, the volume will keep rising.



Sources: Statistics Canada and Alberta Treasury Board and Finance

increasingly been targeting natural gas liquids (NGLs), whose prices are tied more closely to oil. Consequently, NGLs make up an increasing share of output and are expected to drive much of the future growth in the sector. Proposed liquefied natural gas terminals on the BC coast present an upside risk, with the potential to raise gas prices and exports above forecast levels.

NON-ENERGY PRODUCTION ON THE RISE

Other Alberta industries, such as forestry, agriculture and manufacturing, will continue to boost output over the forecast period, bolstered by a lower Canadian dollar, easing cost pressures and a stronger US economy.

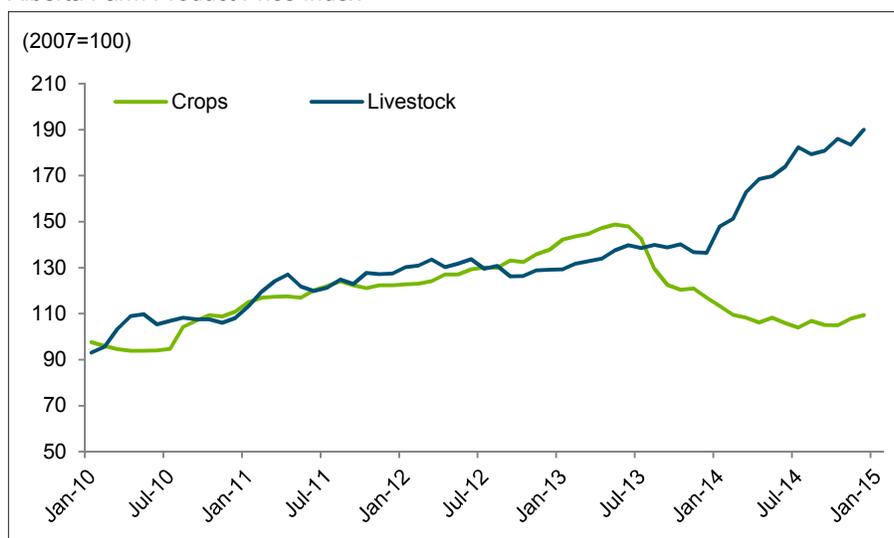
In the manufacturing sector, the plastic and chemical industry has sustained strong levels of investment, raising capacity and exports. The Joffre polyethylene plant expansion, which is due to come on-line late in 2016, will provide an additional lift. Petroleum manufacturing will expand substantially in 2017 with the completion of the \$8.5 billion North West Upgrader, which will add 50,000 barrels per day in refining capacity.

In the near term, however, the slowdown in oil and gas activity in both the US and Canada will lead to a drop in demand for Alberta's oil-related machinery and fabricated metal, which has surged in recent years. As a result, growth in manufacturing exports will slow by over half in 2015, before picking up over the medium term to just over 3% annually.

In the agriculture sector, market conditions have shifted in favour of the livestock industry (Chart 6). Cattle producers will continue to reap the benefits of higher prices, as the cattle stock in North America has fallen to a near multi-decade low. Prices are expected to remain strong in 2015, which should support higher production in Alberta. On the other hand, cash receipts for crop producers eased in 2014 on lower prices for wheat and canola. Prices should improve slightly in 2015, with crop exports expected to remain near 2014 levels.

Chart 6: Livestock and crop prices move in opposite directions

Alberta Farm Product Price Index



Source: Statistics Canada

Livestock prices have surged and are expected to remain strong in 2015, supporting increased production. Crop prices should edge higher, but are not expected to return to 2013 levels this year.

International trade is critical to the continued growth of Alberta's agriculture and food manufacturing industries. Recent trade agreements should open up additional markets. The economic impact of the recent BSE case in Alberta is expected to be limited, since countries restricting beef imports represent only 4% of Alberta's total market. The largest markets for Alberta beef remain open, including the US and Mexico, although the possibility of further restrictions presents a downside risk.

The tourism industry will benefit from a stronger US economy and the lower Canadian dollar. However, business travel will suffer from the drop in oil-related activity, which will negatively impact the accommodation sector in certain parts of the province.

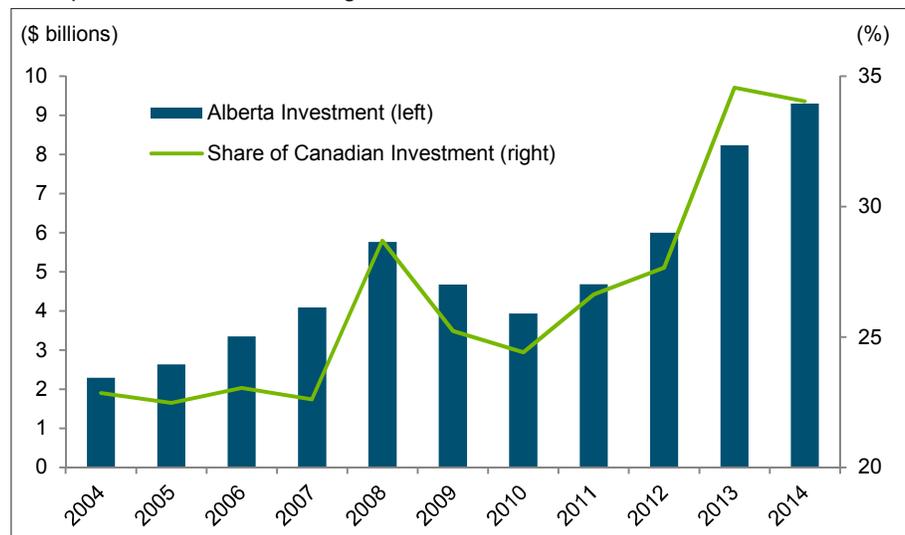
The forest product sector will continue to expand, aided by stronger forestry product prices, the weaker dollar, as well as rising US and Asian demand. Mills are already operating near capacity, and will need to invest to increase output in existing facilities. Alberta's forestry sector has been resilient in the face of the US housing collapse, with production increasing for four straight years, supported by growing demand in Asia and the recent recovery in US housing.

MARKET ACCESS KEY TO ALBERTA'S GROWTH

The transportation sector has witnessed tremendous growth (Chart 7), and will continue to expand over the medium term given the production profile of the oil sands and other sectors. There is a need to build and expand the pipeline infrastructure, with \$8.7 billion in capital projects already underway and more expected in Alberta. Bottlenecks in the pipeline system have pushed crude onto the rail network, with the number of cars carrying crude from Western Canada increasing over four-fold since 2011. Energy and rail companies are investing heavily into crude-loading facilities, with loading capacity expected to more than double over the next few years. While transportation capacity

Alberta accounts for more than a third of Canadian investment in transportation and warehousing. More investment is required over the medium term to support Alberta's export-driven growth.

Chart 7: Transportation investment surges as production ramps up
Transportation and Warehousing Investment



Source: Statistics Canada

has increased in Alberta, energy producers will require improved access to international and coastal markets.

MOMENTUM FOR THE CONSTRUCTION SECTOR

Outside the oil and gas sector, non-residential construction started to pick up in the second half of 2013 and building permits have posted solid gains in the past two years. Government capital spending is expected to remain strong this year, while ongoing infrastructure projects in Alberta’s major centres should add to construction activity. Recent growth reflects a need to catch up after years of exceptional economic and population gains. The pace of construction will wane in late-2015 and 2016 as economic activity slows, before picking up again in the medium term. Investment in electricity infrastructure is expected to increase over the forecast period as construction continues on several new power plants and transmission lines.

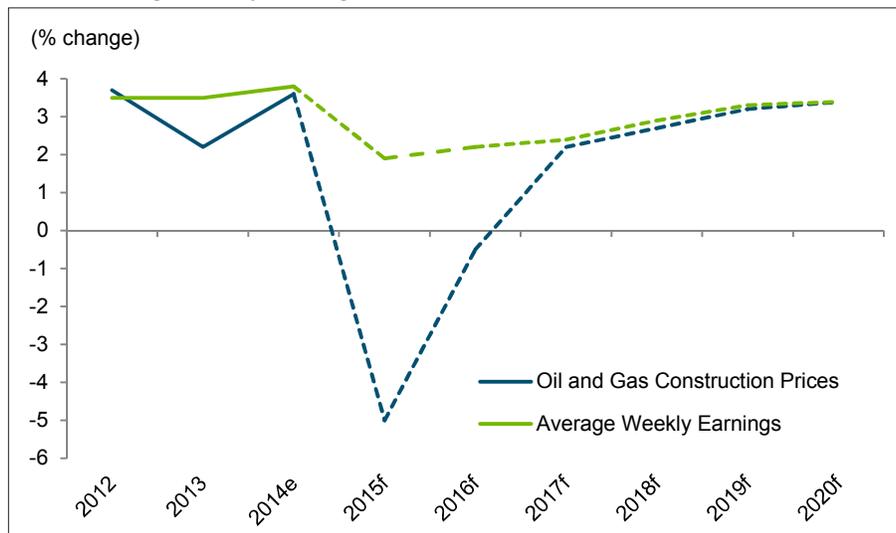
COST PRESSURES EASE

Cost pressures will ease significantly with the pullback in investment. In the energy sector, construction prices are expected to fall (Chart 8). Producers will continue to ask suppliers to cut prices, while seeking out efficiencies in-house. They will also save on royalties, as the royalty rate has declined with energy prices. The price of condensate, which is used to dilute bitumen for transportation, has also come down with oil prices. Lower condensate prices and a weaker Canadian dollar have provided a partial cushion to oil producers.

Other industries will also benefit from lower costs. The slowdown in oil and gas activity will free up labour across the province and help keep wages contained. Average weekly earnings in 2015 are expected to increase only 1.9%, half of 2014’s increase. Companies will face lower fuel costs, while refiners and petrochemical manufacturers will benefit from cheaper feedstock.

Chart 8: Cost pressures wane

Alberta Average Weekly Earnings and Oil and Gas Construction Prices



Sources: Statistics Canada and Alberta Treasury Board and Finance

One benefit of slower activity is reduced cost pressures. Construction prices are expected to fall in the oil and gas industry in 2015.

HOUSEHOLD SECTOR:

Households will feel the effects of lower oil prices as spending cuts in the energy sector cause the labour market to cool. Consumer spending will moderate, but still add to economic growth. A rising population, lower interest rates, and falling energy costs will lend support to households in the near term. Over the medium term, the pace of consumer spending will pick up as business activity improves.

LABOUR MARKET COOLING

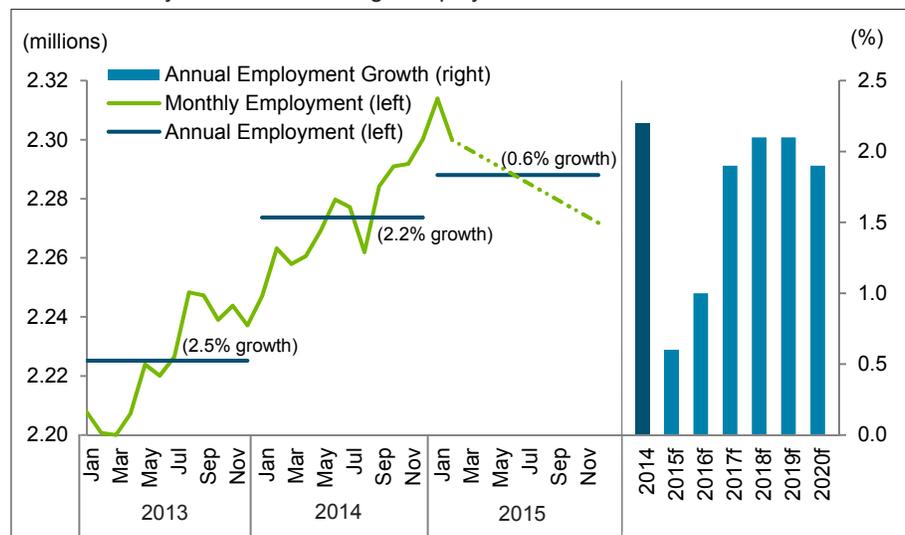
Alberta's labour market is expected to slacken this year. The average level of employment is forecast to be only 0.6% higher than in 2014. Strong job growth in late 2014 provided momentum heading into 2015, but lower oil prices are starting to have an impact. In February, the province lost 14,000 jobs, erasing January's gain. Employment is expected to fall further for the remainder of the year (Chart 9). As a result, the unemployment rate is expected to increase from 4.7% in 2014 to 5.9% by 2016. Job losses will be concentrated in the energy sector, but other sectors that rely on oil activity, such as professional services, will also be adversely affected. Weakness in the labour market is expected to persist through 2016 before improving as activity in the province picks up, with employment growth moving closer to 2% by 2017.

A weaker labour market will translate into softer earnings growth. Growth in household income, a key driver of personal income tax revenue, is forecast to slow by more than half to 2.4% in 2015 and 3.5% in 2016, before improving.

In the medium term, population aging will impact the labour market. The labour force participation rate is expected to fall as more people enter the 65+ age cohort and retire. By 2020, the unemployment rate is forecast to decline to 4.4%.

Chart 9: Employment expected to fall from February 2015 levels

Alberta Monthly and Annual Average Employment Level and Growth



Sources: Statistics Canada and Alberta Treasury Board and Finance

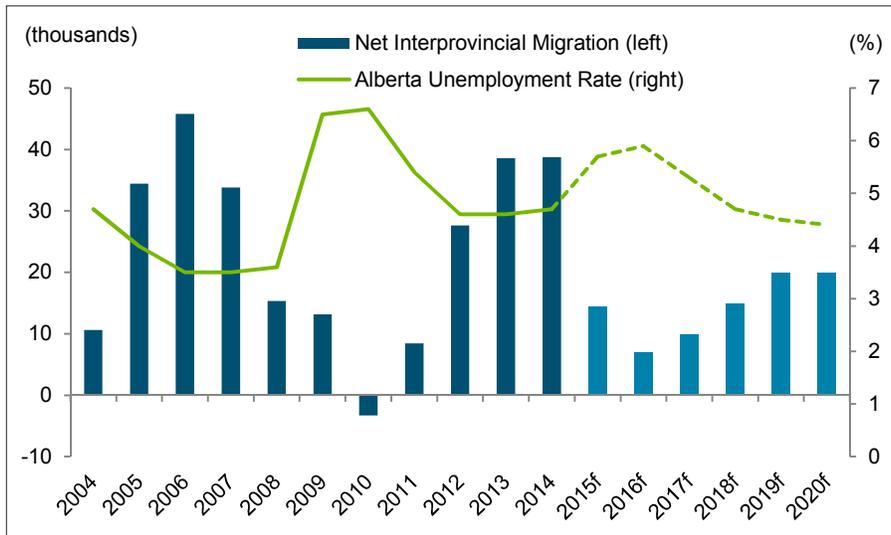
Employment growth is forecast to slow to 0.6% in 2015. This annual increase masks significant job declines that are expected between February and the end of 2015. Job creation will pick up as economic growth accelerates.

INTERPROVINCIAL MIGRATION PULLS BACK

The flow of people to Alberta from other provinces is expected to slow as Alberta's economy takes a breather and prospects improve elsewhere. The province is forecast to add 14,500 residents from other provinces in the 2015 census year (ending July 1) and 7,000 in 2016, compared with 38,700 in 2014 (Chart 10). Wages in Alberta are still significantly higher than the national average, which will encourage people to stay. Despite the slowdown, 2% population growth is expected this year and 1.7% in 2016, before picking up slightly over the medium term (Chart 11). Immigration, which is slower to react to economic changes, will be an important source of growth. Efforts by the federal government to reduce the backlog of applications should support continued immigration.

Chart 10: A cooling labour market slows interprovincial migration

Alberta Interprovincial Migration and Unemployment Rate

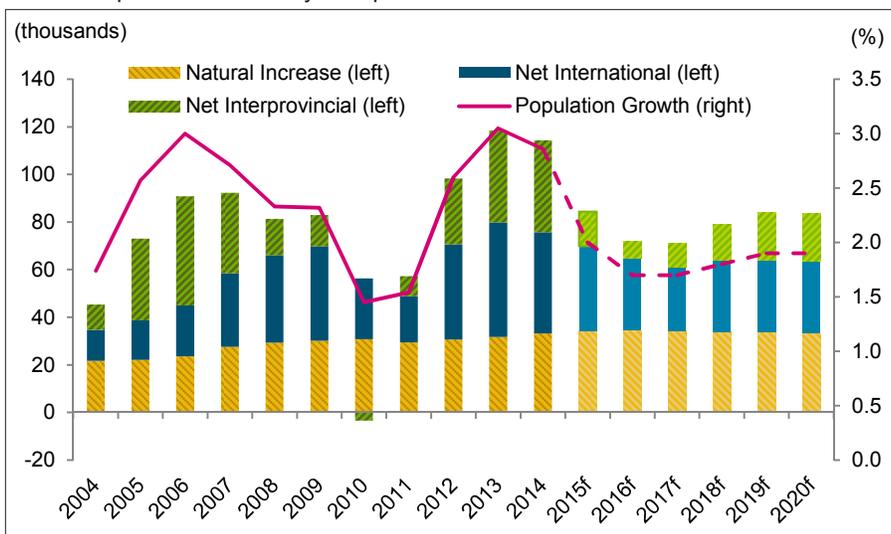


Net interprovincial migration stays positive over the forecast period, but slows in 2015 and 2016 due to weaker labour market conditions.

Sources: Statistics Canada and Alberta Treasury Board and Finance

Chart 11: Natural increase and immigration to drive population gains

Alberta Population Growth by Component



Immigration has posted steady gains over the past decade and is less sensitive to the economic cycle. It will remain an important source of population growth, along with natural increase.

Sources: Statistics Canada and Alberta Treasury Board and Finance

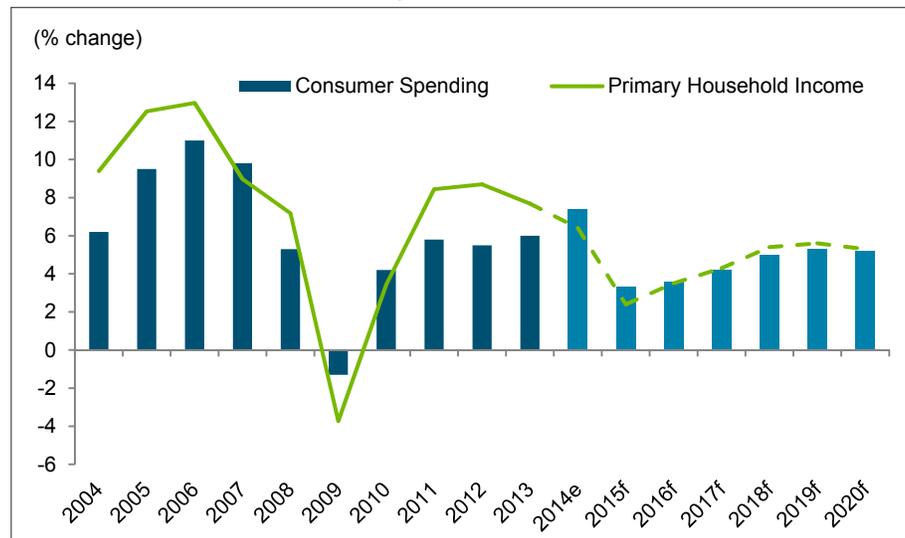
Net outflows of non-permanent residents are expected, reflecting federal changes to the Temporary Foreign Worker program. Natural increase will account for nearly half of the growth in population over the forecast period, thanks to Alberta's relatively young population.

SPENDING SLOWS, WHILE INFLATION EASES

With income growth softening, households will spend at a much slower pace than they have in the previous five years (Chart 12). Even so, consumers are forecast to make a positive contribution to economic growth. Growth in real spending is forecast to average just over 2% in the next two years, less than half of 2014's pace, before improving over the medium term. While households will

Consumers have been a major source of economic growth since 2010. They will continue to add to growth in 2015 and 2016, though their contribution will wane as income gains slow.

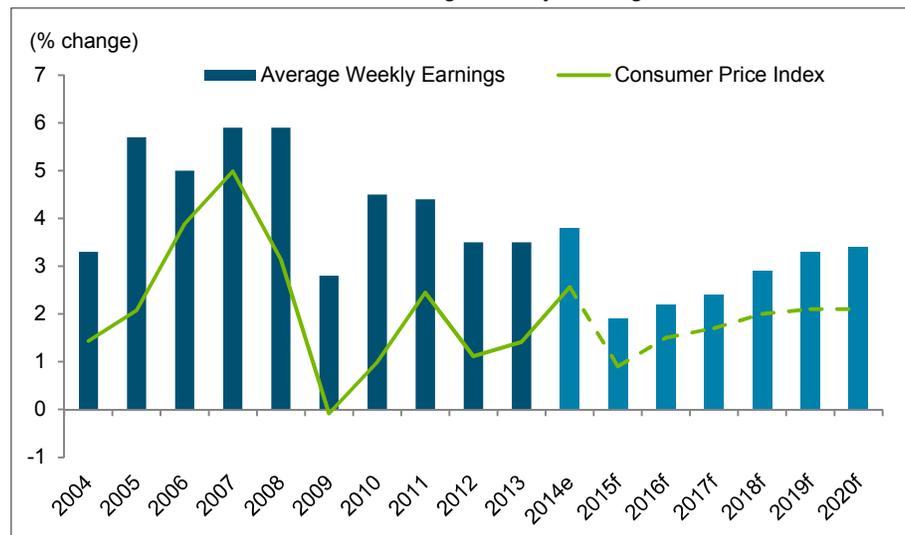
Chart 12: Consumers keep spending, but at a much slower rate
Alberta Nominal Household Consumption and Income



Sources: Statistics Canada and Alberta Treasury Board and Finance

Inflation is forecast to hit a six-year low in 2015 due to lower energy costs and slower economic activity. Inflation will rebound with energy prices and the economy. Real income gains are expected as average weekly earnings outpace inflation.

Chart 13: Wage and inflation pressures soften
Alberta Consumer Price Index and Average Weekly Earnings



Sources: Statistics Canada and Alberta Treasury Board and Finance

temper discretionary purchases, low interest rates and gasoline prices should provide a lift. Spending will also be supported by continued gains in population and real income.

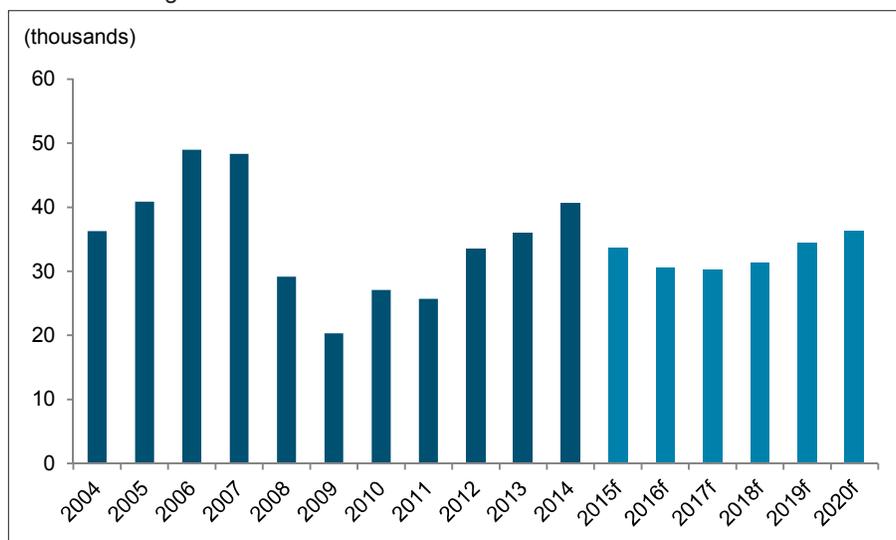
As in the business sector, households will benefit from weaker inflationary pressures in the near term (Chart 13). Consumer prices are expected to increase by only 0.9% in 2015 and 1.5% 2016, mainly because of lower energy costs. Shelter costs, which kept inflation elevated in 2014, are expected to moderate significantly in the near term.

SOFT LANDING FOR HOUSING

Alberta’s housing sector has been tight until recently. A change in sentiment following the oil price plunge has quickly pushed the resale market from a seller’s to a buyer’s market. Resale activity has declined and prices have softened. Despite changing conditions, residential construction is expected to hold up better than during the 2009 downturn. The rental market remains tight and housing inventories are at near-record lows, as record migration in the past three years has created a need for more housing. Housing has remained relatively affordable, especially in markets outside of Calgary that have seen minimal price gains. The recent interest rate cut and resulting lower mortgage rates will partially offset weakening demand. Residential permits from late 2014 and strong housing starts in January and February suggest that residential investment will continue to expand in early 2015 before slowing later in the year and into 2016. Housing starts are forecast to drop by 17% to 33,600 in 2015, falling further to 30,500 in 2016 before increasing steadily to 36,200 by 2020 (Chart 14).

Chart 14: Alberta demand for new housing to weaken

Alberta Housing Starts



A softer labour market will cool housing demand, but there are some offsetting factors: low new home inventories, a tight rental market, rock-bottom interest rates and relatively affordable housing.

Sources: Canadian Mortgage and Housing Corporation and Alberta Treasury Board and Finance

GLOBAL ECONOMY

The global economy will stay on the same moderate growth track as in 2014, at just over 3% in both 2015 and 2016. A stronger US economy, historically low interest rates and weaker oil prices will provide a boost. However, a sluggish Euro Area economy will limit the upside. The outlook for emerging markets is mixed, as lower oil prices will hurt energy producers, but benefit oil importers like China and India.

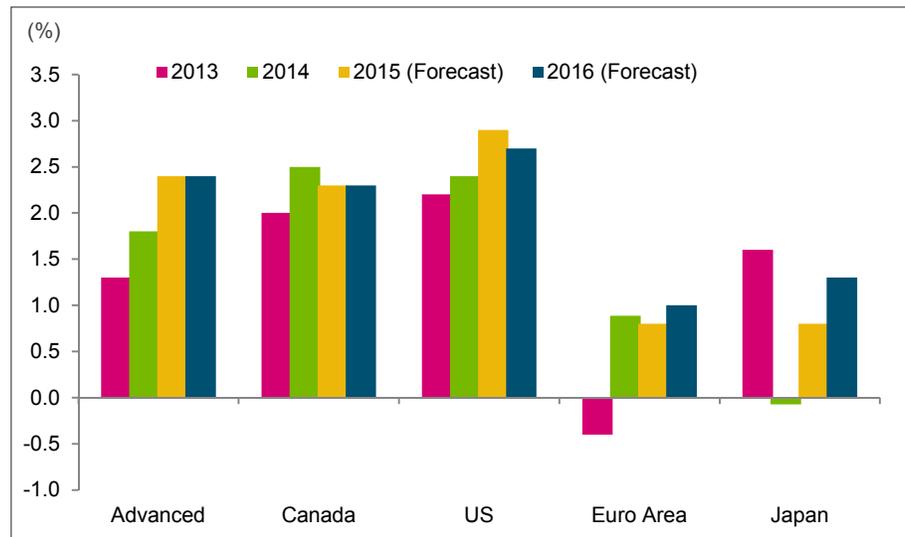
US ECONOMY IN FULL RECOVERY

The US economy has gained momentum, with GDP growth forecast to accelerate to 2.9% in 2015 and 2.7% in 2016 (Chart 15). Consumers are increasingly confident about the economic outlook (Chart 16). Low household debt, stronger

The US will be a major engine of growth in 2015, while economic woes continue in the Euro Area.

Chart 15: Diverging fortunes for advanced economies

Real GDP Growth



Sources: International Monetary Fund and Alberta Treasury Board and Finance

US consumers are becoming more confident, paving the way for future spending growth.

Chart 16: US confidence on the rise

US Consumer Confidence Index



Source: The Conference Board

labour markets, and lower energy prices will increase purchasing power and fuel consumer spending. Years of cautious consumption by households has created pent-up demand, which will help drive spending over the next two years. Growth of around 2.5% per year is expected in the medium term.

The pick-up in US growth comes despite continued weakness in the rest of the global economy. The world's largest economy derives a significant share of its output from consumer spending and is less reliant on exports. A self-reinforcing cycle is developing among improving labour markets, demand for goods and services and business investment.

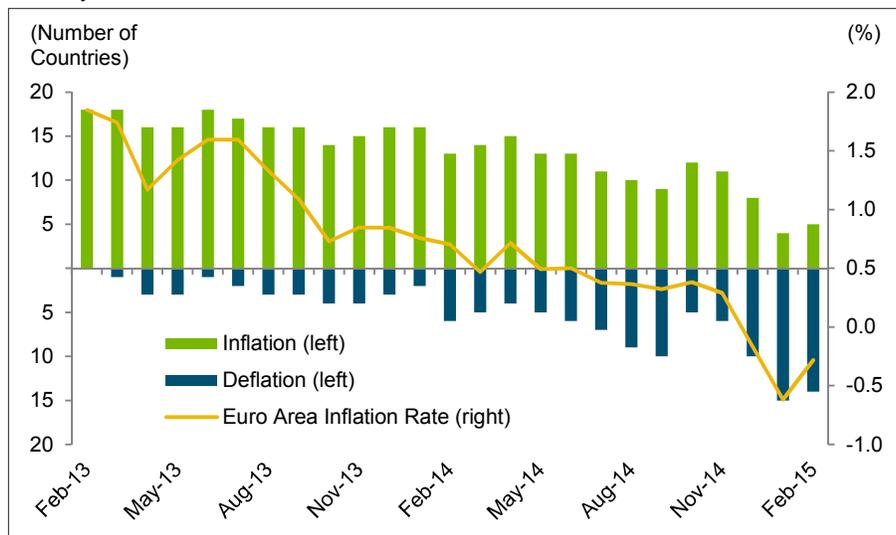
MODEST GROWTH IN THE EURO AREA AND JAPAN

In the Euro Area, real GDP growth is expected to remain tepid at around 1% in 2015 and 2016. Recently announced monetary stimulus and a weaker Euro will provide a much-needed boost, but challenges remain. The Euro Area closed out 2014 with real GDP at effectively the same level as in the summer of 2011. Unemployment remains alarmingly high across the continent, especially for younger workers. Moreover, 14 out of the 19 Euro members are now experiencing falling consumer prices, or deflation (Chart 17). As in 2011, a recovery is being threatened by uncertainty about Greece. A deteriorating Greek economy and unstable public finances make a Greek exit from the common currency increasingly likely, which would be a setback to the Euro Area's fragile economy.

Japan is Alberta's third largest export market and the world's fourth largest economy. Real GDP growth in Japan is expected to remain weak at around 1% in both 2015 and 2016. To break its deflationary cycle, the Bank of Japan embarked on a massive monetary stimulus program. The results have been mixed; prices have stopped falling, but inflation remains below target. The unemployment rate has fallen to 15-year lows, but real GDP growth has been disappointing. Japan will still have to deal with challenges posed by a declining working age population and increased regional competition.

Chart 17: Euro Area slips into deflation

Country Count for Inflation and Deflation in the Euro Area



Source: Statistical Office of the European Communities

More than half of the countries in the Euro Area are experiencing falling consumer prices. Concerns over deflation and weak growth pushed the European Central Bank to introduce more aggressive stimulus measures.

EMERGING MARKET GROWTH DIVERGES

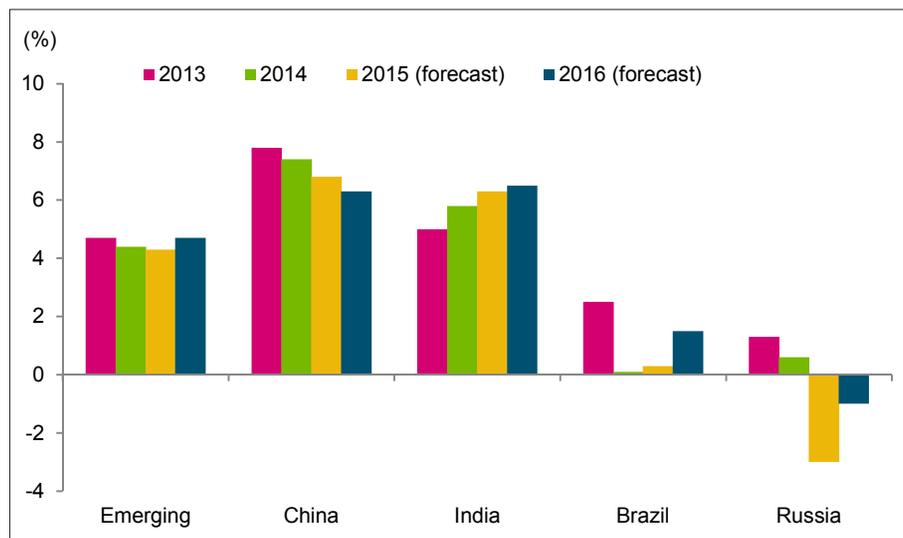
Emerging markets are key to Alberta's growth, given their role in driving global demand and commodity prices. Growth in emerging markets is expected to hold steady at just over 4% in 2015, but prospects vary by region. China remains a growth leader, but is on a slower path, which has dampened oil demand. China's economy will continue to transition away from a reliance on savings, industrial investment and low-cost manufactured exports, and towards domestic consumption, services and improving labour productivity. Chinese GDP is expected to expand by 7% in 2015, down slightly from 2014 and well below the 10% growth rates leading up to the global recession.

India's economic outlook has improved, aided by recent pro-market reforms. Real GDP growth of between 6-7% is expected in both 2015 and 2016. India and China are large commodity importers, especially of energy products, and declining commodity prices will benefit those economies. Other emerging markets, notably OPEC members, Russia and many South American countries will suffer from lower commodity prices (Chart 18).

Lower oil prices have different implications for emerging markets. They will help India and China, which are large oil importers, but hurt large oil producers like Brazil and Russia.

Chart 18: Prospects mixed for emerging markets

Real GDP Growth



Source: International Monetary Fund

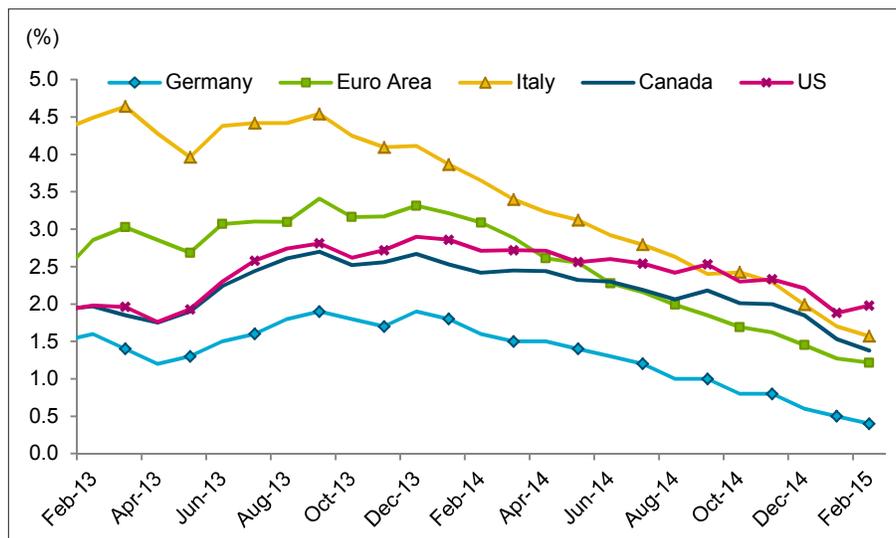
LOW INTEREST RATES TO PERSIST

Low interest rates should persist longer than previously expected as central banks confront the risk of deflation. The European Central Bank stepped up monetary stimulus with a €60 billion monthly asset purchase program similar in size and design to the US Federal Reserve (the Fed) program. Following these measures, yields on Euro Area bonds have fallen (Chart 19). A number of other countries, including China, India and Canada, have also loosened monetary policy.

In contrast, the Fed is looking to tighten monetary policy. Now finished its Quantitative Easing program, it is one of the few central banks contemplating a rate increase. This has caused the US dollar to strengthen sharply as investors search for yield. A stronger dollar weakens inflation and hurts US exporters. As a result, the Fed is likely to be cautious in raising interest rates.

Chart 19: Long-term bond yields are falling

10-Year Government Bond Yields



Source: Haver Analytics

Expectations of weak inflation and continued global monetary stimulus have suppressed bond yields to levels not seen since the Second World War. Investors expect interest rates to remain low as central banks fight against deflation.

CANADIAN GROWTH PATTERNS SHIFT, LOONIE SINKS

After growing by 2.5% in 2014, Canada’s economy is expected to slow to 2.1% in 2015, before picking up to 2.3% in 2016. The slowdown in 2015 is primarily due to the negative impact of lower oil prices. Much of this impact will come from reduced investment in the oil and gas sector, which accounts for one-third of Canadian non-residential investment.

Household, corporate and public balance sheets will also be affected by lower oil prices. For those whose earnings are tied to the energy sector, consumer spending will slow in 2015. There will be some offset from lower fuel costs for households and businesses. However, as Canada is a large net exporter of crude oil, the fall in oil prices will be a net negative for economic growth.

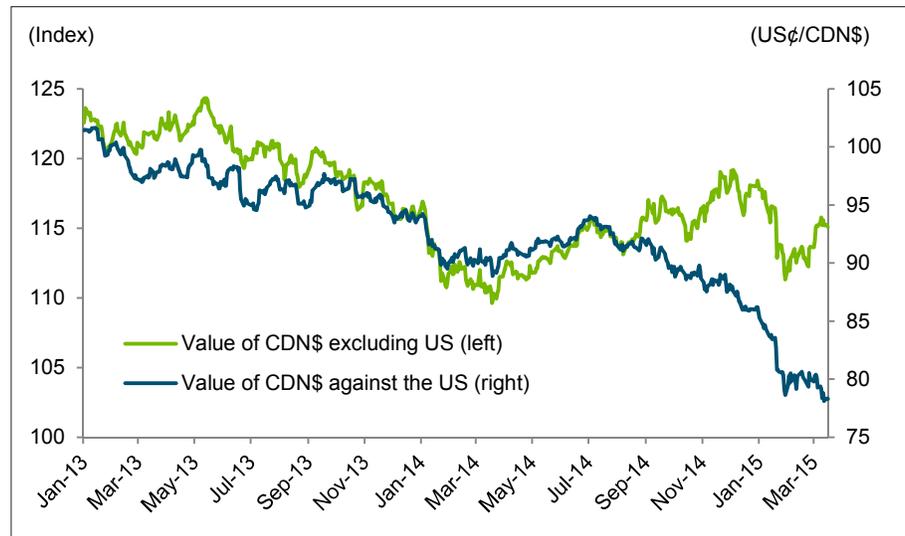
The Canadian dollar is expected to remain just above US¢80/CDN\$ in 2015-16 due to US dollar strength and the expectation that the US Federal Reserve will raise rates ahead of the Bank of Canada. The dollar is expected to appreciate slightly to US¢86/CDN\$ by 2019-20 as commodity prices improve. While the dollar has been falling for over a year, the decline has been particularly steep since January. In order to insulate the Canadian economy from lower oil prices, the Bank of Canada cut its target interest rate by 25 basis points to 0.75% in January. This surprised markets, causing the Canada-US exchange rate to fall by two cents in one day (Chart 20).

The combination of low interest rates, a weaker Canadian dollar and a rebounding US economy should help Canada's manufacturing and export sectors (Chart 21). Growth will shift towards provinces that rely less on resource production, such as Ontario and BC. This will alter interprovincial migration trends, as employment prospects in the energy sector weaken and fewer workers gravitate to oil producing provinces. Canada's economy in 2015 is expected to be fueled by exports and consumer spending, as energy investment pulls back and residential investment slows. In 2016, GDP growth is expected to improve as resource prices drift higher.

Over the past year, the Canadian dollar has lost roughly 15 cents against the US dollar. A strong US dollar has played a major role in the Loonie's depreciation.

Chart 20: The loonie is falling and the greenback is rising

Canadian Dollar Against the US Dollar and Trade-Weighted Basket of Currencies

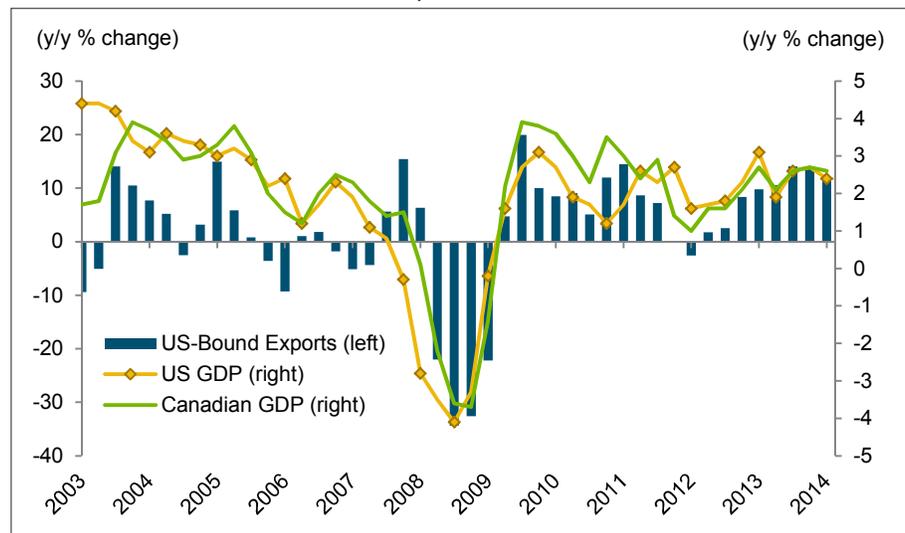


Source: Bank of Canada

Chart 21: Canadian economy benefits from US strength

Growth in Real GDP and Canadian Exports

Canadian GDP tracks the US economy very closely. A pick up in the US will provide a boost to Canada, but lower oil prices will constrain growth.



Sources: Statistics Canada and US Bureau of Economic Analysis

SUMMARY

Following a robust 5-year expansion, Alberta's economy will slow significantly in 2015, weighed down by lower oil prices. Nevertheless, a contraction in real economic activity is not expected. Contributions from trade and consumer spending are forecast to keep the economy growing at a very modest rate of 0.4%, offsetting the effects of sharply lower energy investment. The economy will improve as oil prices climb, but growth will remain weak at 1.7% in 2016 before moving closer to the historical trend of around 3% over the medium term.

In the global economy, growth is expected to hold fairly steady, led by a stronger US. Lower oil prices should support global growth, but Euro Area struggles are expected to continue. Canada's economy will benefit from faster US growth and a weaker Canadian dollar, but will be constrained by lower oil prices.

RISKS TO THE ECONOMIC OUTLOOK

- ◆ Oil prices are forecast to improve gradually. A further drop in oil prices could arise from weakening global demand or a slow supply response to low prices. Should low prices persist or fall further, Alberta's outlook would weaken.
- ◆ There are also upside risks to oil prices. Political instability threatens oil production in Nigeria, Libya and Iraq. Sanctions may also affect Russia's ability to sustain production. Finally, OPEC could cut production to support prices.
- ◆ Without improved market access, Alberta oil producers could see the return of large and volatile price discounts. A higher-than-expected reliance on rail will weigh on royalties, and could impact other sectors that also rely on this mode of transport.
- ◆ Exchange rate markets remain highly volatile. An appreciation of the Canadian dollar above forecast levels, for example due to a weakening US dollar, would hurt Alberta exporters. Conversely, a depreciation of the Loonie would boost revenues and export activity.
- ◆ Emerging economies remain vulnerable to financial market shocks, as concerns remain over financial stability. A further slowdown in these markets would weigh on commodity prices, hurting Alberta's growth prospects.
- ◆ Lower-than-expected migration poses downside risk to Alberta's economy. This would weigh on housing and consumer related activity, slowing the province's growth.

✦ ANNEX

BENCHMARKING TABLES

Oil Price Benchmark

West Texas Intermediate (US\$/bbl)

Organization	2015	2016	2017	2018	2019
National Forecasting Agencies					
Conference Board of Canada (Feb/15)	56.00	69.07	75.57	78.77	80.97
IHS Global Insight (Feb/15)	42.30	58.82	74.64	87.90	98.69
Centre for Spatial Economics (Jan/15)	55.00	70.00	80.00	90.00	92.00
Banks and Investment Dealers					
Credit Suisse (Jan/15)	56.00	72.00	75.00	75.00	75.00
CIBC World Markets (Jan/15)	73.00	88.00	n/a	n/a	n/a
Goldman Sachs (Jan/15)	47.15	65.00	65.00	65.00	n/a
Peters & Co. (Feb/15)	52.66	60.85	65.92	65.92	65.92
RBC Capital Markets (Feb/15)	53.00	77.00	79.00	84.00	84.00
Scotiabank (Feb/15)	54.00	65.00	n/a	n/a	n/a
Toronto Dominion Bank (Jan/15)	47.00	65.00	n/a	n/a	n/a
Laurentian Bank (Feb/15)	75.00	85.00	n/a	n/a	n/a
Industry Analysts					
U.S. Energy Information Administration (Feb/15)	55.02	71.00	n/a	n/a	n/a
GLJ Petroleum Consultants (Jan/15)	62.50	75.00	80.00	85.00	90.00
Sproule Associates Limited (Jan/15)	65.00	80.00	90.00	91.35	92.72
Confidential Forecasts Provided to Alberta Energy^a					
Average	48.67	61.36	74.62	80.99	85.95
High	75.00	88.00	90.00	91.35	98.69
Low	42.30	56.90	65.00	65.00	65.92
Average of All Private Forecasts	54.58	68.87	75.59	80.56	85.31
Government of Alberta (calendar year)	51.47	61.51	72.52	78.24	82.60

^a Alberta Energy also surveys, on a confidential basis, private sector forecasts from PIRA, KBC, BMO Capital Markets, 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 February 24, 2015.

Both the Government of Alberta and the private sector overestimated the WTI oil price for 2014, by 3.6% and 1.8% respectively.

How Oil Price Forecasters Fared in Budget 2014

West Texas Intermediate (US\$/bbl)

Organization	How did they do in Budget 2014?
National Forecasting Agencies (3)	96.04
Banks and Investment Dealers (10)	93.14
Industry Analysts (3)	95.72
Confidential Forecasts (5)	96.35
Average	94.69
Government of Alberta (calendar year)	96.35
Actual	93.00

Sources: Alberta Energy and Alberta Treasury Board and Finance

Natural Gas Price Benchmark

Henry Hub (US\$/MMBTU)^a

Organization	2015	2016	2017	2018	2019
National Forecasting Agencies					
Conference Board of Canada (Feb/15)	4.28	4.53	5.06	5.59	5.83
IHS Global Insight (Feb/15)	3.26	3.50	3.87	4.13	4.35
Centre for Spatial Economics (Jan/15)	3.96	4.44	4.78	5.29	5.21
Banks and Investment Dealers					
Credit Suisse (Jan/15)	2.90	4.20	4.50	4.50	4.50
CIBC World Markets (Jan/15)	3.25	3.75	n/a	n/a	n/a
Goldman Sachs (Feb/15)	3.08	3.80	3.60	3.60	n/a
Peters & Co. (Feb/15)	3.05	3.30	3.63	3.63	3.63
RBC Capital Markets (Feb/15)	3.25	4.00	4.25	4.50	4.50
Scotiabank (Feb/15)	3.00	3.25	n/a	n/a	n/a
Toronto Dominion Bank (Jan/15)	3.30	3.60	n/a	n/a	n/a
Industry Analysts					
U.S. Energy Information Administration (Feb/15)	3.05	3.47	3.73	3.81	3.88
GLJ Petroleum Consultants (Jan/15)	3.31	3.75	4.00	4.25	4.50
Sproule Associates Limited (Jan/15)	3.25	3.75	4.00	4.50	5.00
Confidential Forecasts Provided to Alberta Energy^b					
Average	3.43	3.71	3.79	3.92	4.06
High	4.28	4.53	5.06	5.59	5.83
Low	2.90	3.25	3.41	3.31	3.12
Average of All Private Forecasts	3.34	3.77	4.02	4.23	4.41
Government of Alberta (calendar year)	3.05	3.40	3.75	3.94	4.14

^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, BMO Capital Markets 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 February 24, 2015.

How Natural Gas Price Forecasters Fared in Budget 2014

Henry Hub (US\$/MMBTU)

Organization	How did they do in Budget 2014?
National Forecasting Agencies (3)	3.82
Banks and Investment Dealers (10)	4.09
Industry Analysts (3)	4.13
Confidential Forecasts (4)	3.69
Average	3.98
Government of Alberta (calendar year)	3.80
Actual	4.28

Both the Government of Alberta and the private sector slightly underestimated natural gas prices in 2014, by 11.2% and 7.0% respectively.

Sources: Alberta Energy and Alberta Treasury Board and Finance

Canadian Short-Term Interest Rate Benchmark

3-month Government of Canada Treasury Bills (%)

Organization	2015	2016	2017	2018	2019
National Forecasting Agencies					
Conference Board of Canada (Feb/15)	1.06	1.56	2.54	3.48	3.71
IHS Global Insight (Feb/15)	0.48	0.75	2.76	3.50	3.50
Centre for Spatial Economics (Jan/15)	1.00	2.39	3.33	3.76	4.07
Banks					
BMO Capital Markets (Feb/15)	0.38	0.73	n/a	n/a	n/a
CIBC World Markets (Feb/15)	0.46	0.84	n/a	n/a	n/a
RBC Royal Bank (Feb/15)	0.85	2.15	n/a	n/a	n/a
Scotiabank (Feb/15)	0.50	0.53	n/a	n/a	n/a
Toronto Dominion Bank (Jan/15)	0.45	0.65	n/a	n/a	n/a
Laurentian Bank (Feb/15)	0.50	0.50	n/a	n/a	n/a
National Bank (Jan/15)	1.22	1.96	n/a	n/a	n/a
High	1.22	2.39	3.33	3.76	4.07
Low	0.38	0.50	2.54	3.48	3.50
Average of All Private Forecasts	0.69	1.21	2.88	3.58	3.76
Government of Alberta (calendar year)	0.60	0.80	1.60	2.00	2.00

Includes forecasts finalized on or before February 24, 2015.

Canadian Long-Term Interest Rate Benchmark

10-Year Government of Canada Bonds (%)

Organization	2015	2016	2017	2018	2019
National Forecasting Agencies					
Conference Board of Canada (Feb/15)	2.73	3.46	4.04	4.54	4.76
IHS Global Insight (Feb/15)	1.82	3.00	3.51	3.56	3.56
Centre for Spatial Economics (Jan/15)	2.90	4.19	4.63	4.66	5.07
Banks					
BMO Capital Markets (Feb/15)	1.45	1.89	n/a	n/a	n/a
CIBC World Markets (Feb/15)	1.78	2.44	n/a	n/a	n/a
RBC Royal Bank (Feb/15)	2.55	3.45	n/a	n/a	n/a
Scotiabank (Feb/15)	1.73	2.29	n/a	n/a	n/a
Toronto Dominion Bank (Jan/15)	1.65	2.24	n/a	n/a	n/a
Laurentian Bank (Feb/15)	1.64	2.65	n/a	n/a	n/a
National Bank (Jan/15)	2.49	2.75	n/a	n/a	n/a
High	2.90	4.19	4.63	4.66	5.07
Low	1.45	1.89	3.51	3.56	3.56
Average of All Private Forecasts	2.07	2.84	4.06	4.25	4.46
Government of Alberta (calendar year)	1.90	2.80	3.50	3.75	3.75

Includes forecasts finalized on or before February 24, 2015.

Canada / United States Exchange Rate Benchmark

(US¢/Cdn\$)

Organization	2015	2016	2017	2018	2019
National Forecasting Agencies					
Conference Board of Canada (Feb/15)	84.9	87.4	88.3	88.6	88.9
IHS Global Insight (Feb/15)	77.5	81.8	87.3	89.7	90.7
Centre for Spatial Economics (Jan/15)	85.0	85.4	85.7	86.2	86.4
Banks					
BMO Capital Markets (Feb/15)	79.4	81.8	n/a	n/a	n/a
CIBC World Markets (Feb/15)	77.8	81.0	n/a	n/a	n/a
Credit Suisse (Jan/15)	80.0	86.0	88.0	88.0	88.0
RBC Capital Markets (Feb/15)	78.0	81.0	85.0	88.0	88.0
Scotiabank (Feb/15)	76.3	76.0	n/a	n/a	n/a
Toronto Dominion Bank (Jan/15)	79.3	80.3	n/a	n/a	n/a
Laurentian Bank (Feb/15)	79.3	85.0	n/a	n/a	n/a
National Bank (Jan/15)	83.3	87.0	n/a	n/a	n/a
High	85.0	87.4	88.3	89.7	90.7
Low	76.3	76.0	85.0	86.2	86.4
Average of All Private Forecasts	80.1	83.0	86.8	88.1	88.4
Government of Alberta (calendar year)	81.4	82.6	83.9	84.8	85.8

Includes forecasts finalized on or before February 24, 2015.

Alberta Real Gross Domestic Product Benchmark

(% change)

Organization	2014	2015	2016	2017	2018	2019
National Forecasting Agencies						
Conference Board of Canada (Feb/15)	4.0	-1.5	1.2	1.8	1.8	2.6
IHS Global Insight (Feb/15)	3.9	1.7	1.5	2.9	2.9	2.6
Centre for Spatial Economics (Jan/15)	3.6	0.8	1.7	1.9	2.7	2.9
Banks						
BMO Capital Markets (Feb/15)	3.5	0.5	2.2	n/a	n/a	n/a
CIBC World Markets (Feb/15)	4.1	-0.3	2.3	n/a	n/a	n/a
RBC Royal Bank (Feb/15)	4.1	0.6	0.9	n/a	n/a	n/a
Scotiabank (Feb/15)	3.9	0.6	1.6	n/a	n/a	n/a
Toronto Dominion Bank (Jan/15)	3.8	0.5	1.8	n/a	n/a	n/a
Laurentian Bank (Mar/15)	3.7	0.7	2.1	n/a	n/a	n/a
National Bank (Feb/15)	4.3	0.1	2.2	n/a	n/a	n/a
Other						
Canada Mortgage and Housing Corporation (Q1/15)	3.8	1.9	2.0	n/a	n/a	n/a
High	4.3	1.9	2.3	2.9	2.9	2.9
Low	3.5	-1.5	0.9	1.8	1.8	2.6
Average of All Private Forecasts	3.9	0.5	1.8	2.2	2.5	2.7
Government of Alberta (calendar year)	3.8	0.4	1.7	3.0	3.2	3.2

Includes forecasts finalized on or before March 4, 2015.

Light-Heavy Oil Price Differential Benchmark

WTI-WCS Price Differential (US\$ per barrel)

Organization	2015	2016	2017	2018	2019
National Forecasting Agencies					
Conference Board of Canada (Feb/15)	16.25	15.19	14.65	14.79	14.67
Centre for Spatial Economics (Jan/15)	15.50	19.73	22.55	25.37	25.93
Banks and Industry Analysts					
GLJ Petroleum Consultants (Jan/15)	16.30	16.20	17.00	17.80	18.60
Sproule Associates Limited (Jan/15)	13.57	14.64	16.47	16.72	16.97
Peters & Co (Feb/15)	14.56	14.39	16.16	16.16	16.16
RBC Capital Markets (Feb/15)	11.25	14.38	16.20	18.32	18.32
Credit Suisse (Jan/15)	15.25	16.50	17.00	17.00	17.00
Confidential Forecasts Provided to Alberta Energy^a					
Average	14.55	16.20	18.23	15.34	15.75
High	11.25	8.61	6.24	4.74	4.84
Low	20.00	21.50	26.08	25.37	25.93
Average of All Private Forecasts	14.62	16.00	17.60	16.91	17.20
Government of Alberta (calendar year)	15.34	19.94	23.00	24.00	20.00

^a The Alberta Department of Energy also surveys, on a confidential basis, private sector forecasts from KBC, IHS CERA, PIRA, Wood MacKenzie and BMO. The annual figures presented here are the average forecast prices from these sources.

Includes forecasts finalized on or before February 24, 2015.

Alberta Housing Starts Benchmark

(thousands)

Organization	2015	2016	2017	2018	2019
National Forecasting Agencies					
Conference Board of Canada (Feb/15)	26.4	28.0	28.7	31.0	33.2
IHS Global Insight (Feb/15)	36.4	36.9	37.8	37.1	36.1
Centre for Spatial Economics (Jan/15)	34.5	33.3	32.7	34.1	36.2
Banks					
BMO Capital Markets (Feb/15)	32.0	32.0	n/a	n/a	n/a
CIBC World Markets (Feb/15)	28.0	34.0	n/a	n/a	n/a
RBC Royal Bank (Feb/15)	27.5	30.8	n/a	n/a	n/a
Scotiabank (Feb/15)	36.0	34.0	n/a	n/a	n/a
Toronto Dominion Bank (Jan/15)	33.5	32.3	n/a	n/a	n/a
Laurentian Bank (Mar/15)	31.7	30.5	n/a	n/a	n/a
National Bank (Feb/15)	25.0	24.0	n/a	n/a	n/a
Other					
Canada Mortgage and Housing Corporation (Q1/15)	36.0	34.5	n/a	n/a	n/a
High	36.4	36.9	37.8	37.1	36.2
Low	25.0	24.0	28.7	31.0	33.2
Average of All Private Forecasts	31.5	31.8	33.1	34.1	35.2
Government of Alberta (calendar year)	33.6	30.5	30.3	31.4	34.4

Includes forecasts finalized on or before March 4, 2015.

Alberta Primary Household Income Benchmark

(% change)

National Forecasting Agencies	2014	2015	2016	2017	2018	2019
Conference Board of Canada (Feb/15)	6.9	1.1	3.2	4.9	4.6	4.7
IHS Global Insight (Feb/15)	5.9	3.3	3.7	5.1	4.9	4.4
Centre for Spatial Economics (Jan/15)	3.5	3.6	4.2	4.4	5.2	6.0
High	6.9	3.6	4.2	5.1	5.2	6.0
Low	3.5	1.1	3.2	4.4	4.6	4.4
Average of All Private Forecasts	5.4	2.7	3.7	4.8	4.9	5.0
Government of Alberta (calendar year)	6.4	2.4	3.5	4.3	5.4	5.6

Includes forecasts finalized on or before March 4, 2015.

Alberta Net Corporate Operating Surplus Benchmark

(% change)

National Forecasting Agencies	2014	2015	2016	2017	2018	2019
Conference Board of Canada (Feb/15)	12.8	-54.6	25.0	7.7	3.4	5.7
IHS Global Insight (Feb/15)	6.0	-5.1	-2.6	4.5	5.1	2.7
Centre for Spatial Economics (Jan/15)	23.3	-54.4	65.3	26.4	19.4	1.6
High	23.3	-5.1	65.3	26.4	19.4	5.7
Low	6.0	-54.6	-2.6	4.5	3.4	1.6
Average of All Private Forecasts	14.0	-38.0	29.2	12.9	9.3	3.3
Government of Alberta (calendar year)	18.2	-50.6	27.2	37.0	16.8	15.3

Includes forecasts finalized on or before March 4, 2015.

Alberta Employment Benchmark

(% change)

Organization	2015	2016	2017	2018	2019
National Forecasting Agencies					
Conference Board of Canada (Feb/15)	0.0	0.9	1.9	1.7	1.7
IHS Global Insight (Feb/15)	0.5	0.8	1.9	1.5	1.0
Centre for Spatial Economics (Jan/15)	0.7	1.3	1.6	2.2	2.1
Banks					
BMO Capital Markets (Feb/15)	0.3	0.4	n/a	n/a	n/a
CIBC World Markets (Feb/15)	-0.4	2.0	n/a	n/a	n/a
RBC Royal Bank (Feb/15)	0.4	0.8	n/a	n/a	n/a
Scotiabank (Feb/15)	0.8	0.8	n/a	n/a	n/a
Toronto Dominion Bank (Jan/15)	0.2	0.8	n/a	n/a	n/a
Laurentian Bank (Mar/15)	0.8	0.9	n/a	n/a	n/a
National Bank (Feb/15)	0.0	0.8	n/a	n/a	n/a
Other					
Canada Mortgage and Housing Corporation (Q1/15)	1.7	1.6	n/a	n/a	n/a
High	1.7	2.0	1.9	2.2	2.1
Low	-0.4	0.4	1.6	1.5	1.0
Average of All Private Forecasts	0.5	1.0	1.8	1.8	1.6
Government of Alberta (calendar year)	0.6	1.0	1.9	2.1	2.1

Includes forecasts finalized on or before March 4, 2015.

Alberta Unemployment Rate Benchmark

(%)

Organization	2015	2016	2017	2018	2019
National Forecasting Agencies					
Conference Board of Canada (Feb/15)	5.6	5.8	5.0	4.6	4.4
IHS Global Insight (Feb/15)	4.9	4.9	4.6	4.6	4.5
Centre for Spatial Economics (Jan/15)	5.6	5.8	5.5	4.9	4.4
Banks					
BMO Capital Markets (Feb/15)	5.2	5.5	n/a	n/a	n/a
CIBC World Markets (Feb/15)	6.8	5.8	n/a	n/a	n/a
RBC Royal Bank (Feb/15)	5.7	5.3	n/a	n/a	n/a
Scotiabank (Feb/15)	5.0	4.9	n/a	n/a	n/a
Toronto Dominion Bank (Jan/15)	5.3	5.6	n/a	n/a	n/a
Laurentian Bank (Mar/15)	5.5	5.7	n/a	n/a	n/a
National Bank (Feb/15)	5.1	5.3	n/a	n/a	n/a
Other					
Canada Mortgage and Housing Corporation (Q1/15)	5.2	5.3	n/a	n/a	n/a
High	6.8	5.8	5.5	4.9	4.5
Low	4.9	4.9	4.6	4.6	4.4
Average of All Private Forecasts	5.4	5.4	5.0	4.7	4.4
Government of Alberta (calendar year)	5.7	5.9	5.3	4.7	4.5

Includes forecasts finalized on or before March 4, 2015.

TAX PLAN

✦ TAX PLAN

✦ ANNEX

Budget
2015

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OVERVIEW

To ensure that government can continue to respond to the needs of Albertans, the province must move off its reliance on volatile resource revenue and adopt a sustainable fiscal structure. *Budget 2015* lays the necessary groundwork to accomplish this. This includes actions to reduce expenditures and continued efforts to spend tax dollars wisely. But moving to a sustainable fiscal structure also means that government will need to rely more on taxes to fund the programs and services that are priorities for Albertans.

Budget 2015 proposes several tax measures, which were difficult decisions for the government given they impact many Albertans. However, careful consideration has been given so the measures protect lower income Albertans, mitigate the potential for negative economic impacts and allow Alberta to maintain the most competitive tax system in Canada.

Careful consideration has been given so that new tax measures protect lower income Albertans.

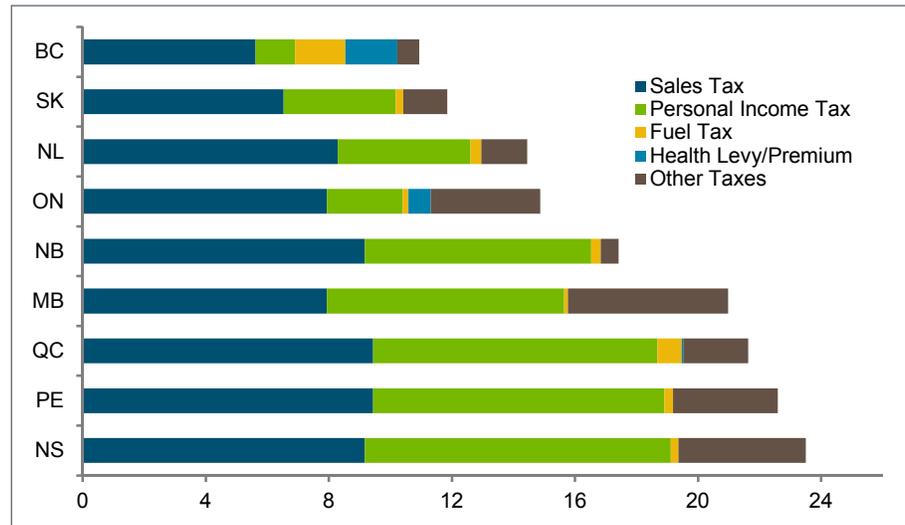
Measures being introduced in *Budget 2015* include:

- ◆ a new Health Care Contribution Levy that applies to individual taxable income over \$50,000 (maximum \$1,000);
- ◆ two additional personal income tax brackets for Albertans with taxable income over \$100,000 will be phased in over three years – increasing the progressivity of the personal income tax system;
- ◆ enhancements to the Alberta Family Employment Tax Credit and the introduction of a new Alberta Working Family Supplement for lower income families;
- ◆ a reduction in the Charitable Donations Tax Credit rate from 21% to 12.75% for total donations over \$200;
- ◆ a four cent per litre increase in the tax levied on gasoline and diesel, with four cents per litre now payable on marked fuel;
- ◆ a tobacco tax increase (five dollars per carton of 200 cigarettes);
- ◆ a one percentage point increase in the Insurance Premiums Tax; and
- ◆ a change in how future provincial education property tax requisitions will be set starting in 2016-17.

After accounting for all of the tax changes that take effect in 2015-16, it is estimated that Albertans and Alberta businesses will still pay at least \$10.9 billion less in taxes than if Alberta employed the tax system of any other province. When all changes announced in the budget are fully implemented, Alberta will maintain a tax advantage of at least \$9.4 billion.

Alberta Tax Advantage, 2015

(billions of dollars)



Source: Alberta Treasury Board and Finance

Note: This graph shows the total additional provincial tax that individuals and businesses would pay if Alberta had the same tax system as other provinces. This information reflects tax rates for other provinces known as of March 10, 2015.

Alberta will still have no provincial sales tax and no payroll tax, as well as the lowest fuel tax, lowest corporate tax and lowest top marginal personal tax rate among provinces. Albertans will continue to enjoy a significant tax advantage and pay the lowest overall taxes compared to their peers in other provinces.

HEALTH CARE CONTRIBUTION LEVY

Quality health care services are a priority for Albertans, but meeting this priority continues to place pressure on public finances. In 2015-16, the Ministry of Health will comprise 39% of the province's total expense. In recognition of these cost pressures and priorities, Alberta will introduce a new and progressive Health Care Contribution Levy, effective July 1, 2015.

The old Alberta Health Care Insurance Premium, which was eliminated in 2008, exempted lower income Albertans, but premium payments started at low income levels and fully phased in over a small income range. This type of payment structure results in a disproportionate impact on low and middle income individuals. The new Health Care Contribution Levy will have a much more progressive structure and will better protect lower and middle income Albertans.

The new Health Care Contribution Levy will have a progressive structure that protects lower income Albertans.

Individuals with taxable income below \$50,000 a year will not be subject to the new Health Care Contribution Levy. Those with taxable income over \$50,000 will begin to pay the levy, which increases in \$200 increments as income rises. The new levy is capped at \$1,000, which is reached at \$130,800 in taxable income. It is estimated that the Health Care Contribution Levy will impact about 1.1 million Albertans, or about 38% of Alberta's 2.9 million taxfilers.

To reflect the July 1, 2015 start date, the Health Care Contribution Levy payable for the 2015 tax year will be equal to one-half of the full year amount payable.

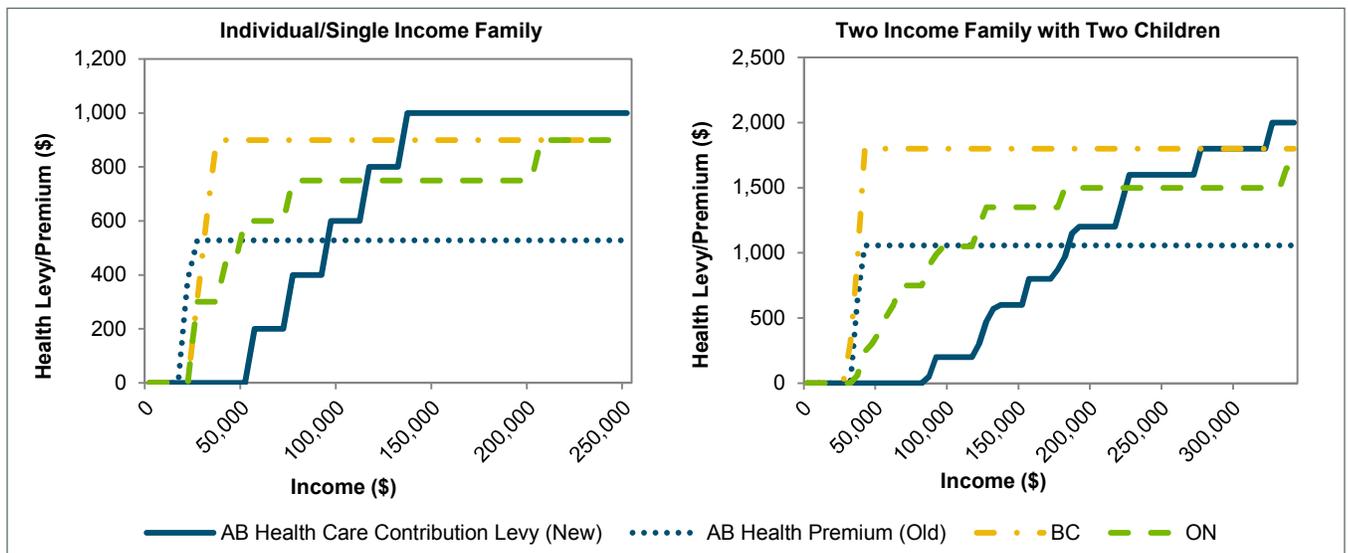
Health Care Contribution Levy

Taxable Income		Health Care Contribution Levy Payable
From	To	
\$0	\$50,000	No Health Care Contribution Levy
\$50,000	\$70,000	(Taxable Income - \$50,000) x 5% to a maximum of \$200
\$70,000	\$90,000	\$200 + (Taxable Income - \$70,000) x 5% to a maximum of \$400
\$90,000	\$110,000	\$400 + (Taxable Income - \$90,000) x 15% to a maximum of \$600
\$110,000	\$130,000	\$600 + (Taxable Income - \$110,000) x 15% to a maximum of \$800
\$130,000	and up	\$800 + (Taxable Income - \$130,000) x 25% to a maximum of \$1,000

The new Health Care Contribution Levy will be paid by Alberta residents through the personal income tax system and administered by the Canada Revenue Agency. Like personal income taxes, the new levy will be collected at source through withholdings or included in installments, where applicable. In other circumstances, individuals will pay the new levy when they file their personal income tax return. Administering the levy through the personal income tax system will minimize provincial administration costs. Also, because the new levy will be collected through withholdings, employers will not face additional compliance costs or the burden of the levy.

The new Health Care Contribution Levy is expected to raise \$396 million in 2015-16. This will rise to about \$530 million in 2016-17, the first full fiscal year for which the change will be effective.

Health Care Contribution Levy and Health Premium Comparisons



Source: Alberta Treasury Board and Finance

Assumptions:

- Income is equal to taxable income and is split 60/40 between the two spouses.
- Health levies/premiums are borne entirely by individuals and the Health Care Contribution Levy is fully implemented.

PERSONAL INCOME TAX

Given the current fiscal situation and the resolve to move the province off its reliance on volatile resource revenue, *Budget 2015* introduces two new tax brackets starting January 1, 2016. Taxable income over \$100,000 will be subject to a provincial income tax rate of 11.5%, once fully implemented. In light of the slowing economy, the government is phasing in the additional 1.5% tax rate evenly over three years. This will soften the impact of the tax on both Albertans and the economy. It is expected that this change will impact about 330,000 Albertans, representing 11% of provincial taxpayers.

Taxable income over \$250,000 will also be subject to an additional tax rate that is half a percentage point higher than the rate that applies to the \$100,000 bracket. This will be a temporary three-year tax measure, which is intended to raise additional revenue until the budget is balanced. This measure is estimated to impact about 44,000 of Alberta's highest income earners, or about 1.5% of taxpayers.

Taxable income below \$100,000 will continue to be taxed at 10%, as has been the case since 2001. Both the \$100,000 bracket and the \$250,000 bracket will be indexed to inflation starting in 2017.

Changes to Alberta's Personal Income Tax Structure

Taxable Income		2015	2016	2017	2018	2019 and Later
From	To					
\$0	\$100,000	10.0%	10.0%	10.0%	10.0%	10.0%
\$100,000	\$250,000	10.0%	10.5%	11.0%	11.5%	11.5%
\$250,000	and up	10.0%	11.0%	11.5%	12.0%	11.5%

New tax brackets will increase the progressivity of Alberta's personal income tax system.

These new tax brackets, which increase the progressivity of the personal income tax system, will raise additional revenue in a manner that is both competitive and fair. Lower and middle income Albertans will not be impacted by these changes and will continue to benefit from the highest basic personal and spousal amounts in the country. Alberta's generous basic personal and spousal amounts are especially important for lower income Albertans, as they allow individuals to earn more before having to pay any provincial income tax. Higher income Albertans will still enjoy the lowest top marginal tax rate among provinces, which will continue to help attract the skilled workforce that Alberta's growing economy requires.

These measures are expected to generate an additional \$330 million in 2016-17, rising to about \$730 million in 2018-19.

ADDITIONAL SUPPORT FOR WORKING FAMILIES

Since 1997, Alberta's tax system has provided direct financial support to lower income families through the Alberta Family Employment Tax Credit (AFETC). The AFETC has been enhanced several times over the years and is one of the most generous child-based refundable credits among provinces. Because the program is structured as a refundable tax credit, families benefit from the program regardless of whether they pay any provincial income tax.

The AFETC is adjusted annually to offset the impact of inflation. For the 2015 benefit year (starting July 1), payments will increase to a maximum of \$754 for one child, \$1,439 for two children, \$1,850 for three children and \$1,987 for four or more children. The credit payments begin to phase in at 8% of working income over \$2,760 and start to phase out at a rate of 4% of family net income greater than \$36,778.

ENHANCEMENTS TO THE AFETC

The government recognizes that more can be done to help working families, as many of them still find it difficult to make ends meet. Starting July 1, 2016, the AFETC will be enhanced. First, the rate at which benefits are phased in will be increased from 8% to 11% on working income over \$2,760. Second, the phase-out threshold will be increased from \$36,778 to \$41,250, allowing families to earn more before these benefits start to phase out. It is estimated that the enhancements will provide about \$25 million in additional support annually for lower and middle income families.

The AFETC will be enhanced starting July 1, 2016.

Alberta Family Employment Tax Credit (AFETC) and Alberta Working Family Supplement (AWFS) Program Parameters

Program Parameters	Additional Support for Working Families (July 1, 2016)	
	Enhanced AFETC*	New AWFS
Benefit Amounts		
1 st child	\$754	\$1,100
2 children	\$1,439	\$1,650
3 children	\$1,850	\$2,200
4 or more children	\$1,987	\$2,750
Income phase-in threshold	\$2,760	\$2,760
Phase-in rate	11.0%	15.0%
Income phase-out threshold	\$41,250	\$25,500
Phase-out rates		
1 st child	4.0%	7.00%
2 children	4.0%	10.50%
3 children	4.0%	14.00%
4 or more children	4.0%	17.50%

* The AFETC child benefit amounts for 2016 (i.e. the year the new AWFS is introduced) will be different than shown due to indexing.

NEW ALBERTA WORKING FAMILY SUPPLEMENT

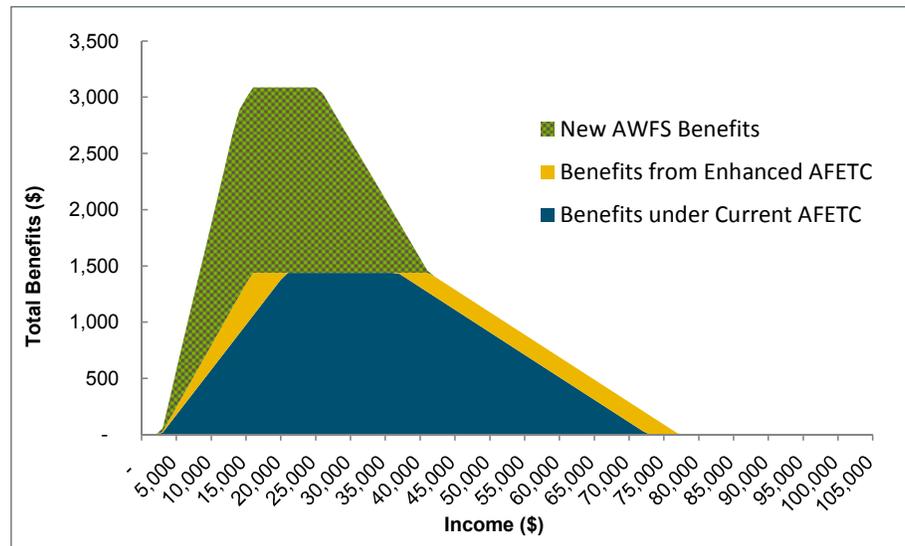
To further support Alberta's working families, *Budget 2015* introduces a new refundable tax credit – the Alberta Working Family Supplement (AWFS). Starting July 1, 2016, this new program will target working families earning between \$2,760 and \$41,220. Working families with one child will be eligible for a maximum annual benefit of \$1,100. An additional annual benefit of \$550 will be provided for each of the next three children. This means families with four or more children will be eligible to receive a maximum annual benefit of \$2,750 under the AWFS. In total, it is estimated that the AWFS will provide an additional \$85 million of support annually to approximately 75,000 working families.

The new AWFS will provide an additional \$85 million in support to approximately 75,000 working families.

Like the AFETC, the new AWFS will be indexed to inflation each year (starting in 2017) and administered on Alberta's behalf by the Canada Revenue Agency. Families currently eligible for the AFETC will automatically be enrolled in the new AWFS. Additional details about the new AWFS, such as when payments will be made, will be released at a future date.

These two measures, which support the forthcoming Alberta Poverty Reduction Action Plan, will put an estimated \$110 million directly into the pockets of Alberta's working families.

AWFS and AFETC Benefits, Family with Two Children



Source: Alberta Treasury Board and Finance

CHARITABLE DONATIONS TAX CREDIT

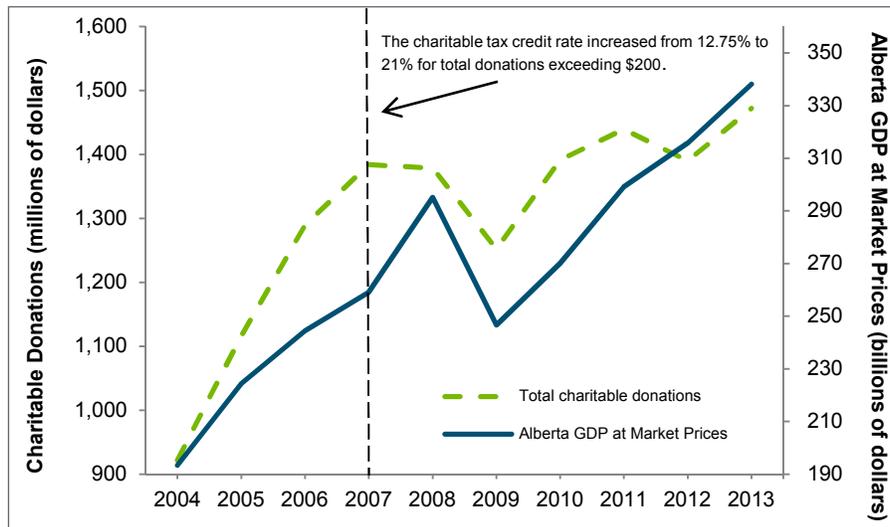
The charitable sector provides valuable goods and services to Albertans in areas such as health care, education, poverty relief and the protection of the environment. In recognition of the many benefits Albertans receive as a result of the charitable sector, the province supports contributions to registered charities by providing a Charitable Donations Tax Credit (CDTC).

In 2007, the CDTC was enhanced from 12.75% to 21% on total donations over \$200. When combined with the federal credit, Albertans receive a tax saving (or subsidy) of 50 cents for each dollar donated in excess of \$200.

While the credit enhancement was intended to encourage higher donation levels and recognize the financial contributions of Albertans, it was not as effective as anticipated. In 2007, the year the enhancement took effect, the allowable portion of total donations claimed by Albertans increased by \$95 million, but the total value of the CDTC claimed for Alberta tax purposes increased by about \$120 million. The enhanced credit provided current donors with significant tax savings, but had limited success in encouraging higher total donations. In other words, it was not an effective tax measure.

This outcome supports the notion that charitable donors are often motivated by factors other than tax savings. In particular, compassion, personal belief and a desire to contribute to the community have all been found to be more important reasons for making donations than tax savings. Total donation levels in Alberta are also highly responsive to economic prosperity and track closely to provincial Gross Domestic Product (GDP).

GDP and Total Charitable Donation Levels*, 2004-2013



Source: Statistics Canada

* Charitable donations are the allowable portion of total donations, as reported on the income tax return.

Given the ineffectiveness of the credit enhancements and the current fiscal environment, the CDTC rate applied to total donations over \$200 will be returned to 12.75% for 2016 – the rate in effect prior to 2007.

Returning the charitable credit to 12.75% for the 2016 tax year is estimated to save the government \$90 million annually.

INDEXING

Alberta's personal income tax system is indexed to inflation to ensure that the value of tax credits does not erode over time. Credit amounts will therefore increase by 2.4% in 2015. This means that the basic personal and spousal amounts will rise from \$17,787 in 2014 to \$18,214 in 2015.

The Alberta Family Employment Tax Credit is also indexed to inflation for 2015 (see the *Additional Support for Working Families* section of this chapter).

EDUCATION PROPERTY TAX

Two years ago the province announced a policy of setting the education property tax revenue equal to a fixed 32% of that year's education operating costs, as targeted in the previous budget. While this approach works when education funding increases year-over-year, it does not yield an appropriate fiscal result for the province in years when the government must constrain its spending.

Alberta Non-Refundable Tax Credit Block

(dollars)

	2014		2015	
	Maximum Amount	Deduction from Alberta Tax	Maximum Amount	Deduction from Alberta Tax
Basic personal amount	17,787	1,779	18,214	1,821
Spousal amount	17,787	1,779	18,214	1,821
Eligible dependant amount	17,787	1,779	18,214	1,821
Age amount	4,957	496	5,076	508
Infirm dependant amount	10,296	1,030	10,543	1,054
CPP contributions	2,426	243	2,480	248
EI premiums	914	91	931	93
Pension income amount	1,370	137	1,402	140
Disability amount	13,720	1,372	14,050	1,405
Disability supplement	10,296	1,030	10,543	1,054
Tuition and education amounts	Variable	Variable	Variable	Variable
Adoption expenses	12,165	1,217	12,457	1,246
Medical expenses	Variable	Variable	Variable	Variable
Medical expenses (other dependants)	Variable	Variable	Variable	Variable
Caregiver amount	10,296	1,030	10,544	1,054
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 total donations and gifts over \$200, the credit rate is 21%.

As a result, Alberta will be ending the current policy after this year. Starting in 2016-17, the requisition will be determined on an annual basis, as was done prior to 2013-14.

As announced in *Budget 2014*, the education property tax revenue for 2015-16 is about \$2.3 billion (including the portion for opted-out school boards). The 2015 residential/farmland rate will decrease from \$2.53 to \$2.50 per \$1,000 of equalized assessment, and the non-residential rate will decrease from \$3.72 to \$3.67 per \$1,000 of equalized assessment.

Since the government assumed responsibility for education property tax in 1994, the province's share of total property tax revenue collected in Alberta has fallen from 51% to 26%.

FUEL TAX

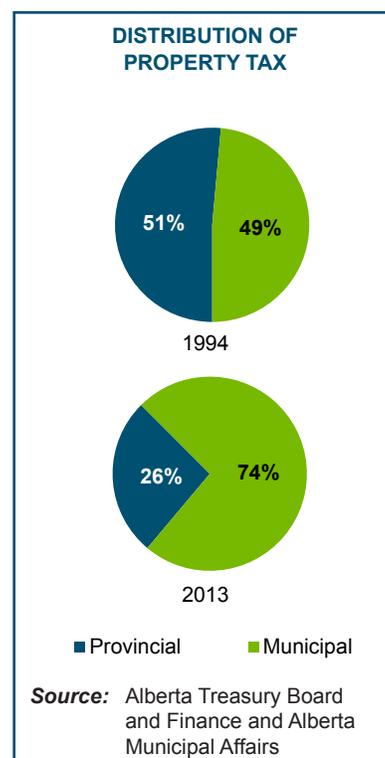
The fuel tax provides a reliable and stable source of revenue for the province. With this in mind, increasing fuel tax supports Alberta's decision to reduce its reliance on resource revenue. In addition, fuel tax is paid by both businesses and individuals.

FUEL TAX RATE CHANGES

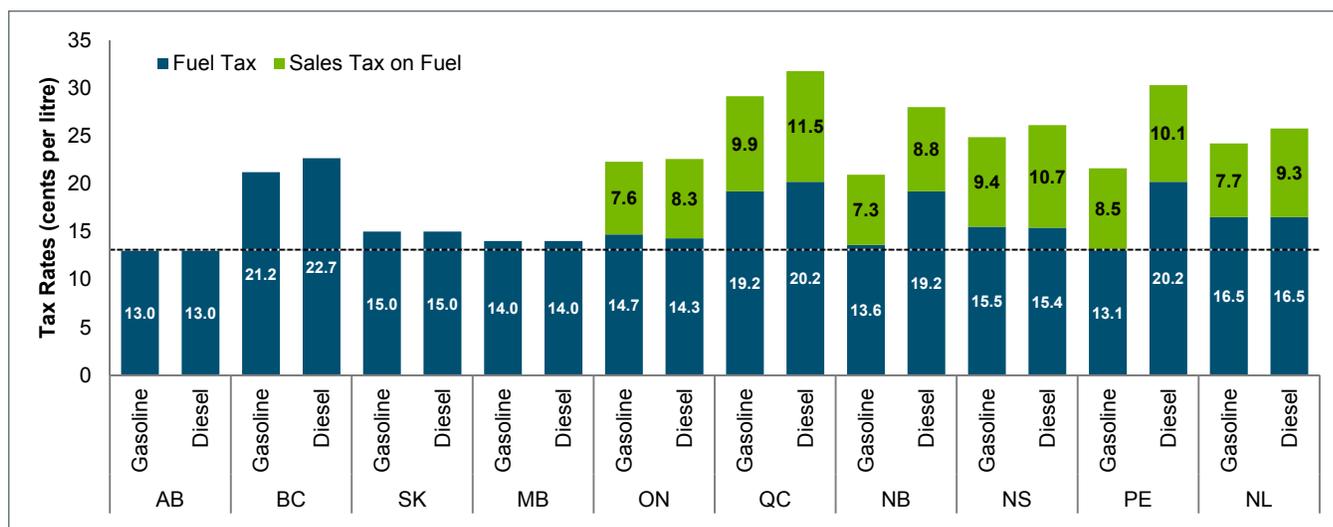
The fuel tax applicable to gasoline and diesel will be raised by four cents, to 13 cents per litre. The tax on propane, which is calculated on an energy equivalent basis to gasoline, will increase by 2.9 cents per litre to 9.4 cents per litre. These changes will be effective at 12:01 a.m., March 27.

Even with the four cent per litre tax increase, Alberta will still have the lowest tax rate on gasoline and diesel among provinces.

These tax rate changes are expected to raise an additional \$410 million in 2015-16.



Provincial Tax on Fuel, 2015



Notes:

- Sales tax on fuel is based on average prices of gasoline and diesel from Natural Resources Canada for the week ending February 17, 2015.
- Based on provincial tax rates known as of March 10, 2015.

TAX EXEMPT FUEL USER AND ALBERTA FARM FUEL BENEFIT PROGRAMS

The Tax Exempt Fuel User (TEFU) and Alberta Farm Fuel Benefit (AFFB) programs provide tax exemptions for fuel used for qualifying purposes. With this budget, eligible users will continue to receive the same benefit of nine cents per litre on the purchase of marked fuel. While the government is increasing fuel tax, it is not increasing the benefits provided under these programs. As a result, eligible users of marked fuel will be required to pay the four cents per litre increase in the fuel tax, the same increase other fuel users are being asked to pay. This change will also take effect at 12:01 a.m., March 27.

By maintaining the benefit provided on marked fuel at nine cents per litre, Alberta will collect an additional \$120 million in fuel tax revenue in 2015-16.

TOBACCO TAX

Taxes continue to be an important part of Alberta's strategy to reduce tobacco consumption.

Taxes continue to be an important part of Alberta's strategy to reduce tobacco consumption. Tobacco taxes decrease the affordability of tobacco products, which encourages tobacco users to quit and deters non-users from ever starting. This is particularly true for youths, who are especially responsive to the cost of tobacco products. Since the province last raised tobacco taxes in 2009, strong wage growth in Alberta has diminished the effectiveness of the tax increase. This has resulted in Alberta having some of the most affordable cigarettes in Canada.

To reduce the affordability of tobacco products, tobacco taxes are being increased effective at 12:01 a.m., March 27. The tax per carton of 200 cigarettes will be increased by \$5 to \$45, and the tax on loose tobacco (i.e. tobacco products other than cigarettes, tobacco sticks or cigars) will rise by 3.75 cents per gram to 33.75 cents per gram. These changes will maintain Alberta's policy of taxing cigarettes and loose tobacco at parity, preventing tax-based reasons that may cause users to shift their consumption between these products.

The levy on cigars will also be increased. The tax rate applied to a cigar's taxable price will rise from 103% to 116%. The minimum and maximum tax per cigar will also rise from 20 cents to 22.5 cents, and from \$6.27 to \$7.05, respectively.

These increases, which align with *Creating Tobacco-free Futures: Alberta's Strategy to Prevent and Reduce Tobacco Use*, are estimated to generate an additional \$90 million annually.

INSURANCE PREMIUMS TAX

The Insurance Premiums Tax is imposed on premiums receivable by an insurer. Unchanged in over 25 years, the tax rates are 2% on premiums receivable in respect of contracts of life, accident and sickness insurance, and 3% in respect of any other contract of insurance.

On April 1, 2016, the tax rates will increase by one percentage point to 3% on premiums for life, accident and sickness insurance, and 4% for other insurance.

The Insurance Premiums Tax continues to provide the province with a stable source of revenue. This measure will generate an additional \$165 million in 2016-17.

CORPORATE INCOME TAX

Alberta maintains a broad-base, low-rate approach to the taxation of business income. This minimizes economic distortions and provides a level playing field. Some jurisdictions provide targeted tax incentives to promote investment in specific sectors of their economy. These incentives, which tend to be very costly, lower taxes for some businesses, but result in a higher general tax rate for everyone else. The broad-base, low-rate approach has allowed Alberta to impose lower general corporate tax rates than would otherwise be possible.

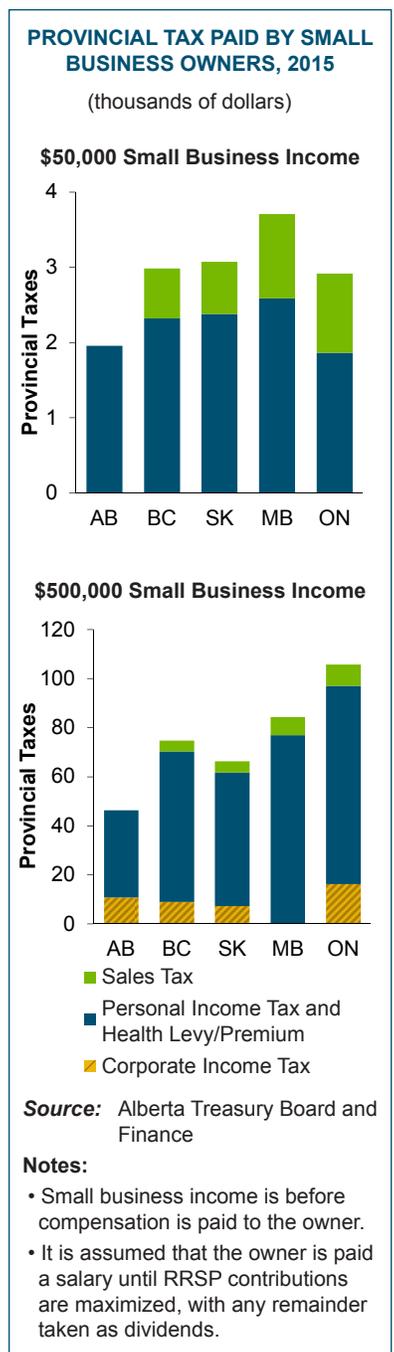
Maintaining Alberta's competitive corporate tax rate is important for attracting and retaining businesses, as business investment is increasingly mobile. Alberta's 10% general corporate income tax rate is the lowest among provinces, but the gaps between Alberta and other provincial rates have narrowed. Higher taxes increase the cost of doing business and the likelihood that businesses will relocate to other jurisdictions, taking the related employment and taxable income with them. Higher taxes could also motivate businesses to undertake tax planning efforts to shift profits to lower-taxed jurisdictions. In general, corporate income taxes have a larger negative impact on the economy relative to other taxes, such as personal income taxes and consumption taxes.

Furthermore, Alberta's business sector is already feeling the negative effects of low oil prices. These effects, such as weakening corporate profits and a slowing economy, are expected to continue throughout the year. A corporate income tax increase would further compound the negative impacts being felt by businesses and the economy.

SMALL BUSINESS TAX COMPARISON

Albertans continue to enjoy a competitive tax system that encourages entrepreneurship. Even after the changes announced in this budget, small business owners in Alberta still enjoy the lowest overall tax burden when compared to their counterparts elsewhere in Canada.

Although some provinces have lower small business corporate tax rates, Alberta small business owners continue to be better off when all taxes are taken into account. Alberta does not levy a sales tax or payroll tax, and has the lowest fuel tax among provinces. Small business owners also benefit from Alberta's low personal income tax paid on the salaries and dividends received from their businesses.



2015 Tax Expenditure Estimates

(millions of dollars)

Personal Income Tax

Federal Measures Paralleled by Alberta

Workers' compensation payments exemption	21.0
Social assistance payments exemption	12.0
Net federal supplements exemption (e.g. Guaranteed Income Supplement)	2.0
Union and professional dues deduction	42.0
Child care expense deduction	48.0
Moving expense deduction	9.8
Flow-through share deduction	26.0
Clergy residence deduction	4.8
Capital gains inclusion rate (50%)	201.0
Lifetime capital gains exemption	84.0
Security options deduction	66.0
Northern residents deduction	27.0

Provincial Measures

Basic personal amount ^a	4,179.0
Spousal amount	282.0
Eligible dependant amount	89.0
Age amount	88.0
Pension income amount	41.0
Caregiver amount	15.0
Disability amount	37.0
Disability amount transferred from a dependant	35.0
Interest paid on student loans	3.8
Tuition and education amounts	142.0
Tuition and education amounts transferred from a child	35.0
Amounts transferred from a spouse or common-law partner	21.0
Medical expenses	64.0
Donations and gifts	258.0
Political contributions tax credit	3.8

Corporate Income Tax

Small business rate	1,174.0
Donations and gifts	38.0
Political contributions tax credit	0.3

Fuel Tax

Tax Exempt Fuel User program (marked fuel for off-road use)	220.0
Alberta Farm Fuel Benefit (marked fuel)	66.0
Reduced rate for railway diesel	36.0
Exemption for aviation fuel used on international flights	5.3

Transfers Through the Tax System ^b

Alberta Family Employment Tax Credit	116.0
Scientific Research and Experimental Development Tax Credit	82.0

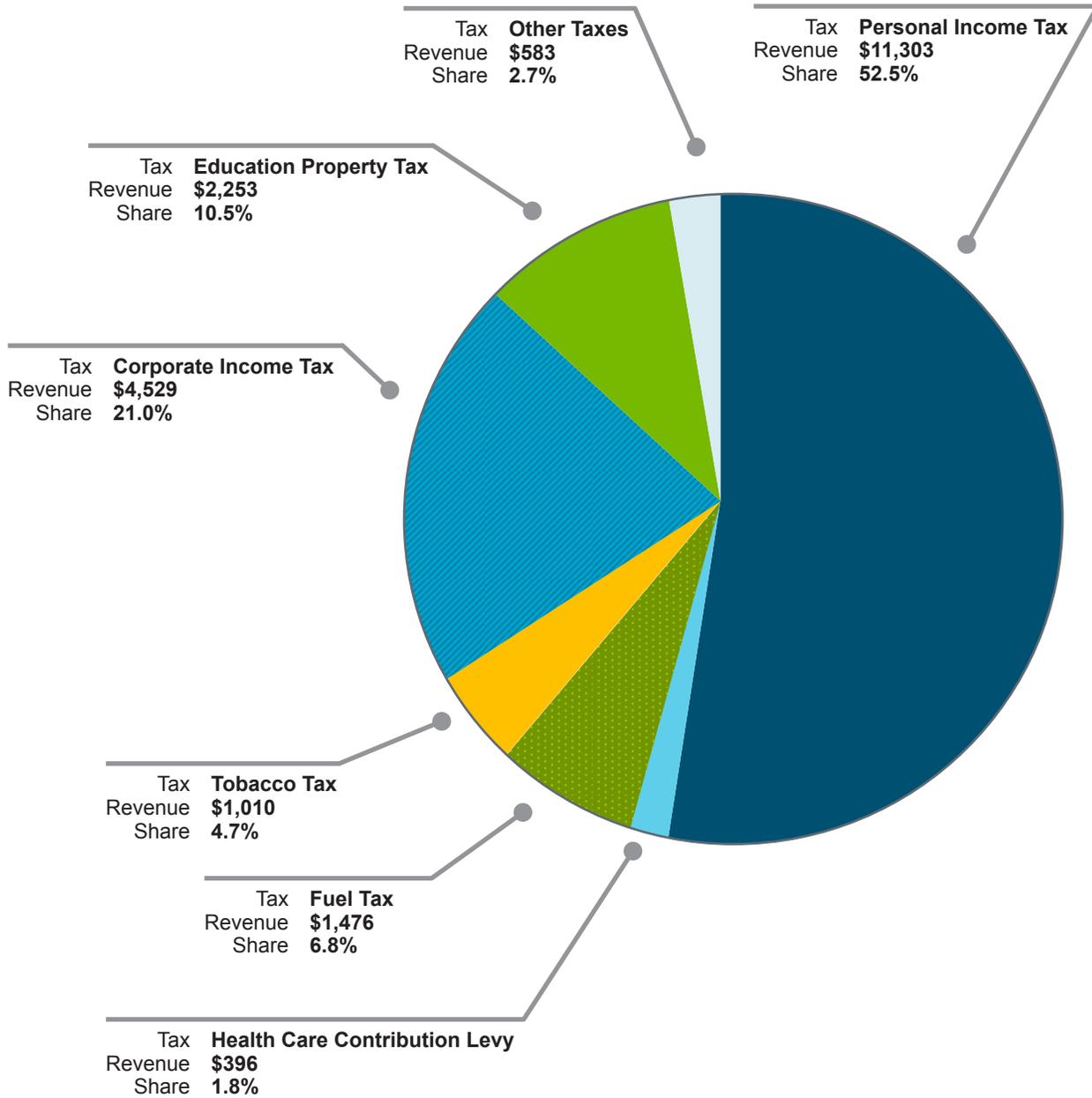
Generally, estimates cannot be added together to determine the fiscal impact of concurrently eliminating multiple tax expenditures.

^a It is unlikely that the basic personal amount would be eliminated without the concurrent elimination of the spousal and eligible dependant amounts. The estimated fiscal impact of eliminating all three would be about \$4.7 billion.

^b Transfers through the tax system are reported in Alberta Treasury Board and Finance's operating expense.

2015–16 Tax Revenue

(millions of dollars)



Total Tax Revenue: \$21,550 million

2015–16 Revenue from Tax Sources

(millions of dollars)

Tax	Total Revenue	Tax Rate	Revenue per Unit of Tax
1. Personal Income Tax	11,303		
All taxable income	11,238	10% of all taxable income	1123.8 per point
Taxable income > \$100,000	45	0.5% of taxable income over \$100,000	360 per point
Taxable income > \$250,000	20	0.5% of taxable income over \$250,000	160 per point
2. Health Care Contribution Levy	396		n/a
3. Corporate Income Tax	4,529		
General	4,026	10.0%	402.6 per point
Small business	503	3.0%	167.7 per point
4. Education Property Tax ^a	2,253		
Residential/farmland property	1,353	\$2.50 / \$1,000 of assessment	541.2 per mill
Non-residential property	900	\$3.67 / \$1,000 of assessment	245.2 per mill
5. Tobacco Tax	1,010	\$45/carton	22.4 per \$/carton
6. Fuel Tax	1,476		
Gasoline	805	13.0 ¢/litre	61.9 per ¢/litre
Diesel	647	13.0 ¢/litre	49.8 per ¢/litre
Propane	6	9.4 ¢/litre	0.6 per ¢/litre
Aviation	13	1.5 ¢/litre	8.7 per ¢/litre
Railway	5	1.5 ¢/litre	3.3 per ¢/litre
7. Freehold Mineral Rights Tax	88		n/a
8. Insurance Tax	409		
Life, accident, sickness	115	2.0% of premium	57.5 per point
Other	294	3.0% of premium	98 per point
9. Tourism Levy	86	4.0%	21.5 per point

^a Includes \$219 million raised for opted-out school boards.

Interprovincial Tax Comparisons, 2015

(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	(1,422)	798	(874)	351	(1,347)	(3,796)	951	1,760	2,135	1,093
Provincial sales tax	-	437	804	1,287	352	930	1,760	1,981	1,594	1,605
Health levy/premium	-	921	-	-	326	100	-	-	-	-
Payroll tax	-	-	-	307	364	885	-	-	-	164
Fuel tax	390	635	450	420	441	576	408	465	393	495
Total	(1,032)	2,791	380	2,365	136	(1,305)	3,119	4,206	4,122	3,357
Alberta Advantage										
2015		3,823	1,412	3,397	1,168	(273)	4,151	5,238	5,154	4,389
2018 - Full Implementation		4,492	2,081	4,066	1,837	396	4,820	5,907	5,823	5,058
Employment Income of \$75,000 – One Income Family with Two Children										
Provincial income tax	2,944	3,318	2,856	5,139	3,675	3,596	6,330	6,984	6,898	5,639
Provincial sales tax	-	972	1,048	1,681	2,026	2,765	2,303	2,610	2,352	2,125
Health levy/premium	122	1,800	-	-	600	200	-	-	-	-
Payroll tax	-	-	-	657	780	1,896	-	-	-	351
Fuel tax	390	635	450	420	441	576	408	465	393	495
Total	3,456	6,725	4,354	7,897	7,522	9,033	9,041	10,059	9,643	8,610
Alberta Advantage										
2015		3,269	898	4,441	4,066	5,577	5,585	6,603	6,187	5,154
2018 - Full Implementation		3,382	1,011	4,554	4,179	5,690	5,698	6,716	6,300	5,267
Employment Income of \$100,000 – Two Income Family with Two Children										
Provincial income tax	4,904	3,745	4,555	6,839	3,856	6,679	7,130	7,883	7,964	6,259
Provincial sales tax	-	1,206	1,262	2,044	2,503	3,080	2,848	3,230	2,904	2,627
Health levy/premium	100	1,800	-	-	986	200	-	-	-	-
Payroll tax	-	-	-	877	1,040	2,528	-	-	-	468
Fuel tax	585	953	675	630	662	864	612	698	590	743
Total	5,589	7,704	6,492	10,390	9,047	13,351	10,590	11,811	11,458	10,097
Alberta Advantage										
2015		2,115	903	4,801	3,458	7,762	5,001	6,222	5,869	4,508
2018 - Full Implementation		2,015	803	4,701	3,358	7,662	4,901	6,122	5,769	4,408
Employment Income of \$200,000 – Two Income Family with Two Children										
Provincial income tax	13,319	11,378	15,380	19,851	13,734	21,801	19,940	21,614	21,098	17,110
Provincial sales tax	-	2,190	2,143	3,447	4,326	5,628	4,813	5,446	4,916	4,474
Health levy/premium	472	1,800	-	-	1,350	200	-	-	-	-
Payroll tax	-	-	-	1,753	2,080	5,056	-	-	-	935
Fuel tax	585	953	675	630	662	864	612	698	590	743
Total	14,376	16,321	18,198	25,681	22,152	33,549	25,365	27,758	26,604	23,262
Alberta Advantage										
2015		1,945	3,822	11,305	7,776	19,173	10,989	13,382	12,228	8,886
2018 - Full Implementation		1,470	3,347	10,830	7,301	18,698	10,514	12,907	11,753	8,411

Calculations are based on other provinces' tax parameters known as of March 10, 2015.

Assumptions:

- Two Alberta Advantage figures are provided this year, the first incorporating all Alberta tax changes taking effect in 2015 and the second incorporating all Alberta tax changes announced in *Budget 2015*.
- The Alberta Advantage figures on a full implementation basis for 2018 incorporate all tax changes announced in *Budget 2015* and do not account for future changes to provincial tax systems as a result of indexing.
- Health levies/premiums are assumed to be borne by individuals. Payroll taxes are assumed to be borne 75% by employees and 25% by employers.
- 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, \$10,000 and \$25,000 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.

Incremental Impact of Tax Changes on Albertans

(dollars)

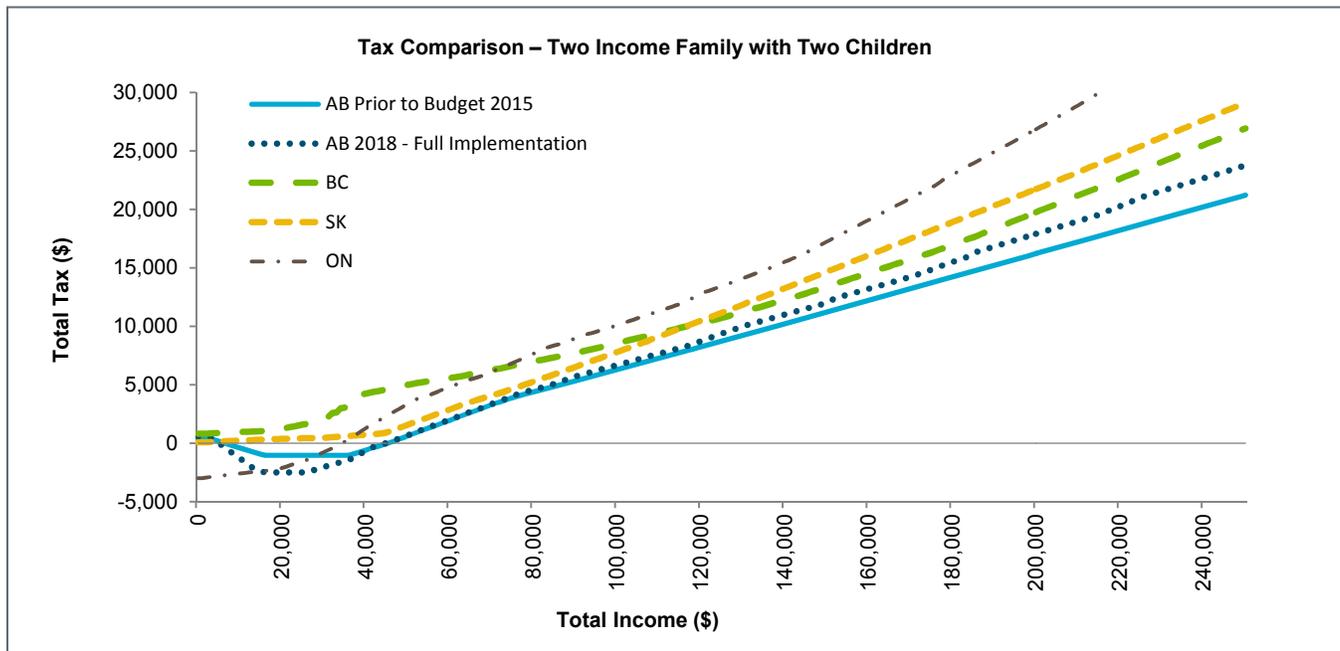
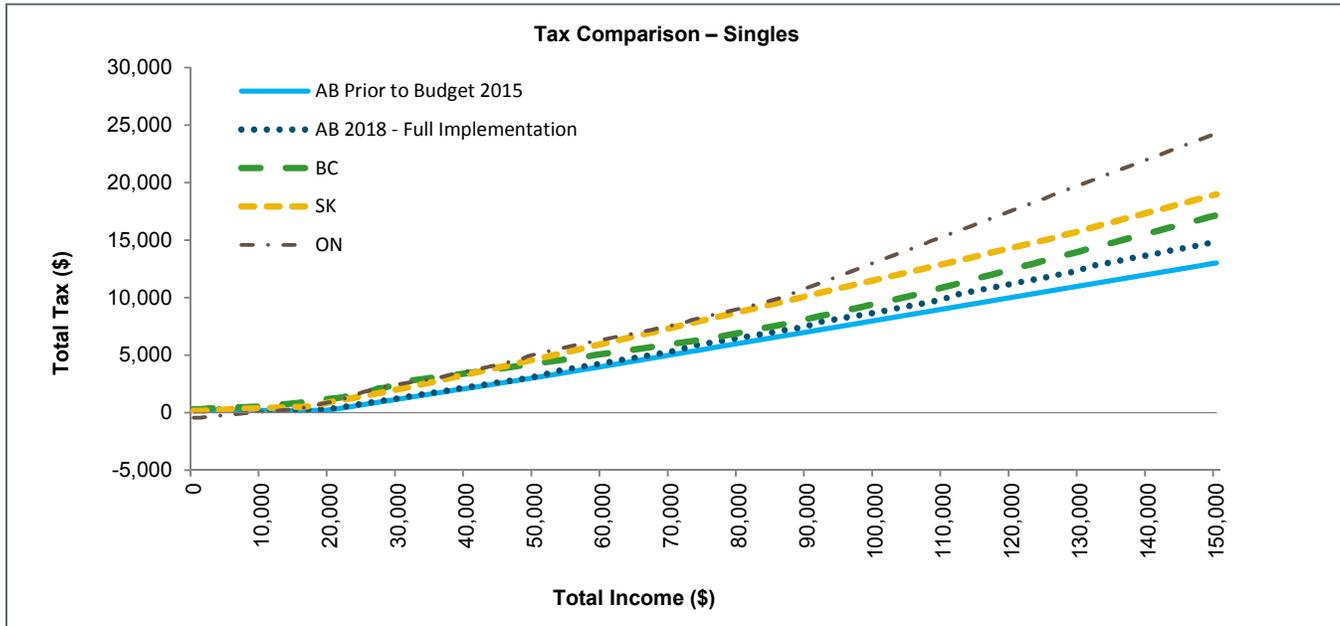
Income	2015	2016	2017	2018
Single				
15,000	61	80	80	80
30,000	61	80	80	80
45,000	61	80	80	80
60,000	161	280	280	280
85,000	261	480	480	480
115,000	461	955	1,030	1,105
150,000	561	1,330	1,580	1,830
One Income Family with Two Children				
15,000	92	(889)	(1,897)	(1,897)
30,000	92	(469)	(1,058)	(1,058)
45,000	92	31	(59)	(59)
60,000	192	231	141	141
85,000	292	520	520	520
115,000	492	995	1,070	1,145
150,000	592	1,370	1,620	1,870
Two Income Couple				
30,000	138	180	180	180
60,000	138	180	180	180
90,000	238	380	380	380
120,000	288	480	480	480
170,000	538	990	1,000	1,010
230,000	938	1,970	2,160	2,350
300,000	1,038	2,480	2,980	3,480
Two Income Family with Two Children				
30,000	138	(409)	(998)	(998)
60,000	138	91	1	1
90,000	238	380	380	380
120,000	288	480	480	480
170,000	538	990	1,000	1,010
230,000	938	1,970	2,160	2,350
300,000	1,038	2,480	2,980	3,480

Notes:

- This table shows the additional tax burden (relief) for select individuals and families as a result of changes announced in *Budget 2015* and includes the impacts of fuel tax and personal income tax changes as well as the Alberta Health Care Contribution Levy, enhancement of the Alberta Family Employment Tax Credit (AFETC) and the introduction of the Alberta Working Family Supplement (AWFS).
- This table does not account for changes as a result of future indexation.
- Fuel tax is based on estimated consumption of 2,000 litres per year for singles, 3,000 litres per year for one income families and 4,500 litres for two income families.
- For two income families income is split 60/40 between the two spouses.
- The children in each family are assumed to be 6 and 12 years old.

Tax Comparison with *Budget 2015* Measures Fully Implemented

(dollars)



Calculations are based on tax parameters of other provinces known as of March 10, 2015 and account for the impacts of personal income tax, sales tax, fuel tax, payroll tax, as well as health levies/premiums.

Notes:

- “AB Prior to *Budget 2015*” refers to the Alberta tax system prior to any of the measures announced in *Budget 2015*.
- “AB 2018 - Full Implementation” accounts for full implementation of all tax measures announced in *Budget 2015*.
- Comparisons do not account for future changes to provincial tax systems as a result of indexing.
- Health levies/premiums are assumed to be borne by individuals. Payroll taxes are assumed to be borne 75% by employees and 25% by employers.
- Fuel tax is based on estimated consumption of 2,000 litres per year for a single and 4,500 litres for a two income family.
- Income is split 60/40 between the two spouses in the two income family, with the two children assumed to be 6 and 12 years old.

Major Provincial Tax Rates, 2015

		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	9.68	8.79	9.80	7.70
- highest rate	(%)	10.00 ^b	16.80	15.00	17.40	13.16	25.75 ^a	17.84	21.00	16.70	13.30
Surtax	(%)	-	-	-	-	20/36 ^c	-	-	-	10.00	-
Combined federal/provincial top marginal rate ^d	(%)	39.00	45.80	44.00	46.40	49.53	49.97	46.84	50.00	47.37	42.30
Personal amount	(\$)	18,214	9,938	15,639	9,134	9,863	11,425	9,633	8,481	7,708	8,767
Spousal amount	(\$)	18,214	8,509	15,639	9,134	8,375	11,425 ^e	8,180	8,481	6,546	7,164
Corporate Income Tax											
General rate	(%)	10.0	11.0	12.0	12.0	11.5	11.9	12.0	16.0	16.0	14.0
M&P rate	(%)	10.0	11.0	10.0	12.0	10.0	11.9	12.0	16.0	16.0	5.0
Small business											
- rate	(%)	3.0	2.5	2.0	0.0	4.5	8.0	4.0	3.0	4.5	3.0
- threshold	(\$000)	500	500	500	425	500	500	500	350	500	500
Capital Tax											
Financial institutions	(max.%)	-	-	3.25	5.00	-	-	4.00	4.00	5.00	4.00
Sales Tax	(%)	-	7.0	5.0	8.0	8.0	9.975	8.0	10.0	9.0	8.0
Gasoline Tax	(¢/litre)	13.0	21.17 ^f	15.0	14.0	14.7 ^h	19.2 ^{g,h}	13.6 ^h	15.5 ^h	13.1 ^h	16.5 ^h
Tobacco Tax	(\$/carton)	45.00	47.80	50.00 ^h	58.00 ^h	27.95 ^h	29.80	38.00 ^h	47.04 ^h	45.00 ^h	47.00 ^h
Payroll Tax	(max.%)	-	-	-	2.15	1.95	4.26 ⁱ	-	-	-	2.00

Rates for other provinces known as of March 10, 2015.

^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 Alberta's highest personal income tax rate will increase from 10% to 11% on January 1, 2016.

^c Ontario levies a two-tiered surtax, collecting 20% of basic tax in excess of \$4,418 and 36% of basic tax in excess of \$5,654.

^d 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.

^e After accounting for non-refundable tax credits in the calculation of the individual's income tax, unused tax credits may be transferred from one spouse to another.

^f The British Columbia rate includes the carbon tax on gasoline, which is 6.67¢/litre. An additional 11¢/litre is imposed in the greater Vancouver area and 3.5¢/litre in the Victoria area.

^g An additional 3¢/litre is imposed in the Montreal area and a net discount of 3.7¢/litre applies in the Gaspésie–Îles-de-la-Madeleine region.

^h These provinces apply their PST or the provincial portion of their HST on the retail price of the good inclusive of excise taxes.

ⁱ Quebec levies an additional temporary payroll tax of 4.48% on wages and salaries paid by financial institutions.

FISCAL PLAN TABLES

Budget
2015

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NOTE: Amounts presented in tables may not add to totals due to rounding.

Statement of Operations

(millions of dollars)

CONSOLIDATED FINANCIAL STATEMENTS BASIS

	2013-14 Actual	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Revenue							
Personal income tax / health care contrib. levy	10,537	10,994	11,699	12,647	13,477	14,402	15,167
Corporate income tax	5,486	5,717	4,529	4,586	5,499	6,371	7,283
Other taxes	4,500	4,605	5,322	5,617	5,744	5,877	6,012
Non-renewable resource revenue	9,578	8,794	2,869	3,477	4,753	6,279	8,739
Transfers from Government of Canada	5,477	6,537	6,922	7,275	7,563	7,878	8,173
Transfers for 2013 Alberta flood assistance	1,582	(246)	-	-	-	-	-
Investment income	3,423	3,073	2,562	2,630	2,840	3,048	3,189
Net income from govt. business enterprises	2,541	2,602	2,721	2,772	3,002	3,181	3,170
Premiums, fees and licences	3,437	3,552	3,872	3,958	4,074	4,140	4,221
Other	2,873	3,331	2,901	2,866	2,875	2,788	2,823
Total Revenue	49,434	48,959	43,397	45,828	49,827	53,964	58,777
Less resource revenue risk adjustment	-	-	-	-	-	(1,570)	(4,370)
Budget Revenue	49,434	48,959	43,397	45,828	49,827	52,394	54,407
Expense							
Aboriginal Relations	171	205	196	190	193	203	186
Agriculture and Rural Development	785	1,056	931	932	929	956	983
Culture and Tourism	302	320	313	314	315	323	331
Education	7,213	7,343	7,488	7,592	7,640	7,892	8,123
Energy	808	768	1,010	735	670	663	681
Environment and Sustainable Res. Develop.	827	901	717	729	726	746	765
Health	18,259	19,027	18,868	18,843	18,823	19,347	19,924
Human Services	3,861	4,137	4,209	4,198	4,187	4,313	4,443
Infrastructure	647	656	729	733	716	707	746
Innovation and Advanced Education	5,578	5,865	5,810	5,843	5,864	5,842	5,976
International and Intergovernmental Relations	33	37	37	38	38	39	40
Jobs, Skills, Training and Labour	111	163	186	194	201	207	213
Justice and Solicitor General	1,311	1,337	1,347	1,354	1,353	1,393	1,435
Municipal Affairs	1,631	2,150	1,348	1,747	1,757	1,797	1,712
Seniors	591	654	703	707	665	666	663
Service Alberta	293	293	294	289	289	296	304
Transportation	1,339	1,394	1,275	1,282	1,330	1,390	1,406
Treasury Board and Finance	1,588	1,440	1,433	1,545	1,590	1,633	1,675
Executive Council	22	22	22	22	22	22	23
Legislative Assembly	114	127	153	151	129	129	129
Debt servicing costs	601	732	891	1,179	1,524	1,767	1,855
2013 Alberta flood assistance	2,906	261	199	102	54	50	50
Unallocated disaster/emergency assistance	-	-	200	200	200	400	400
Pension provisions	748	(176)	31	(42)	(97)	(97)	(142)
Total Expense	49,736	48,711	48,388	48,875	49,118	50,684	51,919
Surplus / (deficit) = Bud. rev. less total exp.	(302)	248	(4,991)	(3,047)	709	1,710	2,488
Beginning net assets (+ adjustments)	54,173	53,871	54,119	49,128	46,081	46,790	50,070
Add: resource revenue risk adjustment	-	-	-	-	-	1,570	4,370
Net assets at end of year	53,871	54,119	49,128	46,081	46,790	50,070	56,928

Consolidated Fiscal Summary

(millions of dollars)

CONSOLIDATED FINANCIAL STATEMENTS BASIS (CFS)	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Projected	2019-20 Projected
Revenue						
1 Resource revenue	8,794	2,869	3,477	4,753	6,279	8,739
2 Resource revenue risk adjustment	-	-	-	-	(1,570)	(4,370)
3 Income and health care tax revenue	16,711	16,228	17,233	18,976	20,773	22,450
4 Other revenue	23,454	24,300	25,118	26,098	26,912	27,588
5 Total Budget Revenue	48,959	43,397	45,828	49,827	52,394	54,407
Expense						
6 Operating expense	42,096	42,030	42,162	42,256	43,351	44,646
7 % change from prior year	4.4	(0.2)	0.3	0.2	2.6	3.0
8 Disaster assistance (with operating 2013 flood support)	451	301	220	204	400	400
9 Capital grants (including 2013 flood support)	2,612	2,021	2,177	2,080	2,132	2,033
10 Amortization / loss on disposals	2,164	2,206	2,294	2,297	2,301	2,289
11 Inventory consumption	831	911	888	856	830	839
12 Debt servicing costs – general	374	413	506	628	702	772
13 Debt servicing costs – Capital Plan	358	477	673	896	1,065	1,084
14 Pension provisions	(176)	31	(42)	(97)	(97)	(142)
15 Total Expense	48,711	48,388	48,875	49,118	50,684	51,919
16 Surplus / (Deficit)	248	(4,991)	(3,047)	709	1,710	2,488

Reconciliation to Fiscal Plan Basis Presentation

17 Total Revenue – CFS Basis, less:	48,959	43,397	45,828	49,827	53,964	58,777
18 Resource revenue risk adjustment	-	-	-	-	(1,570)	(4,370)
19 SUCH sector own-source revenue / other adjustments	(4,247)	(4,327)	(4,382)	(4,475)	(4,525)	(4,549)
20 Total Revenue – Fiscal Plan Basis	44,712	39,070	41,446	45,352	47,869	49,858
21 Total Expense – CFS Basis, less:	48,711	48,388	48,875	49,118	50,684	51,919
22 SUCH sector additional expense / consolidation adjustments	(4,606)	(4,672)	(4,844)	(4,849)	(4,711)	(4,761)
23 Pension provisions	176	(31)	42	97	97	142
24 Total Expense – Fiscal Plan Basis	44,281	43,685	44,073	44,366	46,070	47,300
25 Surplus / (deficit) – Fiscal Plan Basis	431	(4,615)	(2,627)	986	1,799	2,558

Capital Plan

26 Capital grants	2,695	2,131	2,211	2,093	2,148	2,047
27 Capital investment	3,755	4,300	4,024	3,886	3,476	3,186
28 Capital Plan – Fiscal Plan basis	6,450	6,431	6,235	5,979	5,624	5,233
29 SUCH sector adjustment / self-financed investment	803	493	246	331	212	316
30 Total Capital Plan – CFS basis	7,253	6,925	6,480	6,311	5,836	5,548

Consolidated Fiscal Summary, *continued*

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Projected	2019-20 Projected
Contingency Account						
1 Balance at Start of Year	4,658	6,527	2,479	1,000	2,902	4,609
2 Surplus / (deficit) – CFS basis	248	(4,991)	(3,047)	709	1,710	2,488
Adjustments to Fiscal Plan basis						
3 SUCH / Alberta Innovates revenue / expense adjustments	359	345	462	374	186	212
4 Pension provisions	(176)	31	(42)	(97)	(97)	(142)
Cash Adjustments – Sources / (Requirements)						
5 Heritage Fund inflation-proofing	(285)	(166)	(244)	(279)	(315)	-
6 Retained income of funds and agencies	(570)	(659)	(742)	(843)	(897)	(957)
7 Energy royalties	1,373	(378)	(168)	(313)	(265)	(244)
8 Student loans	(232)	(367)	(341)	(304)	(266)	(232)
9 Other cash adjustments	(116)	(76)	(35)	(58)	(46)	(393)
10 2013 Alberta flood assistance revenue / expense	(944)	(164)	73	132	-	-
11 Inventory acquisition	(187)	(170)	(175)	(163)	(159)	(159)
12 Inventory consumption (non-cash expense)	145	214	190	158	132	141
Capital Plan Cash Adjustments – Sources / (Requirements)						
13 Capital investment	(3,755)	(4,300)	(4,024)	(3,886)	(3,476)	(3,186)
14 Amortization / book value of disposals (non-cash expense)	861	880	980	1,093	1,177	1,223
15 Withdrawal from Capital Plan financing account	673	-	-	-	-	-
16 Direct borrowing for Capital Plan	3,000	5,681	5,535	5,229	2,775	-
17 Alternative financing of capital projects (P3s)	227	114	150	211	242	338
18 Current principal repayments (P3s / direct borrowing)	(39)	(42)	(51)	(61)	(564)	(966)
19 Surplus / (deficit) plus net cash adjustments	582	(4,048)	(1,479)	1,902	137	(1,877)
20 Cash from prior-year final results	1,287	-	-	-	-	-
21 Cash to be transferred next year	-	-	-	-	-	-
22 Balance at end of year prior to allocations	6,527	2,479	1,000	2,902	3,039	2,732
23 NRR allocation to Contingency Account	-	-	-	-	1,570	304
24 NRR allocation to Capital Plan / debt repayment	-	-	-	-	-	1,964
25 Balance at End of Year	6,527	2,479	1,000	2,902	4,609	5,000
Allocation of Surplus Cash						
26 Resource revenue risk adjustment (line 2, facing page)	-	-	-	-	1,570	4,370
27 Total for allocation	-	-	-	-	1,570	4,370
Allocated to:						
28 Contingency Account	-	-	-	-	1,570	304
29 Capital Plan	-	-	-	-	-	1,964
30 Reduction in capital borrowing	-	-	-	-	-	1,051
31 Savings (Heritage Fund)	-	-	-	-	-	1,051
32 Total Allocation	-	-	-	-	1,570	4,370
Liabilities for Capital Projects						
33 Opening balance	8,724	11,930	17,700	23,349	28,744	31,213
34 Alternative financing (P3s – public-private partnerships)	227	114	150	211	242	338
35 Direct borrowing	3,000	5,681	5,535	5,229	2,775	-
36 Re-financing of existing debt	905	-	-	-	-	-
37 Principal repayments / amortization of debt issue costs	(926)	(25)	(36)	(45)	(548)	(951)
38 Allocation from surplus cash for debt repayment	-	-	-	-	-	(1,051)
39 Total Liabilities for capital proj., net of surplus cash	11,930	17,700	23,349	28,744	31,213	29,549
Savings						
40 Allocation from surplus cash for savings	-	-	-	-	-	1,051
41 Total Accumulated Savings	-	-	-	-	-	1,051

Balance Sheet Details

(millions of dollars)

CONSOLIDATED FINANCIAL STATEMENTS BASIS	At March 31					
	2015 Forecast	2016 Estimate	2017 Target	2018 Target	2019 Target	2020 Target
Financial Assets						
Alberta Heritage Savings Trust Fund	15,091	15,257	15,501	15,780	16,095	17,146
Endowment funds:						
Alberta Heritage Foundation for Medical Research	1,416	1,454	1,492	1,535	1,583	1,659
Alberta Heritage Science and Engineering Research	845	873	905	942	983	1,027
Alberta Heritage Scholarship	1,058	1,076	1,106	1,144	1,188	1,237
Alberta Cancer Prevention Legacy Fund	485	468	455	442	429	416
Alberta Enterprise Corporation	98	98	98	98	98	98
Contingency Account	6,527	2,479	1,000	2,902	4,609	5,000
Self-supporting lending organizations:						
Alberta Capital Finance Authority	15,148	15,970	16,376	16,449	16,628	16,722
Agriculture Financial Services Corporation	4,232	4,658	5,145	5,715	6,259	6,791
Equity in commercial enterprises	3,787	4,163	4,493	4,933	5,417	5,799
Capital Plan Principal Repayment Account	-	-	-	-	-	1,051
Student loans	1,354	1,722	2,063	2,366	2,633	2,865
Other cash, inventory, marketable securities, accounts receivable	5,379	5,837	6,328	6,507	6,867	7,202
SUCH sector / Ab Innovates corp. additional financial assets	8,251	7,696	7,281	6,811	6,606	6,558
Total Financial Assets	63,671	61,751	62,243	65,624	69,395	73,571
Liabilities						
Pension liabilities	11,424	11,455	11,413	11,316	11,219	11,077
Self-supporting lending organizations:						
Alberta Capital Finance Authority	15,148	15,970	16,376	16,449	16,628	16,722
Agriculture Financial Services Corporation	2,253	2,422	2,614	2,847	3,025	3,188
Liabilities for capital projects:						
Alternative financing (P3s)	2,658	2,730	2,828	2,978	3,156	3,428
Direct borrowing	9,272	14,970	20,521	25,766	28,057	27,172
Debt issued to reduce pre-1992 TPP unfunded liability	943	943	944	945	946	597
Other debt, accounts and interest payable	5,323	4,485	3,918	3,149	2,782	2,567
Other accrued liabilities, including guarantees, indemnities, remissions	320	320	320	320	321	322
SUCH sector / Ab Innovates corp. additional liabilities	5,041	4,796	4,627	4,417	3,983	3,597
Deferred capital contributions	2,486	2,546	2,626	2,606	2,571	2,564
Total Liabilities	54,868	60,637	66,187	70,793	72,688	71,234
Net Financial Assets	8,803	1,114	(3,944)	(5,169)	(3,293)	2,337
Capital Assets	45,316	48,014	50,025	51,959	53,363	54,591
Net Assets	54,119	49,128	46,081	46,790	50,070	56,928
Change in Net Assets	248	(4,991)	(3,047)	709	3,280	6,858

Revenue

(millions of dollars)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
CONSOLIDATED FINANCIAL STATEMENTS BASIS	Forecast	Estimate	Target	Target	Target	Target
Income Taxes						
Personal income tax	10,994	11,303	12,115	12,937	13,845	14,600
Health care contribution levy	-	396	532	540	557	567
Corporate income tax	5,717	4,529	4,586	5,499	6,371	7,283
	16,711	16,228	17,233	18,976	20,773	22,450
Other Taxes						
Education property tax (includes opted-out boards)	2,106	2,253	2,318	2,360	2,403	2,448
Tobacco tax	915	1,010	1,016	1,021	1,027	1,032
Fuel tax	965	1,476	1,490	1,520	1,566	1,613
Insurance taxes	384	409	603	646	681	717
Freehold mineral rights tax	143	88	104	109	109	108
Tourism levy	92	86	86	88	91	94
	4,605	5,322	5,617	5,744	5,877	6,012
Non-Renewable Resource Revenue						
Bitumen royalty	5,001	1,361	1,767	2,850	4,326	6,551
Crude oil royalty	2,163	594	776	907	928	1,022
Natural gas and by-products royalty	960	450	466	474	505	645
Bonuses and sales of Crown leases	484	315	334	396	400	404
Rentals and fees / coal royalty	186	149	134	126	120	117
	8,794	2,869	3,477	4,753	6,279	8,739
Transfers from Government of Canada						
Canada Health Transfer	3,618	3,978	4,242	4,460	4,694	4,944
Canada Social Transfer	1,452	1,515	1,570	1,626	1,687	1,751
Direct transfers to SUCH sector	474	476	478	478	480	480
Agriculture support programs	304	288	296	302	306	308
Infrastructure support	278	259	283	285	299	299
2013 Alberta flood assistance	(246)	-	-	-	-	-
Other (includes labour market agreements)	411	406	406	412	412	391
	6,291	6,922	7,275	7,563	7,878	8,173
Investment Income						
Alberta Heritage Savings Trust Fund	1,867	1,455	1,413	1,462	1,498	1,514
Endowment funds	352	260	283	303	317	331
Alberta Capital Finance Authority	289	318	420	512	564	625
Agriculture Financial Services Corporation	129	137	155	185	216	236
Other (includes Contingency Account and SUCH sector)	436	392	359	378	453	483
	3,073	2,562	2,630	2,840	3,048	3,189
Net Income from Government Business Enterprises						
AGLC - Gaming / lottery	1,493	1,545	1,599	1,655	1,688	1,722
AGLC - Liquor	750	834	851	870	886	905
Alberta Treasury Branches	316	283	264	376	401	426
Other	43	59	58	101	206	117
	2,602	2,721	2,772	3,002	3,181	3,170
Premiums, Fees and Licences						
Post-secondary institution tuition fees	1,122	1,153	1,172	1,193	1,217	1,242
Health / school board fees and charges	634	671	673	675	677	679
Motor vehicle licences	517	556	572	581	594	609
Crop, hail and livestock insurance premiums	308	301	326	339	352	360
Energy industry levies	296	306	306	306	291	291
Land Titles	93	250	254	261	268	276
Other (includes lands & grazing, health benefit premiums)	582	635	655	719	741	764
	3,552	3,872	3,958	4,074	4,140	4,221
Other						
SUCH sector sales, rentals and services	862	855	858	863	868	874
SUCH sector fundraising, donations, gifts and contributions	549	563	563	563	564	565
AIMCo investment management charges	225	257	261	270	270	270
Fines and penalties	136	204	209	215	222	222
Refunds of expense	590	138	138	138	138	138
Miscellaneous (includes CCEMF and Ab. Innovates corps.)	969	884	837	826	726	754
	3,331	2,901	2,866	2,875	2,788	2,823
Total Revenue - Consolidated Financial Statements basis	48,959	43,397	45,828	49,827	53,964	58,777

Expense by Ministry

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
CONSOLIDATED FINANCIAL STATEMENTS BASIS						
Aboriginal Relations	205	196	190	193	203	186
Agriculture and Rural Development	1,056	931	932	929	956	983
Culture and Tourism	320	313	314	315	323	331
Education	7,343	7,488	7,592	7,640	7,892	8,123
Energy	768	1,010	735	670	663	681
Environment and Sustainable Resource Development	901	717	729	726	746	765
Health	19,027	18,868	18,843	18,823	19,347	19,924
Human Services	4,137	4,209	4,198	4,187	4,313	4,443
Infrastructure	656	729	733	716	707	746
Innovation and Advanced Education	5,865	5,810	5,843	5,864	5,842	5,976
International and Intergovernmental Relations	37	37	38	38	39	40
Jobs, Skills, Training and Labour	163	186	194	201	207	213
Justice and Solicitor General	1,337	1,347	1,354	1,353	1,393	1,435
Municipal Affairs	2,150	1,348	1,747	1,757	1,797	1,712
Seniors	654	703	707	665	666	663
Service Alberta	293	294	289	289	296	304
Transportation	1,394	1,275	1,282	1,330	1,390	1,406
Treasury Board and Finance	1,440	1,433	1,545	1,590	1,633	1,675
Executive Council	22	22	22	22	22	23
Legislative Assembly	127	153	151	129	129	129
Unallocated disaster / emergency assistance	-	200	200	200	400	400
2013 Alberta flood assistance (operating and capital grants)	261	199	102	54	50	50
Total Program Expense	48,155	47,466	47,738	47,691	49,014	50,206
Debt Servicing Costs	732	891	1,179	1,524	1,767	1,855
Pension Provisions	(176)	31	(42)	(97)	(97)	(142)
Total Expense – Consolidated Financial Statements basis	48,711	48,388	48,875	49,118	50,684	51,919

Debt Servicing Costs

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
General						
Agriculture and Rural Development						
Agriculture Financial Services Corporation	73	75	80	95	106	115
Seniors – Alberta Social Housing Corporation	10	8	6	5	5	5
Treasury Board and Finance - general government	291	330	420	528	591	652
Total General Debt Servicing Costs	374	413	506	628	702	772
Capital Plan						
Education – Alberta Schools Alternative Procurement P3s	30	30	30	29	30	30
Transportation – ring road P3s	72	71	83	94	92	90
Treasury Board and Finance – direct borrowing	256	376	560	773	943	964
Total Capital Plan Debt Servicing Costs	358	477	673	896	1,065	1,084
Total Debt Servicing Costs	732	891	1,179	1,524	1,767	1,855

Operating Expense

(millions of dollars)

CONSOLIDATED FINANCIAL STATEMENTS BASIS	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Aboriginal Relations	194	186	188	190	200	183
Agriculture and Rural Development	901	891	892	890	917	945
Culture and Tourism	272	270	271	272	280	288
Education	7,045	7,169	7,225	7,286	7,536	7,777
Energy	682	678	591	591	593	611
Environment and Sustainable Resource Development	608	596	613	610	629	648
Health	17,704	17,504	17,485	17,480	18,004	18,581
Human Services	4,125	4,197	4,190	4,180	4,306	4,436
Infrastructure	518	498	509	504	519	535
Innovation and Advanced Education	5,392	5,337	5,369	5,390	5,368	5,501
International and Intergovernmental Relations	37	37	38	38	39	40
Jobs, Skills, Training and Labour	162	184	192	200	206	212
Justice and Solicitor General	1,313	1,329	1,338	1,338	1,378	1,420
Municipal Affairs	251	281	281	281	290	299
Seniors	568	569	569	569	586	604
Service Alberta	235	242	241	241	248	256
Transportation	529	479	479	480	494	510
Treasury Board and Finance	1,419	1,412	1,522	1,567	1,610	1,652
Executive Council	22	22	22	22	22	23
Legislative Assembly	124	150	148	126	126	126
Total Operating Expense	42,096	42,030	42,162	42,256	43,351	44,646

Disaster / Emergency Assistance

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Agriculture and Rural Development	108	-	-	-	-	-
Environment and Sustainable Resource Development	150	-	-	-	-	-
Municipal Affairs	32	-	-	-	-	-
Unallocated	-	200	200	200	400	400
Total – excluding 2013 Alberta flood assistance	290	200	200	200	400	400
2013 Alberta flood assistance^a						
Aboriginal Relations	6	7	6	3	-	-
Agriculture and Rural Development	1	-	-	-	-	-
Culture and Tourism	6	6	2	-	-	-
Education	4	7	-	-	-	-
Environment and Sustainable Resource Development	37	12	7	-	-	-
Health	17	-	-	-	-	-
Human Services	5	1	1	1	-	-
Infrastructure	56	57	-	-	-	-
Municipal Affairs	28	11	4	-	-	-
Transportation	1	-	-	-	-	-
Total 2013 Alberta flood assistance	161	101	20	4	-	-
Total Disaster / Emergency Assistance	451	301	220	204	400	400

^a Excludes capital grants included in expense for 2013 Alberta flood assistance reported in the Capital Plan:

100	98	82	50	50	50
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Capital Amortization

(millions of dollars)

CONSOLIDATED FINANCIAL STATEMENTS BASIS	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Agriculture and Rural Development	17	17	17	17	16	16
Culture and Tourism	3	4	4	4	4	4
Education	298	309	363	354	356	346
Energy	23	20	20	20	20	20
Environment and Sustainable Resource Development	55	55	55	55	55	55
Health	584	613	601	583	583	583
Human Services	11	11	8	6	6	6
Infrastructure	96	109	122	139	141	141
Innovation and Advanced Education	473	473	474	474	474	474
Jobs, Skills, Training and Labour	1	2	1	1	1	1
Justice and Solicitor General	24	17	16	15	15	15
Municipal Affairs	3	3	3	3	3	3
Seniors	32	32	38	36	35	34
Service Alberta	44	42	42	42	42	42
Transportation	455	472	503	520	521	521
Treasury Board and Finance	21	21	23	23	23	23
Legislative Assembly	3	3	3	3	3	3
Total Amortization Expense	2,144	2,205	2,293	2,296	2,300	2,288

Inventory Consumption

(millions of dollars)

CONSOLIDATED FINANCIAL STATEMENTS BASIS	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Culture and Tourism	1	1	1	1	1	1
Environment and Sustainable Resource Development	1	1	1	1	1	1
Health	739	752	756	759	759	759
Human Services	1	1	1	1	1	1
Infrastructure	25	96	73	38	12	21
Service Alberta	14	10	6	6	6	6
Transportation	49	50	50	50	50	50
Treasury Board and Finance	1	-	-	-	-	-
Total Inventory Consumption	831	911	888	856	830	839

Capital Grants

(millions of dollars)

CONSOLIDATED FINANCIAL STATEMENTS BASIS	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Aboriginal Relations	11	10	2	2	2	2
Agriculture and Rural Development	30	23	23	23	23	23
Culture and Tourism	44	38	38	38	38	38
Education	-	10	5	-	-	-
Energy	63	313	124	59	50	50
Environment and Sustainable Resource Development	149	142	128	110	110	110
Infrastructure	16	26	30	35	35	50
Municipal Affairs	1,892	1,078	1,477	1,473	1,504	1,410
Seniors	43	102	100	60	45	25
Transportation	364	279	250	280	325	325
Total Capital Grants	2,612	2,021	2,177	2,080	2,132	2,033

Capital Plan ^a

(millions of dollars)

CONSOLIDATED FINANCIAL STATEMENTS BASIS	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Aboriginal Relations	11	10	2	2	2	2
Agriculture and Rural Development	46	35	34	34	34	34
Culture and Tourism	47	41	41	41	41	41
Education	955	1,123	1,503	1,377	971	499
Energy	95	330	140	75	66	66
Environment and Sustainable Resource Development	221	309	296	216	176	161
Health	659	457	432	453	453	453
Human Services	7	6	5	5	5	5
Infrastructure	279	356	258	228	241	267
Innovation and Advanced Education	816	914	672	672	672	671
Jobs, Skills, Training and Labour	1	1	1	1	1	1
Justice and Solicitor General	103	67	29	10	7	6
Municipal Affairs	1,897	1,088	1,478	1,474	1,505	1,411
Seniors	164	215	164	179	94	35
Service Alberta	43	46	54	44	48	48
Transportation	1,879	1,903	1,360	1,486	1,507	1,836
Treasury Board and Finance	27	21	11	11	11	11
Legislative Assembly	3	2	1	1	1	1
Total Capital Plan	7,253	6,925	6,480	6,311	5,836	5,548

^a The Capital Plan comprises capital grants included in expense plus capital investment in government-owned assets not included in expense. Capital investment adds to government capital assets, and those assets are depreciated over time through amortization expense included in total expense.

Capital Investment ^a

(millions of dollars)

CONSOLIDATED FINANCIAL STATEMENTS BASIS	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Agriculture and Rural Development	16	12	11	11	11	11
Culture and Tourism	3	3	3	3	3	3
Education	955	1,113	1,498	1,377	971	499
Energy	32	17	16	16	16	16
Environment and Sustainable Resource Development	72	167	168	106	66	51
Health	659	457	432	453	453	453
Human Services	7	6	5	5	5	5
Infrastructure	263	330	228	194	207	218
Innovation and Advanced Education	816	914	672	672	672	671
Jobs, Skills, Training and Labour	1	1	1	1	1	1
Justice and Solicitor General	103	67	29	10	7	6
Municipal Affairs	5	10	1	1	1	1
Seniors	121	113	64	119	49	10
Service Alberta	43	46	54	44	48	48
Transportation	1,515	1,624	1,110	1,206	1,182	1,511
Treasury Board and Finance	27	21	11	11	11	11
Legislative Assembly	3	2	1	1	1	1
Total Capital Investment	4,641	4,903	4,304	4,230	3,704	3,516

^a Capital investment is not included in expense. Rather, the assets are added to government capital assets and depreciated over time through amortization expense.

Expense by Function

(millions of dollars)

	Health	Education	Social Services	Transportation, Communications and Utilities	Agriculture, Resource Management and Economic Development	Protection of Persons and Property (includes 2013 flood / unallocated disaster)	Regional Planning and Development	Recreation and Culture	Housing	Environment	General Government (includes pension provisions)	Debt Servicing Costs	Total Expense
Legislative Assembly	-	-	13	-	-	-	-	-	-	-	140	-	153
Aboriginal Relations	-	-	-	-	-	7	197	-	-	-	-	-	204
Agriculture and Rural Development	-	-	-	-	931	-	-	-	-	-	-	75	1,006
Culture and Tourism	-	-	-	-	99	6	-	213	-	-	-	-	318
Education	-	7,489	-	-	-	7	-	-	-	-	38	30	7,564
Energy	-	-	-	36	887	-	-	-	-	31	56	-	1,010
Environment and Sustainable Resource Development	-	-	-	-	219	230	-	81	-	276	-	-	806
Executive Council	-	-	-	-	-	-	-	-	-	-	22	-	22
Health	18,859	-	9	-	-	-	-	-	-	-	-	-	18,868
Human Services	-	166	4,024	-	2	19	-	-	-	-	-	-	4,211
Infrastructure	7	4	-	3	-	57	-	-	94	47	574	-	785
Innovation and Advanced Education	-	5,543	-	-	261	-	6	-	-	-	(3)	-	5,807
International and Intergovernmental Relations	-	-	-	-	25	-	-	-	-	-	13	-	37
Jobs, Skills, Training and Labour	20	-	-	-	88	79	-	-	-	-	-	-	186
Justice and Solicitor General	-	-	120	-	23	1,201	-	3	-	-	-	-	1,347
Municipal Affairs	-	-	-	-	-	84	1,189	36	-	-	65	-	1,373
Seniors	-	-	458	-	-	-	-	-	245	-	-	8	711
Service Alberta	-	-	-	-	-	97	-	-	-	-	197	-	294
Transportation	-	-	-	1,238	-	40	-	-	-	2	-	71	1,351
Treasury Board and Finance	11	6	116	-	116	46	1	8	-	-	1,125	706	2,135
Unallocated Disaster Expense	-	-	-	-	-	200	-	-	-	-	-	-	200
Total Expense	18,897	13,208	4,740	1,277	2,651	2,073	1,393	340	338	355	2,226	891	48,388

Expense by Object

(millions of dollars)

	Salaries, Wages and Empl. Benefits	Supplies and Services	Grants to Others	Capital Grants to Others	Amortization of Capital Assets	Consumption of Inventory	Pension Provisions	Debt Servicing Costs	Other / Unallocated Disaster	Total Expense
Legislative Assembly	77	56	-	-	3	-	-	-	17	153
Aboriginal Relations	29	6	158	10	-	-	-	-	-	204
Agriculture and Rural Development	170	618	103	23	17	-	-	75	-	1,006
Culture and Tourism	78	86	110	38	4	1	-	-	2	318
Education	5,614	1,321	218	10	309	-	38	30	24	7,564
Energy	288	268	121	313	20	-	-	-	-	1,010
Environment and Sustainable Resource Development	306	284	18	142	55	1	-	-	-	806
Executive Council	18	3	-	-	-	-	-	-	-	22
Health	7,396	4,829	5,276	-	613	752	-	-	2	18,868
Human Services	636	1,462	2,098	-	11	1	-	-	2	4,211
Infrastructure	85	404	56	26	109	96	-	-	9	785
Innovation and Advanced Education	3,416	1,354	510	-	473	-	(3)	-	57	5,807
International and Intergovernmental Relations	28	8	2	-	-	-	-	-	-	37
Jobs, Skills, Training and Labour	93	38	53	-	2	-	-	-	-	186
Justice and Solicitor General	696	402	208	-	17	-	-	-	23	1,347
Municipal Affairs	68	29	195	1,079	3	-	-	-	-	1,373
Seniors	29	17	522	102	32	-	-	8	-	711
Service Alberta	133	108	-	-	42	10	-	-	1	294
Transportation	76	403	-	279	472	50	-	71	-	1,351
Treasury Board and Finance	229	393	786	-	21	-	(4)	706	3	2,135
Unallocated Disaster Expense	-	-	-	-	-	-	-	-	200	200
Total Expense	19,464	12,088	10,436	2,021	2,206	910	31	891	341	48,388

Inventory Acquisition

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
CONSOLIDATED FINANCIAL STATEMENTS BASIS						
Culture and Tourism	1	1	1	1	1	1
Environment and Sustainable Resource Development	1	1	1	1	1	1
Health	762	758	760	760	760	760
Human Services	1	1	1	1	1	1
Infrastructure	63	47	54	42	38	38
Service Alberta	14	10	6	6	6	6
Transportation	50	50	50	50	50	50
Other	1	1	1	1	1	1
Total Inventory Acquisition	893	868	873	861	857	857

Capital Assets

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
CONSOLIDATED FINANCIAL STATEMENTS BASIS						
Net book value at start of the year	42,839	45,316	48,014	50,025	51,959	53,363
Additions (Capital investment)	4,641	4,903	4,304	4,230	3,704	3,516
Amortization	(2,144)	(2,205)	(2,293)	(2,296)	(2,300)	(2,288)
Net book value of capital asset disposals	(20)	-	-	-	-	-
Net Book Value at End of Year	45,316	48,014	50,025	51,959	53,363	54,591

Liabilities for Capital Projects

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Opening balance	8,724	11,930	17,700	23,349	28,744	31,213
Alternative financing (P3s)	227	114	150	211	242	338
Direct borrowing	3,000	5,681	5,535	5,229	2,775	-
Re-financing of maturing debt	905	-	-	-	-	-
Principal repayment / amortization of issue costs	(926)	(25)	(36)	(45)	(548)	(951)
Allocation from surplus cash for debt repayment	-	-	-	-	-	(1,051)
Total Liabilities for Capital Projects	11,930	17,700	23,349	28,744	31,213	29,549

Capital Plan Liability Principal Repayments

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Education – Alberta Schools Alternative Procurement P3s	12	13	14	14	15	16
Infrastructure – Evan Thomas water treatment P3	1	1	1	1	1	1
Treasury Board and Finance - direct borrowing	905	-	-	-	500	900
Transportation – ring road P3s	26	28	36	46	48	49
Total Current Principal Repayments	944	42	51	61	564	966
Allocation for future principal repayments	-	-	-	-	-	1,051
Total Current / Future Principal Repayments	944	42	51	61	564	2,017

Cash Adjustments^a

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Retained Income of Funds and Agencies						
Alberta Treasury Branches	(316)	(283)	(264)	(376)	(401)	(426)
Agriculture Financial Services Corporation	(167)	(259)	(296)	(337)	(300)	(300)
Access to the Future Fund	96	6	5	(6)	(7)	(9)
Heritage Foundation for Medical Research Endowment Fund	(52)	(38)	(38)	(43)	(48)	(76)
Heritage Science and Engineering Research Endowment Fund	(49)	(28)	(32)	(37)	(41)	(44)
Heritage Scholarship Fund	(60)	(18)	(30)	(38)	(44)	(49)
Alberta School Foundation Fund	6	4	-	-	-	-
Alberta Social Housing Corporation	62	24	(10)	63	13	17
Alberta Capital Finance Authority	(51)	(55)	(51)	(41)	(41)	(41)
Alberta Cancer Prevention Legacy Fund	15	17	13	13	13	13
Other	(54)	(29)	(39)	(41)	(41)	(42)
Total Retained Income of Funds and Agencies	(570)	(659)	(742)	(843)	(897)	(957)
Other Cash Adjustments						
Energy royalties (difference between accrued revenue & cash)	1,373	(378)	(168)	(313)	(265)	(244)
Student loans	(232)	(367)	(341)	(304)	(266)	(232)
Inventory acquisition	(187)	(170)	(175)	(163)	(159)	(159)
Other cash adjustments	(116)	(76)	(35)	(58)	(46)	(393)
Current principal repayments (P3s / direct capital borrowing)	(39)	(42)	(52)	(61)	(564)	(966)
2013 Alberta flood assistance revenue	244	338	300	200	-	-
2013 Alberta flood assistance expense	(1,188)	(502)	(227)	(68)	-	-
Inventory consumption (non-cash expense)	145	214	190	158	132	141
Amortization (non-cash expense)	836	869	980	1,093	1,177	1,223
Total Other Cash Adjustments	836	(114)	472	484	9	(630)

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

Pension Liabilities

(millions of dollars)

	At March 31					
	2015 Forecast	2016 Estimate	2017 Target	2018 Target	2019 Target	2020 Target
CONSOLIDATED FINANCIAL STATEMENTS BASIS						
Teachers' Pension Plan (pre-1992)	8,556	8,520	8,411	8,239	8,054	7,858
Teachers' Pension Plan (post-1992)	635	673	706	734	755	732
Local Authorities Pension Plan	600	700	800	900	1,000	1,100
Public Service Management Pension Plan (pre-1992; closed) ^a	580	550	520	490	460	430
Public Service Pension Plan	305	330	355	380	405	430
Universities Academic Pension Plan (pre-1992)	300	275	260	245	230	215
Special Forces Pension Plan (pre-1992)	70	45	20	-	-	-
Members of the Legislative Assembly Pension Plan (closed) ^a	45	44	43	42	41	40
Management Employees Pension Plan	50	38	26	14	2	-
Public Service Supplementary Retirement Plan	-	-	-	-	-	-
Provincial Judges and Masters in Chambers Pension Plan	-	-	-	-	-	-
SUCH sector – Universities Academic / Supp. Retirement	283	280	272	272	272	272
Total Pension Liabilities	11,424	11,455	11,413	11,316	11,219	11,077
Annual non-cash change in pension liabilities	(176)	31	(42)	(97)	(97)	(142)

^a Membership closed and pensionable service no longer being accrued.

Financing Requirements

(millions of dollars)

	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Term debt borrowing for provincial corporations:						
Agriculture Financial Services Corporation	175	300	375	300	300	300
Alberta Capital Finance Authority	1,655	2,375	1,825	2,575	2,000	1,500
Alberta Treasury Branches	650	1,050	1,400	1,500	1,000	1,000
Alberta Petroleum Marketing Commission	227	340	-	-	-	-
Direct borrowing for capital purposes	3,000	5,681	5,535	5,229	2,775	-
Re-financing of maturing debt	905	-	-	-	-	-
Total Financing Requirements	6,612	9,746	9,135	9,604	6,075	2,800

Loans and Advances

(millions of dollars)

	At March 31	
	2014 Actual	2015 Forecast
Loans and Advances		
Agriculture Financial Services Act	1,987	2,230
Student Financial Assistance Act	1,525	1,941
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	156	-
Vencap Acquisition Corporation	-	-
Alberta Housing Act	22	28
Financial Administration Act accountable advances	4	4
Total Loans and Advances	3,694	4,203
Allowance for doubtful loans, advances, implemented guarantees and indemnities^a		
Agriculture Financial Services Act	(33)	(44)
Student Financial Assistance Act	(120)	(155)
Total Loans and Advances	3,541	4,004

^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	
	2014 Actual	2015 Forecast
Guarantees		
Alberta Housing Act	5	-
Feeder Associations	47	55
Agriculture Financial Services Act	10	10
Securities Act	2	2
Total Guarantees	64	67

Full-Time Equivalents^a

Department / Organization	2014-15 Budget	2015-16 Estimate	Change	Main reasons for change
Aboriginal Relations	228	222	(6)	Hiring restraint / unfilled positions
Agriculture and Rural Development Department	951	928	(23)	Cost containment measures
Agriculture Financial Services Corporation	647	630	(17)	Cost containment measures
Alberta Livestock and Meat Agency Ltd.	35	35	-	
Culture and Tourism Department	613	601	(12)	Cost containment measures
Travel Alberta Corporation	84	87	3	Transfer from department
Education Department	648	648	-	
School boards (public, separate, francophone, charter):				
Certificated Staff	34,415	34,415	-	
Non-certificated Staff	24,433	24,189	(244)	Cost containment measures
Energy Department	696	696	-	
Alberta Energy Regulator	1,232	1,240	8	Regulatory enhancement project
Alberta Utilities Commission	150	143	(7)	Cost containment measures
Environment and Sustainable Res. Dev. Department	2,875	2,857	(18)	Transfer to AEMERA
Environmental Monitoring, Eval. and Report. Agency	82	105	23	Transfer from department
Natural Resources Conservation Board	47	47	-	
Health Department	978	978	-	
Alberta Health Services	76,101	74,406	(1,695)	Workforce management
Alberta Innovates – Health Solutions	60	60	-	
Health Quality Council of Alberta	31	32	1	Replace contractor
Human Services	6,190	6,190	-	
Infrastructure	958	958	-	
Innovation and Advanced Education Department	719	719	-	
Post-secondary institutions	33,517	33,517	-	
Alberta Innovates corporations	652	652	-	
Alberta Enterprise Corporation	6	6	-	
International and Intergovernmental Relations	212	206	(6)	International Offices Review
Jobs, Skills, Training and Labour	609	609	-	
Justice and Solicitor General Department	6,865	6,864	(1)	Calgary Young Offenders Centre
Victims of Crime Fund	37	37	-	
Municipal Affairs	566	546	(20)	Cost containment measures
Seniors	265	297	32	Various programs
Service Alberta	1,377	1,367	(10)	Cost containment measures
Transportation	799	799	-	
Treasury Board and Finance Department	777	754	(23)	Cost containment measures
Alberta Investment Management Corporation	372	376	4	Increased assets under management
Alberta Pensions Services Corporation	282	287	5	Transition to new IT system
Alberta Securities Commission	191	196	5	Oversight activities
Alberta Insurance Council	25	24	(1)	Cost containment measures
Alberta Local Authorities Pension Plan Corporation	6	6	-	
Executive Council	153	136	(17)	Hiring restraint / unfilled positions
Legislative Assembly	714	717	3	Office of the Child and Youth Advocate
Total Full-Time Equivalent Employment	199,598	197,582	(2,016)	

^a The 2014-15 Budget numbers have been restated on the 2015-16 basis.

2015-16 Allocation of Lottery Fund Revenue

(thousands of dollars)

Lottery Fund Revenue^a		1,547,716		
Aboriginal Relations			Health	
First Nations and Metis Relations	200		Alberta Health Services - Community and Population Health Services	768,992
First Nations Development Fund	128,000			
Agriculture and Rural Development			Human Services	
Major Fairs and Exhibitions	18,140		Family and Community Support Services	52,000
Agricultural Service Boards	11,600		Fetal Alcohol Spectrum Disorder initiatives	12,000
Agricultural Societies	8,670		Prevention of Family Violence	6,500
Agriculture initiatives	1,450		Training for Work	400
Culture and Tourism			Jobs, Skills, Training and Labour	
Community Facility Enhancement Program	38,000		Settlement and Integration	4,574
Assistance to the Alberta Foundation for Arts	26,650			
Alberta Media Fund	25,800		Justice and Solicitor General	
Community Initiatives Program	24,585		Assistance to the Human Rights Education and Multiculturalism Fund	1,735
Assistance to the Alberta Sport, Recreation, Parks and Wildlife Foundation	22,020			
Assistance to the Alberta Historical Resources Foundation	8,200		Transportation	
Other initiatives	2,100		Provincial Highway Preservation	40,000
Education			Treasury Board and Finance	
Transportation	150,000		Horse Racing and Breeding Renewal Program	28,000
Plant operations and maintenance	150,000		Bingo Associations	6,000
			Gaming Research	1,600
Environment and Sustainable Resource Dev.			Total Lottery Fund Allocation	
Parks operations	10,000			1,547,716
Integrated Planning	500			

^a Includes \$3 million of Lottery Fund interest income.

Changes to Premiums, Fees and Fines

(dollars)

Ministry / Description	2014-15	2015-16
Service Alberta		
Motor Vehicles		
Driver abstract	\$15	\$20
Drivers licences – application / renewal (1 year–5 years)	\$15 - \$75	\$15.80 - \$79
Passenger motor vehicle registrations	\$75	\$84
Commercial (Class 1–3 vehicles and trailers)	varies by weight	\$4 increase
Land Titles		
Searches	\$10	\$15
Caveats	\$30	\$35
Transfer / Title creation – flat fee	\$50	\$75
Transfer / Title creation – variable fee (\$5,000 increments)	\$1	\$6
Mortgages – flat fee	\$50	\$75
Mortgages – variable fee (\$5,000 increments)	\$1	\$6
Vital Statistics		
Marriage licence	\$40	\$50
Birth, Marriage, Death certificates	\$20	\$30
Corporate Registry		
Incorporations (including amalgamations)	\$250	\$275
Annual returns	\$30	\$50
Searches	\$1	\$5

Changes to Premiums, Fees and Fines, *continued*

(dollars)

Ministry / Description	2014-15	2015-16
Environment and Sustainable Resource Development		
Application fees and rent for dispositions on public land (surface materials, mineral and other leases)	various	various
Royalty rates for sand, silt, soil, peat moss, clay and gravel	5¢-60¢ /cu. yd.	10¢-\$1.20 /cu. yd.
Parks fees		
Base camping fee range	\$5-\$23 / night	\$5-\$26 / night
Campsite electricity rates	\$6 / night	\$7 / night
Base group camping fee	\$50 / permit	\$50-\$150 / permit
Dump station use fee	\$3 / use	\$3-\$10 / use
Canmore Nordic Centre fees	\$0-\$1200	\$1-\$1440
In-park (visitor services) interpretive program fees	\$0-\$1500	\$0-\$2000
Cottage lot lease fees (increases phased over 5 years)	\$600-\$700 / year	\$1200-\$1400
Industrial / commercial land use disposition administration and land rent fees	\$0-\$375	\$40-\$1500
Permit and special event fees	\$0-\$60	\$1-\$240
Group accomm. rent – Boreal Centre for Bird Conservation (Lesser Slave Lake Prov. Park)	\$80-\$200 / night	\$80-\$500 / night
On-site pump out service		\$0 up to \$25/ service
Justice and Solicitor General		
Court Filing Fees – Civil and family matters		
Court of Appeal applications	\$0	\$50
Court of Queen's Bench		
Statements of defence	\$0	\$50
Counterclaims	\$0	\$150
Third Party claims	\$0	\$150
Interlocutory applications	\$0	\$50
<i>Family Law Act</i> claims	\$0	\$50
Daily trial fees for civil matters (trials > 5 days, starting on day 5)	\$0	\$250 / day
Provincial Court		
Dispute notes	\$0	\$25
Counterclaims < \$7,500	\$0	\$50
Counterclaims > \$7,500	\$0	\$100
Third Party Claims	\$0	\$50
Interlocutory Applications	\$0	\$50
<i>Family Law Act</i> claims	\$0	\$50
Court Filing Fees – Surrogate fees		
Issuing grants of probate, letters of administration, resealing grants, excluding trusteeship, where net Alberta property value is:		
Up to \$10,000	\$25	\$35
\$10,000 to \$25,000	\$100	\$135
\$25,000 to \$125,000	\$200	\$275
\$125,000 to \$250,000	\$300	\$400
Over \$250,000	\$400	\$525
Other estate documents, application for trusteeship, grant of double probate, caveats	\$200	\$250
Filing an application during estate or trusteeship action or proceeding	\$0	\$50
Court Filing Fees – Queen' s Bench commencement fee	\$200	\$250
Traffic Offence Fines		
	Average 35% increase	
Speeding	\$57-\$351	\$78-\$474
Emergency vehicles / construction zones	\$115-\$703	\$156-\$949
Failure to obey red light	\$287	\$388
Failure to stop at signal / crosswalk	\$172	\$233
Unsafe advance into intersection controlled by flashing red light	\$172	\$233
Traffic fine administration fee (% retained by Province)	16.67%	26.67%

RESPONSE TO THE AUDITOR GENERAL

- ✧ FEBRUARY 2014
- ✧ JULY 2014
- ✧ AUGUST 2014
*SPECIAL DUTY REPORT ON THE
EXPENSES OF THE OFFICE OF
PREMIER REDFORD AND ALBERTA'S
AIR TRANSPORTATION SERVICES
PROGRAM*
- ✧ SEPTEMBER 2014
*HEALTH – CHRONIC DISEASE
MANAGEMENT*
- ✧ OCTOBER 2014

Budget
2015

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RESPONSE TO THE AUDITOR GENERAL – FEBRUARY 2014

The Auditor General reports on the scope and findings of the work carried out by the Office of the Auditor General. The following are the recommendations in the Auditor General's report titled *Report of the Auditor General of Alberta – February 2014* and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Treasury Board and Finance – The Department's Oversight Systems for Alberta's Public Sector Pension Plans</p> <p>1. Policies Designed to Achieve Plan Objectives</p> <p>We recommend that the Department of Treasury Board and Finance set standards for the public sector pension plan boards to establish funding and benefit policies with:</p> <ul style="list-style-type: none"> • tolerances for the cost and funding components • alignment between plan objectives and benefit, investment and funding policies • pre-defined responses when tolerances are exceeded or objectives are not met <p>2. Risk Management System</p> <p>We recommend that the Department of Treasury Board and Finance establish an Alberta public sector pension plan risk management system to support the minister in fulfilling his responsibilities for those plans.</p> <p>3. Sustainability Support Processes</p> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> • validate the objectives for the pension plan sustainability review with stakeholders • evaluate and report on how each proposed change meets the objectives for the review • cost and stress-test all proposed changes to assess the likely and possible future impacts on Alberta's public sector pension plans • conduct or obtain further analysis of the impact of proposed pension plan design changes on employee attraction and retention • prepare a detailed implementation plan for the changes 	<p>Accepted. One of the priorities of the mandate letter dated September 15, 2014, for the Department of Treasury Board and Finance, is to address the competitiveness of public sector pension plans and ensure they are sustainable. This work will begin with input from those that are impacted by any possible changes, and will include the introduction of standards relating to the plans' funding and benefits policies.</p> <p>Accepted. The Department of Treasury Board and Finance will develop a risk management system in collaboration with the four public sector Pension Plan Boards.</p> <p>Accepted. One of the priorities of the mandate letter dated September 15, 2014, for the Department of Treasury Board and Finance, is to address the competitiveness of public sector pension plans and ensure they are sustainable. This work will begin with input from those that are impacted by any possible changes.</p>

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p data-bbox="115 260 643 331">Innovation and Advanced Education – Report on Post-secondary Institutions</p> <p data-bbox="115 369 532 405">Alberta College of Art + Design</p> <p data-bbox="115 447 667 514">4. Improve Controls Over Expense Claims and Purchase Card Transactions</p> <p data-bbox="164 558 763 663">We recommend that Alberta College of Art + Design strengthen its controls over expense claims and purchase card transactions by:</p> <ul data-bbox="164 667 763 884" style="list-style-type: none"> • improving documentation to support the business reason for and cost effectiveness of expenses • improving staff training on their responsibilities for complying with policies • monitoring expenses and reporting results to the board <p data-bbox="115 1331 625 1367">5. Improve Financial Reporting – Repeated</p> <p data-bbox="164 1409 763 1551">We again recommend that Alberta College of Art + Design improve its processes and internal controls to increase the accuracy and efficiency in its financial reporting.</p>	<p data-bbox="808 554 1349 590">Accepted. The Alberta College of Art + Design:</p> <ul data-bbox="808 594 1455 1251" style="list-style-type: none"> • revised its procurement card guidelines to improve documentation for business reasons. A revised travel procedure was implemented in August 2014. • developed a revised hosting procedure, including specific processes related to working sessions, planned corporate events, and alcohol purchases. This procedure was implemented in August 2014. • will develop and present an education and training program to instruct staff members on their responsibilities for complying with these new procedures. Expenditure officers reviewed procedures in August 2014 and non-compliance enforcement will be included in an updated code of conduct procedure in November 2014. • has reviewed the requirement for senior employee expense monitoring with its finance and audit committee. Tri-annual reporting to the committee commenced May 2014. <p data-bbox="808 1402 1455 1654">Accepted. The Alberta College of Art + Design has implemented a new financial reporting system to support year-end reporting processes. Year-end schedules have also been revised to allow for more timely closing and oversight of financial statements. This recommendation has been assessed as implemented by the Office of the Auditor General as of November 2014.</p>

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>6. Implement and Enforce Procedures for Codes of Conduct and Conflict of Interest – Repeated</p> <p>We again recommend that Alberta College of Art + Design develop, implement and enforce procedures for code of conduct and conflict of interest.</p>	<p>Accepted. The Alberta College of Art + Design's offer letters now include reference to the code of conduct and conflict of interest procedures with which all new staff members must comply. The college has also developed and implemented a requirement that all staff members acknowledge their obligations annually under these procedures. Human Resources will enforce compliance. The college has also developed a comprehensive communications program for staff, including education components and procedure guidelines. This program will be completed by December 2014 for implementation to complement the annual confirmation process in 2015. This recommendation has been assessed as implemented by the Office of the Auditor General as of November 2014.</p>
<p>7. Improve Internal Controls at the Bookstore – Repeated</p> <p>We again recommend that Alberta College of Art + Design improve its internal control systems for its bookstore operations by:</p> <ul style="list-style-type: none"> • properly segregating incompatible job duties • improving its inventory count procedures and investigating discrepancies between inventory counts and inventory records • resolving software deficiencies in its inventory management computer application 	<p>Accepted. The Alberta College of Art + Design is currently reviewing duties and responsibilities for proper segregation of responsibilities. The finance department has performed quarterly independent inventory test counts and has documented and followed up on any discrepancies. The limitations relating to the inventory computer application have been reviewed to generate additional exception reports for management oversight. This recommendation has been assessed as implemented by the Office of the Auditor General as of November 2014.</p>
<p>8. Implement Proper Purchase Controls – Repeated</p> <p>We again recommend that Alberta College of Art + Design ensure purchases are appropriately supported by purchase requisitions and purchase orders, in accordance with its policies and procedures.</p>	<p>Accepted. The Alberta College of Art + Design has finalized and posted a revised purchasing procedure for purchasing, validating, and further enforcing the need for appropriate use of requisitions and purchase orders. This recommendation has been assessed as implemented by the Office of the Auditor General as of November 2014.</p>

AUDITOR GENERAL'S RECOMMENDATIONS

GOVERNMENT'S RESPONSE

Northern Lakes College

9. Improve Processes for Financial Reporting

We recommend that Northern Lakes College review the adequacy of its financial statements closing process and improve its ability to produce timely and accurate financial statements.

Accepted. Northern Lakes College has implemented a new year-end process regulation that will result in a streamlined closing process to produce timely and accurate financial statements.

Portage College

10. Improve Accuracy of Bookstore Inventory
– Repeated

We again recommend that Portage College improve the accuracy of its perpetual inventory system at the bookstore.

Accepted. Portage College has implemented several improvements to ensure accuracy of the inventory system. This recommendation has been assessed as implemented by the Office of the Auditor General as of October 2014.

RESPONSE TO THE AUDITOR GENERAL – JULY 2014

The Auditor General reports on the scope and findings of the work carried out by the Office of the Auditor General. The following are the recommendations in the Auditor General’s report titled *Report of the Auditor General of Alberta – July 2014* and the government’s response to each of them.

AUDITOR GENERAL’S RECOMMENDATIONS	GOVERNMENT’S RESPONSE
<p>Treasury Board and Finance – Results Analysis Reporting</p> <p>1. Guidance, Training and Monitoring Needed</p> <p>We recommend that the Department of Treasury Board and Finance, working with the Deputy Ministers’ Council, improve:</p> <ul style="list-style-type: none"> • the guidance and training for ministry management to identify, analyze and report on results in ministry annual reports • processes to monitor ministry compliance with results analysis reporting standards 	<p>Accepted. The department will take the lead with the Deputy Ministers’ Council and work with ministries to improve:</p> <ul style="list-style-type: none"> • guidance and training for ministry management to identify, analyze and report on results in ministry annual reports; and • processes to monitor ministry compliance with Ministry Annual Report Standards (“Standards”). <p>In March 2014, the department revised the 2013-14 Standards, with an increased focus on results analysis. In June 2014, the department held a workshop style conference for business planners and annual report writers across the Government of Alberta as an opportunity to discuss what constitutes a good quality, meaningful results analysis. The department will continue to work with ministries individually as they write annual reports to assist them in complying with the Standards.</p> <p>The department will select a sample of 2013-14 ministry annual reports and review them for compliance against the 2013-14 Standards.</p> <p>This recommendation will be completed by June 2015.</p>

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Environment and Sustainable Resource Development – Climate Change</p> <p>2. Improve Planning – Repeated</p> <p>We again recommend that the Department of Environment and Sustainable Resource Development improve Alberta's response to climate change by:</p> <ul style="list-style-type: none"> • establishing overall criteria for selecting climate change actions • creating and maintaining an implementation plan for the actions necessary to meet the emissions intensity target for 2020 and the emissions reduction target for 2050 • corroborating – through modeling or other analysis – that the actions chosen by the ministry result in Alberta being on track for achieving its targets for 2020 and 2050 <p>3. Improve Monitoring Processes – Repeated</p> <p>We again recommend that for each major action in the 2008 Climate Change Strategy, the Department of Environment and Sustainable Resource Development evaluate the action's effect in achieving Alberta's climate change goals.</p>	<p>Accepted. The department will work to enhance the process used to develop and administer the master implementation plan. An updated master plan will be finalized during the 2014-15 fiscal year.</p> <p>The criteria for selecting climate change actions have been completed.</p> <p>Accepted. The department will implement a more systematic means of regular monitoring of actions under the strategy on an annual basis, recognizing that extensive work has been conducted to date. In addition, the department will enhance the processes surrounding the governance and oversight of key deliverables for the strategy renewal by the end of 2014. The strategy renewal includes extensive analysis of major actions and overall performance against targets.</p>

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Environment and Sustainable Resource Development – Management of Sand and Gravel Resources</p> <p>4. Enforcement of Reclamation Obligations – Repeated</p> <p>We again recommend that the Department of Environment and Sustainable Resource Development improve its processes for inspecting aggregate holdings on public land and for enforcing reclamation requirements.</p> <p>5. Quantity of Aggregate Removed – Repeated</p> <p>We again recommend that the Department of Environment and Sustainable Resource Development improve its systems to verify quantities of aggregate reported as removed by the industry from public lands so that all revenue due to the Crown can be determined and recorded in the financial statements.</p>	<p>Accepted. Aggregate inspections and auditing fall within the mandate of the department's compliance assurance program. The goal of this program is to instill shared environmental and natural resource stewardship in the public, the regulated industry and other stakeholders through education, prevention and enforcement. The department's compliance program standing committee will conduct a risk assessment of all regulated activities that will be incorporated into the compliance assurance program. The risk assessment will include a review of all compliance assurance activities and a program wide gap analysis. A plan to develop and effectively implement new business processes for a fully integrated compliance assurance program will be completed by March 31, 2016.</p> <p>Accepted. The department will continue to improve its aggregate verification systems by increasing the number of aggregate audits conducted throughout the fiscal year. In the 2014-15 fiscal year, the department will develop a new rolling three-year risk based audit plan detailing the audit strategy, constraints and targets for fiscal years 2015-17. To help implement this plan, the department will direct additional staff resources towards performing the targeted number of field audits by the end of each fiscal year.</p>

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Health – Alberta Health Services – Contracted Surgical Facilities</p> <p>6. Strengthen Contract Monitoring – Repeated</p> <p>We again recommend that Alberta Health Services strengthen its process to monitor the performance of contracted non-hospital surgical facilities.</p>	<p>Accepted. In the context of the development of a provincial strategy for non-hospital surgical facilities (NHSFs), Alberta Health Services will:</p> <ul style="list-style-type: none"> • implement standardized contracts with NHSFs that include metrics related to quality and the related reporting requirements; and • define the governance structure for NHSFs. This will include assigning roles and responsibilities for management of the relationship between NHSFs and Alberta Health Services including performance monitoring. <p>An action plan with timelines will be developed by September 30, 2014.</p>
<p>Transportation and Justice and Solicitor General – Commercial Vehicle Safety</p> <p>7. Progressive Sanctions – Repeated</p> <p>We again recommend that the Department of Transportation enforce compliance by carriers who persistently fail to comply with rules and regulations.</p>	<p>Accepted. The Department of Transportation will enforce compliance by designing new system enhancements as follows:</p> <ul style="list-style-type: none"> • computer system enhancements specific to the management of carrier activities have been incorporated into ongoing system development; and • current policies and procedures for complaint handling are being enhanced and will be supplemented by improved system developments. <p>The process for handling complaints received by Justice and Solicitor General, which are redirected to Transportation for action, will be consistent and the results of the review will be documented accordingly and expeditiously within fiscal year 2015-2016.</p>

RESPONSE TO THE AUDITOR GENERAL – AUGUST 2014

SPECIAL DUTY REPORT ON THE EXPENSES OF THE OFFICE OF PREMIER REDFORD AND ALBERTA'S AIR TRANSPORTATION SERVICES PROGRAM

The Auditor General reports on the scope and findings of the work carried out by the Office of the Auditor General. The following are the recommendations in the Auditor General's report titled *Report of the Auditor General of Alberta – August 2014 Special Duty Report on the Expenses of the Office of Premier Redford and Alberta's Air Transportation Services Program* and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Treasury Board and Finance</p> <p>1. Oversight of Premier's Office Expenses</p> <p>We recommend that the Treasury Board:</p> <ul style="list-style-type: none">• establish a process to provide oversight through monitoring of the Office of the Premier's expenses• consider what type of oversight should be used for the expenses of ministers' offices. <p>2. Conduct Periodic Air Transportation Services Program Evaluations</p> <p>We recommend that the Department of Treasury Board and Finance complete an evaluation of the Air Transportation Services program and immediately communicate the results publicly.</p> <p>3 & 4. Clarify Aircraft Use Policies</p> <p>We recommend that the Department of Treasury Board and Finance clarify its aircraft use policies to deal with:</p> <ul style="list-style-type: none">• any partisan and personal use of government aircraft• requirements for cost effectiveness evaluations when requesting to use government aircraft <p>We recommend that the Department of Treasury Board and Finance develop a common government aircraft use policy that all users must comply with.</p>	<p>Accepted. An oversight process for the Premier's and ministers' expenses has been developed for the Treasury Board. The oversight process will include regular reporting, which will commence in 2015.</p> <p>Changed Circumstance. This recommendation is no longer relevant. During the 2014-15 fiscal year, government announced its intent to sell the aircraft.</p> <p>Changed Circumstance. This recommendation is no longer relevant. During the 2014-15 fiscal year, government announced its intent to sell the aircraft.</p>

AUDITOR GENERAL'S RECOMMENDATIONS

GOVERNMENT'S RESPONSE

5. Re-evaluate Out-of-Province Use of Government Aircraft

We recommend that the Department of Treasury Board and Finance require that a cost benefit analysis be performed, documented and approved by the responsible minister or deputy minister requesting service prior to authorizing the use of its aircraft for out-of-province travel.

Changed Circumstance. This recommendation is no longer relevant. During the 2014-15 fiscal year, government announced its intent to sell the aircraft.

6. Report the Cost of Using Government Aircraft

We recommend that the Department of Treasury Board and Finance review its costing model for government aircraft and publicly report on the costs associated with travel on government aircraft.

Changed Circumstance. This recommendation is no longer relevant. During the 2014-15 fiscal year, government announced its intent to sell the aircraft.

RESPONSE TO THE AUDITOR GENERAL – SEPTEMBER 2014

HEALTH – CHRONIC DISEASE MANAGEMENT

The Auditor General reports on the scope and findings of the work carried out by the Office of the Auditor General. The following are the recommendations in the Auditor General’s report titled *Report of the Auditor General of Alberta – September 2014 Health – Chronic Disease Management* and the government’s response to each of them.

AUDITOR GENERAL’S RECOMMENDATIONS	GOVERNMENT’S RESPONSE
<p>Health — Chronic Disease Management</p> <p>1. Improve Delivery of Chronic Disease Management Services</p> <p>We recommend that the Department of Health improve the delivery of chronic disease management services in the province by:</p> <ul style="list-style-type: none"> • defining the care services it expects physicians, Primary Care Networks and Alberta Health Services to provide to individuals with chronic disease • requesting family physicians to deliver comprehensive team-based care to their patients with chronic disease, through a Primary Care Network or appropriate alternative • establishing processes to assess the volumes, costs and, most importantly, the results of chronic disease management services delivered by the healthcare providers it funds • facilitating secure sharing of patients’ healthcare information among authorized providers • strengthening its support for advancing chronic disease management services, particularly among family physicians where the need for better systems and information is most critical <p>2. Improve Support of Patient-Physician Relationships</p> <p>We recommend that the Department of Health improve its support of patient physician relationships by:</p> <ul style="list-style-type: none"> • requesting all family physicians establish a process to identify their patient panels and which of those patients have chronic disease, and providing them with healthcare data to help them do so • determining what it considers to be an effective care team size and composition, and working with family physicians, Primary Care Networks and other providers to help build teams to this level 	<p>Accepted in Principle. The Department of Health is working with communities to develop alternative models of primary health care delivery that will focus on chronic disease management and the involvement of multi-disciplinary teams in collaborative practice. Implementation of the Primary Health Care Clinical Information System in Family Care Clinics in the summer of 2015 will create an environment to enable data sharing. Flexibility in the approach will be needed to account for the involvement of organizations such as Alberta Medical Association, Primary Care Networks and physicians.</p> <p>Accepted in Principle. The Department of Health is working with communities to ensure that primary health care delivery meets the needs and focuses of chronic disease management and the involvement of multi-disciplinary teams. Flexibility in the approach will be needed to account for the involvement of organizations such as Alberta Medical Association, Primary Care Networks and physicians.</p>

AUDITOR GENERAL'S RECOMMENDATIONS**GOVERNMENT'S RESPONSE**

3. Improve Support of Patient-Physician Relationships

We recommend that Alberta Health Services identify individuals with chronic disease who do not have a family physician and actively manage their care until they can be linked with a family physician.

Accepted. Alberta Health Services (AHS) agrees that chronic disease care needs to be proactive and needs to occur in the patient's community. From this context, AHS will ensure that:

- individuals with chronic disease and without a primary health care provider or team are identified; and
- these individuals are supported to find and link with a primary health care provider or team.

AHS is currently developing a detailed action plan with an implementation date of March 31, 2015.

4. Improve AHS Chronic Disease Management Services

We recommend that Alberta Health Services improve its chronic disease management services by:

- assessing the total demand for chronic disease management services across Alberta
- developing evidence to support decisions on how services provided by Alberta Health Services, family physicians, Primary Care Networks and Family Care Clinics should be integrated
- setting provincial objectives and standards for its chronic disease management services
- establishing systems to measure and report the effectiveness of its chronic disease management services

Accepted. Alberta Health Services is developing process standards for planning, measurement, evaluation and improvement to chronic disease management services using an evidence-based approach. A detailed action plan is being developed with an implementation date of March 31, 2015.

5. Improve Physician Care Plan Initiative

We recommend that the Department of Health improve its physician care plan initiative by:

- defining its expectations for what care plans should contain and how they should be managed by physicians and care teams
- setting targets for care plan coverage and evaluating the effectiveness of care plans on an ongoing basis
- strengthening care plan administration by ensuring that claims identify qualifying diagnoses, and that care plan billings by individual physicians are reasonable

Accepted. The Department of Health is in the process of improving the physician care plan initiative by:

- outlining the expectations for what care plans should contain and how they should be managed by physicians and care teams,
- initiating a formal evaluation of care plans with the University of Alberta School of Public Health; and
- strengthening the administration of care plans by ensuring that claims identify qualifying diagnoses, and that care plan billings by individual physicians are reasonable.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>6. Improve Physician Care Plan Initiative</p> <p>We recommend that Alberta Health Services coordinate its services to patients with chronic disease with the care plans developed by family physicians and care teams.</p>	<p>Accepted. Alberta Health Services is developing an action plan to coordinate its services to patients with chronic disease with the care plans developed by family physicians and care teams. The plan is expected to be implemented by March 31, 2017.</p>
<p>7. Improve Delivery of Pharmacist Care Plan Initiative</p> <p>We recommend that the Department of Health improve the delivery of its pharmacist care plan initiative by:</p> <ul style="list-style-type: none"> • establishing a formal process to ensure pharmacists integrate their care plan advice with the care being provided by a patient's family physician and care team • strengthening claims administration and oversight, including requiring pharmacists to submit diagnostic information showing patients qualify for a care plan, and making care plans subject to audit verification by Alberta Blue Cross • setting expectations and targets for pharmacists' involvement in care plans and evaluating the effectiveness of their involvement on an ongoing basis 	<p>Accepted. The Department of Health is:</p> <ul style="list-style-type: none"> • working to establish a formal process to integrate pharmacists' care plan recommendations provided through the Pharmaceutical Information Network, • implementing a compliance verification plan for the pharmacy services provided under the Compensation Plan for Pharmacy Services; and • working with the Alberta College of Pharmacists and other stakeholders to evaluate and measure the effectiveness and quality of pharmacists' involvement in care plans.
<p>8. Strengthen Electronic Medical Records Systems</p> <p>We recommend that the Department of Health strengthen support to family physicians and care teams in implementing electronic medical record systems capable of:</p> <ul style="list-style-type: none"> • identifying patient-physician relationships and each patient's main health conditions and risk factors • tracking patient care plans and alerting physicians and care teams when medical services are due, and health goals or clinical targets are not met • appropriately and securely sharing patient health information between authorized healthcare providers • reporting key activity and outcome information for selected patient groups (e.g., diabetics) as the basis for continuous quality improvement 	<p>Accepted in Principle. The Department of Health has improved electronic medical record standards as part of the Family Care Clinic initiative. This addresses some of the required support to physicians and care teams. However, there are general rules that govern health information in Alberta that need to be considered.</p>

AUDITOR GENERAL'S RECOMMENDATIONS

GOVERNMENT'S RESPONSE

9. Provide Individuals Access to Their Personal Health Information

We recommend that the Department of Health provide individuals with chronic disease access to the following personal health information:

- their medical history, such as physician visits, medications and test results
- their care plan, showing recommended tests, diagnostic procedures and medications, including milestone dates and targets set out in the plan

Accepted in Principle. The Department of Health and Alberta Health Services continue to work on a plan for a Provincial Clinical Information System that would provide a single record for each individual accessing Alberta's health services. The Personal Health Portal (PHP) is being implemented on MyHealth.Alberta.ca. The PHP will enable Albertans to collect and manage personal health information and access portions of their provincial electronic health record. However, there are general rules that govern health information in Alberta that need to be considered.

RESPONSE TO THE AUDITOR GENERAL – OCTOBER 2014

The Auditor General reports on the scope and findings of the work carried out by the Office of the Auditor General. The following are the recommendations in the Auditor General's report titled *Report of the Auditor General of Alberta – October 2014* and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Environment and Sustainable Resource Development—Alberta Environmental Monitoring, Evaluation and Reporting Agency—Joint Canada–Alberta Plan for Oil Sands Monitoring</p> <p>1. Ensure Timely, Accurate and Transparent Public Reporting</p> <p>We recommend that the Alberta Environmental Monitoring, Evaluation and Reporting Agency work with the Government of Canada to ensure that public reporting on the joint plan is timely, accurate and transparent.</p> <p>2. Improve Planning and Monitoring</p> <p>We recommend that the Alberta Environmental Monitoring, Evaluation and Reporting Agency:</p> <ul style="list-style-type: none"> • implement effective processes for monitoring project status • develop and implement work plans, with roles and responsibilities and timelines and deliverables, for implementing all key commitments under the joint plan • clarify what needs to be done to implement any joint plan projects and commitments remaining after March 2015 	<p>Accepted. The following actions have been implemented:</p> <ul style="list-style-type: none"> • annual formal contractual agreements are now in place. • Alberta Environmental Monitoring, Evaluation and Reporting Agency data from the oil sands monitoring program is released as it becomes available, and a summary report of science results will be provided on an annual basis on the Alberta Environmental Monitoring, Evaluation and Reporting Agency website. Beginning with the 2013-14 annual report, the annual report will address the progress on implementation and a summary of science results. • specific reporting protocols between the governments of Alberta and Canada have been established. <p>Accepted. The following actions will be implemented:</p> <ul style="list-style-type: none"> • an annual work plan tracking all projects was established for the 2013-14 and 2014-15 fiscal years. • individual work plans and progress reports are required for each project. • the Component Advisory Committee leads for Alberta Environmental Monitoring, Evaluation and Reporting Agency will be accountable for the monitoring and reporting of the status of all projects. • quarterly reporting requirements have been instituted for the 2014-15 fiscal year. • discussions with the Government of Canada on the approach to managing the program are underway.

AUDITOR GENERAL'S RECOMMENDATIONS

GOVERNMENT'S RESPONSE

Health—Crown's Right of Recovery of Healthcare Costs from Motor Vehicle Accidents

3. Clarify Objectives of Collecting Revenue and Prepare Supporting Rationale

We recommend that the Department of Health:

- publicly articulate its objectives in setting the aggregate assessment
- report the extent to which the aggregate assessment recovers the department's calculation of healthcare costs caused by motor vehicle accidents

We also recommend that the Department of Health obtain additional information to demonstrate that the amount proposed for the aggregate assessment is the appropriate amount that should be charged given the competing objectives.

4. Calculating the Aggregate Assessment

We recommend that the Department of Health review the methodology it uses in the calculation of the aggregate assessment and put a process in place to periodically check whether the estimate calculated is a reasonable approximation of the Crown's associated healthcare costs.

Service Alberta—IT Disaster Recovery Program

5. Improve Recovery of Critical Information Technology Applications

We recommend that the Department of Service Alberta, with support from the Deputy Ministers' Council:

- identify the most critical IT applications throughout all government entities
- identify the times, after a disaster, that critical IT applications must be recovered
- ensure that there are tested plans and adequate resources to recover critical IT applications within those times

Accepted. The Department of Health will publicly articulate its objectives in setting the aggregate assessment and report the extent to which the aggregate assessment recovers the department's calculation of healthcare costs caused by motor vehicle accidents.

Accepted in Principle. As of July 2014, the Automobile Insurance Rate Board now determines adjustments to automobile insurance market rates on an individual company basis rather than on an industry-wide basis. This change makes it difficult to obtain detailed and specific industry-wide information to demonstrate that the amount of the proposed aggregate assessment is appropriate.

Accepted. The Department of Health will revisit the methodology utilized in calculating the aggregate assessment to ensure it is a reasonable approximation of the Crown's associated healthcare costs. It is anticipated that this review will take two years to complete.

Accepted. To mitigate the risks identified by the Auditor General and address the recommendations presented in the report, in 2015, Service Alberta, with assistance from other ministries, will:

- work with the Deputy Ministers' Council and other governance bodies to develop an effective approach; and
- develop and execute organizational directives and implementation plans.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Treasury Board and Finance—Collection of Outstanding Corporate Taxes</p> <p>6. Maintain Policies and Procedures and Train Staff</p> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> • update and maintain its policies and procedures for tax compliance officers • review its training program to ensure it provides relevant and ongoing training to tax compliance officers <p>7. Develop Internal and External Performance Measures and Targets</p> <p>We recommend that the Department of Treasury Board and Finance develop comprehensive performance measures and targets for tax collections and determine which to report publicly.</p> <p>8. Improve Management Information and Analyze Data Periodically</p> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> • update its management reports to include additional information on the status of tax collection files and the success of its various collection activities • periodically analyze the characteristics of the corporate taxes outstanding to identify potential changes to legislation, policies and collections strategies • deal with the backlog of files submitted for write-off and low value accounts 	<p>Accepted. The Department of Treasury Board and Finance will create an inventory of policies and procedures and develop a process to review and maintain them by March 31, 2015. The training program will be reviewed by March 31, 2015 to ensure relevant and timely training is provided to tax compliance officers.</p> <p>Accepted. The Department of Treasury Board and Finance will review best practices and develop additional performance measures and targets that will enhance the ability to measure the effectiveness of collections and determine which to report publicly by March 31, 2016.</p> <p>Accepted. The Department of Treasury Board and Finance will review current management reports and develop enhancements to improve an understanding of the status of collection activities and the success of the various collection actions by March 31, 2017. The department will continue to identify changes to legislation, policy and collection strategies with the goal of increasing the effectiveness of tax collection and reducing the backlog of files submitted for write-off and low value accounts by December 31, 2015.</p>

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Various Departments—Contracting</p> <p>9. Improve Contract Policy and Demonstrate Compliance</p> <p>We recommend that the Department of Health:</p> <ul style="list-style-type: none"> • upgrade its contract policy to ensure its branches consider and document whether or not a project is a phase of an overall project requiring a competitive bid • ensure the contract policy describes the information that should be documented to support sole sourcing • improve its processes to demonstrate it complies with its contract policy <p>10. Improve Compliance with Contracting Policies</p> <p>We recommend that the Departments of Municipal Affairs and Executive Council:</p> <ul style="list-style-type: none"> • document the rationale for contracting services and selecting vendors when entering into sole sourced contracts • follow proper contract administration and evaluation processes • update their contracting policies to deal with situations where one department arranges for a contractor to perform services for another department 	<p>Accepted. The Department of Health will:</p> <ul style="list-style-type: none"> • provide revisions to its contract policy and procedures; • provide instructions to the Contract Review Committee (CRC) Chair and the CRC Coordinator to ensure any potential breach of policy or good contracting practice are noted as part of the CRC review; and • ensure that sole sourcing and early starts to contracts are reviewed as part of the department's training material used to train branches in the government's contract process. <p>Accepted. Departments of Municipal Affairs and Executive Council will update contracting policies to:</p> <ul style="list-style-type: none"> • deal with situations where one ministry arranges for a contractor to perform services for another ministry; and • require the documentation of the rationale for contracting services and selecting vendors when entering into sole sourced contracts. <p>We will train staff on contracting procedures so proper contract administration and evaluation processes are followed.</p>
<p>Health and AHS—Seniors care in long-term care facilities</p> <p>11. Monitoring Care at the Resident Level</p> <p>We recommend that Alberta Health Services improve the design of its current monitoring activities. AHS should:</p> <ul style="list-style-type: none"> • develop a system to periodically verify that facilities provide residents with an adequate number and level of staff, every day of their operation • develop a system to periodically verify that facilities deliver the right care every day by implementing individual resident care plans and meeting basic needs of residents 	<p>Accepted. Alberta Health Services (AHS) will review and revise audit processes such that a proportion of resident visits would be unannounced and occur at various times. This process has already been initiated in some AHS Zones. AHS will develop an approach to monitor and assess care and staffing in facilities. Implementation is expected to be completed by the end of March 2015.</p>

AUDITOR GENERAL'S RECOMMENDATIONS**GOVERNMENT'S RESPONSE**

12. Managing Performance of Long-term Care Facilities

We recommend that Alberta Health Services improve its system to monitor and manage performance of long-term care facilities. AHS should:

- clearly define which program area within AHS is responsible for managing performance of individual facilities
- establish a formal mechanism to use all available compliance data to review periodically the overall performance of each facility, and initiate proactive compliance action with facilities based on the level of risk to health and safety of residents
- establish a formal mechanism to escalate compliance action for higher risk facilities

13. Oversight at The Provincial Level

We recommend that the Department of Health:

- clearly define and separate its role and responsibilities from those of AHS in monitoring and managing long-term care service delivery
- improve public reporting on what results the provincial long-term care system is expected to achieve and whether it is achieving them
- finish the review of the continuing care health service standards
- implement a mechanism for timely analysis and action on the accommodation cost data

Aboriginal Relations—Department

14. Estimation Processes

We recommend that the Department of Aboriginal Relations improve its financial reporting processes to ensure its estimates are reliable and supportable.

Accepted. Alberta Health Services (AHS) will:

- determine specific accountability for program audits and revise its Continuing Care Health Services Standards audit tool before March 31, 2015.
- develop policies, procedures and guidelines related to defining quality or safety risk; determine sites/ programs considered to be at risk; and identify consistent provincial AHS auditing, monitoring, and response processes.
- conduct enhanced auditing of those sites considered to be at risk before March 31, 2016.

Accepted. The Department of Health has drafted a work plan and is working with Alberta Health Services to address this recommendation. Key actions include:

- development of an accountability matrix;
- identification and selection of appropriate quality indicators to measure the long-term care system;
- implementation of the proposed 2014 Continuing Care Health Service Standards in spring 2015; and
- development of a process for ongoing monitoring and analysis of accommodation cost data.

Accepted. The Department of Aboriginal Relations has begun work with Municipal Affairs and Seniors to improve financial reporting processes to ensure its estimates are reliable and supportable. Implementation is expected to be completed by March 31, 2015.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Energy—Department</p> <p>15. Improve Financial Reporting Processes</p> <p>We recommend that the Department of Energy improve its processes to prepare department and ministry financial statements and supporting working papers.</p>	<p>Accepted. To demonstrate the Department of Energy has effective quality control processes to produce timely and accurate year-end financial statements, the 2014-15 year-end binders will include a brief description of the department's business under each major revenue and program expense category. In addition, the material will document steps taken by the department to ensure completeness and accuracy of accounting information, including checks for cut-offs and the basis of estimates.</p>
<p>Health—Alberta Health Services</p> <p>16. Follow Processes for Hiring and Termination of Executives</p> <p>We recommend that Alberta Health Services follow its human resource processes for hiring and termination of executives.</p>	<p>Accepted. Alberta Health Services' (AHS) Human Resources will work with the President and senior management to confirm roles, responsibilities and processes for hiring and termination of executives. AHS expects to finalize the framework on this issue by the end of November 2014.</p>
<p>17. Information Technology Control Policies and Processes – Repeated</p> <p>We again recommend that Alberta Health Services:</p> <ul style="list-style-type: none"> • develop an information technology control framework, including appropriate risk management processes and controls, for the management of its information technology resources • monitor compliance with security policies, implement effective change management processes and improve password controls 	<p>Accepted. Alberta Health Services (AHS) has an Information Technology (IT) Risk Register in place to update IT related risks in the enterprise risk management register. AHS has also implemented an IT reliability program and disaster recovery solutions to protect critical services controls. AHS will complete quarterly testing and reporting of various IT systems by May 2015.</p>

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Human Services—Department</p> <p>18. Improve Access Control Processes</p> <p>We recommend that the Department of Human Services improve access control processes for all its information systems, to ensure:</p> <ul style="list-style-type: none"> • user access to application systems and data is properly authorized • user access is disabled promptly when employees leave their employment or role <p>Innovation and Advanced Education—Alberta Innovates—Energy and Environment Solutions</p> <p>19. Improve Financial Reporting Processes</p> <p>We recommend that Alberta Innovates—Energy and Environment Solutions:</p> <ul style="list-style-type: none"> • improve its processes to identify contributions that funders have restricted • ensure it has incurred eligible expenses before recording the same amount of contributions as revenue in financial statements <p>Municipal Affairs—Department</p> <p>20. Effectiveness of the Seniors Lodge Program and Determining Future Needs – Repeated</p> <p>We again recommend that the Department of Municipal Affairs:</p> <ul style="list-style-type: none"> • improve the measures it uses to assess the effectiveness of the Seniors Lodge Program and obtain sufficient information periodically to set the minimum disposable income of seniors used as a basis for seniors lodge rent charges • improve its processes for identifying the increasing care needs of lodge residents and consider this information in its plans for the Seniors Lodge Program 	<p>Accepted. The Department of Human Services is currently working on strengthening its policies and practices to ensure appropriate access is maintained for all information systems. The new processes are expected to be implemented by January 2015.</p> <p>Accepted. Alberta Innovates-Energy and Environment Solutions has developed a process to track restricted contributions and record eligible expenses. This process will ensure that restricted contributions will be recorded as revenue only when eligible expenses are incurred. This process was implemented November 1, 2014.</p> <p>Accepted. The Housing Division, formerly with Municipal Affairs, was transferred to Department of Seniors. The Department of Seniors is currently reviewing the Seniors' Lodge Program. In 2015 the department will work with stakeholders and partners to develop comprehensive goals, targets and performance measures for the Seniors' Lodge Program.</p>

AUDITOR GENERAL'S RECOMMENDATIONS

GOVERNMENT'S RESPONSE

Tourism, Parks and Recreation—Travel Alberta

21. Enhance Documentation to Support Senior Management Expenses

We recommend that Travel Alberta improve the consistency and rigour of its approval process and enhance the documentation to support senior management expenses.

Accepted. Travel Alberta will improve the consistency and rigour of its approval process and enhance documentation to support senior management expenses. An implementation plan is in place.

Treasury Board and Finance—Department

22. Enterprise Risk Management Systems

We recommend that the Department of Treasury Board and Finance update and follow its enterprise risk management system by identifying, monitoring, communicating and appropriately mitigating relevant risks.

Accepted. The Department of Treasury Board and Finance will update and follow its enterprise risk management system by identifying, monitoring, communicating and appropriately mitigating relevant risks. Implementation will commence in the 2014-15 fiscal year.

23. Improve Access Controls Over the Tax and Revenue Administration Systems

We recommend that the Department of Treasury Board and Finance improve the security of its tax and revenue information systems to ensure that it:

- assigns access based on job roles and responsibilities
- defines, monitors and enforces its rules for segregation of duties
- periodically reviews if access to its systems remain appropriate

Accepted. The Department of Treasury Board and Finance will ensure that adequate system security exists and is documented. Periodic reviews will be carried out to provide evidence of safety and security of the system. Implementation has commenced.

24. Corporate Tax Refunds

We recommend that the Department of Treasury Board and Finance approve tax refunds before making payments in accordance with the requirements of the *Financial Administration Act*.

Accepted. The Department of Treasury Board and Finance will review the current process by March 31, 2015 to ensure that appropriate approval levels exist.

AUDITOR GENERAL'S RECOMMENDATIONS

GOVERNMENT'S RESPONSE

Treasury Board and Finance—AIMCo

25. Valuing Investments in Life Settlements

We recommend that Alberta Investment Management Corporation ensure that its Statement of Investment Valuation Principles and Practices is applied when valuing and accounting for its life settlement investments.

Accepted. Alberta Investment Management Corporation is reviewing the entire portfolio to ensure that there are no similar valuation issues and have commenced a full evaluation on the life settlements portfolio and processes. The implementation is expected to be completed in 2014.

Treasury Board and Finance—ATB Financial

26. Service Auditor Reports – Repeated

We again recommend that ATB Financial improve its processes related to service providers by ensuring its business areas:

- receive service auditor reports
- review service auditor reports and assess the impact of identified internal control weaknesses
- put end user controls in place to complement service provider controls

Accepted. ATB Financial made progress on ensuring the business areas:

- receive service auditor reports; and
- review service auditor reports and assess the impact of identified internal control weaknesses for material outsourced agreements.

Additional work, expected to be completed by March 2015, is required to provide evidence that end user complementary controls noted in the service auditor report are implemented.