



FISCAL PLAN

The Alberta
JOBS PLAN **BUDGET**
2016



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FISCAL PLAN

2016–19

PRESENTED BY

JOE CECI

**PRESIDENT OF TREASURY BOARD
AND MINISTER OF FINANCE**

in the Legislative Assembly of Alberta
April 14, 2016

ACCOUNTABILITY STATEMENT

The government's Fiscal Plan for the three years commencing April 1, 2016 was prepared under my direction in accordance with the *Fiscal Planning and Transparency Act* and the government's accounting policies. All of the government's policy decisions as of March 17, 2016 with material economic or fiscal implications have been considered in preparing the three-year Fiscal Plan.

Original signed by

Joe Ceci
President of Treasury Board and Minister of Finance
April 7, 2016

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



FISCAL PLAN

OVERVIEW

The Alberta
JOBS PLAN **BUDGET**
2016

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OVERVIEW

THEMES

Budget 2016 is the Alberta jobs plan.

Budget 2016 addresses the challenges Albertans face as a result of the steepest and most prolonged slide in oil prices in recent history by promoting economic diversification and job creation, supporting families in times of hardship and improving access to education and skills training while restraining the rate of growth in government operating expense.

Budget 2016 implements the Climate Leadership Plan that will make Alberta one of the world's most progressive and forward-looking energy producers. By addressing climate change in a meaningful way, the Plan will improve access to markets for Alberta's energy industry. The Plan sets a price for carbon and will fully reinvest these dollars into the economy, helping Albertans and Alberta businesses adjust while also investing in green infrastructure, energy efficiency initiatives and other areas to protect existing jobs and create new jobs in Alberta.

Budget 2016 is based on the following themes:

- ◆ *Budget 2016* promotes jobs, business investment, economic growth and diversification by investing significantly in Alberta's infrastructure through the five-year Capital Plan and introducing a new jobs, investment and diversification package to help encourage job creation while diversifying Alberta's economy.
- ◆ *Budget 2016* supports families in times of hardship with the new Alberta Child Benefit and enhanced Alberta Family Employment Tax Credit set to begin this July. Together, these programs will support 380,000 children. Income support programs are maintained and employment and training programs have been realigned to better serve Albertans.
- ◆ *Budget 2016* improves access to education and skills training by fully funding enrolment growth in Alberta's K–Grade 12 education system, providing base operating grant increases to post-secondary institutions and supporting the second year of the two-year tuition freeze.
- ◆ *Budget 2016* includes a number of cost saving measures, including freezing salaries for political staff and government managers and amalgamating or dissolving 26 agencies as part of the review of agencies, boards and commissions. Combined, the cost saving measures will keep the rate of growth in government operating expense well below the combined rate of population growth plus inflation.

A “risk adjustment” is now included in the Fiscal Plan to recognize the potential impact of uncertain world oil markets on Alberta's resource revenue.

Budget 2016 reflects the priorities of Albertans gathered through consultations as the Premier and Minister of Finance met with Albertans in town hall meetings across the province. In addition, telephone town hall meetings saw more than 66,000 Albertans participate in pre-budget discussions. The government also received over 1,000 submissions in response to an online survey.

JOBS, INVESTMENT AND DIVERSIFICATION

Budget 2016 includes a two-year, \$250 million package to support job creators, business capital investment and regional economic development as well as improve access to training opportunities.

In March, the government introduced the *Promoting Job Creation and Diversification Act*, which recognizes that all Albertans will benefit from a stronger and more diversified economy. *Budget 2016* includes a two-year, \$250 million package to support job creators and encourage business capital investment, attract new businesses to Alberta, support regional economic development and improve access to training opportunities. This package replaces the Job Creation Incentive Program that was introduced in *Budget 2015*.

Over two years this new package will provide:

- ◆ \$190 million to support job creators with two new tax credits (valued at \$165 million) to encourage investors to support eligible small and medium-sized enterprises in Alberta, and encourage businesses to make capital investments. There is \$25 million in new funding to be invested through the Alberta Enterprise Corporation to spur innovation and help grow companies and increase employment in areas such as clean technology.
- ◆ \$35 million to attract and support new businesses and pursue regional economic development initiatives.
- ◆ \$25 million for new apprenticeship and training opportunities.

SUPPORTING FAMILIES IN TIMES OF HARDSHIP

Budget 2016 supports families with the new Alberta Child Benefit and other programs.

Budget 2016 recognizes that the steep decline in oil prices has had a significant effect on Alberta families as well as Alberta's economy. To help families, *Budget 2016* includes the new Alberta Child Benefit and enhanced Alberta Family Employment Tax Credit, funds ongoing income support programs and takes steps to improve the delivery of employment and training programs:

- ◆ **Alberta Child Benefit:** With \$147 million in 2016-17 and \$196 million per year beginning in 2017-18, the new Alberta Child Benefit will provide up to \$2,750 each year to Alberta's most vulnerable families, in support of 235,000 children.
- ◆ **Enhanced Alberta Family Employment Tax Credit:** The enhanced tax credit means more low income families will receive the credit and many families will receive a larger credit, providing an extra \$25 million for working families.
- ◆ **Income Support:** Employment and income support programs help eligible Albertans cover their basic costs of living and find or maintain jobs. The income support budget increases to \$480 million in 2016-17, with a further \$206 million budgeted for related adult and child health benefit programs.
- ◆ **Employment and Training Programs:** Advanced Education, Human Services and Labour worked collaboratively to implement a major realignment of how provincial employment and training programs are delivered. The outcome of this work will be a more consistent, efficient and user-friendly experience for Albertans who access these programs.

CLIMATE LEADERSHIP PLAN

With *Budget 2016* the government is implementing the Climate Leadership Plan, based on the recommendations of the Climate Change Advisory Panel. Under the Plan, Alberta will phase out emissions from coal-fired electricity generation and develop more renewable energy; implement an economy-wide carbon price on greenhouse gas emissions; set a legislated limit on oil sands emissions; and target a 45% reduction in methane gas emissions from Alberta's oil and gas sector.

Budget 2016 implements the Climate Leadership Plan.

To help encourage Albertans and Alberta businesses to reduce their greenhouse gas emissions, a carbon price of \$20/tonne effective January 1, 2017, increasing to \$30/tonne, effective January 1, 2018, will be implemented through a carbon levy on purchases of transportation and heating fuels. The prices will be applied to individual fuels based on the amounts of greenhouse gas emissions that are released when the fuel is combusted. The rates on major fuels are as follows:

Carbon Levy Rates – Major Fuels

Type of Fuel	January 1, 2017	January 1, 2018
	(\$20/tonne)	(\$30/tonne)
Diesel	5.35 ¢/L	8.03 ¢/L
Gasoline	4.49 ¢/L	6.73 ¢/L
Natural Gas	1.011 \$/GJ	1.517 \$/GJ
Propane	3.08 ¢/L	4.62 ¢/L

The carbon levy is expected to raise \$274 million in 2016-17, increasing to \$1.7 billion by 2018-19.

To help Albertans and Alberta businesses adjust to the new carbon price, the government will:

The government will help Albertans and Alberta businesses adjust to the new carbon price.

- ♦ Implement a rebate for lower and middle income Albertans; and
- ♦ Reduce the small business income tax rate to 2% on January 1, 2017.

The rebate program is designed to support lower and middle income families who are less able to make short-term investments that reduce their future greenhouse gas emissions. Under the program, eligible Albertans will receive rebates of up to \$200 for single adults, \$300 for couples, and \$30 per child under 18 years of age (to a maximum of four) in 2017. Rebates will increase, along with the carbon price, to \$300 for single adults, \$450 for couples and \$45 per child in 2018. Based on the program's income thresholds, 60% of Alberta households will be eligible for the full rebate and 66% of households will receive either a full or partial rebate. The rebates will total \$95 million in 2016-17, increasing to \$590 million by 2018-19.

Consumer Rebates

Sample Category	2017	2018
Single	\$200	\$300
Couple	\$300	\$450
Couple with 2 children	\$360	\$540

Revenue from carbon pricing will be fully reinvested in Alberta's economy.

Over five years, an estimated \$9.6 billion in gross revenue will be raised from compliance payments from large industrial emitters and the carbon levy. Revenue from carbon pricing will be fully reinvested in Alberta's economy. These dollars will help households, businesses and communities adjust to the new carbon price and take advantage of new opportunities. These dollars will also fund investments to further reduce emissions and help diversify the economy to protect existing jobs and create new jobs in Alberta. Priority areas for investment include green infrastructure, energy efficiency, renewable energy, bioenergy and innovation and technology.

The reinvested revenue will provide \$6.2 billion over five years for investments:

- ◆ \$3.4 billion for large scale renewable energy projects, transformative innovation and technology, bioenergy initiatives as well as to provide for Plan implementation.
- ◆ \$2.2 billion in green infrastructure like public transit.
- ◆ \$645 million through Energy Efficiency Alberta, a new provincial agency to be established this year, to support energy efficiency and micro-generation initiatives.

The small business income tax rate will be reduced to 2% on January 1, 2017.

The reinvested revenue will provide \$3.4 billion over five years to help households, businesses and communities adjust to the carbon price, including:

- ◆ \$2.3 billion for consumer rebates.
- ◆ \$865 million for small businesses through the tax rate reduction.
- ◆ \$195 million for other adjustments including coal community transition, and communities including Indigenous communities.

Climate Leadership Plan (millions of dollars)

	2016-17 Estimate	2017-18 Target	2018-19 Target	2019-20 Projected	2020-21 Projected	5-year Totals
Revenue:						
SGER / Compliance Payments	101	146	917	899	758	2,821
Carbon Levy	274	1,247	1,709	1,751	1,796	6,777
Gross Revenue	375	1,393	2,626	2,650	2,554	9,598
Less: Adjustment for Small Business Tax Cut	(45)	(185)	(200)	(210)	(225)	(865)
Net Revenue	330	1,208	2,426	2,440	2,329	8,733
Spending:						
Climate Leadership Investment:						
Green Infrastructure (capital)	5	208	555	680	710	2,158
Energy Efficiency Alberta ¹	45	90	165	170	175	645
Other Investment ²	175	440	1,066	940	784	3,405
Climate Leadership Adjustment:						
Consumer Rebates	95	435	590	600	610	2,330
Other Adjustment ³	10	35	50	50	50	195
Total Spending	330	1,208	2,426	2,440	2,329	8,733

¹ Revenue recycling into grants and loans to small businesses, families, building owners, industries, community organizations and municipalities to support energy efficiency and micro-generation.

² Revenue recycling into bioenergy, renewable energy, innovation and technology, Climate Leadership Plan implementation.

³ Revenue recycling into coal community transition, adjustment for communities including Indigenous communities.

REVENUE

Lower oil prices and their impact on the provincial economy will continue to affect government revenue. Non-renewable resource revenue is budgeted at just \$1.4 billion in 2016-17, a level not seen in over 40 years.

The recovery is now expected to take longer than anticipated in *Budget 2015*. Even by 2018-19, total government revenue (excluding the Climate Leadership Plan) is expected to be \$2 billion lower than was received in 2014-15.

Alberta maintains the lowest overall tax regime in Canada, with no provincial sales tax, health premium or payroll tax. Albertans across all income ranges will continue to pay the lowest overall taxes when compared to other provinces.

Alberta maintains the lowest overall tax regime in Canada.

Including the Climate Leadership Plan, total revenue will be \$41.4 billion in 2016-17, \$1.6 billion lower than forecast in 2015-16 and more than \$8 billion lower than 2014-15. Revenue is expected to grow to \$45.0 billion in 2017-18 and \$49.6 billion in 2018-19.

Budget 2016 – Revenue

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Income and Other Taxes	21,436	22,099	21,595	21,767	23,178	24,947
Non-Renewable Resource Revenue	8,948	2,768	2,474	1,364	2,753	4,225
Transfers from Government of Canada	5,982	6,984	7,236	7,278	7,430	7,667
Investment Income	3,113	2,820	2,766	2,115	2,266	2,476
Net Income from Government Business Enterprises	2,665	2,736	2,537	2,416	2,680	2,816
Premiums, Fees and Licences	3,564	3,687	3,588	3,649	3,805	3,814
Other	3,773	2,694	2,742	2,787	2,876	3,672
Total Consolidated Revenue	49,481	43,788	42,938	41,376	44,988	49,617

EXPENSE

The government is committed to managing the province's fiscal position with a long-term view, rather than making short-sighted, drastic cuts which would further exacerbate the job losses currently happening in the province.

Budget 2016 maintains the stable funding for key public services, including health care, education and social services, which was reinstated with *Budget 2015*.

Budget 2016 maintains stable funding for key public services, including health care, education and social services.

- ◆ **Health.** *Budget 2016* provides \$20.4 billion for Health in 2016-17, keeping the government's commitment to provide long-term stable funding for health care. This includes a 3% increase in Health's 2016-17 operating budget.
- ◆ **Education.** *Budget 2016* provides \$7.9 billion for Education in 2016-17, keeping the government's commitment to fully fund enrolment growth, projected at 1.3% in 2016-17.
- ◆ **Advanced Education.** *Budget 2016* provides \$5.9 billion for Advanced Education in 2016-17, keeping the government's commitment to provide stable, predictable funding for post-secondary education. Base operating grants for institutions will increase 2% per year, while accessibility and

affordability for students improves with the second year of the two-year tuition freeze.

- ◆ **Human Services.** *Budget 2016* provides \$4.4 billion for Human Services in 2016-17, keeping the government's commitment to strong families and strong communities.

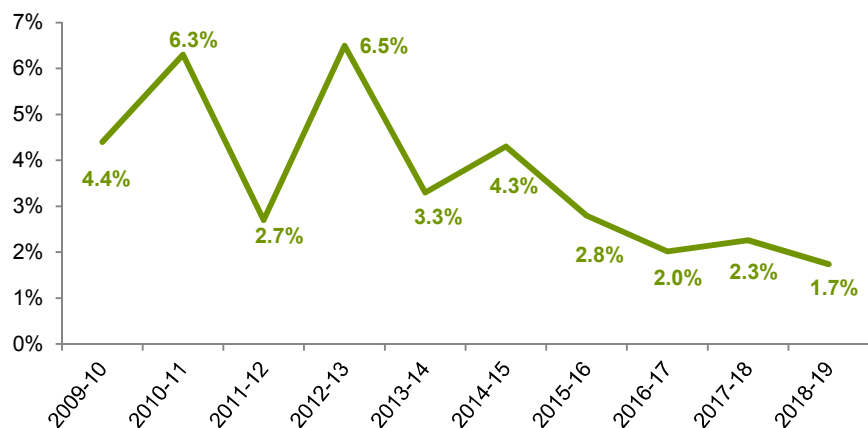
Budget 2016 reflects a number of cost saving measures.

At the same time, *Budget 2016* reflects a number of cost saving measures that help restrain the rate of growth in government operating expense:

- ◆ Freezing salaries for political staff and managers in government departments and agencies. The 2016-17 budgets for salaries and supplies in government departments are \$121 million, or nearly 2%, lower than the comparable 2015-16 budgets.
- ◆ Amalgamating or dissolving agencies, boards or commissions (ABCs) under the ABC review. In total, 26 agencies will be amalgamated or dissolved out of the 136 agencies that were reviewed in phase one, saving \$33 million over three years.
- ◆ Deferring spending included in *Budget 2015* for some of the government's platform commitments, saving \$118 million in 2016-17 and \$208 million in 2017-18.
- ◆ Identifying program reductions and other adjustments, including saving \$50 million by suspending Access to the Future Fund payments, \$45 million from realigning priorities at the Alberta Innovates Corporation and \$20 million from Alberta Community Partnership grants.

After funding priority cost pressures including enrolment growth in Education, *Budget 2016* reflects net reductions in operating expense of about \$300 million in both 2016-17 and 2017-18 from the comparable amounts included in *Budget 2015*. With an ongoing commitment to find \$250 million per year in savings from lower priority programs, operating budget increases average just 2% per year in *Budget 2016*, well below projected population growth plus inflation which is expected to average 3% per year over the next three years.

Operating Expense Increases



Source: Alberta Treasury Board and Finance

Including the Climate Leadership Plan, total expense will be \$51.1 billion in 2016-17, \$53.6 billion in 2017-18 and \$56 billion in 2018-19.

Budget 2016 – Expense

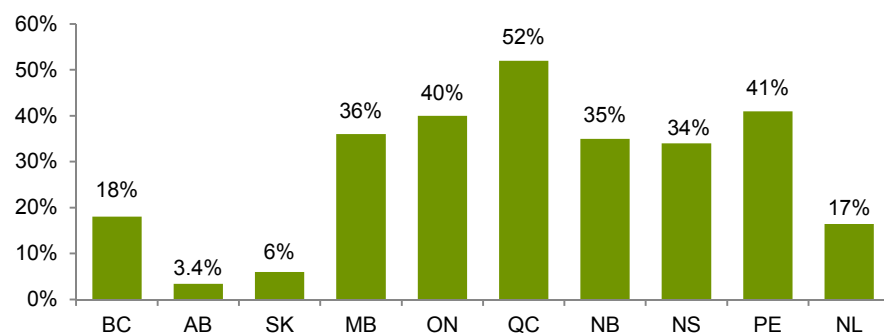
(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Operating Expense (net of in-year savings)	42,047	43,209	43,222	44,094	45,090	45,874
Disaster assistance (with operating 2013 flood support)	351	829	647	246	228	204
Capital Grants	2,466	1,975	1,862	2,288	2,577	2,391
Climate Leadership Plan	-	-	-	330	1,208	2,426
Amortization / Inventory Consumption / Loss on Disposals	3,184	3,083	3,083	3,208	3,264	3,271
Debt Servicing Costs: Capital Plan & General Government	722	778	775	996	1,432	2,003
Pension Provisions	(404)	31	(258)	(65)	(180)	(201)
Total Consolidated Expense	48,366	49,906	49,331	51,097	53,619	55,968

FISCAL MANAGEMENT

Debt to GDP Ratio. The government is committed to maintaining one of the lowest debt to nominal GDP ratios among the provinces. The 15% limit set in the *Fiscal Planning and Transparency Act* is being removed to provide the flexibility required to deal with current economic realities.

Debt to GDP Ratio – Provincial Comparison (2014–15 data)



Source: Alberta Treasury Board and Finance

Risk Adjustment. Alberta's revenue is extremely volatile and difficult to predict given the province's reliance on resource revenue. *Budget 2016* introduces a risk adjustment factor, bringing an increased level of prudence to Alberta's budget and fiscal planning. The risk adjustment reflects the potential impact on resource revenue of more conservative oil price assumptions, moving to roughly \$10/barrel less per year than the average of private sector forecasts. The risk adjustment is included in the calculation of the deficit.

Budget 2016 introduces a risk adjustment factor to reflect the volatility of Alberta's resource revenue.

Budget 2016 – Risk Adjustment

	2016-17 Estimate	2017-18 Target	2018-19 Target
Oil Prices (WTI, US\$/bbl)			
<i>Budget 2016</i>	42	54	64
Low Price Scenario	36	43	54
Risk Adjustment – increases the deficit (\$ billion)	(0.7)	(1.5)	(2.0)

Budget 2016 – Key Fiscal Metrics

(billions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Consolidated Revenue	49.5	43.8	42.9	41.4	45.0	49.6
Consolidated Expense	48.4	49.9	49.3	51.1	53.6	56.0
Risk Adjustment	-	-	-	(0.7)	(1.5)	(2.0)
Consolidated Surplus / (Deficit)	1.1	(6.1)	(6.4)	(10.4)	(10.1)	(8.4)
Other Key Metrics:						
Capital / Other Non-financial Assets	44.8	48.4	47.5	51.4	54.5	57.0
Heritage Fund Year-end Balances	15.0	15.1	15.2	15.4	15.7	16.0
Contingency Account Year-end Balances	6.5	3.3	3.8	-	-	-
Liabilities for Capital Projects / Fiscal Plan Borrowing	12.9	18.9	20.0	30.5	45.2	57.6
Debt to Nominal GDP Ratio	3.4%	5.7%	6.0%	9.6%	13.1%	15.5%

ENERGY AND ECONOMIC ASSUMPTIONS

The Budget 2016 outlook is in line with private sector forecasts for Alberta.

The *Budget 2016* outlook is prudent and in line with other forecasts for energy prices and other economic and financial variables. The revenue forecast is based on much lower oil prices than anticipated in *Budget 2015*. WTI now forecast to average US\$42/bbl in 2016-17, \$54 in 2017-18 and \$64 in 2018-19.

Alberta's real GDP shrank by an estimated 1.5% in 2015 and is forecast to fall a further 1.4% in 2016 due to the impact of sharply lower oil prices. This would mark the first time since 1982-83 that the Alberta economy has seen two consecutive years of negative growth. Alberta's economy is expected to rebound by 1.9% in 2017.

Alberta's labour market deteriorated in the final quarter of 2015 and early part of 2016 with substantial job losses and a further increase in the unemployment rate. In 2016, employment is expected to fall by 1.7% and the unemployment rate is forecast to average 8%.

Energy and Economic Assumptions

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
WTI Oil (US\$/bbl)	80.48	50.00	45.00	42.00	54.00	64.00
Light-Heavy Differential (US\$/bbl)	17.30	13.60	13.40	15.20	17.50	18.50
WCS@Hardisty (Cdn\$/bbl)	70.78	46.50	41.00	36.40	48.30	59.00
Natural Gas (Cdn\$/GJ)	3.51	2.60	2.30	2.40	2.80	3.00
Conventional Crude Oil Production (000s barrels/day)	586	560	529	524	506	489
Raw Bitumen Production (000s barrels/day)	2,330	2,473	2,403	2,668	2,890	3,151
Exchange Rate (US\$/Cdn\$)	88.0	78.0	76.0	73.5	75.5	77.5
Interest Rate (3-month Canada treasury bills, %)	0.85	0.50	0.49	0.54	0.93	1.49
	2014	2015b	2015f	2016	2017	2018
Real GDP (% change)	4.8	(1.0)	(1.5)	(1.4)	1.9	2.8
Employment (% change)	2.2	1.0	1.2	(1.7)	0.9	2.1
Unemployment Rate (%)	4.7	5.8	6.0	8.0	7.5	6.5
Primary Household Income (% change)	6.7	2.5	0.3	(1.4)	2.4	4.2
Net Corporate Operating Surplus (% change)	17.0	(54.8)	(51.9)	(18.0)	48.6	32.9
Alberta Consumer Price Index (% change)	2.6	0.9	1.1	1.5	1.7	2.1
Population (% change)	2.8	1.8	1.8	1.2	1.0	1.3

Population growth is expected to moderate to 1.2%, or about 51,000 people in 2016, primarily as a result of net outflows of interprovincial migrants. Population growth is forecast to ease further to 1.0% in 2017, before picking up slightly in 2018.

Low oil prices continue to weigh on the energy sector, where capital spending is expected to fall again in 2016. This lower capital spending is now effecting related sectors, including construction and manufacturing.

Some industries, such as agriculture, forestry and manufacturing, will continue to benefit from a lower Canadian dollar, reduced cost pressures and a stronger US economy. Infrastructure spending by the provincial government is expected to provide a lift, partially offsetting the decline in private investment in 2016 and 2017.

Oil sands production will continue to expand, reflecting investments made prior to the oil price collapse. Market access remains critical given the production profile of the oil sands and the increased reliance on higher cost rail transportation.

CAPITAL PLAN

Budget 2016 continues the ambitious investment in modern, efficient infrastructure that was introduced in *Budget 2015*. The Capital Plan will help stimulate the economy, keep people working and upgrade or expand existing infrastructure. The Capital Plan will support \$34.8 billion in infrastructure projects over five years, with \$2.2 billion for green infrastructure under the Climate Leadership Plan. There is another \$4.4 billion for ancillary projects self-financed by Alberta Health Services, post-secondary institutions and school boards.

The Budget 2016 Capital Plan supports \$34.8 billion in projects over five years.

The *Budget 2015* Capital Plan included \$4.4 billion to be allocated to new projects and programs in the future, of which \$150 million was allocated in 2015-16. In *Budget 2016*, the remaining \$4.25 billion is allocated as follows:

- ◆ \$3.13 billion for new projects, including continuing care beds, affordable housing, new schools and school modernizations and transportation infrastructure including twinning the Peace River bridge.

Budget 2016 – Capital Plan

(billions of dollars)

	2016-17 Estimate	2017-18 Target	2018-19 Target	2019-20 Projected	2020-21 Projected	5-year Totals
Capital Plan Spending:						
Core Government	7.6	7.3	6.3	5.8	5.6	32.6
Climate Leadership Plan	-	0.2	0.6	0.7	0.7	2.2
SUCH Sector – Self-financed Investment	0.9	0.8	1.0	0.9	0.9	4.4
Consolidated Capital Plan Spending	8.5	8.3	7.9	7.4	7.2	39.2
Capital Plan Financing:						
Direct Borrowing	5.0	6.1	5.4	5.1	4.9	26.5
Alternative Financing (P3s)	0.2	0.2	0.2	0.2	0.2	1.0
Other Cash Sources (e.g., retained income)	2.4	1.0	0.7	0.5	0.5	5.1
Climate Leadership Plan	-	0.2	0.6	0.7	0.7	2.2
SUCH Sector Self-financing	0.9	0.8	1.0	0.9	0.9	4.4
Total Capital Plan Financing	8.5	8.3	7.9	7.4	7.2	39.2

- ◆ \$864 million for additional capital maintenance and renewal;
- ◆ \$145 million for planning funds for future projects; and
- ◆ \$114 million remains as a contingency for emergent projects.

The *Budget 2016* Capital Plan provides \$9.0 billion in municipal infrastructure support over five years, including \$6.1 billion under the Municipal Sustainability Initiative and \$1.4 billion for GreenTRIP and other transportation projects. There is \$6.2 billion budgeted for capital maintenance and renewal to ensure public facilities will continue to serve the needs of Albertans.

The Plan provides \$3.5 billion in direct support for health facilities and equipment over five years, with \$1.2 billion for the new Calgary Cancer Centre and \$500 million for future projects. There is also \$3.5 billion for schools, with \$2.9 billion to complete the 200 new and modernization projects previously announced and \$500 million for future projects.

IMPLEMENTING GOVERNMENT COMMITMENTS

Budget 2016 keeps the government's commitments to provide stable funding for key public services, including health care, education and social services. Given the economic and fiscal challenges facing Alberta, some of the spending commitments that were included in *Budget 2015* will be deferred. Additional work is required before commitments such as reducing school fees can be implemented.

- ✓ Stable funding for health care, including mental health
- ✓ Stable funding for education, including fully funding enrolment growth
- ✓ Stable funding for post-secondary education, including post-secondary tuition freeze
- ✓ Stable funding for social services, including Family and Community Support Services and women's shelters, with new funding for the Alberta Child Benefit
- ✓ Re-launch Summer Temporary Employment Program (STEP)



FISCAL PLAN

REVENUE

The Alberta
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REVENUE

REVENUE OUTLOOK

Total revenue is forecast to be \$41.4 billion in 2016-17, a decline of \$1.6 billion, or 3.6% from the forecast for 2015-16. This is \$8.1 billion, or 16.4% lower than revenue was in 2014-15, when the dramatic collapse in oil prices began. The negative impact of substantially lower oil prices on business investment, employment, and incomes of both households and corporations has worsened, as prices have dropped more than anticipated and are now expected to take longer to recover. Alberta's economy contracted by an estimated 1.5% in 2015, and is forecast to contract by 1.4% in 2016, as the distress in the energy sector has deepened and spilled over into other sectors of the economy. The government's revenue forecast has continued to deteriorate: 2016-17 non-renewable resource revenue and corporate income tax revenue are forecast to be \$7.6 billion and \$1.5 billion lower than they were in 2014-15.

➤ Total revenue forecast to be \$41.4 billion in 2016-17.

Relative to the October *Budget 2015* forecast, 2015-16 revenue is \$850 million lower, while 2016-17 revenue has decreased by \$4.3 billion, primarily due to the weakness and delay in the oil price recovery. About half of the drop in forecast 2016-17 revenue is from resource revenue and half from income tax revenue. Total revenue in 2018-19 is estimated to be \$1.8 billion lower, but this includes a net \$2.4 billion increase from Climate Leadership Plan revenue initiatives, which helps boost 2018-19 revenue to \$49.6 billion, about the same as 2014-15 revenue. These changes from the forecast produced just six months ago indicate just how rapid and significant the impacts of oil price volatility can be on Albertans, our economy and government revenue.

Total Revenue

(millions of dollars)

	2014-15	2015-16	2015-16	2016-17	2017-18	2018-19
	Actual	Budget	Forecast	Estimate	Target	Target
Personal income tax	11,042	12,047	11,278	11,405	11,759	12,363
Corporate income tax	5,796	4,745	4,972	4,325	4,263	4,819
Other tax revenue	4,598	5,307	5,345	6,037	7,156	7,765
Resource revenue – Bitumen royalties	5,049	1,547	1,144	656	1,586	2,986
Resource revenue – other	3,899	1,221	1,330	708	1,167	1,239
Federal transfers	5,982	6,984	7,236	7,278	7,430	7,667
Investment income	3,113	2,820	2,766	2,115	2,266	2,476
Net income from business enterprises	2,665	2,736	2,537	2,416	2,680	2,816
Premiums, fees and licences	3,564	3,687	3,588	3,649	3,805	3,814
Other revenue	3,773	2,694	2,742	2,787	2,876	3,672
Total Revenue	49,481	43,788	42,938	41,376	44,988	49,617
Change from Budget 2015						
Personal income tax			(769)	(1,246)	(1,423)	(1,549)
Corporate income tax			227	(501)	(586)	(474)
Other tax revenue			38	393	1,384	1,858
Resource revenue – Bitumen royalties			(403)	(1,147)	(1,227)	(1,413)
Resource revenue – other			109	(901)	(385)	(394)
Investment income			(54)	(449)	(246)	(129)
Other revenue			2	(483)	(448)	280
Total Revenue			(850)	(4,334)	(2,931)	(1,821)

Oil prices weak for 2016, but expected to start rising in 2017 when supply-demand imbalance begins to correct.

The revenue forecast is based on oil prices remaining weak for most of 2016, but starting to rise near the end of the year when the excess of global oil supply relative to demand is expected to begin shrinking. After significant job losses in 2016, lower household incomes and two years of significant drops in corporate profits, it is forecast that 2017 will bring employment gains and positive income growth. The economy is expected to expand by 1.9% in 2017, supported by the recovery in oil prices, continued easing of cost pressures, rising oil sands production, a low Canadian dollar and a stronger US economy. The lingering effects of several years of lower energy investment and job losses will persist over the next several years though, with slower personal income, employment and population growth.

Total revenue is forecast to grow by \$8.2 billion, an average of 9.5% per year, between 2016-17 and 2018-19, led mainly by bitumen and crude oil royalties, income taxes and new revenue from Climate Leadership Plan initiatives.

There are a myriad of 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.

Two new tax credits to encourage investment. Small business rate reduced from 3% to 2%.

Budget 2016 contains several revenue initiatives in support of jobs, investment and diversification and the Climate Leadership Plan. First, two new tax credits are being implemented: one, to encourage investment in eligible small and medium-sized businesses, is reported as expense as it primarily will be a refundable credit; the second, to encourage investment in capital fostering economic diversification, is part of corporate income tax, and reduces revenue by \$15 million in 2016-17 and \$60 million in 2017-18.

Climate Leadership Plan establishes carbon prices to encourage emission reductions. Revenue raised to be fully recycled.

The Climate Leadership Plan imposes an economy-wide price on carbon emissions to discourage consumption with a new carbon levy and new product-based performance standards based on the existing Specified Gas Emitters Regulation (SGER). The carbon levy, included in "Other Tax Revenue," applies to purchases of transportation and heating fuels (\$20/tonne on January 1, 2017, rising to \$30/tonne on January 1, 2018), and is estimated to raise \$274 million in 2016-17, and \$1.7 billion by 2018-19. Large final emitters currently able under SGER to pay for any emissions that exceed their targets, will pay these prices a year earlier (\$20/tonne in 2016; \$30/tonne in 2017). Compliance payments are included in "Other Revenue," and are estimated at \$101 million in 2016-17, and \$917 million by 2018-19. To assist businesses affected by increased costs, the small business corporate income tax (CIT) rate is being reduced effective January 1, 2017, from 3% to 2%, lowering CIT revenue by \$185 million in 2017-18. More details are provided in the Tax Plan chapter.

Climate Leadership Plan Revenue Initiatives (millions of dollars)	2016-17 Estimate	2017-18 Target	2018-19 Target
Climate Leadership Plan:			
Carbon levy	274	1,247	1,709
Specified Gas Emitters Regulation compliance payments	101	146	917
Gross Climate Leadership Plan revenue	375	1,393	2,626
Small business income tax rate decrease	(45)	(185)	(200)
Net Climate Leadership Plan revenue	330	1,208	2,426

NON-RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue in 2016-17 accounts for 3.3% of total revenue, though its share is expected to grow to 8.5% by 2018-19. It is forecast at \$1.4 billion, \$1.1 billion, or 45% lower than in 2015-16, and \$7.6 billion or 85% lower than in 2014-15. Most of the deterioration in revenue is due to the impact of falling global oil prices on bitumen and crude oil royalties. Resource revenue is then estimated to increase by an average of 76% per year between 2016-17 and 2018-19, to \$4.2 billion, with substantial growth in bitumen royalties, mainly due to the slow improvement in oil prices and rising production. However, resource revenue forecast for 2018-19 is still less than half of actual 2014-15 resource revenue. The changes to the royalty regime recommended by the Royalty Review Advisory Panel are intended to be “revenue neutral.”

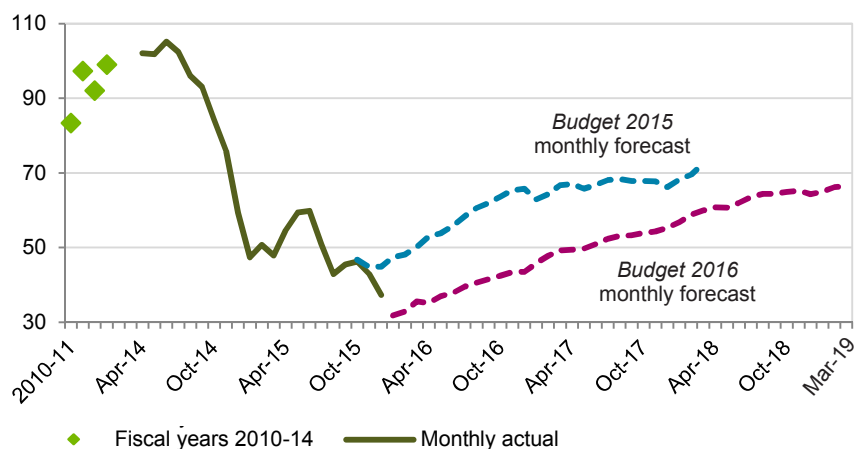
Resource revenue in 2016-17 is estimated at \$1.4 billion, 85% lower than 2014-15.

After the West Texas Intermediate (WTI) oil price averaged almost US\$93 per barrel (/bbl) in the previous four fiscal years 2010-11 to 2013-14, the WTI price tumbled by 55%, from US\$105/bbl average in June 2014 to just under \$48/bbl in March 2015. The collapse in prices arose from global supply growth exceeding demand growth. Significant increases in North American production over several previous years, and the return of production from Iraq and Libya boosted supply, while a slowdown in developing economies muted demand growth. OPEC members in late 2014 also decided not to cut production to support prices, but rather sought to force other higher-cost producers to restrain output to correct the “over-supplied” global market.

Increasing supply, slowing demand growth and OPEC’s decision not to cut production resulted in oil price decline.

Global demand exceeded expectations during summer 2015, causing prices to climb in May and June. But this rally was short lived, and prices slumped again in late July and have continued to languish since, sinking to the mid-US\$20 range in January 2016, an over 70% drop from June 2014. Supply growth has not tapered as much as expected, with Saudi Arabia and Iraq increasing output, Canadian, Russian and US production also climbing, and supply from Iran now expected to re-enter the market after the January 2016 nuclear deal removed economic sanctions. Meanwhile, demand growth estimates continue to be tempered by economic uncertainty in China and elsewhere.

Oil Prices, 2010–14 fiscal year actuals; 2014–19 monthly
(US \$ per barrel)



Most analysts now expect oil prices to stay subdued until early 2017.

Most analysts now expect that excess supply and lower oil prices will continue for the remainder of 2016, with supply and demand beginning to rebalance in 2017. The impact of lower drilling in North America, reduced investment elsewhere and production disruptions in war-torn regions should slow supply growth over the next year, even with added Iranian production, while demand should pick up in response to low prices. This in turn will support increasing prices, as a portion of incremental supply comes from higher-cost production.

Revenue forecast based on US\$42 oil price in 2016-17, and US\$64 by 2018-19.

The forecast is based on the WTI oil price averaging US\$42 in 2016-17, \$54 in 2017-18 and \$64 in 2018-19. 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:

Increased reliance on rail transportation widens the differential, lowers prices Alberta producers receive, and reduces royalty revenue.

- ◆ The Western Canadian Select price (WCS), a benchmark price for heavy oil (blended bitumen), is determined by the WTI US dollar price less a “light-heavy differential,” that is largely linked to costs of transporting Alberta production to markets and to refinery demand. Sufficient pipeline capacity lowers costs and the differential, increasing prices Alberta producers can achieve; moving product by rail increases costs and the differential, lowering WCS. In 2016-17, the differential is estimated at US\$15.20/bbl, up from \$13.40 forecast for 2015-16, but about a dollar lower than estimated in *Budget 2015*. With Alberta production ramping up as more projects come on stream, access to Gulf Coast 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\$18.50 by 2018-19.

- ◆ A lower US-Canadian dollar exchange rate also supports royalty revenue. The reduction in the exchange rate has been caused mostly by the strength of the US dollar relative to most currencies with US economic performance improving. 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 increases oil prices when they are converted from US dollars into Canadian dollars, elevating producers’ revenue and incomes in Canadian dollars. The exchange rate is expected to strengthen over the forecast period.

- ◆ Bitumen production continues to grow, and is estimated to increase 31% between 2015-16 and 2018-19 as projects currently under construction are completed. Conventional crude oil production is expected to slowly decline as drilling levels fall.

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

- ◆ Low oil prices are dampening Alberta’s labour costs and reducing 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 are forecast to 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.

Bitumen royalties are estimated at \$656 million in 2016-17, \$488 million, or 43% lower than in 2015-16, and \$4.4 billion or 87% lower than 2014-15. They are forecast to increase to almost \$3 billion in 2018-19, with an average annual growth rate of 113% between 2016-17 to 2018-19. The main drivers are increasing oil prices and higher production.

Bitumen royalties of \$656 million in 2016-17, 87% lower than in 2014-15.

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 \$333 million in 2016-17, \$277 million or 45% lower than in 2015-16, and \$1.9 billion or 85% lower than in 2014-15. While they are anticipated to recover, they are forecast at only \$616 million by 2018-19, with average annual growth of 36% between 2016-17 and 2018-19. Incentives in the royalty system 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 2015, 83% of crude oil wells placed in production were horizontal wells.

Conventional oil royalties of \$333 million in 2016-17, 85% lower than in 2014-15.

Oil Assumptions

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Revenue (\$ millions)						
Bitumen royalty	5,049	1,547	1,144	656	1,586	2,986
Crude oil royalty	2,245	536	610	333	659	616
Prices						
West Texas Intermediate (US\$/bbl)	80.48	50.00	45.00	42.00	54.00	64.00
WCS @ Hardisty (Cdn\$/bbl)	70.78	46.50	41.00	36.40	48.30	59.00
Differential (US\$/bbl)	(17.30)	(13.60)	(13.40)	(15.20)	(17.50)	(18.50)
Production (thousands of barrels / day)						
Conventional	586	560	529	524	506	489
Raw bitumen	2,330	2,473	2,403	2,668	2,890	3,151
Exchange rate (US\$/Cdn\$)	88.0	78.0	76.0	73.5	75.5	77.5

Natural gas and by-product royalties are estimated at \$151 million in 2016-17, \$190 million or 56% lower than in 2015-16, and \$838 million or 85% lower than in 2014-15. They are expected to grow at 53% per year on average, out to 2018-19, when they are forecast at \$355 million. Revenue includes royalties from natural gas by-products, such as propane, butane and pentane, whose prices and associated revenue more closely follow oil prices. The recently announced Petrochemicals Diversification Program, which will provide royalty credits for investment in new petrochemical facilities, is estimated to reduce revenue by \$20 million in 2018-19.

Immediate outlook for natural gas prices and royalties remains weak.

The immediate outlook for natural gas prices continues to be weak, with abundant natural gas supplies keeping prices low. North American natural gas storage is at record levels, after weather in both the summer and winter was mild, and from continued growth in US shale gas production. Gas production is anticipated to keep pace with demand growth arising from improving US economic conditions, US liquid natural gas exports and retirement of coal-fired electricity plants over the medium term.

As a result, the Alberta Reference Price (ARP) for 2016-17 is estimated at Cdn\$2.40/GJ, 10 cents higher than 2015-16, but \$1.11 lower than 2014-15. The ARP is forecast to remain low over the next two years, reaching \$3.00/GJ by 2018-19. Natural gas production is forecast to increase slightly in 2015-16 and then to trend down.

Natural Gas Assumptions

	2014-15	2015-16	2015-16	2016-17	2017-18	2018-19
	Actual	Budget	Forecast	Estimate	Target	Target
Revenue (\$ millions)	989	343	341	151	230	355
Price (Cdn\$/GJ)	3.51	2.60	2.30	2.40	2.80	3.00
Production (billions of cubic feet)	4,700	4,778	4,841	4,765	4,648	4,533

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 2015-16, revenue from land lease sales is estimated at \$210 million, while in 2016-17 it is estimated at \$95 million. With companies tightening their belts, it is anticipated that fewer hectares will be sold and at lower per hectare prices over the forecast period. In fact, 2015 bonuses were the lowest in 23 years, while average prices per hectare were the lowest in 19 years.

Non-Renewable Resource Revenue

(millions of dollars)

	2014-15	2015-16	2015-16	2016-17	2017-18	2018-19
	Actual	Budget	Forecast	Estimate	Target	Target
Bitumen royalty	5,049	1,547	1,144	656	1,586	2,986
Crude oil royalty	2,245	536	610	333	659	616
Natural gas & by-products royalty	989	343	341	151	230	355
Bonuses & sales of Crown leases	476	181	210	95	157	156
Rentals and fees	173	145	156	118	109	101
Coal royalty	16	15	13	11	12	11
Total Resource Revenue	8,948	2,768	2,474	1,364	2,753	4,225

TAX REVENUE

Tax revenue is forecast at \$21.8 billion in 2016-17. This is an increase of \$172 million, or 1% from 2015-16, but this includes additional revenue of \$274 million from the Climate Leadership Plan carbon levy. The one percentage point increase to the insurance premiums tax, that took effect on April 1, 2016 and was first announced in the March 2015 budget, also adds about \$161 million in estimated revenue in 2016-17. Without these two changes, revenue would be \$21.3 billion, lower than both 2015-16 and 2014-15 revenue. Furthermore, a large portion of the \$588 million increase in “Other taxes” in 2015-16 from 2014-15, that carries forward to subsequent years, is due to the increases to tobacco and fuel taxes implemented in both the March and October 2015 budgets. Finally, personal and corporate income taxes were raised in 2015. The revenue added from these various policy changes obscures the extent of the weakness in revenue Alberta would have experienced, especially in corporate and personal income taxes. Tax revenue is forecast to grow about 7% per year between 2016-17 and 2018-19, reaching \$24.9 billion, but much of this increase is due to the ramping up of the carbon levy. Without the carbon levy, tax revenue would grow by 4% per year, to \$23.2 billion. More details on the carbon levy are provided in the Tax Plan chapter.

Tax revenue forecast at \$21.8 billion in 2016-17.

Personal income tax is estimated at \$11.4 billion in 2016-17. After removing a \$97 million positive prior-years’ adjustments to 2015-16 revenue, base personal income tax revenue is estimated to increase by only \$224 million, or 2% from 2015-16. This is entirely due to the tax rate increases implemented in 2015, as primary household income growth is forecast to be negative 1.4% in 2016, with job losses and negative wage growth. These turn positive in 2017 and beyond. As a result, personal income tax revenue is forecast to increase by an average of 4.1% per year between 2016-17 and 2018-19, though this is well below the pace of growth experienced in recent years.

Personal income tax revenue forecast at \$11.4 billion in 2016-17, and expected to increase by 4.1% per year over the next two years.

Corporate income tax is forecast at \$4.3 billion in 2016-17, \$647 million or 13% lower than 2015-16 and \$1.5 billion or 25% lower than 2014-15. Revenue in 2015-16 is forecast to have increased slightly from the *Budget 2015* estimate despite the deeper drop in oil prices, based on higher-than-expected cash instalment payments from corporations. Corporate income tax revenue is expected to decrease again in 2017-18, before increasing in 2018-19, when it is forecast to be \$4.8 billion. Corporate profits are estimated to have declined by 52% in 2015, and are expected to decline 18% in 2016, before increasing by 49% in 2017, mirroring the swings in oil prices.

Corporate income tax revenue forecast at \$4.3 billion in 2016-17, 25% lower than in 2014-15.

As part of the jobs, investment and diversification package, a two-year Capital Investment Tax Credit for spending on property or other capital in eligible industries is estimated to reduce revenue by \$15 million in 2016-17 and \$60 million in 2017-18. A portion of the revenue raised under the Climate Leadership Plan is being allocated to offset revenue reduced by lowering the small business corporate income tax rate, effective January 1, 2017, from 3% to 2%. This is intended to help small businesses deal with higher costs resulting from the carbon levy, and is estimated to reduce revenue by \$45 million in 2016-17, \$185 million in 2017-18 and \$200 million by 2018-19. More details are provided in the Tax Plan chapter.

Climate Leadership Plan includes small business rate cut.

Education property tax revenue is forecast at \$2.4 billion in 2016-17, an increase of \$153 million, or 6.8% from 2015-16. The increase is due primarily to setting the fiscal year requisition amounts based on 32% of the total education system operating expense target, which was elevated by higher-than-expected K-12 enrolment growth for the 2015-16 school year, and then 1.3% growth for 2016-17. The government intends to determine the approach for setting the requisition amount as part of each annual budget process, providing flexibility with respect to property tax policy.

Education property tax mill rates for 2016 are being reduced by 0.8%. The residential/farm rate will drop 2¢ to \$2.48 per \$1,000 of equalized assessment, and the non-residential rate will fall 3¢ to \$3.64 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 25%, while the municipal portion has increased from 49% to 75%. Education property tax revenue is forecast to increase \$94 million by 2018-19, an average of 1.9% per year between 2016-17 and 2018-19.

Other tax revenue is forecast at \$3.3 billion in 2016-17, an increase of \$265 million, or 8.6% from 2015-16, but \$853 million or 34% higher than in 2014-15. The change from 2015-16 primarily reflects the one percentage point increase to the insurance premiums tax, effective April 1, 2016, announced March 2015. The change from 2014-15 is mainly from the higher tobacco and fuel tax rates implemented in March and October 2015. Other tax revenue is anticipated to grow at an annual average of 2.9% between 2016-17 and 2018-19, reaching \$3.5 billion.

Tax Revenue

(millions of dollars)

	2014-15	2015-16	2015-16	2016-17	2017-18	2018-19
	Actual	Budget	Forecast	Estimate	Target	Target
Personal income tax	11,042	12,047	11,278	11,405	11,759	12,363
Corporate income tax	5,796	4,745	4,972	4,325	4,263	4,819
Education property tax	2,102	2,253	2,261	2,414	2,463	2,508
Carbon levy	-	-	-	274	1,247	1,709
Other taxes	2,496	3,054	3,084	3,349	3,446	3,548
Total	21,436	22,099	21,595	21,767	23,178	24,947

FEDERAL TRANSFERS

Federal transfers are forecast at \$7.3 billion in 2016-17. This is an increase of \$42 million or 0.6% from 2015-16, though 2015-16 revenue included a one-time payment of \$251 million under the federal Fiscal Stabilization program. Removing this, 2016-17 revenue is up \$293 million or 4.2% from 2015-16.

Federal transfers forecast to be \$7.3 billion in 2016-17.

The Canada Social Transfer and Canada Health Transfer grow in line with the federal annual escalators (3% for CST and 6% for CHT until 2017-18 when the CHT escalator will be based on national nominal GDP growth) and changes to Alberta's share of the national population. Federal transfers are forecast to grow by an average of 2.6% between 2016-17 and 2018-19, reaching \$7.7 billion.

The federal government has committed to providing provinces with significant support for infrastructure, to help deal with current economic difficulties. Since 2012-13, the Alberta Auditor General has required Alberta to adopt the option under accounting standards of deferring revenue recognition of transfers for infrastructure until the related asset is completed, and then to recognize the revenue against the corresponding amortization expense. In other words, Alberta will receive cash from the federal government, spend it on asset acquisition (capital investment), but not record anything in either revenue or expense. When the asset is completed, it will be added to the balance sheet, and then depreciated over time through amortization expense. On the revenue side, a liability is recorded (deferred capital contribution), and it too will be reduced over time as federal revenue is recognized to match amortization expense.

Federal transfers for infrastructure not reported in revenue when cash spent, but rather over multiple future years as related asset is depreciated.

Included in Capital Plan funding is therefore estimated cash to be received and spent, but the revenue is not reported until later and is spread out over the "life" of the asset. *Budget 2016* assumes \$583 million in cash funding previously committed by the federal government for the Calgary ring road and another \$700 million for other projects. Nothing is included related to the additional funding announced in the recent federal budget, as program parameters and other details have not been finalized.

Transfers from Government of Canada

(millions of dollars)

	2014-15	2015-16	2015-16	2016-17	2017-18	2018-19
	Actual	Budget	Forecast	Estimate	Target	Target
Canada Health Transfer	3,601	3,967	4,005	4,223	4,344	4,519
Canada Social Transfer	1,452	1,513	1,516	1,563	1,608	1,659
Transfers to SUCH sector	321	484	484	500	522	523
Agriculture support programs	288	313	273	300	279	289
Infrastructure support	341	289	269	282	263	266
2013 Alberta flood assistance	(423)	-	-	-	-	-
Other transfers	402	418	689	410	414	411
Total	5,982	6,984	7,236	7,278	7,430	7,667

INVESTMENT INCOME

Investment income is forecast at \$2.1 billion in 2016-17 a \$651 million or 23.5% decrease from 2015-16, and \$998 million or 32.1% lower than income in 2014-15. The decline in investment income is mainly due to significant gains from strong equity markets in 2013, and income from those gains being realized in subsequent years as the assets are sold. Indeed, 2013-14 investment income was the second highest level ever, and portions of gains embedded in Heritage and endowment fund assets from that year were realized in 2014, boosting 2014-15 income. A significant gain was also realized in 2015-16 when Alberta's interest in a toll road in Chile was sold.

Investment income drops in 2016-17 from previous years' strong results, but then grows by 8.2% per year as returns reset to normal levels.

Investment income is estimated to increase by an average of 8.2% per year between 2016-17 and 2018-19, as income realized by the Heritage and endowment funds, and overall financial market returns, reset to normal levels. Income now includes about \$260 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 17.8% per year between 2016-17 and 2018-19. 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. A large portion of the government's general debt servicing costs reflect this activity, and ACFA's investment income is approximately offset by the related debt servicing costs.

Investment income of Agriculture Financial Services Corporation (AFSC) is forecast to increase by an average of 12.4% per year between 2016-17 and 2018-19, due to higher interest income from lending programs and higher estimated balances in insurance funds.

Contingency Account employed to offset deficits and protect valued programs during this time of low oil prices and revenue challenges.

Investment income from the Contingency Account is forecast to decrease as its balance is exhausted in 2016-17, as is its function, to deal with the deficits associated with the current revenue challenge. As the government returns to surplus, the Contingency Account will be replenished.

Fund Assets / Investment Income

(millions of dollars)

	Assets as at Mar. 31, 2015	2014-15 Actual	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Heritage Savings Trust Fund	14,961	1,825	1,643	1,185	1,325	1,449
Endowment Funds ^a	3,321	354	372	256	283	305
Contingency Account	6,529	116	108	62	-	-
Alberta Capital Finance Authority	15,062	225	190	157	178	218
Agriculture Financial Services Corp.	4,353	132	132	137	153	173
SUCH sector	n.a.	369	264	258	261	256
Other ^b	578	92	57	60	66	75
Total	44,804	3,113	2,766	2,115	2,266	2,476

^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 Corporation; 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 \$8.9 billion in 2016-17, \$15 million lower than 2015-16. The decrease is primarily due to the broader impact of low oil prices on Alberta's economy. Gaming and lottery revenue is down \$94 million, while net income from Alberta Treasury Branches (ATB) is \$55 million lower. This follows an expected severe drop of \$201 million from budget in 2015-16 ATB net income, due to higher loan loss provisions. Lower ATB net income also means that ATB's payment in lieu of taxes reported in "Other premiums, fees and licenses" has also been reduced. Forecasts for other volume-driven revenue sources, such as land titles and motor vehicle licenses are also slightly weaker. The two-year freeze on post-secondary tuition fees remains, saving students \$65 million in 2016-17.

Alberta Treasury Branch net income and other volume-driven revenue also impacted by low oil prices.

Other revenue is estimated to grow by an average of 7.9% per year between 2016-17 and 2018-19, reaching \$10.3 billion. This relatively strong growth is mainly due to increasing compliance payments to the Climate Change and Emissions Management Fund from large emitters who exceed their emissions targets, as part of the Climate Leadership Plan changes. Revenue is estimated to increase by \$816 million between 2016-17 and 2018-19, with deeper emissions reduction targets and the higher carbon prices.

Revenue from Other Sources

(millions of dollars)

	2014-15	2015-16	2015-16	2016-17	2017-18	2018-19
	Actual	Budget	Forecast	Estimate	Target	Target
AGLC - Gaming / lottery	1,526	1,545	1,545	1,451	1,481	1,510
AGLC - Liquor	767	851	854	868	879	895
Alberta Treasury Branches	325	283	82	27	226	272
Post-secondary tuition fees	1,116	1,138	1,138	1,157	1,199	1,199
Health / school board fees	672	669	671	711	724	681
Other premiums, fees and licences	1,776	1,880	1,779	1,781	1,882	1,934
SUCH sales, rentals, services	850	903	906	950	972	966
SUCH fundraising, donations, gifts	667	564	561	568	586	582
Climate Change and Emissions Management Fund	77	91	92	101	146	917
Other	2,226	1,193	1,239	1,238	1,266	1,346
Total	10,002	9,117	8,867	8,852	9,361	10,302

RISKS

Alberta relies heavily on revenue sources that are volatile and unpredictable, including non-renewable resources, corporate income tax and investment income. Since 2004-05, these revenue sources have accounted for anywhere between 35% and 55% of total revenue, but in 2016-17 they are estimated at less than 20% of total revenue. 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.

Alberta has relied heavily on volatile, unpredictable revenue sources.

The degree of revenue uncertainty exposes the Alberta government uniquely relative to other governments. Like energy companies, banks and other

Budget 2016 contains risk adjustments to bottom lines, to signal possible revenue shortfalls.

investors, Alberta must assess the degree of risk it is willing to take associated with its revenue outlook and spending decisions. The government decided in *Budget 2015* to implement revenue policy changes that broaden the amount of revenue raised from taxes and fees in order to improve sustainability of funding for programs. In *Budget 2016*, the government has decided to build in an annual risk adjustment that reduces the bottom line, as a way to signal the possible extent of a revenue shortfall. The adjustment is \$700 million in the 2016-17 fiscal year, \$1.5 billion in 2017-18 and \$2 billion in 2018-19.

GLOBAL AND US ECONOMIES

- ◆ *Budget 2016* assumes global economic growth of 3.4% in 2016 and 2017, based on solid performance in the US, but ongoing struggles in Europe, and mixed prospects for the emerging economies. Substantial risks remain.
- ◆ Weaker-than-forecast global growth would harm Alberta's revenue forecast, as oil prices would remain lower for longer.

ENERGY PRICES

Oil prices forecast at US\$42 in 2016-17, and to rise to US\$64 by 2018-19.

- ◆ Oil prices are expected to begin recovering at the end of 2016. WTI is forecast to average US\$45 in 2015-16, and US\$42 in 2016-17, and then to slowly ascend towards US\$64 by 2018-19. Energy analysts continue to vary on the speed of recovery and the level prices will recover to, although most expect long-term prices to reach \$70 sometime within the next 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.
- ◆ Without sufficient pipeline capacity, Alberta's growing bitumen production will be transported by more costly rail, increasing the light-heavy differential and lowering prices for Alberta producers and revenue for government.
- ◆ 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 with the fragile global economy. 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.
- ◆ Rates eventually will rise, posing a risk for indebted households, consumer spending and the government as substantial borrowing is planned, and higher 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 also due to the Bank of Canada keeping target interest rates down. The forecast assumes the dollar will remain low at 73.5US¢/Cdn\$ in 2016-17, and move tepidly to 77.5¢ by 2018-19.
- ◆ A weaker Canadian dollar increases the value of oil exports and the demand for exports priced in Canadian dollars, helping 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.

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-term expected rates of return. Annual market performance and, in turn, investment income, could vary considerably from the average.

Alberta has significant assets invested globally in a variety of asset classes.

NET CORPORATE OPERATING SURPLUS

- ◆ Corporate profits in Alberta were hit hard in 2015, and are expected to weaken further in 2016 and take about half a decade to recover from low oil prices. Partly offsetting this are easing of labour and other costs, the positive impact of the low Canadian dollar on exports, and some strength in non-energy sectors. Energy investment also declined dramatically in response to the oil price decline, 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.

Corporate net operating surplus forecast to take half a decade to recover to 2014 levels. Corporate income tax revenue is difficult to forecast.

Sensitivities to Fiscal Year Assumptions, 2016–17^a

(millions of dollars)

	Change	Net Impact
Oil price (WTI US\$/bbl)	-\$1	-130
Light-heavy oil price differential (US\$/bbl)	+\$1	-70
Natural gas price (Cdn\$/GJ)	-10¢	-25
Exchange rate (US¢/Cdn\$)	+ 1¢	-85
Interest rates	+1%	-230
Primary household income	-1%	-170

^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.



FISCAL PLAN

EXPENSE

The Alberta
JOBS PLAN **BUDGET 2016**

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EXPENSE

Budget 2016 keeps the government's commitment to provide stable funding for key public services, including health care, education and social services. At the same time, a number of cost saving measures have been or will be implemented in *Budget 2016*. Compared to *Budget 2015*, the operating expense budgets for 2016-17 and 2017-18 are about \$300 million lower each year.

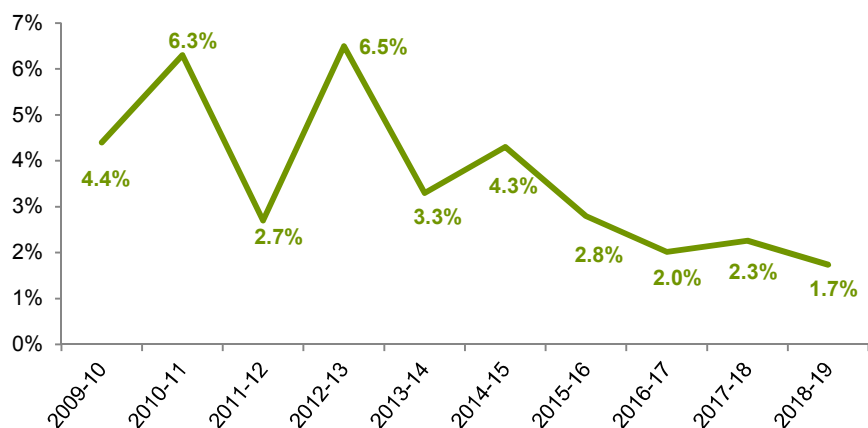
Budget 2016 includes a number of cost saving measures.

Operating Expense – Budget Comparison

(millions of dollars)

	2016-17			2017-18		
	Budget 2015	Budget 2016	Change	Budget 2015	Budget 2016	Change
Operating Expense	44,651	44,344	(307)	45,684	45,340	(344)
Less: Program Re-allocations/In-year Savings	(250)	(250)	-	(300)	(250)	50
Total Net Operating Expense	44,401	44,094	(307)	45,384	45,090	(294)

Operating Expense Increases



Source: Alberta Treasury Board and Finance

With the operating adjustments in *Budget 2016*, including in-year savings of \$250 million per year, the rate of growth in government operating expense will average 2% per year. This is well below the combined rate of population growth plus inflation projected for Alberta, which is expected to average 3% per year over the next three years.

Overall, *Budget 2016* includes \$51.1 billion in total expense in 2016-17, including the Climate Leadership Plan. The four largest ministries (Health, Education, Advanced Education and Human Services) account for 75% of total expense.

Budget 2016 – Expense

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Health	19,262	19,613	19,854	20,361	20,929	21,260
Education	7,556	7,578	7,619	7,911	8,065	8,208
Advanced Education ¹	5,526	5,824	5,759	5,895	6,044	6,151
Human Services ¹	3,985	4,171	4,193	4,395	4,525	4,592
Other Ministries and Legislative Assembly	11,368	11,082	10,742	11,278	11,618	11,575
Other Expense (net of in-year savings)	669	1,638	1,164	927	1,230	1,756
Consolidated Expense – excluding Climate Leadership	48,366	49,906	49,331	50,767	52,411	53,542
Climate Leadership Plan	-	-	-	330	1,208	2,426
Total Expense	48,366	49,906	49,331	51,097	53,619	55,968

¹ Adjusted for government reorganization.

MINISTRY OF HEALTH

Budget 2016 keeps the government's commitment to provide long-term stable funding for health care.

Health's consolidated expense is budgeted at \$20.4 billion in 2016-17 (excluding debt servicing costs). *Budget 2016* keeps the government's commitment to provide long-term stable funding for health care, with Health's operating budget increasing by 3% in 2016-17. Alberta's per capita spending on health is higher than comparator provinces including British Columbia and Ontario. *Budget 2016* limits the rate of growth in health spending while the government works with stakeholders to make the health care system fiscally sustainable while improving the quality of care.

Alberta Health Services (AHS). There is \$14.3 billion budgeted for AHS operations in 2016-17. AHS will continue to identify operational efficiencies and other savings opportunities. This includes shifting from higher cost acute care to community-based services where possible, with additional funding for services provided by midwives as just one example.

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

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Alberta Health Services' Operations:						
Facility-Based Patient Services	5,317	5,347	5,404	5,497	5,564	5,627
Administration and Support Services	2,391	2,381	2,404	2,387	2,380	2,373
Diagnostic, Therapeutic and Other Patient Services	2,012	2,068	2,090	2,094	2,083	2,083
Care Based Services	1,639	1,741	1,760	1,905	2,054	2,128
Physician Compensation and Development	920	955	955	955	955	955
Information Systems	566	564	628	570	562	557
Drugs and Supplemental Health Benefits	463	427	427	425	425	425
Community Programs and Healthy Living	342	355	359	369	382	384
Research and Education	107	99	100	99	99	99
Alberta Health Services Sub-total	13,758	13,937	14,127	14,301	14,504	14,631
Department of Health:						
Physician Compensation and Development	3,540	3,805	3,853	3,894	4,004	4,065
Drugs and Supplemental Health Benefits	1,376	1,508	1,500	1,615	1,743	1,869
Diagnostic, Therapeutic and Other Patient Services	243	277	277	301	321	341
Support Programs	163	183	181	191	198	207
Care Based Services	140	123	118	157	170	180
Community Programs and Healthy Living	116	122	109	128	133	133
Information Systems	78	80	67	88	83	83
Infrastructure Support	11	-	51	43	122	100
Cancer Prevention and Research	12	12	6	12	12	12
Ministry Support Services	66	72	64	67	68	68
Department of Health Sub-total	5,745	6,182	6,226	6,496	6,854	7,058
Health Quality Council of Alberta	7	7	7	7	7	7
Consolidation and Accounting Policy Adjustments	(248)	(513)	(506)	(443)	(436)	(436)
Totals	19,262	19,613	19,854	20,361	20,929	21,260

Physician Compensation and Development. There is a total of \$4.8 billion budgeted in 2016-17 for various compensation and development programs for almost 9,700 physicians and 1,650 medical residents. The government and the Alberta Medical Association are currently undertaking negotiations with the aim of managing the rate of growth of the physician services budget and improving the effective provision of health care to Albertans.

There is \$4.8 billion budgeted for physician compensation and development programs in 2016-17.

Drugs and Supplemental Health Benefits. There is a total of \$2.0 billion budgeted for these benefits in 2016-17, including \$548 million for prescription drugs and \$124 million in dental, optical and other supplemental health benefits for seniors. This budget also includes a total of \$321 million for outpatient cancer and specialized high cost drugs.

Other Programs. There is \$233 million budgeted in 2016-17 to support the primary care networks (PCNs), a \$64 million increase from 2015-16 as the PCNs drew down surpluses last year. There is \$200 million budgeted for human tissue and blood services and \$102 million for allied health services which include podiatry, optometry and oral surgery.

MINISTRY OF EDUCATION

Education's consolidated expense is budgeted at \$7.9 billion in 2016-17 (excluding debt servicing costs and pension provisions). *Budget 2016* keeps the government's commitment to fully fund enrolment growth, projected at 1.3% (about 8,200 students) in 2016-17, 1.2% in 2017-18 and 1.9% in 2018-19, helping to maintain overall class size averages over the next three years.

Budget 2016 keeps the government's commitment to fully fund enrolment growth.

Budget 2016 adjusts the government's commitments to implement a school nutrition program and to reduce school fees. A targeted school nutrition program will be piloted during the 2016-17 school year and then phased-in over the following two years, with \$10 million in 2017-18 and \$20 million in 2018-19. The plan to reduce school fees has been deferred as Education is conducting a detailed review of the various fees applied by school boards.

School Board Operations. There is \$7.5 billion budgeted for public and separate school board operations in fiscal 2016-17. This budget includes:

There is \$7.5 billion budgeted for public and separate school board operations in fiscal 2016-17.

- ◆ \$5.8 billion for Early Childhood Services to Grade 12 instruction, with \$431 million to address inclusive education;
- ◆ \$626 million to operate and maintain schools;
- ◆ \$355 million for amortization of existing school facilities;
- ◆ \$350 million to support student transportation services;
- ◆ \$250 million for governance and system administration; and
- ◆ \$99 million for program support services.

Teachers' Pensions. There is \$408 million in 2016-17 for teachers' pensions current service payments included in the funding for school boards, with a further \$475.5 million budgeted in Treasury Board and Finance to provide for the costs of the Teachers' Pre-1992 Pension Liability.

Private Schools. There is \$248 million budgeted in 2016-17 to support about 100 accredited-funded private schools and almost 100 private operators that provide Early Childhood Services programs.

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

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
School Board Operations:						
Instruction – Early Childhood Services to Grade 12	5,594	5,588	5,630	5,849	5,979	6,115
Operations and Maintenance	604	611	613	626	638	634
School Facilities Amortization	301	310	310	355	360	360
Student Transportation	346	341	345	350	357	354
Governance and System Administration	253	246	246	250	252	256
Program Support Services	101	98	98	99	100	105
School Board Operations Sub-total	7,199	7,194	7,242	7,529	7,686	7,824
Accredited Private Schools and ECS Operators	234	239	242	248	251	254
Departmental Program Support & Amortization	131	135	135	128	128	128
Ministry Support Services	24	22	22	22	22	22
School Facilities (includes planning)	-	10	-	5	1	1
Consolidation Adjustments	(32)	(22)	(22)	(22)	(22)	(22)
Totals	7,556	7,578	7,619	7,911	8,065	8,208

MINISTRY OF ADVANCED EDUCATION

Budget 2016 keeps the government's commitments to provide stable funding for Advanced Education and implement a two-year tuition freeze.

Advanced Education's consolidated expense is budgeted at \$5.9 billion in 2016-17 (excluding debt servicing costs and pension provisions). *Budget 2016* keeps the government's commitments to provide stable funding to institutions and ensure the post-secondary system is accessible and affordable for Alberta students and families with the second year of a two-year tuition freeze.

Post-Secondary Operations. There is \$5.5 billion budgeted in 2016-17 for post-secondary operations, supporting an estimated 263,100 full and part-time students and apprentices this year. *Budget 2016* provides for base operating grant increases to institutions of 2% per year and maintains the funding restored in *Budget 2015* for apprenticeship and targeted enrolment. During 2015-16, payments from the Access to the Future Fund were suspended and this continues in *Budget 2016*.

Student Aid. There is \$240 million budgeted for Student Aid programs in 2016-17. This includes:

- ◆ \$90 million for scholarships and awards to about 49,000 students;
- ◆ \$60 million for the costs of providing student loans and student debt management programs; and
- ◆ \$54 million for grants and bursaries to about 16,700 students.

In addition, there is \$579 million budgeted for student loans in 2016-17, expected to assist more than 77,000 students.

Foundational Learning. There is \$76 million budgeted for Foundational Learning Supports in 2016-17. This includes \$65 million in grants to support eligible Albertans attending programs such as English as a Second Language, basic skills and academic upgrading programs or occupational training to help them transition into post-secondary studies and/or find employment. While attending an approved foundational learning program, eligible individuals receive monthly financial assistance and funding for the costs of tuition, books and mandatory fees.

Ministry of Advanced Education – Consolidated Expense (excluding debt servicing costs and pension provisions)

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Post-Secondary Operations	5,123	5,402	5,351	5,485	5,634	5,734
Student Aid	228	228	229	240	242	245
Other Support for Adult Learning	75	79	78	80	81	83
Foundational Learning Supports	78	81	72	76	72	72
Apprenticeship Delivery	41	41	41	43	44	45
Alberta Centennial Education Savings Plan	17	19	14	-	-	-
Ministry Support Services	30	30	30	28	29	29
Consolidation Adjustments	(66)	(56)	(56)	(58)	(58)	(58)
Totals	5,526	5,824	5,759	5,895	6,044	6,151

MINISTRY OF HUMAN SERVICES

Human Services' consolidated expense is budgeted at \$4.4 billion in 2016-17 (excluding flood recovery initiatives). *Budget 2016* keeps the government's commitment to support strong families and strong communities with the new Alberta Child Benefit and continued support for income support programs, homeless and outreach supports including women's shelters and community-based Family and Community Support Services. *Budget 2016* adjusts the government's commitments for child care and child intervention but will maintain the funding levels that support existing programming.

Budget 2016 keeps the government's commitment to support strong families and strong communities.

Persons with Disabilities Supports. There is \$1.1 billion budgeted in 2016-17 for programs supporting persons with disabilities including persons with developmental disabilities, family support for children with disabilities and fetal alcohol spectrum disorder initiatives.

AISH. There is \$978 million budgeted in Human Services for income and other support and \$257 million budgeted in Health for related health benefits in 2016-17, helping about 54,000 disabled adults live more independently. Combined, the budgets reflect an increase of \$63 million from 2015-16 to address expected caseload growth and increases in the costs per case.

Child Intervention. There is \$734 million budgeted in 2016-17 for child intervention. *Budget 2016* maintains stable funding for child intervention reflecting the actual level of spending in this program area.

Employment and Income Support. There is \$683 million budgeted in Human Services for these programs in 2016-17, including \$480 million for income support programs. There is an additional \$206 million budgeted in Health for related health benefits. These programs help eligible Albertans cover their basic costs of living and find or maintain jobs.

Child Care. There is \$307 million budgeted in 2016-17 for child care programs. This budget will provide \$10 million for new initiatives including phasing-in an evidence-based practice framework for child care practitioners, planning to increase access to child care programs in communities with the most significant space pressures, and developing models for affordable child care options. *Budget 2016* defers the government's commitment on \$25/day child care.

Homeless and Outreach Support Services. There is \$181 million budgeted in 2016-17 for these supports. This will help house about 2,000 homeless Albertans this year and support nearly 3,200 spaces in 25 homeless shelters, 710 beds in 30 women's emergency shelters, programming in 11 second-stage shelters, and outreach supports to women and children leaving family violence. Since 2009-10, about 12,250 Albertans who were homeless have been housed.

Alberta Child Benefit. There is \$147 million budgeted in 2016-17 to implement the Alberta Child Benefit beginning July 1, 2016. This new benefit will provide up to \$2,750 each year to Alberta's most vulnerable families, in support of 235,000 children.

Family and Community Support Services (FCSS). There is \$101 million budgeted in 2016-17 for FCSS, keeping the government's commitment to provide increased support for these 80/20 partnerships between the province and 319 municipalities and Metis settlements.

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

(millions of dollars)

	2014-15	2015-16	2015-16	2016-17	2017-18	2018-19
	Actual	Budget	Forecast	Estimate	Target	Target
Persons with Disabilities Supports	1,047	1,067	1,066	1,089	1,106	1,122
Assured Income for the Severely Handicapped	916	949	949	978	1,001	1,014
Child Intervention	712	736	736	734	738	742
Employment and Income Support	611	653	675	683	703	736
Child Care	281	297	291	307	322	322
Homeless and Outreach Support Services	162	178	178	181	181	181
Alberta Child Benefit	-	-	-	147	196	196
Family and Community Support Services	76	101	101	101	101	101
Early Intervention Services for Children and Youth	96	90	90	92	93	95
Other Programs and Services	66	82	89	67	67	67
Ministry Support Services	41	41	41	40	40	40
Consolidation Adjustments	(23)	(23)	(23)	(23)	(23)	(23)
Totals	3,985	4,171	4,193	4,395	4,525	4,592

JOBS, INVESTMENT AND DIVERSIFICATION

Economic Development and Trade. Consolidated expense is budgeted at \$343 million in 2016-17. This budget includes \$183 million in transfers to the Alberta Innovates Corporation, as four corporations are amalgamated into one under this ministry in 2016-17.

Economic Development and Trade is leading implementation of the new jobs, investment and diversification package. Over two years, this \$250 million package will provide:

- ◆ \$90 million for a new Alberta Investor Tax Credit that will provide investors a tax credit for investing in eligible small and medium enterprises in Alberta.
- ◆ \$75 million for a new Capital Investment Tax Credit that will provide a tax credit supporting the first time acquisition of new and used property in value-added agriculture, manufacturing and processing, tourism infrastructure and culture industries.
- ◆ \$25 million for the Alberta Enterprise Corporation. This will be invested by the Corporation in early stage as well as clean technology focused venture capital to spur innovation and help grow companies and increase employment in this sector. This is in addition to the \$50 million included in *Budget 2015* for investments by the Corporation.
- ◆ \$25 million for attracting and supporting new businesses. This includes \$10 million in support to entrepreneurs and small or medium-sized enterprises commercialization efforts; \$10 million to expand the Agrivalue Processing Business Incubator in Leduc, and \$5 million to attract major new business investment or company headquarters to Alberta.
- ◆ \$25 million for apprenticeship and training. This includes a \$15 million program to support apprenticeship focused training opportunities and \$10 million to provide occupationally focused training opportunities.
- ◆ \$10 million to support regional economic development initiatives that drive investment, business growth, job creation and diversification throughout Alberta.

Budget 2016 provides \$250 million over two years for a new jobs, investment and diversification package.

CLIMATE LEADERSHIP PLAN

Under the Climate Leadership Plan, gross revenue raised from compliance payments from large industrial emitters and the carbon levy will be fully reinvested in Alberta's economy. This will provide \$9.6 billion over the first five years of the Plan to be used to fund investments to further reduce emissions and help households, businesses and communities adjust to the new carbon price.

Priority areas for investment under the Plan include:

Bioenergy. Bioenergy is a renewable resource which supports economic development opportunities across Alberta in sectors such as agriculture and forestry.

Budget 2016 implements the Climate Leadership Plan.

Energy Efficiency. Through a new agency, Energy Efficiency Alberta, \$45 million will be invested in 2016-17 to help households, businesses and communities reduce their energy consumption and greenhouse gas emissions. Energy Efficiency Alberta will provide education and outreach, energy audits and incentives to encourage energy efficiency and community energy systems.

Green Infrastructure. Support will be provided to municipalities for public transit and other green infrastructure. Green build programs will be integrated into the planning for government-owned assets. The \$5 million budgeted in 2016-17 is for project planning.

Innovation and Technology. In partnership with other governments and industry, funding will support transformative research, innovation and technology focused on Alberta's climate change objectives.

Renewable Energy. The government will support a transparent and competitive process through the Alberta Electric System Operator to bring on new, large scale renewable generation capacity in Alberta. The first competition will launch in late 2016 with the first projects potentially in service by 2019.

Plan Implementation. The Alberta Climate Change Office will provide leadership and coordination of all implementation activities under the Plan.

Initiatives to help Alberta consumers and businesses adjust to the new carbon price include the consumer rebate program, expected to provide \$95 million in 2016-17, and a 1% reduction in the small business tax rate effective January 1, 2017. These initiatives are described in detail in the Tax Plan chapter.

Funding will also be provided to help communities most affected by the phase out of emissions from coal-fired electricity generation, including training to help impacted workers transition into other areas of the economy. Support will also be provided to Indigenous communities to enable them to participate in all facets of the Climate Leadership Plan. There is \$10 million budgeted in 2016-17 for these adjustment programs.

OTHER MINISTRIES

Agriculture and Forestry. Consolidated expense is budgeted at \$1.1 billion in 2016-17 (excluding debt servicing costs). This budget provides \$466 million for crop, hail and livestock insurance and \$129 million for agriculture income support programs; \$103 million for industry development to support ongoing efforts to expand existing and open new markets for Alberta's agricultural products, and \$48 million to ensure food safety and animal health.

Culture and Tourism. Consolidated expense is budgeted at \$334 million in 2016-17 (excluding flood recovery initiatives). This budget provides \$99 million for Community and Voluntary Support Services, including \$38 million under the Community Facility Enhancement Program and \$7 million in new funding for cultural infrastructure. This budget also provides \$75 million in support for creative industries, including \$37 million for the Alberta Media Fund. There is also \$62 million for tourism marketing and

development. The *Budget 2015* commitment to provide additional support to the Alberta Foundation for the Arts has been deferred.

Energy. Consolidated expense is budgeted at \$769 million in 2016-17. This budget provides \$245 million for operations of the Alberta Energy Regulator and \$36 million for the Alberta Utilities Commission. The budget for Orphan Well Abandonment, which nearly doubled in 2015-16 to \$30.5 million, will be maintained at this level in *Budget 2016*.

Environment and Parks. Consolidated expense is budgeted at \$459 million in 2016-17 (excluding the Climate Leadership Plan and flood recovery initiatives). This budget provides \$74 million for ongoing parks operations and infrastructure management, including the costs of Parks Conservation Officers who have been transferred back to Environment and Parks from Justice and Solicitor General. This budget also provides \$77 million for water management and \$46 million for land management programs. The *Budget 2015* commitments for enhanced environmental enforcement and an energy retrofit loan program have been deferred.


Executive Council. Consolidated expense is budgeted at \$26.9 million in 2016-17. This budget provides \$6.9 million for public affairs and \$4.2 million for intergovernmental relations.

Indigenous Relations. Consolidated expense is budgeted at \$186 million in 2016-17 (excluding flood recovery initiatives). This budget provides \$126 million for the First Nations Development Fund and \$32 million for First Nations and Métis Relations. There is \$3 million allocated to help build a new relationship with Indigenous peoples and support initiatives in response to the United Nations Declaration on the Rights of Indigenous Peoples.

Infrastructure. Consolidated expense is budgeted at \$670 million in 2016-17 (excluding flood recovery initiatives and debt servicing costs). This budget provides \$371 million for property management operations and \$217 million for realty services including leases and land sales.

Justice and Solicitor General. Consolidated expense is budgeted at \$1.4 billion in 2016-17. This budget provides \$501 million for ongoing Public Security programs including policing, provincial sheriffs, enforcement and the Alberta First Responders Radio Communications System. Funding for contract policing is \$239 million in 2016-17, providing RCMP officers across the province. This budget also provides \$266 million for Correctional Services, \$91 million for the Crown Prosecution Service and \$68.5 million for Legal Aid.

Labour. Consolidated expense is budgeted at \$212 million in 2016-17. This budget provides \$122 million for workforce strategies, including \$38 million for skills and training support and \$35 million for labour market programs. *Budget 2016* keeps the commitment to reintroduce the Summer Temporary Employment Program (STEP), with \$10 million per year.

 Budget 2016 keeps the commitment to reintroduce the Summer Temporary Employment Program (STEP).

Municipal Affairs. Consolidated expense is budgeted at \$1.8 billion in 2016-17. This budget provides \$1.2 billion to municipalities through the Municipal Sustainability Initiative, including \$360 million in basic municipal transportation grants. This budget also provides \$56 million for Grants in Place of Taxes and \$37 million for public library services.

Seniors and Housing. Consolidated expense is budgeted at \$644 million in 2016-17 (excluding debt servicing costs). This budget provides \$357 million for the Alberta Seniors Benefit, supporting about 150,000 low income seniors. This budget also provides \$230 million for programs delivered by the Alberta Social Housing Corporation, with \$94 million for seniors housing and \$67 million for the rental assistance program.

Service Alberta. Consolidated expense is budgeted at \$305 million in 2016-17. This budget provides \$197 million for technology and business services to government ministries, centralizing core administrative functions to maximize their efficiency and effectiveness. This budget also provides a total of \$95 million for services to Albertans, including Motor Vehicles and Other Registry Services, Land Titles and Consumer Awareness and Advocacy. This reflects \$3 million in savings from the switch to electronic reminders for registration, licence and identification card renewals.

Status of Women. Consolidated expense is budgeted at \$7.6 million in 2016-17. This budget will support integration of gender equality into government policy and programs with a focus on ending violence against women and girls, increasing women's economic security as well as supporting women in leadership.

Transportation. Consolidated expense is budgeted at \$1.3 billion in 2016-17 (excluding debt servicing costs). This budget provides \$443 million for on-going Provincial Highway Maintenance and Preservation, and a total of \$255 million in capital grants to municipalities for programs including GreenTRIP, the Municipal Water Wastewater Program and Water for Life. The *Budget 2015* commitment for rural bus initiatives has been deferred. A rural bus service pilot program will be developed as part of the provincial transit strategy.

There is \$137 million budgeted in 2016-17 for the Alberta Family Employment Tax Credit.

Treasury Board and Finance. Consolidated expense is budgeted at \$1.5 billion in 2016-17 (excluding the Climate Leadership Plan, debt servicing costs and pension provisions). This budget provides \$475.5 million for the Teachers' Pre-1992 Pension Liability, \$457 million for operations of the Alberta Investment Management Corporation and \$137 million for the enhanced Alberta Family Employment Tax Credit.

PUBLIC SECTOR COMPENSATION

Total public sector compensation costs of \$25.2 billion are budgeted in 2016-17, or one-half of total expense. This includes the costs of existing collective agreements and reflects the savings from freezing management salaries in the Alberta Public Service, government agencies including Alberta Health Services (AHS) and political staff. Continued hiring restraint by government departments will limit the growth in the Alberta Public Service in 2016-17. Across the broader public sector, there are increases in front-line staffing levels for school boards and AHS.

Budget 2016 – Public Sector Compensation

(millions of dollars)	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Alberta Health Services (includes physician payments)	7,532	7,611	7,718	7,760	7,864	7,949
School Boards	5,511	5,609	5,648	5,863	5,980	6,100
Post-Secondary Institutions	3,181	3,398	3,398	3,495	3,593	3,664
Alberta Public Service (departments)	2,678	2,806	2,798	2,772	2,775	2,826
Other Government Agencies ^a	600	620	612	614	619	633
Environmental Protection and Enhancement Fund ^b	25	129	129	10	10	11
Sub-total	19,527	20,173	20,303	20,514	20,841	21,183
Physician Compensation and Development ^c	4,291	4,604	4,652	4,693	4,803	4,864
Total Public Sector Compensation Costs	23,818	24,777	24,955	25,207	25,644	26,047

^a Excludes Environmental Protection and Enhancement Fund.

^b Environmental Protection and Enhancement Fund includes seasonal employees engaged in wildfire suppression activities.

^c Physician Compensation and Development amounts are net of physician payments included in Alberta Health Services.

SUPPLIES AND SERVICES

The budget for supplies and services, including payments to contracted agencies, is \$12.5 billion in 2016-17, or one-quarter of total expense. The 2016-17 budget for supplies and services for government departments is \$87 million lower than the 2015-16 budget. AHS, school boards, post-secondary institutions and major agency contracts were exempt from the cost saving measures related to supplies and services implemented in *Budget 2016*.

Budget 2016 – Supplies and Services

(millions of dollars)	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Alberta Health Services	4,731	4,770	4,853	5,084	5,220	5,262
School Boards	1,310	1,237	1,239	1,273	1,310	1,318
Post-Secondary Institutions	1,152	1,279	1,228	1,244	1,268	1,276
Government Departments	3,617	3,779	3,660	3,692	3,715	3,776
Other Government Agencies ^a	646	619	653	652	657	700
Agriculture Financial Services Corporation ^b	606	925	700	566	565	577
Environmental Protection and Enhancement Fund ^c	127	250	270	13	13	12
Total Supplies and Services	12,189	12,858	12,603	12,524	12,748	12,921

^a Excludes Agriculture Financial Services Corporation and Environmental Protection and Enhancement Fund.

^b Agriculture Financial Services Corporation includes contracts and other costs for agriculture disaster assistance in 2015-16.

^c Environmental Protection and Enhancement Fund includes contracts and equipment engaged in wildfire suppression activities.

ABC REVIEW

In November 2015, the government announced a review of agencies, boards and commissions (ABCs), focused on improving services and ensuring value for Alberta taxpayers. The first phase of the review, which is nearing completion, included 136 public agencies subject to the *Alberta Public Agencies Governance Act*. The second phase, to be concluded by Fall 2016, includes 146 agencies that are not governed under the Act. The third and final phase, to be concluded by early 2017, will focus on the boards of governors at public post-secondary institutions.

Based on the review to date, 11 agencies will be amalgamated in some fashion, and 15 agencies will be dissolved with the relevant functions brought into government departments. In some cases, stakeholder consultations will be undertaken to assist with the development of implementation plans.

Budget 2016 reflects savings of \$33 million over three years related to phase one changes. Additional savings from the remaining phases of the review will be reflected in *Budget 2017*.

ABC Review

Agencies to be Amalgamated or Dissolved

Amalgamate:

- Alberta Innovates Corporations
(four agencies into one under Economic Development and Trade)
- Land Compensation Board, Municipal Government Board, New Home Buyer Protection Board, Surface Rights Board
- Calgary and South, Central, Edmonton and North Mental Health Review Panels

Dissolve:

- Agricultural Development Committee
 - Agricultural Operation Practices Act Policy Advisory Group
 - Alberta Environmental Monitoring, Evaluation and Reporting Agency
 - Alberta Farm Safety Advisory Council
 - Alberta Grains Council
 - Alberta Livestock and Meat Agency Ltd.
 - Alberta Next Generation Advisory Council
 - Alberta Recreation Trails Partnership
 - Alberta Strategic Tourism Council
 - Buffalo Lake Management Team
 - Disabled Hunter Review Committee
 - Government House Foundation
 - Seniors Advisory Council for Alberta
 - Utilities Consumer Advocate Advisory Board
 - Wild Rose Foundation
-



FISCAL PLAN

CAPITAL PLAN

The Alberta
JOBS PLAN **BUDGET 2016**

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CAPITAL PLAN

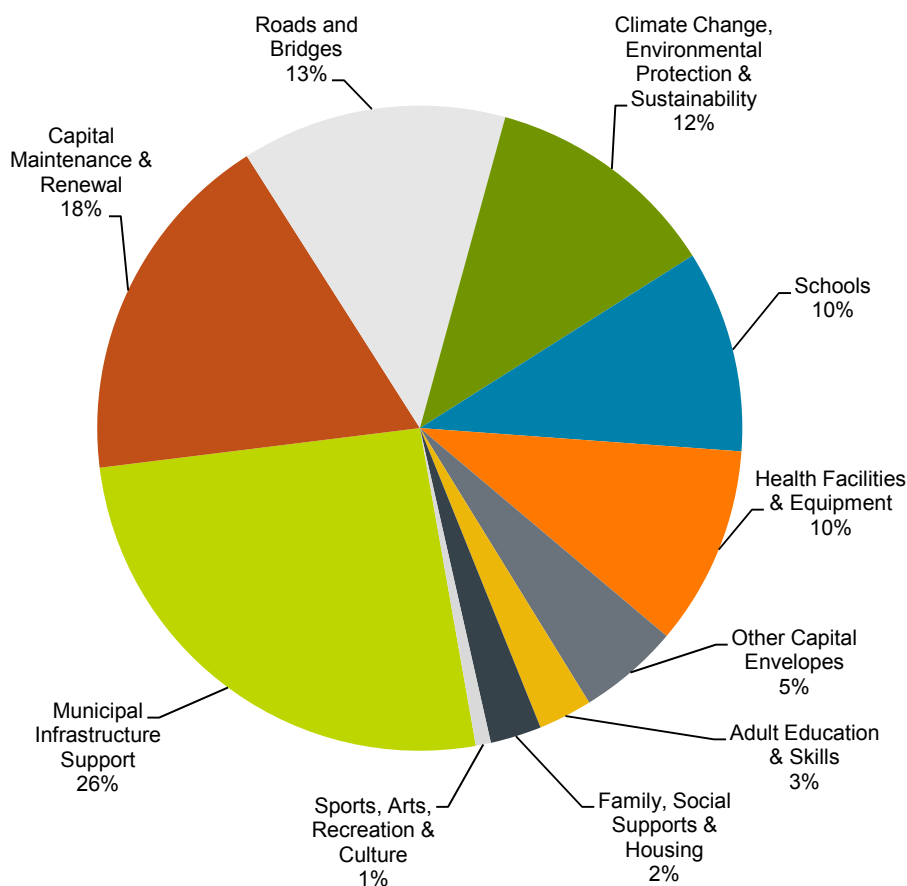
With the serious economic challenges facing the province, Albertans are looking to their government to develop a thoughtful and prudent path forward. By continuing government's significant investment in infrastructure, the *Budget 2016 Capital Plan* sets the course to renewed sustainability.

The Budget 2016 Capital Plan supports \$34.8 billion in projects over five years.

The five-year, \$34.8 billion Capital Plan will help stimulate the economy, keep people working, and address the province's infrastructure deficit. This timely, worthy investment creates jobs in the short and medium-term and builds a strong economic foundation for future generations.

The *Budget 2016 Capital Plan* takes an evidence-based approach to investing over \$4 billion that was set aside in *Budget 2015* for new projects and programs, focusing on the key social programs and services that Albertans rely on, encouraging economic development in communities and protecting the environment. Projects in the Capital Plan have gone through an extensive review for alignment with these government priorities. The criteria used to review projects in the Capital Plan is posted online at www.infrastructure.alberta.ca/6.htm.

Budget 2016 Capital Plan – Allocation by Envelope (% of total¹)



¹ Excludes \$4.4 billion in self-financed capital investment by Alberta Health Services, post-secondary institutions and school boards.

MUNICIPALITIES AND COMMUNITIES

There is \$9 billion budgeted over five years for municipal infrastructure support.

Alberta's communities have been hit hard by the steep drop in oil prices and need support to ensure they can address local infrastructure priorities and their residents' needs. The Capital Plan invests \$9 billion over the next five years to support municipal infrastructure, with \$6.1 billion under the Municipal Sustainability Initiative. There is \$1.4 billion for transit and other transportation related projects, including \$914 million through GreenTRIP and \$305 million for municipal transit initiatives.

Alberta's culture and tourism sectors contribute to the cultural, social and economic well-being of communities across the province. Both sectors will continue to play a prominent role with an investment of \$262 million for parks, recreation and culture related projects to help diversify Alberta's economy and build strong communities for Alberta families.

AFFORDABLE HOUSING

The government is committed to ensuring Albertans have access to safe, affordable housing. The Capital Plan includes \$892 million to build more affordable housing and renew existing housing resulting in more people moving off waiting lists and into safe and affordable homes. This Plan will also support housing for First Nations in support of the United Nations Declaration on the Rights of Indigenous Peoples.

ENVIRONMENTAL PROTECTION

There is \$2.2 billion budgeted over five years for green infrastructure as part of the Climate Leadership Plan.

To address the reality of climate change and work towards a more sustainable future, the Capital Plan invests \$4.1 billion over five years in projects and programs that support climate change initiatives, air and water quality, as well as protect communities from natural disasters. This includes \$2.2 billion for green infrastructure under the Climate Leadership Plan. It also includes \$692 million to help communities recover from the 2013 flooding and protect against future natural disasters, \$595 million for water and wastewater grants for municipalities and \$112 million for provincial water management infrastructure, such as dams.

HEALTH CARE

The Capital Plan invests \$3.5 billion to continue to build the health infrastructure Albertans need. This includes \$1.2 billion to continue work on the Calgary Cancer Centre to meet the rising need for cancer care and \$500 million for future priority investments in health facilities across the province. There is \$400 million for a new clinical information system which will better integrate health care information systems throughout the province and support health care workers in making more informed decisions in delivering care for Albertans. The plan also includes \$365 million to expand access to continuing care to provide relief for families and ease the pressure on overcrowded hospitals.

CAPITAL MAINTENANCE AND RENEWAL

The *Budget 2016* Capital Plan increases the annual funding provided for capital maintenance and renewal to protect the investment government has made in public facilities and ensure they are able to continue serving the needs of Albertans. Over the next five years, the Capital Plan invests \$6.2 billion in capital maintenance and renewal, including \$2.5 billion for roads and bridges, \$1.1 billion for schools, \$777 million for post-secondary institutions, \$760 million for health facilities, and \$298 million for seniors facilities and housing.

There is \$6.2 billion budgeted over five years for capital maintenance and renewal.

OTHER CAPITAL PROJECTS

The five-year Capital Plan also provides:

- ◆ \$4.6 billion for roads and bridges – including \$2.9 billion for the Calgary and Edmonton ring roads and \$1.1 billion for twinning, widening and expansion projects with \$160 million in new funding for the Peace River bridge.
- ◆ \$940 million for post-secondary facilities – including Keyano College, Lethbridge College, MacEwan University, Mount Royal University, NAIT, NorQuest College, Red Deer College, the University of Calgary and the University of Lethbridge.
- ◆ \$3.5 billion for schools – including \$2.9 billion to complete 200 new schools and modernization projects and \$500 million for additional school projects in future capital plans.
- ◆ \$145 million for the planning of future projects.

There is another \$4.4 billion in capital investment self-financed by Alberta Health Services (\$1.7 billion), post-secondary institutions (\$2.2 billion) and school boards (\$465 million) and for ancillary and other projects.

Capital Plan Details

(millions of dollars)

	2016-17 Estimate	2017-18 Target	2018-19 Target	2019-20 Projected	2020-21 Projected	5-Year Total
Adult Education and Skills						
Keyano College – Campus Upgrades	8	8	-	-	-	16
Lethbridge College Trades and Technology Renewal and Innovation Project	14	10	-	-	-	24
MacEwan University City Centre Campus	10	-	-	-	-	10
Mount Royal University Library and Learning Centre (Calgary)	47	-	-	-	-	47
NAIT Centre for Applied Technology (Edmonton)	25	55	-	-	-	80
NorQuest College Expansion and Retrofit (Edmonton)	61	40	-	-	-	101
Red Deer Multiplex Project	20	-	-	-	-	20
University of Calgary Schulich School of Engineering	25	52	-	-	-	77
University of Calgary MacKimmie Complex and Professional Building	9	8	-	-	-	17
University of Lethbridge Destination Project	125	65	35	23	-	248
Future Projects (unallocated)	-	-	100	100	100	300
Total Adult Education and Skills	344	238	135	123	100	940
Capital Maintenance and Renewal						
Roads and Bridges	434	450	508	560	588	2,540
Schools	148	194	224	253	274	1,093
Post-Secondary	101	154	158	174	190	777
Health Care Facilities	131	144	146	154	185	760
Government-Owned	45	52	76	105	115	393
Seniors Facilities and Housing	59	70	49	55	65	298
Provincial Parks	16	34	34	34	34	152
Information Technology	15	15	15	15	15	75
Innovation Infrastructure Maintenance	3	3	3	3	3	15
Air Tanker Bases	1	1	1	1	1	5
Future Maintenance Spending Needs (unallocated)	-	25	25	25	50	125
Total Capital Maintenance and Renewal	953	1,142	1,239	1,379	1,520	6,233
Climate Change, Environmental Protection & Sustainability						
Climate Leadership Plan	5	208	555	680	710	2,158
Flood Recovery	271	156	140	75	50	692
Carbon Capture and Storage Initiative	200	147	50	50	50	497
Regional Water/Wastewater Projects – Water for Life	80	55	105	80	80	400
Municipal Water and Wastewater Program	50	50	45	25	25	195
Water Management Infrastructure	22	20	20	20	30	112
Swan Hills Treatment Centre	5	5	5	5	5	25
Water and Air Monitoring Program	1	1	1	1	1	5
Total Climate Change, Environmental Protection & Sustainability	634	642	921	936	951	4,084

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Capital Plan Details, *continued*

(millions of dollars)

	2016-17 Estimate	2017-18 Target	2018-19 Target	2019-20 Projected	2020-21 Projected	5-Year Total
Family, Social Supports & Housing						
Sustainable Housing Renewal – Rural and Urban	173	184	120	85	20	582
New Housing Supply – Affordable Housing	38	20	20	20	50	148
New Housing Supply – Affordable Off-reserve Housing	-	30	30	30	30	120
Long-Term Governance and Funding Arrangements Agreement (LTA) – Infrastructure for Metis Settlements	3	3	3	3	3	15
New Housing Supply – Homeless and Specialized Populations	13	-	-	-	-	13
Planning (Seniors and Housing)	6	2	2	2	2	14
Total Family, Social Supports & Housing	233	239	175	140	105	892
Farming, Natural Resources & Industry						
Irrigation Rehabilitation Program	19	19	19	19	19	95
Land Stewardship Fund	15	15	15	15	15	75
Wildfire Towers, Camps and Construction	6	6	6	6	7	31
Rural Utilities Program	4	4	4	4	4	20
Flat Top Complex	2	2	2	2	2	10
Cereal Protein and Cellulose Program Equipment	5	-	-	-	-	5
Alberta Tree Improvement and Seed Centre (ATISC) – Planning	1	1	-	-	-	2
Footner Lake (High Level) Facility Renovation and Enhancements	1	-	-	-	-	1
Total Farming, Natural Resources & Industry	53	47	46	46	47	239
Government Facilities, Equipment and Other						
General Information Technology and other Capital	85	77	78	74	74	388
Government Accommodation	33	30	35	50	50	198
One Information Management Technology (IMT) Enterprise Priorities	46	46	31	31	31	185
Health IT Systems Development	22	22	22	22	22	110
Electronic Health Record	15	15	15	15	15	75
Government Vehicle Fleet	13	13	13	13	13	65
Land Purchases	21	8	8	8	8	53
Enterprise Resource Planning	9	9	9	8	8	43
Modernization of Registry Systems	6	1	10	10	10	37
One Information Management Technology (IMT) Enterprise Planning Funds	5	5	5	5	5	25
Agrivalue Processing Business Incubator (Leduc)	10	-	-	-	-	10
GOA Domain	5	4	-	-	-	9
Infrastructure Capital Planning	10	10	10	10	10	50
Total Government Facilities, Equipment and Other	280	240	236	246	246	1,248

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Capital Plan Details, *continued*

(millions of dollars)

	2016-17 Estimate	2017-18 Target	2018-19 Target	2019-20 Projected	2020-21 Projected	5-Year Total
Health Facilities and Equipment						
Addictions and Detox Centres	8	9	-	-	-	17
Calgary Cancer Centre	15	100	295	416	379	1,205
Child, Adolescent and Family Mental Health (CASA)	8	-	-	-	-	8
Clinical Information System	-	100	100	100	100	400
Continuing Care Beds	43	122	100	100	-	365
Edson Healthcare Centre	24	5	-	-	-	29
Equipment for Cancer Corridor Projects	11	-	-	-	-	11
Foothills Medical Centre (Calgary)	14	9	13	-	-	36
Fort McMurray Residential Facility-Based Care Centre	1	2	18	21	-	42
Future Health Facility Projects (Unallocated)	100	100	100	100	100	500
Grande Prairie Regional Hospital	114	135	78	10	-	337
Health Facility Project Planning Funds	8	5	2	-	-	15
High Prairie Health Complex	51	8	-	-	-	59
Lethbridge Chinook Regional Hospital	9	6	-	-	-	15
Lloydminster Continuing Care Centre	3	3	-	-	-	6
Medical Equipment Replacement and Upgrade Program	25	25	25	25	25	125
Medicine Hat Regional Hospital	24	12	10	9	8	63
Misericordia Hospital – Planning	5	5	-	-	-	10
Northern Alberta Urology Centre	20	3	-	-	-	23
Northern Lights Regional Health Centre Repairs (Fort McMurray)	13	15	11	3	-	42
Other Health Initiatives	1	-	-	-	-	1
Peter Lougheed Centre (Women's Services and Vascular Renovations) (Calgary)	12	17	3	-	-	32
Provincial Heliports	5	2	4	-	-	11
Red Deer Obstetrical	7	2	-	-	-	9
Royal Alexandra Hospital – Planning	5	5	-	-	-	10
Rural and Urgent Care Health Facility Design	3	-	-	-	-	3
South Health Campus (Calgary)	18	-	-	-	-	18
Stollery Children's Hospital - Pediatric Surgical Suite Expansion (Edmonton)	5	-	-	-	-	5
Stollery Children's Hospital Critical Care Program (Edmonton)	11	12	18	16	4	61
Strathcona Community Hospital (Sherwood Park)	15	-	-	-	-	15
Total Health Facilities and Equipment	578	702	777	800	616	3,473

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Capital Plan Details, *continued*

(millions of dollars)

	2016-17 Estimate	2017-18 Target	2018-19 Target	2019-20 Projected	2020-21 Projected	5-Year Total
Municipal Infrastructure Support						
Community Facility Enhancement Program	38	38	38	38	38	190
Federal Gas Tax Fund	219	219	230	230	230	1,127
GreenTRIP	125	255	200	200	134	914
Municipal Sustainability Initiative:						
Municipal Sustainability Initiative – Capital	846	846	846	776	921	4,235
Basic Municipal Transportation Grant	360	370	380	391	354	1,853
New Building Canada – Small Communities Fund	74	31	17	10	-	132
New Building Canada Fund (Edmonton Valley Line LRT)	-	60	30	30	-	120
Strategic Transportation Infrastructure Program	-	35	65	-	-	100
Municipal Transit Initiatives	-	100	105	100	-	305
Total Municipal Infrastructure Support	1,662	1,954	1,910	1,774	1,676	8,976
Public Safety and Emergency Services						
Courthouse Renewal	19	20	20	10	-	69
Alberta First Responders Radio Communications System	36	7	4	3	-	50
Kananaskis Emergency Services Centre	3	10	5	-	-	19
Disaster Recovery Program	3	4	-	-	-	6
Calgary Remand Centre Divided Living Units	5	-	-	-	-	5
Calgary Courts Parkade, Urban Park and Historic Court of Appeal Restoration	3	-	-	-	-	3
Planning Funds	2	1	-	-	-	3
Total Public Safety and Emergency Services	71	41	30	13	-	155

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Capital Plan Details, *continued*

(millions of dollars)

	2016-17 Estimate	2017-18 Target	2018-19 Target	2019-20 Projected	2020-21 Projected	5-Year Total
Roads and Bridges						
41st Avenue Interchange (Edmonton)	28	-	-	-	-	28
Assessment and Support Systems	21	21	21	21	21	105
Edmonton/Calgary Ring Roads	527	587	569	574	650	2,907
Fort McMurray Land Exchange with the Regional Municipality of Wood Buffalo	11	13	36	-	-	60
Fort McMurray Urban Area Upgrades	18	-	-	-	-	18
Gaetz Avenue/Taylor Drive Interchange (Red Deer)	20	40	40	-	-	100
Grande Prairie – Highway 43 Bypass	26	28	-	-	-	54
Highway 2 Corridor Expansion Planning	3	-	-	-	-	3
Highway 19 (East and West ends)	10	60	-	-	-	70
Highway 63 Twinning (Grassland to Fort McMurray)	68	15	-	-	-	83
Highway Twinning, Widening and Expansion	169	194	141	194	194	892
Interchanges, Intersections and Safety Upgrades	28	15	12	12	12	79
Other Road and Bridge Projects	3	6	6	6	6	27
Parsons Creek Land Development Interchanges (Fort McMurray)	-	-	1	15	15	31
Peace River Bridge	20	100	40	-	-	160
Total Roads and Bridges	952	1,079	866	822	898	4,617
Schools						
200 New and Modernization Projects	1,608	903	343	13	-	2,867
2016 School Capital Priorities	-	125	125	125	125	500
Schools – Modularity and Other Grant Funded Projects	50	50	50	-	-	150
Education Planning Funds	-	1	1	1	1	4
Total Schools	1,658	1,079	519	139	126	3,521
Sports, Arts, Recreation & Culture						
Calgary Zoo – Expansion	3	4	3	-	-	10
Fort Edmonton Park – Expansion	4	16	14	-	-	34
Other Parks Projects	2	2	1	-	-	5
Parks Lower Athabasca Regional Plan Implementation	5	5	5	5	5	25
Parks South Saskatchewan Regional Plan Implementation	10	10	10	10	10	50
Royal Alberta Museum (Edmonton)	83	36	-	-	-	119
Royal Tyrrell Museum Palaeontology – Expansion (Drumheller)	7	2	-	-	-	9
Winsport (CODA) – Sliding Track Refurbishment	-	5	5	-	-	10
Total Sports, Arts, Recreation & Culture	114	80	38	15	15	262
Contingency / Emergent Projects	92	22	-	-	-	114
Total Capital Plan – Core Government	7,623	7,504	6,892	6,433	6,300	34,753
Schools, Universities, Colleges, Hospitals (SUCH) Sector – Self-financed Investment	858	760	977	935	901	4,431
Total Capital Plan – Fully Consolidated basis	8,481	8,264	7,870	7,369	7,201	39,184

UNFUNDED CAPITAL PROJECTS (as of April 14, 2016)

As part of the commitment to transparency and openness, for the first time the government is presenting a list of unfunded capital projects as an addendum to the *Budget 2016* Capital Plan. It is comprised of projects presented by departments that met priority criteria and fit within the three pillars of the Capital Plan: key social programs and services that Albertans rely on; encouraging economic development in communities, and protecting the environment.

Some of these projects will receive funding for planning as part the *Budget 2016* Capital Plan. If the projects meet the criteria and there is funding available, they will be reflected in future capital plans. Adjustments to the *Budget 2016* Capital Plan and this list will be made to address emerging needs and issues around the province. Finally, this list is not all-encompassing, there are many worthy projects in Alberta that are not reflected here.

Infrastructure Project Name	Department
A.R. Schrag Renovations, Alberta Hospital Edmonton	Health
Alberta Innovates Technology Futures Devon and Millwoods facilities	Economic Development & Trade
Aspen View Public School Division No. 78: H.A. Kostash School Modernization and Rightsizing	Education
Athabasca University – Information Technology Capital	Advanced Education
Black Gold Regional Division No. 18 (2245): Ecole Secondaire Beaumont Composite High School	Education
Black Gold Regional Division No. 18 (2245): Willow Park School	Education
Buffalo Trail Public Schools Regional Division No. 28 (1155): Irma School	Education
Calgary Board of Education: Cougar Ridge Elementary	Education
Calgary Board of Education: Coventry Hills/Country Hills Village Elementary	Education
Calgary Board of Education: Cranston Elementary	Education
Calgary Board of Education: Evergreen Elementary	Education
Calgary Board of Education: Forest Lawn High School	Education
Calgary Board of Education: John Diefenbaker High School	Education
Calgary Catholic School District: Airdrie Elementary School	Education
Calgary Catholic School District: Auburn Bay Elementary	Education
Calgary Catholic School District: St. Bonaventure School	Education
Calgary Catholic School District: St. Boniface School	Education
Calgary Court of Appeal Planning Study	Justice and Solicitor General
Calgary Ring Road – Upgrades - New bridge crossing over the Bow River (North West) - Interchange upgrade at Crowchild Trail (North West) - New bridge over Scenic Acres Link / Tuscany Boulevard / CPR (North West) - Median lane widening along east side of Stony Trail between 16th Ave NE to 17th Ave SE (East)	Transportation
Calgary Rotary/Mattamy Greenway Project	Culture and Tourism
Canadian Rockies School Division: Banff Elementary School Phase 2	Education
Christ the Redeemer Catholic Separate Regional Division: Holy Cross Collegiate	Education
Completion of Alberta portion of Trans Canada Trail	Culture and Tourism
Correctional Facilities Renewal Planning Study	Justice and Solicitor General
Cross Cancer Institute (Edmonton) – Phase 1	Health
Customer Relationship Management – Information Technology System	Economic Development & Trade
East Central Alberta Catholic Separate Schools Regional Division No. 16 (4330): Replacement of St. Thomas Aquinas School	Education
Edmonton Catholic Separate School District No. 7 (0110): New Elementary School in Meadows	Education
Edmonton Catholic Separate School District No. 7 (0110): New Grade 5-9 school in Castledowns _Rapperswill	Education
Edmonton Ring Road – South West Upgrades - Widening both directional lanes from 2 to 3 lanes (Whitemud Drive to Highway 2) - Widening of bridges at North Saskatchewan River and Wedgewood Ravine - New bridges to accommodate ramps at Whitemud Drive - Safety/operational improvements at 119th Street and 127th Street	Transportation

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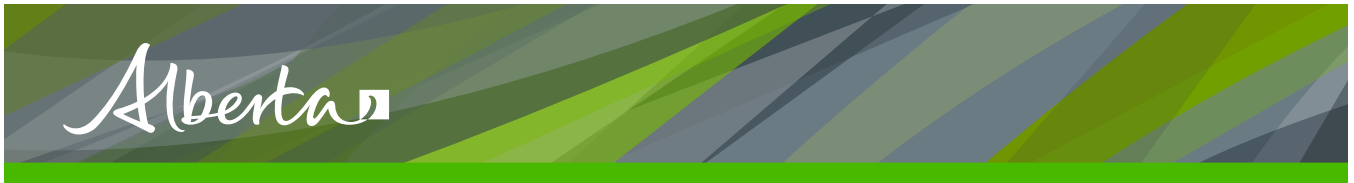
Unfunded Capital Projects (as of April 14, 2016), *continued*

Infrastructure Project Name	Department
Edmonton School District No. 7 (3020): Brander Gardens School	Education
Edmonton School District No. 7 (3020): Highlands Junior High School	Education
Edmonton School District No. 7 (3020): Meadows 7-9	Education
Edmonton School District No. 7 (3020): Pilot Sound K-6	Education
Elk Island Catholic Separate Regional Division No. 41 (0046): Ecole Pere Kenneth Kearns Catholic School Add and Mod	Education
Elk Island Public Schools Regional Division No. 14 (2195): Wye School	Education
Equipment Maintenance and Renewal	Justice and Solicitor General
Fort McMurray Seasonal Employee Housing	Agriculture and Forestry
Fort McMurray Public School District No. 2833: Ecole Dickinsfield School	Education
Glenbow Museum – Deferred Maintenance	Culture and Tourism
Grande Prairie Roman Catholic Separate School District No. 28 (4130): St Patrick Catholic School Modern and Dem Phase 2	Education
Grande Prairie School District No. 2357 (3240): Grande Prairie Composite High School Replacement	Education
Greater North Central Francophone Education Region: Ecole Joseph Moreau	Education
Highway 1, Medicine Hat Intersection Improvements at Hwy 1 and 3 (Intersection Improvement) /	Transportation
Highway 1, Interchange Upgrade at Hwy 1 and 22 (Interchange Upgrading)	Transportation
Highway 1A, Interchange Improvement at Hwy 1A and 22 (Town of Cochrane) (Interchange – Grade, Base, Paving)	Transportation
Highway 2, Balzac Interchange Replacement (Interchange Upgrading)	Transportation
Highway 2, Interchange at Cardiff Road, S of Morinville (Interchange – Grade, Base, Paving)	Transportation
Highway 2A, Red Deer to Blackfalds (Twinning – Grade, Base, Stage Paving)	Transportation
Highway 11A, E of Hwy 2 – Hwy 2A (City of Red Deer) (Twinning – Grade, Base, Stage Paving)	Transportation
Highway 19 Completion of Twinning (East of Highway 60 to West of Highway 2)	Transportation
Highway 22, Bridge Widening and Priddis Intersection Improvement, E of Fish Creek to W of Fish Creek (Passing / Climbing Lane)	Transportation
Highway 28, Construct Roundabout, W of Waskatenau (Intersection Improvement)	Transportation
Highway 63, Prairie Creek Culvert Replacement (Structure Replacement)	Transportation
Highway 567, High Load Staging Area, 4 km W of Hwy 22 (Safety Rest Area)	Transportation
Highway 697, La Crete (Tompkins) Ferry Replacement (Structure Replacement)	Transportation
Highway 813, Athabasca River Bridge Replacement on Highway 813 (Structure Replacement)	Transportation
Highway 817, Hwy 24 – Hwy 901 (Reconstruct / Re-Alignment)	Transportation
Highway 834, Tofield Bypass (Re-Alignment) (Reconstruct / Re-Alignment)	Transportation
Highway 881, Safety and Roadway Improvements at various locations – passing and climbing lanes, truck staging areas, improved rest areas, and intersection improvements at various locations (Passing / Climbing Lane)	Transportation
Hinton Training Centre Renovation and Expansion	Agriculture and Forestry
Holy Spirit Regional Division: Country Meadows Elementary School	Education
Horizon School Division: Erle Rivers High School	Education
Housing for Homeless Families – Permanent Supportive Housing (Calgary)	Human Services
Inpatient Unit Fit-Outs, Chinook Regional Hospital, Lethbridge	Health
Integrated Resource Management – Information Technology System	Energy
Jubilee Auditoria Back of House Upgrades	Culture and Tourism
Lakeland College – Animal Health Technology Clinic	Advanced Education
Lakeland College Dairy Barn	Advanced Education
Lakeland Roman Catholic Separate School District No. 150 (4105): Holy Family Catholic School	Education
Lethbridge School District: Galbraith School	Education

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Unfunded Capital Projects (as of April 14, 2016), *continued*

Infrastructure Project Name	Department
Livingstone Range School Division No. 68: Nanton Solution (A.B. Daley / J.T. Foster)	Education
Medical Device Reprocessing (MDR) – Phase 1	Health
Medicine Hat Public School District: Connaught School	Education
New Red Deer Courthouse	Justice and Solicitor General
Northern Gateway Regional Division No. 10 (2275): New Valleyview K-12 School	Education
Northern Lakes College – Community Learning Centres Project Phase 1	Advanced Education
Northern Lights School Division No. 69 (1245): Bonnyville Centralized High School	Education
Norwood Long Term Care Facility, Edmonton	Health
Palliser School Division No. 26: Huntsville School	Education
Parkland School Division No. 70 (2305): Woodhaven Preservation, Modernization	Education
Peace Wapiti School Division No. 76: New K-8 School in Heritage Heights or Flying Shot Lake	Education
Permanent Supportive Housing (Grande Prairie)	Human Services
Permanent Supportive Housing (Lethbridge)	Human Services
Peter Lougheed Centre, Emergency Department and Laboratory	Health
Prairie Land School Division: Delia School	Education
Provincial Archives of Alberta – Vault & Public Spaces Expansion	Culture and Tourism
Raven Brood Trout Station	Agriculture and Forestry
Red Deer Catholic Regional Division No. 39: St. Patrick's Community School	Education
Red Deer College – Centre for Health, Wellness & Sport – 2019 Canada Winter Games Facilities	Culture and Tourism
Regional Library Systems Headquarters	Municipal Affairs
Reynolds-Alberta Museum New Artifact Centre	Culture and Tourism
Rocky View School Division: George McDougall	Education
Rocky View School Division: New West Airdrie (Hillcrest)	Education
St. Albert Public School District No. 5565: New High School Space Solution	Education
St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38 (0020): Father Lacombe Catholic School	Education
Strategic Land Purchase for Future Edmonton Law Courts Expansion	Justice and Solicitor General
Sturgeon School Division No. 24 (1110): Camilla School Modernization	Education
Supportive Housing and Supports Persons with Developmental Disabilities	Human Services
The Southern Francophone Education Region: Ecole les Cypres	Education
Training Academy Planning Study	Justice and Solicitor General
Twin Arena & Training Centre – South Campus U of A	Culture and Tourism
University of Alberta – Dentistry Pharmacy – Functional Renewal of Building	Advanced Education
University of Alberta Heating Plant – Turbine Generator #3	Advanced Education
University of Calgary – Haskayne School of Business Advanced Learning Centre	Advanced Education
University of Calgary – Science A Redevelopment – Phase 2	Advanced Education
University of Calgary Life and Environmental Sciences Resource Centre	Advanced Education
Wild Rose School Division: Evergreen Elementary School	Education
Winspear Centre – Extension	Culture and Tourism
WinSport (Formerly Calgary Olympic Development Association) – Acrobatic / Multi-Use Court Facility	Culture and Tourism
Wolf Creek School Division No. 72: Rimbey Junior Senior High School	Education



FISCAL PLAN

ECONOMIC OUTLOOK

◆

ANNEX

The Alberta
JOBS PLAN **BUDGET 2016**

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KEY ENERGY AND ECONOMIC ASSUMPTIONS

Fiscal Year Assumptions	2014-15 Actuals	2015-16 Forecast	2016-17	2017-18	2018-19
Crude Oil Prices^a					
WTI (US\$/bbl)	80.48	45.00	42.00	54.00	64.00
Light-Heavy Differential (US\$/bbl)	17.30	13.40	15.20	17.50	18.50
WCS @ Hardisty (Cdn\$/bbl)	70.78	41.00	36.40	48.30	59.00
Natural Gas Price^a					
Alberta Reference Price (Cdn\$/GJ)	3.51	2.30	2.40	2.80	3.00
Production					
Conventional Crude Oil (000s barrels/day)	586	529	524	506	489
Raw Bitumen (000s barrels/day)	2,330	2,403	2,668	2,890	3,151
Natural Gas (billions of cubic feet/day)	13.1	13.3	13.1	12.7	12.4
Interest Rates					
3-month Canada Treasury Bills (%)	0.85	0.49	0.54	0.93	1.49
10-year Canada Bonds (%)	1.98	1.53	1.79	2.38	2.91
Exchange Rate (US\$/Cdn\$)^a	88.0	76.0	73.5	75.5	77.5

Calendar Year Assumptions	2014 Actuals	2015 Estimates	2016	2017	2018	2019
Gross Domestic Product						
Nominal (billions of dollars)	375.8	333.1 ^b	318.7	344.0	372.3	396.3
% change	9.1	-11.4 ^b	-4.3	8.0	8.2	6.4
Real (billions of 2007 dollars)	320.1	315.3 ^b	311.0	316.9	325.8	334.8
% change	4.8	-1.5 ^b	-1.4	1.9	2.8	2.7
Other Indicators						
Employment (thousands)	2,275	2,302	2,263	2,283	2,330	2,375
% change	2.2	1.2	-1.7	0.9	2.1	1.9
Unemployment Rate (%)	4.7	6.0	8.0	7.5	6.5	5.8
Average Weekly Earnings (% change)	3.7	-0.3	-0.6	1.0	2.1	2.9
Primary Household Income (% change)	6.7	0.3 ^b	-1.4	2.4	4.2	4.7
Net Corporate Operating Surplus (% change)	17.0	-51.9 ^b	-18.0	48.6	32.9	15.7
Housing Starts (thousands of units)	40.6	37.5	22.2	19.4	20.1	23.6
Alberta Consumer Price Index (% change)	2.6	1.1	1.5	1.7	2.1	1.9
Retail Sales (% change)	7.5	-3.4	-3.4	1.1	3.8	4.6
Population (thousands)	4,121	4,196	4,247	4,287	4,343	4,406
% change	2.8	1.8	1.2	1.0	1.3	1.4
Net Migration (thousands)	80.3	42.0	16.4	7.2	23.1	31.0

^a Forecasts have been rounded

^b Alberta Treasury Board and Finance estimate.

Fiscal Sensitivities to Key Assumptions, 2016–17^a

(millions of dollars)

	Change	Net Impact (2016-17)
Oil Price (WTI US\$/bbl)	-\$1.00	-130
Light/Heavy Oil Price Differential	+\$1.00	-70
Natural Gas Price (Cdn\$/GJ)	-10 Cents	-25
Exchange Rate (US\$/Cdn\$)	+ 1 Cent	-85
Interest Rates	+1%	-230
Primary Household Income	-1%	-170

^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.

ECONOMIC OUTLOOK 2016–19

LOW OIL PRICES PROLONG DOWNTURN

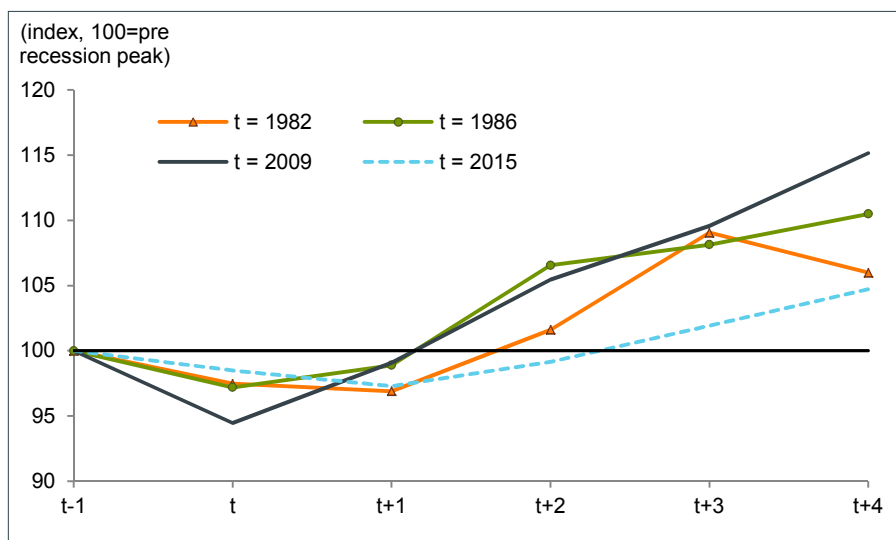
The Alberta economy is experiencing a severe oil price shock. Oil prices have fallen more than 70% since June 2014, one of the largest declines on record. As a result, the downturn will be deeper and longer than previously expected. After contracting in 2015, real GDP is forecast to decline again in 2016 by 1.4%. Nominal GDP, a broad income measure, is forecast to fall by \$57 billion between 2014 and 2016 and not return to pre-recession levels until 2019. The large income shock and softening outlook for oil prices mean that the recovery is forecast to be weak compared to past downturns (Chart 1).

Business investment is expected to decline again this year. Weakness in the energy sector is feeding through the economy, causing activity to slow in many other sectors, including construction and manufacturing. As companies reduce costs, the labour market is expected to deteriorate further, leading to a decline in migration. Households are responding by cutting back on spending.

Despite the drag from lower oil prices, there are several factors that remain supportive of growth. Industries will benefit from weaker cost pressures and better labour availability. Alberta's population will continue to grow, albeit at a slower pace. Despite recent declines, average incomes are expected to remain well above the national average. Oil sands production will continue to expand in the near term, supporting exports. A solid US economy and weaker Canadian dollar will lift export-focused industries like agriculture, manufacturing and forestry. *Budget 2016* growth measures will also support economic activity. Enhanced infrastructure spending will provide stimulus during the downturn, while spending on public services will be maintained.

Chart 1: A longer recovery for Alberta's economy

Downturns in Alberta Real GDP Since 1980



For the first time since 1982-83, Alberta real GDP is expected to fall for a second-straight year in 2016. The recovery is forecast to be slower than in previous downturns as the Alberta economy adjusts to an extended period of low oil prices.

Sources: Statistics Canada and Alberta Treasury Board and Finance

GLOBAL ECONOMY

The impact of current low oil prices highlights the influence that external market conditions have on Alberta's trade and commodity driven economy. Though prospects for the global economy have moderated, growth is expected to improve after slipping in 2015. Lower growth in China will continue to weigh on the recovery for commodity prices and contribute to volatility. Oil prices will improve, but are forecast to remain significantly below prices seen in recent years.

GLOBAL GROWTH PROSPECTS SUBDUED

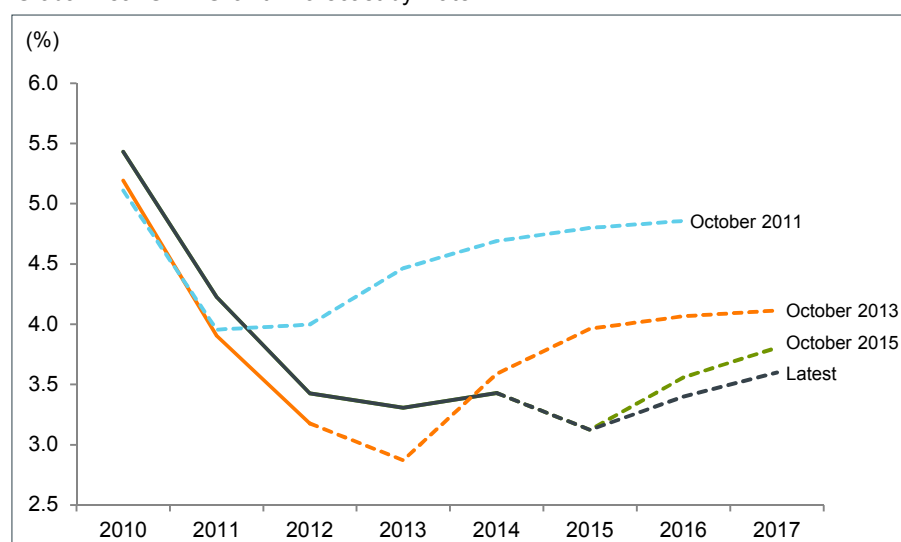
Global economic growth is expected to gradually improve after disappointing in 2015 due to a host of challenges (Chart 2). Most developed economies are expected to pick up, while many developing economies, led by China, are showing signs of slowing. Overall, global GDP growth of 3.4% is expected in 2016, up from 2015. Last year's slowdown reduced global industrial production and trade, undercutting the demand for raw materials and metals. This pushed down prices for nickel, copper and iron ore. Oil exporting countries, including Canada, were especially hard hit by the decline in oil prices.

US ECONOMY ON TRACK

The US, Alberta's largest trading partner, continues to stand out among advanced economies. A markedly improved employment situation and robust domestic demand are expected to support forecasted growth of around 2.5% in 2016 and over the medium term. Employment growth, stronger business and consumer confidence, falling debt to income ratios and growing demand for housing will enable American consumers to keep the US economy on track. Challenges still remain, though. Industrial production continues to lag, mainly due to declines in the oil and gas sector. In addition, the rise of the US dollar over the past two years has weighed on exports and kept inflation below target.

Chart 2: Global growth has repeatedly underperformed expectations

Global Real GDP Growth Forecast by Date



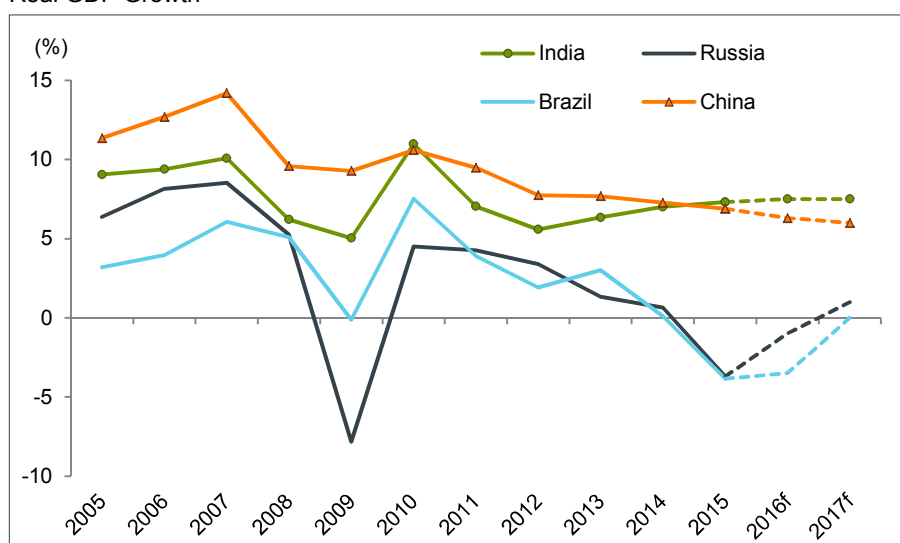
Source: International Monetary Fund

The global economy is forecast to expand by 3.4% in 2016, less than expected in October.

DIVERGING EMERGING MARKET GROWTH

Emerging markets are key drivers of global demand growth, especially for commodities. The outlook for emerging markets is weaker, reflecting a slowdown in China and other large emerging market economies (Chart 3). China's real GDP growth will continue to moderate to about 6% as the country transitions away from a reliance on investment and low cost manufactured exports towards domestic consumption and services. Despite the slowdown, China will remain a key driver of global economic growth and commodity demand. The oil-producing countries of Russia and Brazil have been hit hard by the decline in prices which, combined with structural challenges in those economies, will keep them in recession for the near term.

Chart 3: Commodity exporting emerging markets continue to struggle
Real GDP Growth



India has surpassed China in real GDP growth, while the commodity-dependent economies of Brazil and Russia will remain in recession this year.

Source: International Monetary Fund, f-forecast

In contrast, India and several Southeast Asian economies have seen economic growth accelerate; these economies have benefited considerably from declining fuel and raw materials costs.

Heightened uncertainty in the global economy, especially in emerging markets, suggests that volatility in financial and commodity markets will persist. China has been at the centre of several bouts of financial market volatility, most recently in early 2016, as Chinese manufacturing activity slowed and uncertainty clouded China's outlook.

WEAKER OUTLOOK FOR GLOBAL OIL PRICES

In recent years, global oil production has outpaced demand, leading to an oversupply in the global oil market. This triggered an oil price correction in mid-2014 and pushed prices to the lowest level in over a decade at the beginning of 2016.

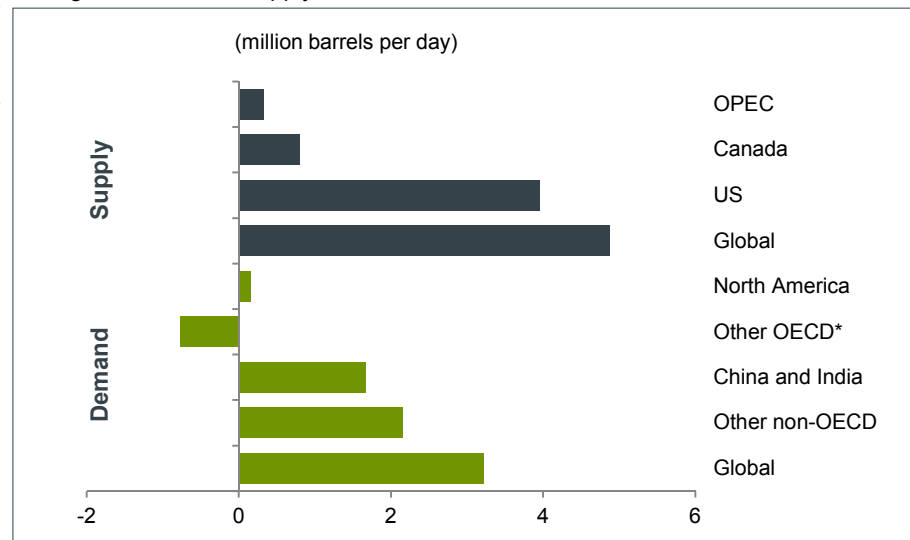
Between 2011 and 2014, global oil demand grew steadily, increasing on average 1.2% per year and reaching over 92 million barrels per day in 2014.

With OECD consumption declining slightly, this demand was driven exclusively by emerging markets, including China and India. Over the same period, global oil supply grew at a much faster rate (Chart 4). Oil production outside of OPEC increased almost 2.6% annually, mainly driven by US shale and Alberta oil sands expansions. OPEC production increased just 0.3% per year, resulting in a decline in its market share. OPEC's decision to increase production to protect its market share, rather than defend prices, led to further price declines in 2015.

Chart 4: Emerging market demand met with North American supply

Change in Global Oil Supply and Demand 2011-2014

North America was responsible for almost all the growth in global oil production between 2011 and 2014, leading to the current supply glut. Over the same period, emerging markets accounted for all of the growth in demand.



Source: US Energy Information Administration

* The Organization for Economic Co-operation and Development (OECD) represents developed countries.

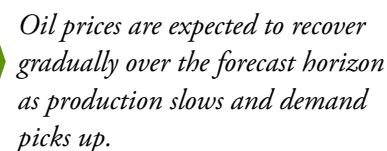
As a result of lower prices, oil investment worldwide fell in 2015, with weakness carrying into 2016. The decline in spending is expected to slow production growth this year, especially in the US. This will lead to a re-balancing of the market and gradually improving oil prices. However, ample lower-cost supply from both OPEC and non-OPEC sources and uncertainty about oil demand growth, especially in emerging markets, have dampened the price outlook over the medium term. WTI is expected to average US\$42/bbl in 2016-17 and increase to around US\$64/bbl by 2018-19, significantly below the *Budget 2015* forecast and price levels in recent years (Chart 5).

CANADIAN ECONOMY

GROWTH HIT BY LOWER OIL PRICES

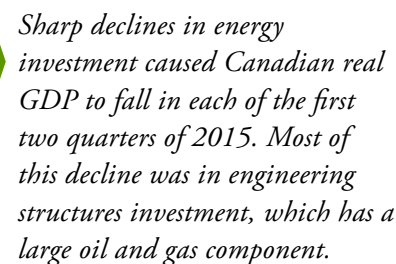
Canada's economy has been hobbled by low oil prices since the beginning of 2015, and real GDP is expected to grow only 1.4% in 2016. The slowdown has been primarily due to declining investment in the oil and gas sector (Chart 6). The collapse in commodity prices has changed growth prospects across the

West Texas Intermediate



provinces, as more resource-intensive economies have slowed significantly. The Bank of Canada estimated in the April 2015 *Monetary Policy Report* that the oil price shock has the largest impact on Alberta, Saskatchewan and Newfoundland and Labrador, but also adversely affects other provinces through trade linkages, including BC, Manitoba and Ontario. A stronger US economy and lower Canadian dollar have improved the prospects for less resource-intensive provinces, but not enough to offset the impact of low oil and other commodity prices on the Canadian economy. With the help of monetary and fiscal stimulus, growth is forecast to pick up to 2.3% in 2017 before

Contribution to Quarterly Change in Canadian Real GDP at Annual Rates



* Oil and gas is the largest component of investment in engineering structures

slowing slightly over the medium term. Increased access to international and coastal markets remains important to investment in the Canadian energy sector and economic growth.

DOLLAR WEAKENS ON ECONOMY AND COMMODITIES

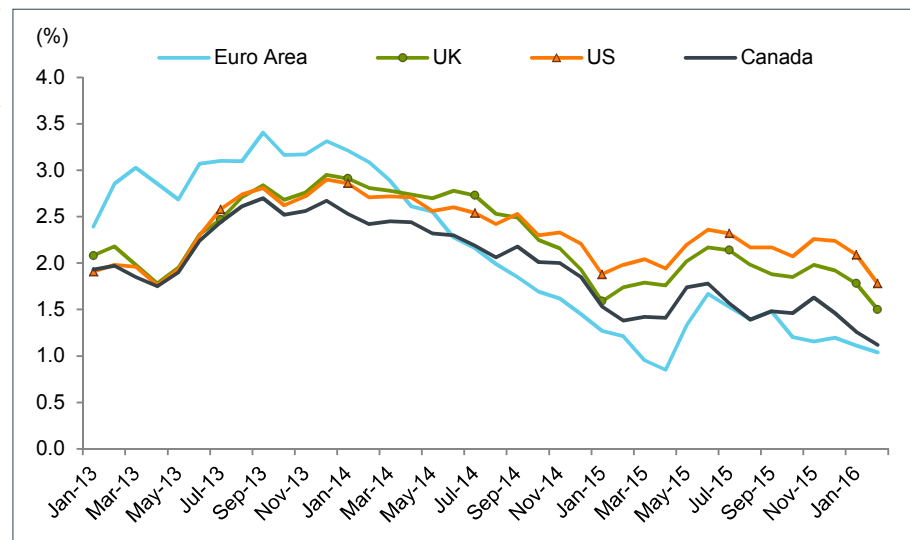
Since mid-2014, the Canadian dollar has been under pressure from lower oil prices, weaker growth prospects and interest rate cuts by the Bank of Canada. Recent strength, mainly related to a depreciating US dollar, is not expected to be sustained. The dollar is forecast to gradually appreciate to US\$77.5/Cdn\$ by 2018-19, consistent with a slow improvement in oil prices.

INTEREST RATES TO STAY LOW

Long-term interest rates have fallen to historic lows due to tepid growth and low inflation expectations (Chart 7). The Bank of Canada is likely to hold off on any rate increases as long as Canada's economic and inflationary outlook remains sluggish. Canadian long-term government bond yields are expected to rise modestly over the forecast period. Many other central banks are also expected to maintain accommodative monetary policy to bolster growth over the medium term. The European Central Bank recently enlarged its bond-buying program, while central banks in Japan and China are also expected to inject additional stimulus. The US Federal Reserve is proceeding cautiously on rate increases to avoid elevating stress in financial markets, given the uncertainty about global growth.

Lacklustre global growth and low inflation expectations have driven down global bond yields.

Chart 7: Long-term bond yields are near historic lows
10-Year Government Bond Yields



Source: Haver Analytics

ALBERTA ECONOMY

The Alberta economy is adjusting to the historic drop in oil prices. The recession in 2015 was caused by lower energy investment. In 2016, the effects will be more broadly felt. Momentum that supported activity in the province has faded, prompting a pullback in construction and spending. Alberta's labour market has been hit hard, and unemployment is expected to remain elevated into 2017. A gradual improvement in oil prices will support economic growth over the medium term. Exports, led by expanding oil sands production, will continue to be the main growth driver. Other sectors will benefit from improved labour availability and reduced costs, along with a weaker dollar and strengthening US economy.

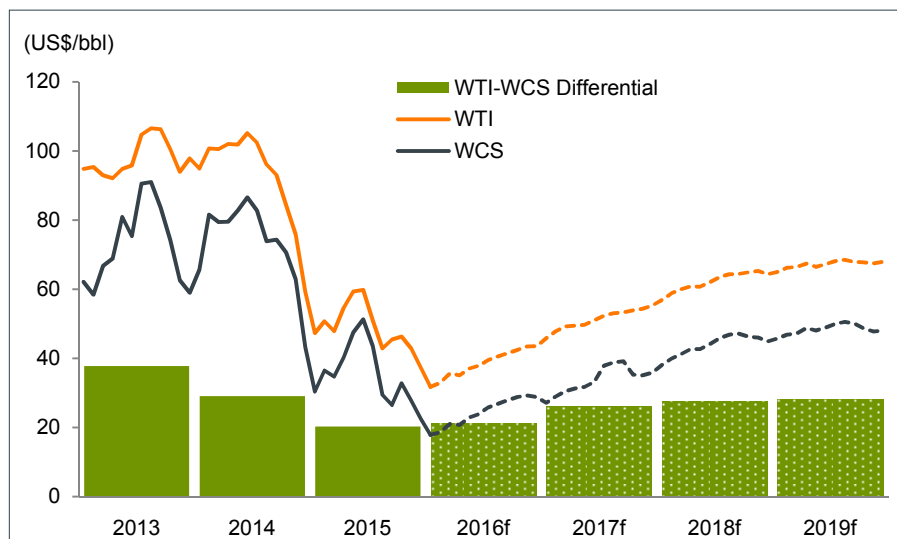
CORPORATE PROFITS HIT BY LOW PRICES

The continued slump in energy prices has hurt producers' cash flow and squeezed corporate profits. Oil and gas companies and their suppliers have been most directly impacted, but other companies' profits have also suffered from weaker activity in the province. Net corporate operating surplus, a measure of corporate profits, is expected to decline around 18% in 2016, after falling over 50% in 2015. The moderating outlook for oil prices and economic activity mean that corporate profits are not expected to return to pre-recession levels over the forecast period.

The price that Alberta producers receive for their crude has fallen sharply with the decline in WTI prices. The Alberta heavy oil benchmark WCS price fell below US\$20/bbl in January 2016 to the lowest level since trading began in 2004. The light-heavy differential has remained fairly steady, and is expected to average US\$15.20/bbl in 2016-17. Over the next few years, however, oil sands production is expected to rise faster than available pipeline capacity, increasing reliance on rail. This will cause the differential to widen to US\$18.50/bbl by 2018-19 (Chart 8) and reduce the profitability of projects, especially given the low price environment.

Chart 8: Differential to widen due to pipeline bottlenecks

Oil Prices



Growing oil sands production is expected to surpass pipeline capacity, leading to more extensive use of the rail network. The higher cost of rail transportation will lead to a widening of the WTI-WCS differential beginning in 2017.

Source: Alberta Energy, f-forecast

North America continues to be awash in natural gas. Lower oil production in the US is expected to cause a decline in associated gas; however, continued strong growth in US shale gas production and increased cost efficiencies will maintain downward pressure on natural gas prices in North America. The Alberta Reference Price is expected to average Cdn\$2.40/GJ in 2016-17 and rise to just Cdn\$3.00/GJ by the end of the forecast period.

SLOW RECOVERY IN OIL AND GAS INVESTMENT

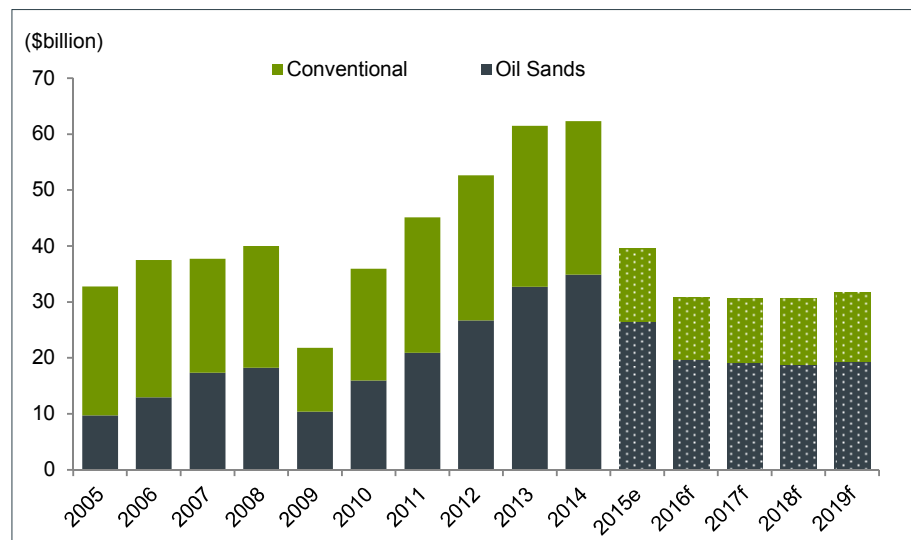
Energy producers have responded to low prices by cutting capital spending. Oil and gas investment is expected to contract by over 20% in 2016 after declining almost 37% in 2015. While it is forecast to improve over the medium term, the moderated outlook for oil prices has dampened the investment outlook (Chart 9). Companies are expected to be cautious about spending, and some consolidation within the industry is likely as firms with healthy balance sheets acquire those under financial stress.

The short life cycle of conventional investment makes it more sensitive to the near-term price outlook. The renewed decline in oil prices at the end of 2015 dragged down drilling activity further in the winter months, a period when drilling normally picks up. Drilling activity through March remained over 50% below already depressed 2015 levels.

With natural gas prices remaining depressed, natural gas drillers continue to target natural gas liquids (NGLs), whose prices are tied more closely to oil. Demand for condensate, which is used to dilute bitumen for transport, remains strong in the province. Drilling levels are at historic lows, but natural gas drilling technology continues to improve, resulting in metres drilled per well increasing by 17% in 2015. New well productivity is also improving, which means that production is expected to decline only moderately over the forecast period.

Chart 9: Oil and gas investment to remain low

Alberta Oil and Gas Investment



Sources: Statistics Canada, Alberta Energy and Alberta Treasury Board and Finance, e-estimate, f-forecast

Over the medium term, oil sands investment will consist mainly of repair and expansion of existing facilities. Conventional investment will improve with oil prices.

Overall, conventional investment is forecast to contract by 16% in 2016, after a pullback of over 50% in 2015. As prices improve in 2017, conventional investment is expected to begin recovering but remain well below 2014 levels.

OIL SANDS INVESTMENT SHIFTS TO SUSTAINING CAPITAL

The decline in oil sands investment has been much less pronounced compared with conventional because oil sands projects have long life cycles and those under construction already have large amounts of committed capital. With the outlook for oil prices moderating, however, oil sands investment is expected to continue slowing over the next three years. Spending will be focused on the maintenance of existing facilities and the completion of projects that were under construction prior to the price decline.

ENERGY WEAKNESS SPREADS TO OTHER SECTORS

Outside of oil and gas, non-residential construction and manufacturing are also feeling the effects of lower oil prices. Declining cost pressures and an improvement in overall activity will lend support to these sectors over the medium term.

Non-residential building construction slumped for most of 2015, despite a large increase in institution and government construction spending. After a solid first quarter, industrial and commercial building construction started to fall and the pace of the declines accelerated through the end of the year. Weakness is expected to continue in the near term, reflecting lower activity in the province and the winding down of current projects. Strong population growth in recent years has increased the need for public infrastructure, and plans by the government to bolster capital spending during the downturn will partially offset the decline in private construction in the next three years. Despite this lift, non-residential investment is expected to fall in 2016 and 2017 before picking up.

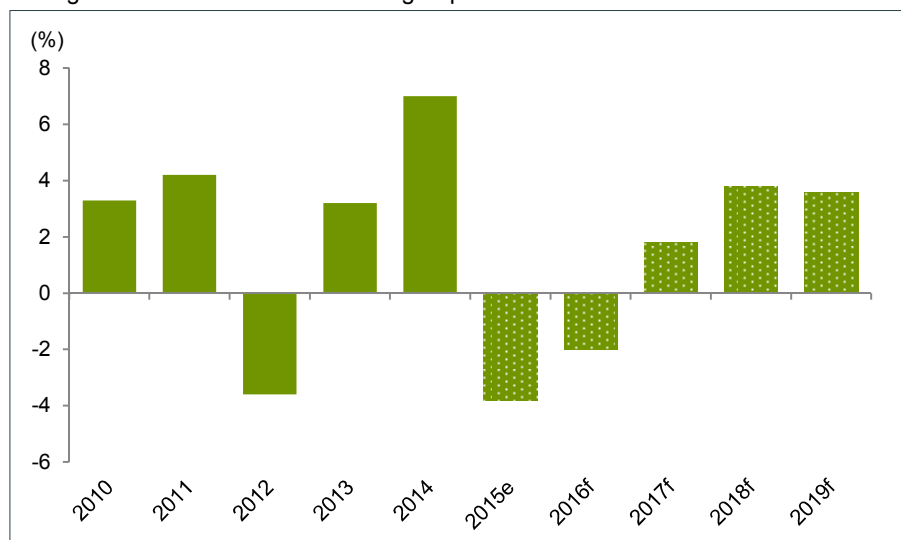
Energy-related manufacturing saw broad-based declines in 2015. Petroleum and chemical sales fell on lower prices. In addition, the downturn in drilling across North America and lacklustre performance of America's industrial sector dampened demand for Alberta made industrial machinery and equipment. Real manufacturing shipments declined over 8% in 2015 and are forecast to decline again in 2016.

Starting in 2017, however, manufacturing activity is expected to increase, which will support exports (Chart 10). Refinery capacity is set to expand substantially in 2017 with the completion of the \$8.5 billion Sturgeon Refinery, which can process 50,000 barrels of oil per day. Plastics manufacturing has also benefited from increased investment, with the Joffre polyethylene plant expansion set to come online later this year. The recently announced Petroleum Diversification Program, along with lower feedstock costs, are expected to encourage development of petrochemical facilities in Alberta.

Chart 10: Manufacturing exports to recover

Change in Alberta Real Manufacturing Exports

Alberta manufacturing exports have suffered as sales of oil-related machinery have declined. Going forward, investment in upstream oil and gas industries and continued strength in non-energy manufacturing will lead to a recovery.



Source: Alberta Treasury Board and Finance, e-estimate, f-forecast

SLOWING ECONOMY HITS ALBERTA LABOUR MARKET

The plunge in oil prices and accompanying decline in investment and activity in the province have weakened Alberta's labour market. Job losses, which started to mount in the fourth quarter of 2015, are expected to continue into the first half of 2016. Annual employment is forecast to decline 1.7% after remaining fairly resilient for most of 2015. Though employment should start to recover in 2017, growth is expected to be less than 1%. Overall employment is not forecast to return to 2015 levels until 2018.

Efforts by businesses to trim labour costs have weighed on earnings. Alberta average weekly earnings declined by 0.3% in 2015, the first annual decline in 20 years. While service sector earnings remained resilient, overall earnings were pulled down from disproportionately large job losses in higher-paying goods sector industries. This weakness is expected to persist in 2016, with average weekly earnings forecast to fall an additional 0.6%. Earnings are expected to improve gradually starting in 2017 (Chart 11). With lower earnings and employment, labour income is expected to fall around 2% in 2016 before recovering in 2017 and growing 4.5% on average in 2018 and 2019.

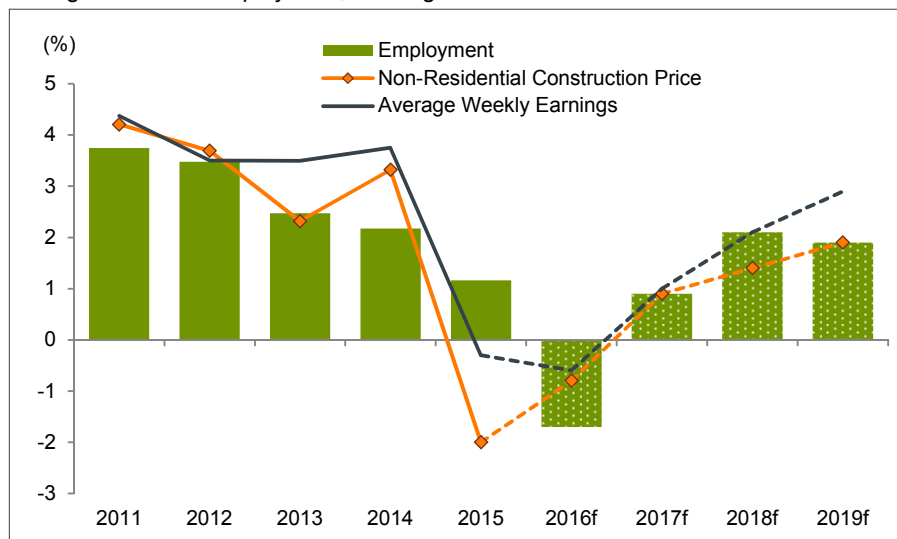
Primary household income, a key driver of personal income tax revenues, is expected to fall in 2016 because of the decline in labour income. It is forecast to recover starting in 2017, reflecting an improvement in labour income and other sources of income (e.g. dividend and rental income).

COST PRESSURES EASING

With economic activity slowing, cost pressures will continue to ease in 2016 (Chart 11). In addition to reducing labour costs, companies are seeking out price reductions from suppliers and implementing in-house cost efficiency measures, both within and outside of the energy sector. Construction costs are also coming down. In the fourth quarter of 2015, non-residential building construction prices declined 1.4% in both Edmonton and Calgary. As the economy improves in 2017, costs are likely to rise moderately.

Chart 11: Firms are cutting costs

Change in Alberta Employment, Earnings and Construction Prices



Construction prices in Alberta fell in 2015. This was due in part to falling labour costs as businesses reduced employment and earnings.

Sources: Statistics Canada and Alberta Treasury Board and Finance, f-forecast

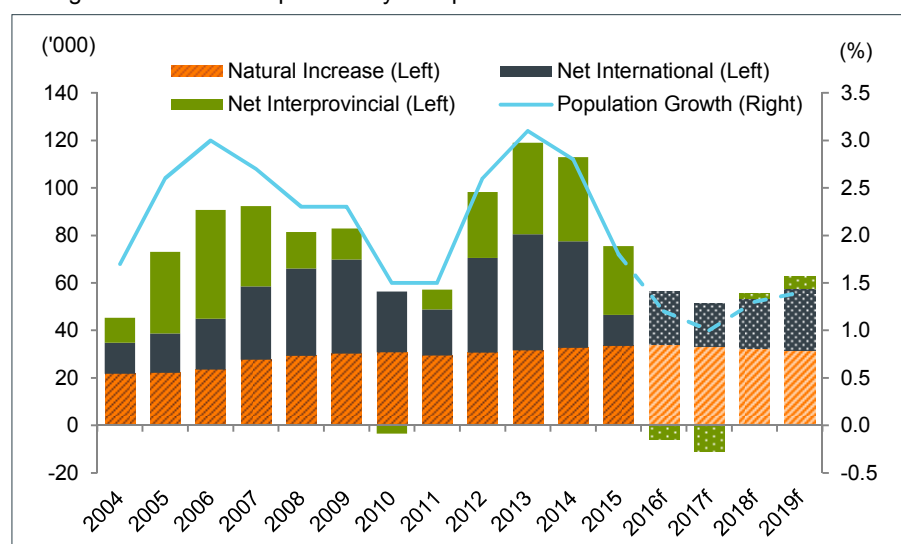
Lower energy prices and weaker economic activity have also kept inflation contained. They have partially offset the impact of the lower Canadian dollar, which has lifted the prices of food, appliances and other imported goods. As energy prices improve and prices remain elevated for imported goods, inflation is expected to rise to 1.5% in 2016 and average about 2% over the remainder of the forecast period.

POPULATION GROWTH MODERATES

The pace of Alberta's population growth will slow as migration weakens over the next two years. Population growth is forecast to moderate to 1.2% in 2016 and 1.0% in 2017 (Chart 12). After adding almost 140,000 people from other provinces over the past five years, Alberta is expected to see a net outflow of 17,000 interprovincial migrants over 2016 and 2017 due to weaker labour conditions. Net outflows of non-permanent residents will also weigh on population growth over the next few years, mainly because of changes to the

Population growth will slow in both 2016 and 2017 due to net outflows of interprovincial migrants. Growth will be supported by robust natural increase and immigration.

Chart 12: Natural increase and immigration to drive population gains
Change in the Alberta Population by Component



Sources: Statistics Canada and Alberta Treasury Board and Finance, f-forecast

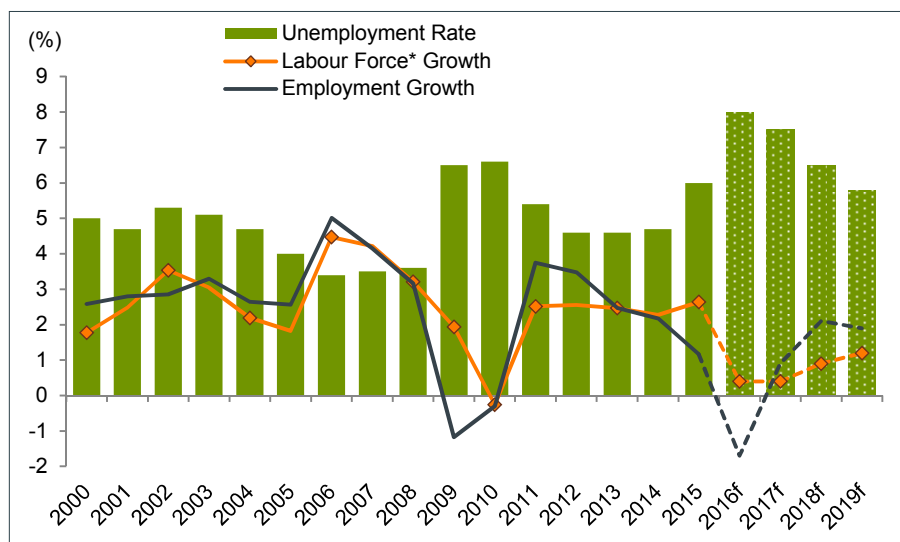
federal Temporary Foreign Worker Program (TFWP). Nevertheless, Alberta's population growth is expected to remain higher than the Canadian average over the forecast period. The arrival of large numbers of immigrants is forecast to keep overall migration positive, while natural increase will continue to provide a solid base for population expansion due to Alberta's young population. As migration picks up, population growth is forecast to increase to 1.4% by 2019.

UNEMPLOYMENT RATE TO DECLINE GRADUALLY

Despite deteriorating economic conditions and declining employment, Alberta's labour force has continued to expand. This has resulted in an increasing unemployment rate, which surpassed the national rate for the first time since 1988 and reached a 20-year high of 7.9% early this year. The unemployment rate is expected to remain elevated over the next two years, averaging 8.0% in 2016 and 7.5% in 2017.

Chart 13: Unemployment rate to decline gradually

Alberta Labour Market Indicators



The Alberta labour market weakened in 2015, and is expected to rebalance gradually over the projection horizon.

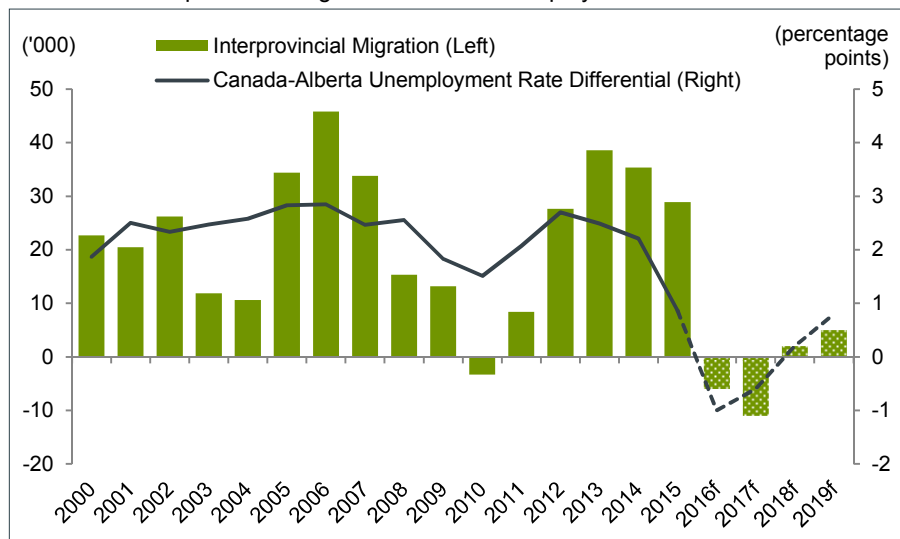
Sources: Statistics Canada and Alberta Treasury Board and Finance, f-forecast

* The number of people working or looking for work.

A combination of gradual employment growth and people leaving the labour market is expected to facilitate a steady decline in the unemployment rate to 5.8% by 2019 (Chart 13). The current high unemployment rate and improving prospects in other parts of Canada mean that more non-resident workers in the province are likely to leave, in addition to net outflows of interprovincial migrants (Chart 14). Some people may also decide to return to school for retraining and upgrading. Population aging will also encourage people to leave the labour force, as increasing numbers of baby boomers reach retirement age. The share of Alberta's population that is either working or looking for work (the labour force participation rate) is expected to fall steadily over the forecast period.

Chart 14: Labour force eases on interprovincial outflows

Alberta Net-Interprovincial Migration and the Unemployment Rate Differential



Interprovincial migration flows are sensitive to the relative economic prospects in Alberta and the rest of the country.

Sources: Statistics Canada and Alberta Treasury Board and Finance, f-forecast

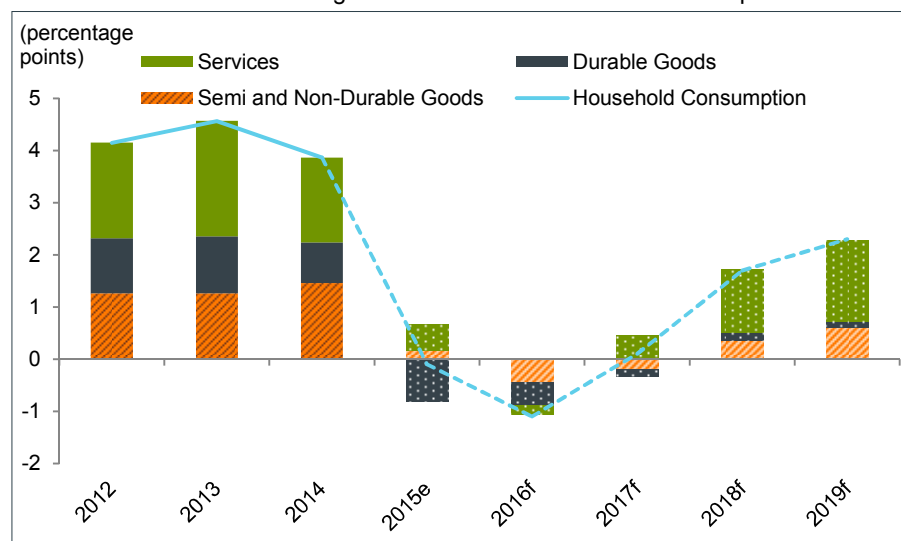
HOUSEHOLDS PULL BACK ON SPENDING

Falling incomes and uncertainty about the economy are leading consumers to pull back on spending. Retail sales declined almost 4% in 2015, with a large drop from durable goods, especially motor vehicle. Adjusted for inflation, consumer spending is forecast to decline over 1% in 2016 after falling slightly in 2015 (Chart 15). Slowing population growth will be a drag on spending in the next two years; however, Alberta's high per capita income, improving labour market and relatively low interest rates will support an improvement over the medium term. Real consumer spending is not expected to surpass 2014 levels until 2018.

Chart 15: Consumers reduce spending

Contribution to Per Cent Change in Alberta Real Household Consumption

Uncertainty about the economy and falling incomes have caused consumers to put off large purchases, especially automobiles. Consumer spending is expected to remain weak well into 2017.

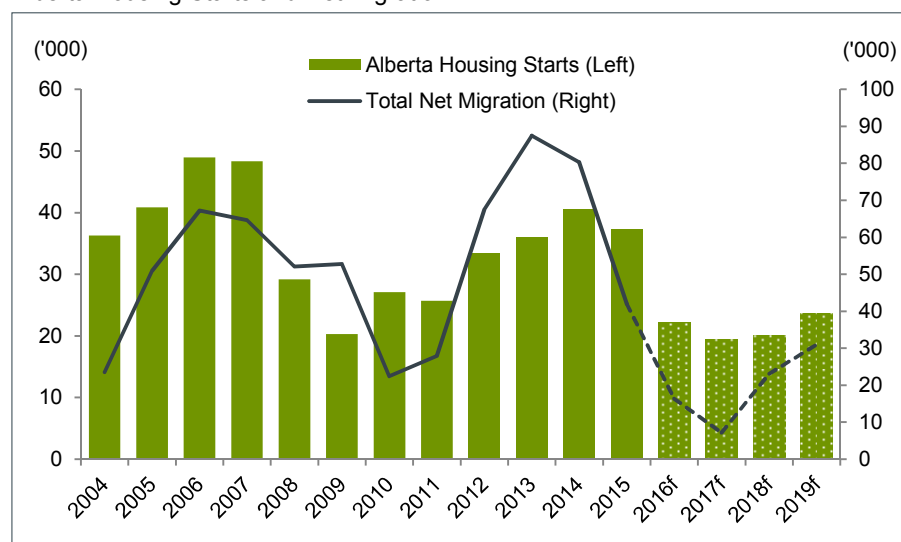


Sources: Statistics Canada and Alberta Treasury Board and Finance, e-estimate, f-forecast

Chart 16: Falling migration weighs on housing starts

Alberta Housing Starts and Net Migration

Falling net migration will reduce demand for new housing in the province. Housing starts are expected to decline in both 2016 and 2017, with a gradual recovery in the medium term.



Sources: Canada Mortgage and Housing Corporation, Statistics Canada and Alberta Treasury Board and Finance, f-forecast.

Housing starts remained robust early in 2015, which reflected the need to catch up after three years of record net migration. However, by the end of the year, housing construction slowed substantially. With declining incomes and moderating population growth, housing starts are forecast to fall to 22,200 in 2016 and 19,400 in 2017 (Chart 16). Beyond 2017, an improvement in the labour market and population growth will lead to a gradual recovery in housing starts.

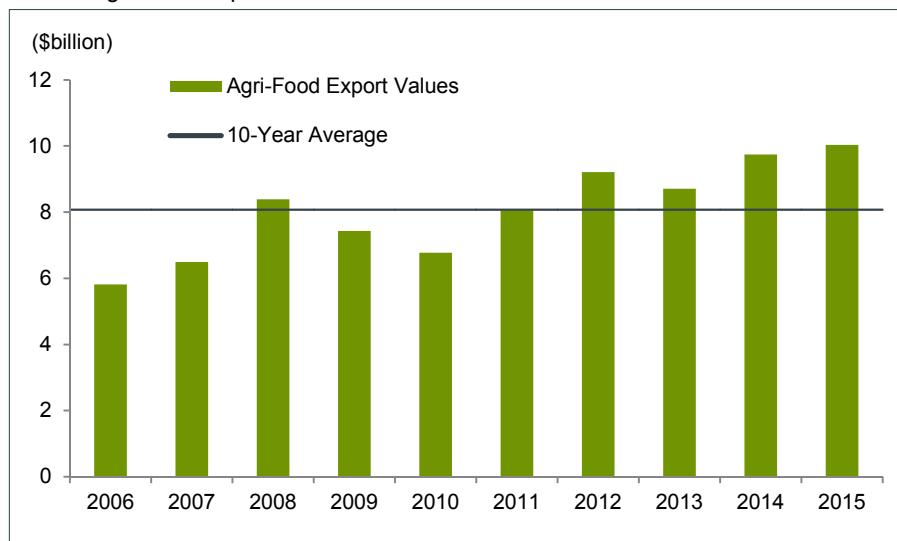
SOLID PROSPECTS IN OTHER SECTORS

Although the effects of oil prices on the economy have been far-reaching, there are some sectors that continue to show strength.

In the agriculture sector, Alberta's agri-food exports increased 3% in 2015, reaching a record \$10 billion (Chart 17). Much of the increase came from value-added food manufacturing sales, a bright spot in Alberta's manufacturing sector. Expansion in food manufacturing is also increasing local demand for agriculture products. For example, the start up of a new canola crushing plant in Camrose in 2015 increased capacity for canola processing. Prospects for the agriculture sector remain encouraging beyond 2016.

Chart 17: Alberta agricultural exports have thrived

Alberta Agri-Food Export Values



Exports of farm and manufactured food products continue to perform well.

Source: Statistics Canada

The forestry sector is also expected to benefit from stronger production. Forestry product exports increased over 4% in 2015, supported by a significant increase in lumber shipments. The forestry product sector is expected to continue expanding, aided by a weaker Canadian dollar, solid US housing activity and steady demand from Asia.

The tourism sector is another sector benefiting from the weaker Canadian dollar and a strong US economy, which are boosting the appeal of vacationing in Alberta and encouraging Albertans to travel closer to home. Visits by individuals to Alberta's national parks were up over 7.5% in 2015 and occupancy rates at resorts increased to over 62%, the highest since 2007. There has been a drop

off in business travel, however, with the pullback in economic activity in the province. Outside the resort areas, hotel occupancy rates are down, and business travel is expected to remain weak in 2016. Occupancy rates will pick up as overall economic activity increases.

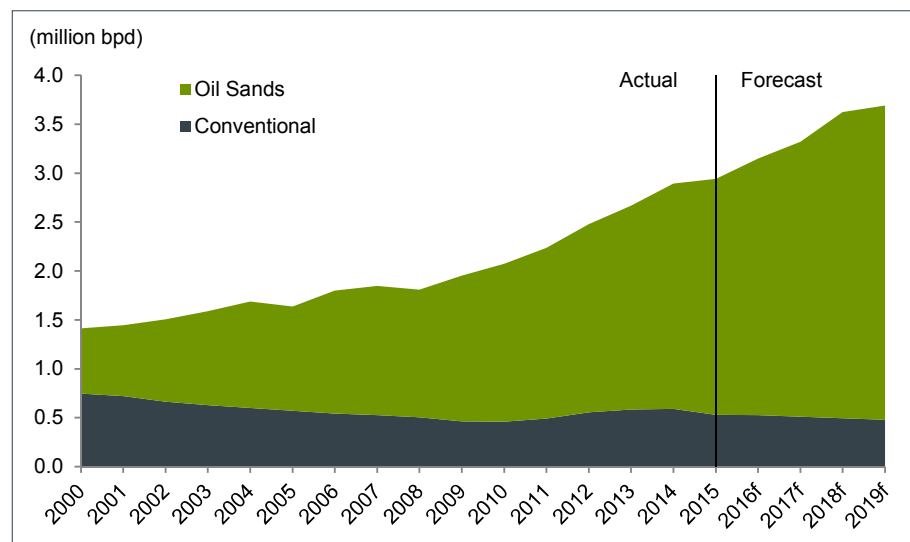
GROWING OIL PRODUCTION LIFTS EXPORTS

Oil production will continue to rise, despite lower prices. After several years of large scale investment, a ramp up of new oil sands projects led to strong growth in crude production in 2015. Gains will continue as more projects shift from construction to production. Over 500,000 barrels per day of bitumen production is forecast to come online over the next three years (Chart 18), adding significantly to Alberta's exports. Production starts to level off in 2019 because of lower investment and project delays in 2015 and 2016. Conventional oil production will continue to decline, but at 20% of Alberta's total oil production, it will have a small impact on overall production.

Chart 18: Oil sands production to grow despite drop in prices

Alberta Oil Production

Oil sands production will continue to expand as more projects shift from construction to production. Conventional oil production will continue to decline.



Source: Alberta Energy, f-forecast

MARKET ACCESS KEY TO ALBERTA'S GROWTH

The transportation and warehousing sector saw exceptional growth in recent years, with investment almost doubling to \$9.2 billion between 2012 and 2015. Given the production profile of the oil sands and other sectors, there is a continuing need to build and expand the transportation infrastructure. Although many companies have invested in crude-by-rail facilities, pipeline access remains critical in a low price environment, as many producers are operating near or below project break-evens. Pipelines lower transportation costs relative to rail by about US\$6-8/bbl. Additional pipeline capacity from Alberta would also improve access to international and coastal markets.

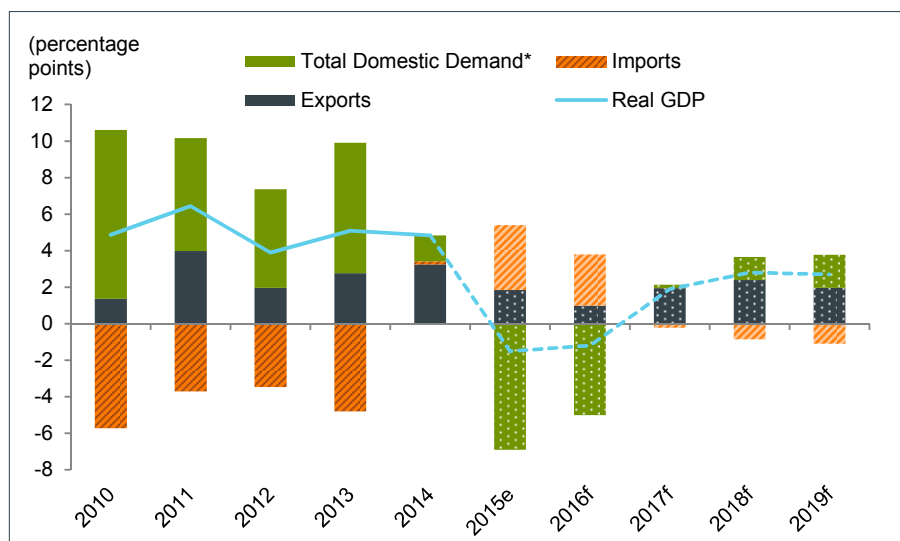
TRADE GAINS SUPPORT GROWTH

Exports are providing a needed boost to the economy. Although lower oil prices drag down the value of crude exports, export volumes continue to expand with oil sands production. Exports from other industries including agriculture, forestry, food manufacturing and services are also expected to partially offset the declines in energy-related manufacturing this year. As the Alberta economy adjusts to lower oil prices and activity picks up, exports will remain a key driver for Alberta's economy, adding around two percentage points to annual real growth over the next four years. Overall, export-oriented industries will benefit from easing cost pressures, the lower Canadian dollar and a solid US economy.

In addition, the pullback in spending by businesses and consumers has impacted other jurisdictions in Canada and abroad, as companies in Alberta have scaled back on imports. Rising exports and declining imports are cushioning the impact of declining investment and spending on Alberta's real GDP this year (Chart 19). Beyond 2016, exports and improving domestic demand will lead to a recovery in real GDP.

Chart 19: Alberta is transitioning to export led growth

Contribution to Alberta Real GDP Growth



Sources: Statistics Canada and Alberta Treasury Board and Finance, e-estimate, f-forecast
 * Total household, business and government spending.

The impact of lower domestic demand on Alberta's GDP has been partly offset by lower imports, which impacts other jurisdictions. Continued growth in oil sands production has helped support real exports.

SUMMARY

The oil price shock continues to work through the Alberta economy. After declining by an estimated 1.5% in 2015, real GDP is expected to fall 1.4% in 2016, which will mark the first time since 1982-83 that the economy has contracted in successive years. Falling oil and gas investment is driving the decline. This has hurt oil and gas service companies and oil-related manufacturing. Weakness has spread to other sectors of the economy.

The recovery is expected to be weaker than in previous downturns as the economy enters an extended adjustment period. Falling employment and continued labour force growth caused the unemployment rate to rise to a 20-year high in early 2016. The unemployment rate will fall gradually over the next several years through a combination of slower labour force growth and moderate employment growth. There are still some pockets of strength. Oil sands production will continue to ramp up as projects currently under construction are completed and non-energy exports are benefiting from a lower dollar and a strengthening US economy.

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.
- ◆ 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 revenue and investment, and could impact other sectors that also rely on this mode of transport.
- ◆ Emerging economies remain vulnerable to financial market shocks, as concerns remain about financial stability and overall growth prospects. A further slowdown in these markets would weigh on commodity prices, hurting Alberta's growth prospects.
- ◆ Increased uncertainty about the economy could further erode consumer and business confidence, reducing spending.
- ◆ On the upside, an improvement in oil prices would improve Alberta's growth prospects. This could come from stronger global economic growth, supply outages or a move by OPEC to reduce supply and support prices.



ECONOMIC OUTLOOK ANNEX

BENCHMARKING TABLES

Oil Price Benchmark

West Texas Intermediate (US\$/bbl)

Organization	2016	2017	2018	2019
National Forecasting Agencies				
Conference Board of Canada (Feb/16)	37.06	45.29	51.11	59.02
IHS Global Insight (Jan/16)	45.12	54.71	65.71	73.69
Centre for Spatial Economics (Jan/16)	38.54	47.00	57.00	64.00
Banks and Investment Dealers				
CIBC World Markets (Jan/16)	42.00	60.00	n/a	n/a
Credit Suisse (Feb/16)	37.75	54.25	65.00	65.00
Goldman Sachs (Jan/16)	45.00	60.00	60.00	55.00
Laurentian Bank (Feb/16)	49.50	75.00	n/a	n/a
RBC Capital Markets (Jan/16)	40.28	56.53	70.00	75.00
Scotiabank (Feb/16)	37.50	42.50	n/a	n/a
Toronto Dominion Bank (Dec/15)	47.25	58.50	n/a	n/a
Industry Analysts				
U.S. Energy Information Administration (Feb/16)	37.59	50.00	n/a	n/a
GLJ Petroleum Consultants (Jan/16)	44.00	52.00	58.00	64.00
Sproule Associates Limited (Dec/15)	45.00	60.00	70.00	80.00
Confidential Forecasts Provided to Alberta Energy^a				
Average	38.00	51.00	62.00	67.00
High	49.50	75.00	75.56	83.58
Low	34.77	41.34	44.08	45.96
Average of All Private Forecasts	41.00	54.00	62.00	67.00
Government of Alberta (calendar year)	38.00	51.00	62.00	67.00

^a Alberta Energy also surveys, on a confidential basis, private sector forecasts from PIRA, KBC, BMO Capital Markets, IHS CERA, Peters & Co. 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. The private sector average, consultant average and Government of Alberta forecasts have been rounded to the nearest dollar.

Includes forecasts finalized on or before February 3, 2016.

How Oil Price Forecasters Fared in Budget 2015

West Texas Intermediate (US\$/bbl)

Both the Government of Alberta and the private sector overestimated the WTI oil price for 2015, by 5.5% and 11.8% respectively in March and by 2.5% and 8.6% respectively in October.

Organization (#)	How did they do in Budget 2015?
National Forecasting Agencies (3)	53.79
Banks and Investment Dealers (7)	54.23
Industry Analysts (3)	52.67
Confidential Forecasts (6)	52.00
Average	53.00
Government of Alberta (calendar year)	50.00
Actual	48.80

Sources: Alberta Energy and Alberta Treasury Board and Finance

Natural Gas Price Benchmark

Henry Hub (US\$/MMBTU)^a

Organization	2016	2017	2018	2019
National Forecasting Agencies				
Conference Board of Canada (Feb/16)	2.49	2.79	3.18	3.64
IHS Global Insight (Jan/16)	2.67	2.94	2.99	3.18
Centre for Spatial Economics (Jan/16)	2.65	3.22	3.75	4.25
Banks and Investment Dealers				
CIBC World Markets (Jan/16)	2.70	3.50	n/a	n/a
Credit Suisse (Feb/16)	2.70	3.25	3.50	3.50
Goldman Sachs (Jan/16)	2.75	3.00	3.00	3.00
RBC Capital Markets (Jan/16)	2.50	3.00	3.25	3.50
Scotiabank (Feb/16)	2.37	2.62	n/a	n/a
Toronto Dominion Bank (Dec/15)	3.00	3.44	n/a	n/a
Industry Analysts				
U.S. Energy Information Administration (Feb/16)	2.64	3.22	n/a	n/a
GLJ Petroleum Consultants (Jan/16)	2.60	3.10	3.30	3.50
Sproule Associates Limited (Dec/15)	2.25	3.00	3.50	4.00
Confidential Forecasts Provided to Alberta Energy^b				
Average	2.50	3.00	3.30	3.30
High	3.00	3.60	4.20	4.25
Low	2.24	2.24	2.90	2.94
Average of All Private Forecasts	2.60	3.10	3.30	3.50
Government of Alberta (calendar year)	2.60	3.10	3.40	3.60

^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 Alberta Energy also surveys, on a confidential basis, private sector forecasts from PIRA, Petral, IHS CERA, NYMEX 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 3, 2016.

How Natural Gas Price Forecasters Fared in *Budget 2015*

Henry Hub (US\$/MMBTU)

Organization (#)	How did they do in Budget 2015?
National Forecasting Agencies (3)	2.93
Banks and Investment Dealers (6)	2.96
Industry Analysts (3)	2.87
Confidential Forecasts (5)	2.81
Average	2.90
Government of Alberta (calendar year)	2.80
Actual	2.63

Both the Government of Alberta and the private sector slightly overestimated natural gas prices in 2015, by 16.0% and 27.0% respectively in March and by 6.5% and 10.1% respectively in October.

Sources: Alberta Energy and Alberta Treasury Board and Finance

Canadian Short-Term Interest Rate Benchmark

3-month Government of Canada Treasury Bills (%)

Organization	2016	2017	2018	2019
National Forecasting Agencies				
Conference Board of Canada (Feb/16)	0.49	0.91	1.79	2.79
IHS Global Insight (Jan/16)	0.49	1.11	2.43	3.45
Centre for Spatial Economics (Jan/16)	0.40	1.20	1.90	2.50
Banks				
BMO Capital Markets (Mar/16)	0.30	0.42	n/a	n/a
CIBC World Markets (Mar/16)	0.45	0.54	n/a	n/a
Laurentian Bank (Feb/16)	0.40	0.45	n/a	n/a
National Bank (Feb/16)	0.46	0.51	n/a	n/a
RBC Royal Bank (Feb/16)	0.60	1.80	n/a	n/a
Scotiabank (Mar/16)	0.50	0.75	n/a	n/a
Toronto Dominion Bank (Dec/15)	0.45	0.58	n/a	n/a
High	0.60	1.80	2.43	3.45
Low	0.30	0.42	1.79	2.50
Average of All Private Forecasts	0.45	0.83	2.04	2.91
Government of Alberta (calendar year)	0.50	0.80	1.30	2.00

Includes forecasts finalized on or before March 4, 2016.

Canadian Long-Term Interest Rate Benchmark

10-Year Government of Canada Bonds (%)

Organization	2016	2017	2018	2019
National Forecasting Agencies				
Conference Board of Canada (Feb/16)	1.71	3.12	4.23	4.56
IHS Global Insight (Jan/16)	2.14	2.39	2.94	3.32
Centre for Spatial Economics (Jan/16)	1.40	2.20	3.00	3.60
Banks				
BMO Capital Markets (Mar/16)	1.29	1.71	n/a	n/a
CIBC World Markets (Mar/16)	1.43	2.21	n/a	n/a
Laurentian Bank (Feb/16)	1.56	2.20	n/a	n/a
National Bank (Feb/16)	1.46	1.95	n/a	n/a
RBC Royal Bank (Feb/16)	2.00	3.05	n/a	n/a
Scotiabank (Mar/16)	1.50	2.21	n/a	n/a
Toronto Dominion Bank (Dec/15)	1.90	2.28	n/a	n/a
High	2.14	3.12	4.23	4.56
Low	1.29	1.71	2.94	3.32
Average of All Private Forecasts	1.64	2.33	3.39	3.83
Government of Alberta (calendar year)	1.70	2.20	2.80	3.30

Includes forecasts finalized on or before March 4, 2016.

United States / Canada Exchange Rate Benchmark

(US\$/Cdn\$)

Organization	2016	2017	2018	2019
National Forecasting Agencies				
Conference Board of Canada (Feb/16)	70.8	77.4	80.5	82.5
IHS Global Insight (Jan/16)	73.5	79.2	83.9	87.2
Centre for Spatial Economics (Jan/16)	73.0	75.0	76.0	76.8
Banks				
BMO Capital Markets (Mar/16)	71.6	73.9	n/a	n/a
CIBC World Markets (Mar/16)	72.8	75.3	n/a	n/a
Credit Suisse (Feb/16)	71.3	75.0	77.5	77.5
Laurentian Bank (Feb/16)	74.5	79.5	n/a	n/a
National Bank (Mar/16)	75.0	77.0	n/a	n/a
RBC Royal Bank (Feb/16)	75.2	80.0	n/a	n/a
Scotiabank (Mar/16)	72.3	76.3	n/a	n/a
Toronto Dominion Bank (Dec/15)	73.3	77.3	n/a	n/a
High	75.2	80.0	83.9	87.2
Low	70.8	73.9	76.0	76.8
Average of All Private Forecasts	73.0	76.9	79.5	81.0
Government of Alberta (calendar year)	73.0	75.0	77.0	78.0

Includes forecasts finalized on or before March 4, 2016.

Alberta Real Gross Domestic Product Benchmark

(% change)

Organization	2015	2016	2017	2018	2019
National Forecasting Agencies					
Conference Board of Canada (Feb/16)	-2.2	-1.0	1.8	2.6	2.4
IHS Global Insight (Jan/16)	-0.9	0.4	2.3	2.3	2.3
Centre for Spatial Economics (Jan/16)	-2.2	-0.8	2.1	2.5	2.2
Banks					
BMO Capital Markets (Mar/16)	-2.8	-2.3	2.1	n/a	n/a
CIBC World Markets (Mar/16)	-1.5	-1.2	1.7	n/a	n/a
Laurentian Bank (Jan/16)	-1.0	-0.6	2.2	n/a	n/a
National Bank (Feb/16)	-1.0	-2.4	1.1	n/a	n/a
RBC Royal Bank (Mar/16)	-1.8	-1.6	2.0	n/a	n/a
Scotiabank (Mar/16)	-2.0	-1.9	2.0	n/a	n/a
Toronto Dominion Bank (Jan/16)	-1.2	-0.3	1.2	n/a	n/a
Other					
Canada Mortgage and Housing Corporation (Q4/15)	-1.0	1.5	2.3	n/a	n/a
High	-0.9	1.5	2.3	2.6	2.4
Low	-2.8	-2.4	1.1	2.3	2.2
Average of All Private Forecasts	-1.6	-0.9	1.9	2.5	2.3
Government of Alberta (calendar year)	-1.5	-1.4	1.9	2.8	2.7

Includes forecasts finalized on or before March 4, 2016.

Light-Heavy Oil Price Differential Benchmark

WTI-WCS Price Differential (US\$/bbl)

Organization	2016	2017	2018	2019
National Forecasting Agencies				
Conference Board of Canada (Feb/16)	12.84	12.43	12.34	12.38
Centre for Spatial Economics (Jan/16)	11.40	17.00	19.00	20.00
Banks and Industry Analysts				
Credit Suisse (Feb/16)	14.50	15.00	16.00	16.50
RBC Capital Markets (Jan/16)	10.44	13.87	14.90	16.07
GLJ Petroleum Consultants (Jan/16)	13.36	13.60	15.07	15.33
Sproule Associates Limited (Dec/15)	11.05	13.63	15.32	16.16
Confidential Forecasts Provided to Alberta Energy^a				
Average	14.00	15.30	16.80	17.90
High	15.33	18.30	19.80	21.23
Low	10.44	11.82	12.34	12.38
Average of All Private Forecasts	13.00	14.70	16.10	16.90
Government of Alberta (calendar year)^b	15.00	17.50	18.30	17.40

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

^b Forecasts have been rounded.

Includes forecasts finalized on or before February 3, 2016.

Alberta Housing Starts Benchmark

(thousands)

Organization	2016	2017	2018	2019
National Forecasting Agencies				
Conference Board of Canada (Feb/16)	28.3	25.6	27.0	27.6
IHS Global Insight (Jan/16)	31.9	33.3	34.4	33.6
Centre for Spatial Economics (Jan/16)	29.3	27.7	27.6	30.6
Banks				
BMO Capital Markets (Mar/16)	25.0	27.5	n/a	n/a
Laurentian Bank (Jan/16)	30.0	30.0	n/a	n/a
National Bank (Feb/16)	27.6	28.0	n/a	n/a
RBC Royal Bank (Mar/16)	24.1	24.0	n/a	n/a
Scotiabank (Mar/16)	23.0	22.0	n/a	n/a
Toronto Dominion Bank (Jan/16)	30.8	27.5	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Q4/15)	29.8	30.3	n/a	n/a
High	31.9	33.3	34.4	33.6
Low	23.0	22.0	27.0	27.6
Average of All Private Forecasts	28.0	27.6	29.7	30.6
Government of Alberta (calendar year)	22.2	19.4	20.1	23.6

Includes forecasts finalized on or before March 4, 2016.

Alberta Primary Household Income Benchmark

(% change)

National Forecasting Agencies	2015	2016	2017	2018	2019
Conference Board of Canada (Feb/16)	0.5	-1.0	2.2	3.6	4.3
IHS Global Insight (Jan/16)	0.6	2.7	4.7	4.6	4.5
Centre for Spatial Economics (Jan/16)	-0.9	-4.3	2.7	3.5	4.0
High	0.6	2.7	4.7	4.6	4.5
Low	-0.9	-4.3	2.2	3.5	4.0
Average of All Private Forecasts	0.1	-0.9	3.2	3.9	4.3
Government of Alberta (calendar year)	0.3	-1.4	2.4	4.2	4.7

Includes forecasts finalized on or before March 4, 2016.

Alberta Net Corporate Operating Surplus Benchmark

(% change)

National Forecasting Agencies	2015	2016	2017	2018	2019
Conference Board of Canada (Feb/16)	-38.8	-25.6	21.0	7.7	11.3
IHS Global Insight (Jan/16)	-54.6	2.1	9.5	8.2	4.0
Centre for Spatial Economics (Jan/16)	-71.0	-31.2	51.5	90.5	35.1
High	-38.8	2.1	51.5	90.5	35.1
Low	-71.0	-31.2	9.5	7.7	4.0
Average of All Private Forecasts	-54.8	-18.2	27.3	35.5	16.8
Government of Alberta (calendar year)	-51.9	-18.0	48.6	32.9	15.7

Includes forecasts finalized on or before March 4, 2016.

Alberta Employment Benchmark

(% change)

Organization	2016	2017	2018	2019
National Forecasting Agencies				
Conference Board of Canada (Feb/16)	-1.2	0.3	1.6	1.9
IHS Global Insight (Jan/16)	0.0	1.9	1.6	1.2
Centre for Spatial Economics (Jan/16)	-0.4	1.0	1.6	1.8
Banks				
BMO Capital Markets (Mar/16)	-1.6	0.1	n/a	n/a
CIBC World Markets (Mar/16)	-2.2	0.3	n/a	n/a
Laurentian Bank (Jan/16)	-0.3	1.5	n/a	n/a
National Bank (Feb/16)	-1.5	0.6	n/a	n/a
RBC Royal Bank (Mar/16)	-1.4	1.4	n/a	n/a
Scotiabank (Mar/16)	-1.5	0.9	n/a	n/a
Toronto Dominion Bank (Jan/16)	-1.2	0.3	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Q4/15)	0.6	1.5	n/a	n/a
High	0.6	1.9	1.6	1.9
Low	-2.2	0.1	1.6	1.2
Average of All Private Forecasts	-1.0	0.9	1.6	1.6
Government of Alberta (calendar year)	-1.7	0.9	2.1	1.9

Includes forecasts finalized on or before March 4, 2016.

Alberta Unemployment Rate Benchmark

(%)

Organization	2016	2017	2018	2019
National Forecasting Agencies				
Conference Board of Canada (Feb/16)	7.4	7.0	6.1	5.3
IHS Global Insight (Jan/16)	6.5	6.1	5.7	5.4
Centre for Spatial Economics (Jan/16)	7.1	6.4	5.7	5.2
Banks				
BMO Capital Markets (Mar/16)	7.8	7.8	n/a	n/a
CIBC World Markets (Mar/16)	8.3	8.2	n/a	n/a
Laurentian Bank (Jan/16)	7.3	7.0	n/a	n/a
National Bank (Feb/16)	7.6	7.8	n/a	n/a
RBC Royal Bank (Mar/16)	7.8	7.1	n/a	n/a
Scotiabank (Mar/16)	7.5	7.2	n/a	n/a
Toronto Dominion Bank (Jan/16)	7.4	6.9	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Q4/15)	5.9	5.7	n/a	n/a
High	8.3	8.2	6.1	5.4
Low	5.9	5.7	5.7	5.2
Average of All Private Forecasts	7.3	7.0	5.8	5.3
Government of Alberta (calendar year)	8.0	7.5	6.5	5.8

Includes forecasts finalized on or before March 4, 2016.



FISCAL PLAN

TAX PLAN



ANNEX

The Alberta
JOBS PLAN **BUDGET 2016**

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TAX PLAN

OVERVIEW

Budget 2016 outlines measures to support the economy during the downturn, including proposed tax credits for individuals and corporations that invest in Alberta, and reaffirms measures that provide more benefits to families.

This budget also provides additional information on the government's Climate Leadership Plan. As part of the Climate Leadership Plan, a price on carbon will be implemented through a carbon levy on purchases of transportation and heating fuels, encouraging Albertans and Alberta businesses to reduce greenhouse gas (GHG) emissions. The carbon levy will be implemented on January 1, 2017.

The government recognizes the impact of the carbon levy on households and businesses. To help those most impacted by the carbon levy, the government will:

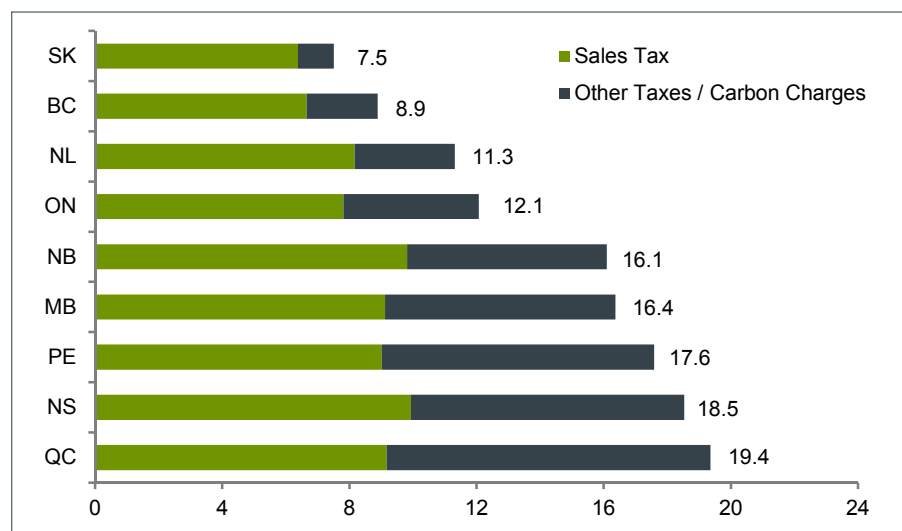
- ◆ Implement a rebate for lower and middle income Albertans.
- ◆ Reduce the small business income tax rate to 2% on January 1, 2017.

Alberta continues to have an overall tax advantage compared to other provinces, with no provincial sales tax, health premium or payroll tax. Even when the full implementation of Alberta's new carbon pricing mechanisms are taken into consideration, Albertans and Alberta businesses will still pay at least \$7.5 billion less in total taxes and carbon charges than if Alberta had the same tax system and carbon charges as other provinces.

Budget 2016 supports the economy, reaffirms new benefits for families and implements key aspects of the Climate Leadership Plan.

Alberta's Tax Advantage

(billions of dollars)



Source: Alberta Treasury Board and Finance

* This graph shows the total additional provincial tax and carbon charges that individuals and businesses would pay if Alberta had the same tax system and carbon charges as other provinces. This information reflects tax rates for other provinces known as of March 24, 2016. This comparison includes personal and corporate income tax, sales tax, fuel tax, tobacco tax, health premiums, payroll tax, liquor tax and markups, land transfer tax, other minor taxes and assumes full implementation of announced provincial carbon charges.

SUPPORTING JOBS

INVESTOR AND INVESTMENT TAX CREDITS

With the current economic slowdown, the government recognizes the need to promote economic development and diversification. As outlined in the *Promoting Job Creation and Diversification Act*, the government will continue to look at different options to create jobs and attract investment. This includes introducing two tax credits for individuals and corporations that invest in Alberta.

The Alberta Investor Tax Credit, worth \$90 million over two years, will benefit investors who invest in eligible small and medium-sized enterprises in Alberta. The Capital Investment Tax Credit, worth \$75 million over two years, will benefit corporations that make investments in eligible capital assets.

The government will announce further details on these credits later this year.

SMALL BUSINESS RATE REDUCTION

The small business income tax rate will be reduced to 2% on January 1, 2017.

Small businesses are a strong contributor to the Alberta economy. To further support Alberta small business owners and the Alberta economy, the small business corporate income tax rate will be reduced from 3% to 2%. Alberta will be tied for the second-lowest provincial small business rate in Canada. This change is one of the business measures being taken under the Climate Leadership Plan. For more details on the small business rate change, see the Small Business Tax Relief section on page 98.

Provincial Small Business Rates, 2017

Province	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Rate	2.0%	2.5%	2.0%	0.0%	4.5%	8.0%	4.0%	3.0%	4.5%	3.0%

BENEFITS FOR FAMILIES

As announced in *Budget 2015*, the government is implementing the new Alberta Child Benefit (ACB) and enhancing the Alberta Family Employment Tax Credit (AFETC). These changes will come into effect in July 2016, with the first ACB payment to be made in August. Together, these programs will provide about \$340 million in support of 380,000 children in 199,000 Alberta families.

The Alberta Child Benefit will provide up to \$2,750 per family in support of 235,000 children and their families.

The ACB will provide \$195 million in annual assistance to lower income families, helping them make ends meet and supporting the well-being of their children. The ACB is paid quarterly and provides annual benefits of up to \$1,100 for one child, and an additional benefit of up to \$550 for each of the next three children. Families with net income of up to \$25,500 will receive the maximum benefit under this program. Benefits begin to phase out above this income level and are fully phased out once family net income reaches \$41,220.

The AFETC, which was already one of the most generous provincial refundable credits for lower and middle income families, will be enhanced further beginning in July 2016. More families will receive the credit and many families will receive a larger credit. The rate at which benefits are phased in will be increased from 8% to 11%, and the phase-out threshold will be increased

from \$36,778 to \$41,250. These enhancements will deliver an additional \$25 million in annual benefits to families.

Benefits under these programs are also indexed. All AFETC benefit amounts will rise 1.3% for the 2016 benefit year (starting July 1), with the maximum benefit amount rising from \$1,987 to \$2,012. Indexation of the ACB and the enhanced AFETC phase-out threshold of \$41,250 will begin in July 2017.

Enhancements to the Alberta Family Employment Tax Credit will mean an additional \$25 million for working families.

Alberta Family Employment Tax Credit (AFETC) and Alberta Child Benefit (ACB) Program Parameters

Program Parameters	Support for Families (July 1, 2016)	
	Enhanced AFETC	New ACB
Benefit Amounts		
1 child	\$763	\$1,100
2 children	\$1,457	\$1,650
3 children	\$1,873	\$2,200
4 or more children	\$2,012	\$2,750
Income phase-in threshold	\$2,760	n/a
Phase-in rate	11.0%	n/a
Income phase-out threshold	\$41,250	\$25,500
Phase-out rates		
1 child	4.0%	7.0%
2 children	4.0%	10.5%
3 children	4.0%	14.0%
4 or more children	4.0%	17.5%

- AFETC benefits are phased in on family working income. ACB and AFETC benefits are both phased out on family net income.

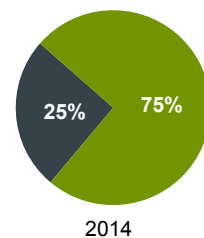
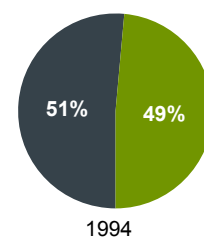
EDUCATION PROPERTY TAX

Education property tax revenue for 2016-17 is forecast at \$2.4 billion (including the portion for opted-out school boards), an increase of 6.8% from the 2015-16 forecast. This revenue amount corresponds to 32% of 2016-17 education operating costs. The government will continue to determine this amount annually, providing flexibility with respect to the annual revenue raised from the education property tax.

The 2016 residential/farmland rate will fall from \$2.50 to \$2.48 per \$1,000 of equalized assessment. The non-residential rate will fall from \$3.67 to \$3.64 per \$1,000 of equalized assessment.

The provincial government's share of property tax revenue collected in Alberta has fallen since the provincial government assumed responsibility for the education property tax in 1994, from 51% in 1994 to 25% in 2014.

DISTRIBUTION OF PROPERTY TAX



■ Provincial ■ Municipal

Sources: Alberta Treasury Board and Finance and Alberta Municipal Affairs

PERSONAL INCOME TAX

INDEXING

Alberta's personal income tax system is indexed to inflation, ensuring that the value of tax credits does not erode and taxpayers are not inadvertently pushed into higher tax brackets. Credit amounts were increased by 1.3% in 2016.

This means the basic personal and spousal amounts will rise from \$18,214 to \$18,451, still the highest amongst the provinces.

As 2016 marks the first full year of the new graduated rate structure, income tax brackets will not be indexed until the 2017 tax year.

DIVIDEND TAX CREDIT

Income earned through corporations and then paid out to shareholders is taxed twice, once at the corporate level and again at the personal level in the hands of shareholders. Dividend tax credits are used to integrate the personal and corporate tax systems by either fully or partially offsetting this effect.

The government is maintaining the dividend tax credit rate at 10% for dividends paid out of income taxed at the general corporate income tax rate

Alberta Non-Refundable Tax Credit Block

	2015		2016	
	Maximum Amount	Reduction in Alberta Tax	Maximum Amount	Reduction in Alberta Tax
Basic personal amount	18,214	1,821	18,451	1,845
Spousal amount	18,214	1,821	18,451	1,845
Eligible dependant amount	18,214	1,821	18,451	1,845
Age amount	5,076	508	5,141	514
Infirm dependant amount	10,543	1,054	10,680	1,068
CPP contributions	2,480	248	2,544	254
EI premiums	931	93	955	96
Pension income amount	1,402	140	1,421	142
Disability amount	14,050	1,405	14,232	1,423
Disability supplement	10,543	1,054	10,680	1,068
Tuition and education amounts	Variable	Variable	Variable	Variable
Adoption expenses	12,457	1,246	12,619	1,262
Medical expenses	Variable	Variable	Variable	Variable
Medical expenses (other dependants)	Variable	Variable	Variable	Variable
Caregiver amount	10,544	1,054	10,681	1,068
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 reduction in Alberta tax. In the case of total donations and gifts over \$200, the credit rate is 21%.

(eligible dividends). Alberta's combined corporate and personal tax on dividend income will still be comparable to rates across Canada.

The dividend tax credit rate for dividends paid out of income taxed at the small business rate (other than eligible dividends) will be adjusted downwards as a result of lowering the small business rate to 2%, effective January 1, 2017. This ensures that income earned in a small business and flowed out to shareholders continues to be taxed at a minimum of 10%, Alberta's lowest personal income tax rate.

CLIMATE LEADERSHIP PLAN

Alberta has developed a new Climate Leadership Plan based on the recommendations put forward by the Climate Change Advisory Panel.

The Plan contains four main components:

- ◆ Phasing out coal emissions and developing more renewable energy;
- ◆ Implementing a new carbon price on GHG emissions;
- ◆ Legislating an oil sands emission limit; and
- ◆ Employing a new methane emission reduction plan for the oil and gas sector.

The government has also committed to using the revenue raised to:

- ◆ Invest directly into measures to reduce emissions and improve energy efficiency, such as clean energy research and technology, green infrastructure and other programs to help Albertans reduce their energy use.
- ◆ Provide rebates to help lower and middle income individuals and families with carbon costs, as well as transitional support to help small businesses, Indigenous communities, and people working in communities centred on the coal industry.

CARBON PRICING

An economy-wide price on carbon is one of the most cost-effective ways to achieve a significant reduction in emissions, as it provides a financial incentive for everyone, including households, businesses and large industrial emitters, to reduce the GHG emissions that contribute to climate change. The carbon price will be implemented through two different mechanisms:

1. **Performance standards for Large Final Emitters** – The carbon emissions of Large Final Emitters will continue to be subject to the Specified Gas Emitters Regulation (SGER) framework until the end of 2017, when the province will transition to product and sector-based performance standards. Further details on performance standards will be made public after industry consultations. The carbon price paid by Large Final Emitters is \$20 per tonne of GHG emissions over their emissions target as of January 1, 2016, rising to \$30 per tonne on January 1, 2017.
2. **Carbon levy** – Fuels, such as natural gas, transportation fuels and other fuels, will be subject to a new carbon levy when consumed for combustion purposes. The carbon levy will be introduced January 1, 2017 and will

reflect a price of \$20 per tonne of carbon dioxide-equivalent emissions, rising to \$30 per tonne on January 1, 2018.

The carbon levy on transportation and heating fuels begins January 1, 2017.

Together, these two mechanisms will achieve an economy-wide charge on greenhouse gas emissions that will cover 78 to 90 per cent of Alberta's emissions. The system will be designed so that both components work together and fuel users are not charged twice on the same emissions.

CARBON LEVY

The carbon levy will apply to purchases of all fossil fuels that produce GHG emissions when combusted. This includes fuels used for transportation purposes and fuels used for heating, such as natural gas and propane. The levy will not apply directly to consumer purchases of electricity.

The carbon prices of \$20 and \$30 per tonne are applied to individual fuels based on the amount of GHG emissions released when the fuel is combusted. The rates on major fuels are as follows:

Carbon Levy Rates – Major Fuels

Type of Fuel	January 1, 2017 Rate (\$20/tonne)	January 1, 2018 Rate (\$30/tonne)
Diesel	5.35 ¢/L	8.03 ¢/L
Gasoline	4.49 ¢/L	6.73 ¢/L
Natural Gas	1.011 \$/GJ	1.517 \$/GJ
Propane	3.08 ¢/L	4.62 ¢/L

Source: Alberta Treasury Board and Finance

A full listing of rates and fuels subject to the levy is provided on page 106.

The Climate Change Advisory Panel had proposed that the carbon price should increase over time. However, the government will not increase the carbon price further until the economy is on a stronger footing and once the actions of other jurisdictions, including those of the federal government, are better known.

The levy is estimated to raise \$274 million in 2016-17, rising to \$1.2 billion in 2017-18 and \$1.7 billion in 2018-19.

HOW THE CARBON LEVY WILL WORK

For fuels such as gasoline and diesel, the carbon levy will be included in the price of the fuel paid by consumers, as is currently done for Alberta's fuel tax. For natural gas, it is anticipated that the carbon levy will be shown as a separate line item on consumers' bills. The application of the levy to other fuels, such as coal, propane and heavy fuel oil, will be fuel-specific, reflecting how the product is produced, distributed and sold.

Some exemptions will apply, including the following:

- ◆ **SGER/performance standards** – Sites covered under the requirements of the SGER/performance standards will be exempted from paying the levy on

heating fuels. This exemption ensures that the government's carbon pricing mechanisms are effectively integrated and facilities are not charged for their heating fuel use under both the carbon levy and the SGER/performance standards. Details of how the carbon levy and the SGER/performance standards interact on the combustion of transportation fuels used on site will be provided later, once the carbon levy regulations are introduced and the performance standards are developed.

- ◆ **Natural gas produced and consumed on site** – As indicated in the Climate Leadership Plan, natural gas produced and consumed on site by conventional oil and gas producers will be exempt from the carbon levy until January 1, 2023.
- ◆ **Marked gasoline and diesel** – Use by farmers for farming operations will be exempt from the levy. Marked fuel purchased for other qualifying off-road uses will be subject to the levy.
- ◆ **Biofuels** – Biofuels, which include ethanol, biodiesel and biomethane, will be exempt to recognize their lower carbon impact. The exemption for ethanol and biodiesel will be administered through lower rates on gasoline and diesel. The lower rates for these fuels will reflect the 5% and 2% renewable fuel requirements for gasoline and diesel, respectively. Details on the biomethane exemption will be announced when the legislation and regulations are introduced later this year.
- ◆ **Inter-jurisdictional flights** – As Alberta is only taking responsibility for the GHG emissions produced within its own jurisdiction, emissions from fuel used by airplanes flying between Alberta and other jurisdictions will be exempt from the levy.
- ◆ **Indigenous use** – Eligible First Nations individuals and bands will be exempt from the levy when fuel is purchased on-reserve for personal or band use, consistent with exemptions for Alberta's other commodity taxes.
- ◆ **Other exemptions** – Fuel sold for export will be exempt from the levy as it is not consumed in Alberta and the related emissions are not released here. Industrial exemptions, where deemed appropriate, will apply to situations where fuels are used in industrial processes without releasing GHG emissions.

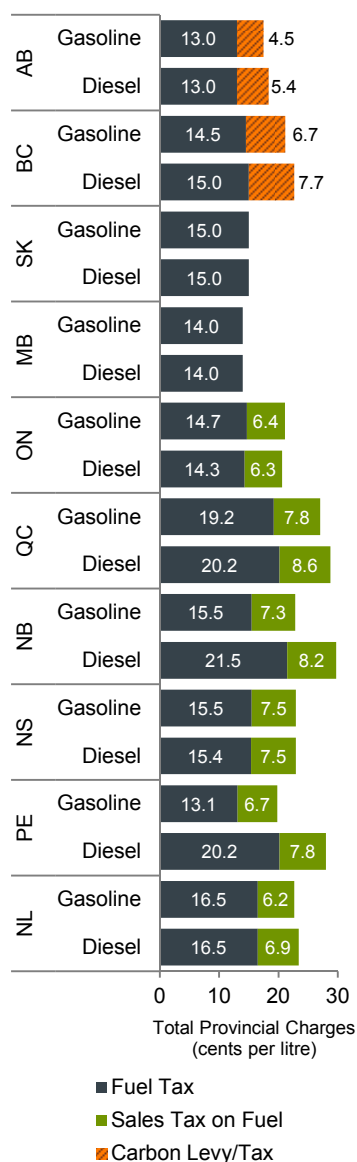
LEGISLATION AND ADMINISTRATION

Legislation enacting the carbon levy will be introduced this spring. Regulations, with further details about exemptions and the process for remitting the levy, will be introduced later this year.

For transportation and other refined fuels, the levy will be administered through a structure similar to Alberta's fuel tax. This approach will minimize the costs of administration for government and compliance for businesses, as entities that currently remit fuel tax to the government will follow a similar process to remit the carbon levy.

For heating fuels, the collection and remitting process will, in general, be designed to have the levy collected and remitted to government by entities

PROVINCIAL CHARGES ON GASOLINE AND DIESEL, 2017



Sources: Alberta Treasury Board and Finance and Natural Resources Canada

- Carbon charges include Alberta's carbon levy and BC's carbon tax. Ontario and Quebec also impose a charge on fuel through their cap-and-trade systems, which is not included in this chart.
- Sales tax on fuel is based on average retail prices of gasoline and diesel for the week ending March 8, 2016.
- Based on provincial tax rates known as of March 24, 2016.

higher up the distribution chain, aiming to reduce both administration and compliance costs. For natural gas, the levy will be collected and remitted by entities in the natural gas distribution system. For other fuels such as natural gas liquids and coal, entities that either produce and sell, or import and sell these fuels will be responsible for collecting and remitting the levy.

The government will continue to work with industry and other stakeholders to determine the most efficient way to administer the levy and exemptions.

IMPACT OF THE CARBON LEVY ON HOUSEHOLDS

The government acknowledges that taking action on climate change through an economy-wide price on carbon will raise costs for households, due to higher costs for natural gas used for heating, as well as for gasoline and diesel. The impacts will vary, depending on a household's energy use and driving patterns. The table below outlines the typical direct impacts a household may face.

Even with the introduction of the carbon levy, Alberta will have the third-lowest total provincial taxes/levies on gasoline and diesel in 2017, after Saskatchewan and Manitoba.

Estimated Impacts of the Carbon Levy on Households

	Single	Couple	Couple with 2 Children
Consumption Assumptions			
Natural gas (GJ)	100	123	135
Gasoline (litres)	2,000	3,000	4,500
2017 Impacts			
Natural gas (@ \$1.011/GJ)	\$101	\$124	\$136
Gasoline (@ 4.49 ¢/L)	\$90	\$135	\$202
Total 2017 Costs	\$191	\$259	\$338
2017 Maximum Rebate Amount	\$200	\$300	\$360
2018 Impacts			
Natural gas (@ \$1.517/GJ)	\$152	\$186	\$205
Gasoline (@ 6.73 ¢/L)	\$134	\$202	\$303
Total 2018 Costs	\$286	\$388	\$508
2018 Maximum Rebate Amount	\$300	\$450	\$540

Source: Alberta Treasury Board and Finance

PROTECTION FOR LOWER AND MIDDLE INCOME ALBERTANS

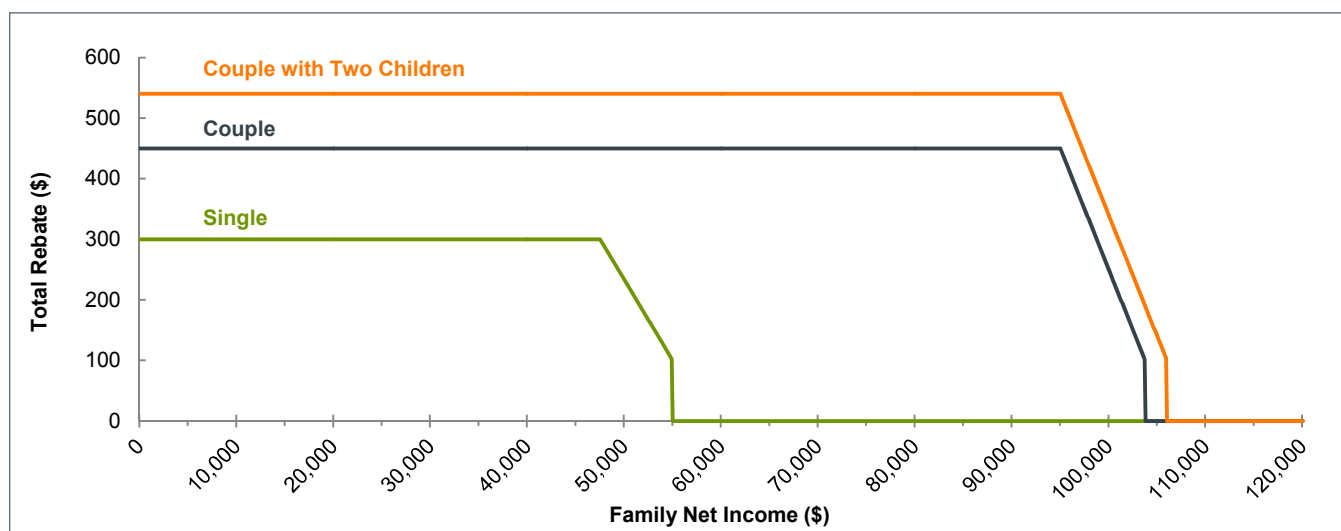
The government will introduce the Climate Leadership Adjustment Rebate to protect lower and middle income Albertans from the higher costs resulting from the carbon levy. These individuals pay a higher percentage of their income for heating and transportation and also have fewer financial resources to make investments that reduce their future emissions. The full amount of the rebate will be provided to 60% of households, helping to protect a large share of lower and middle income families from the impact of the levy.

The full amount of the Climate Leadership Adjustment Rebate will be provided to 60% of Alberta households.

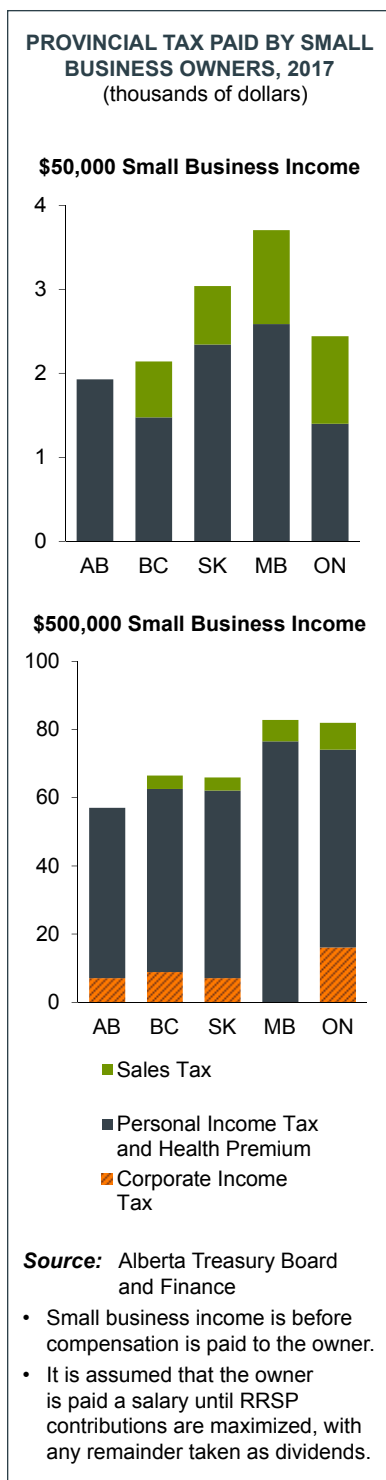
Climate Leadership Adjustment Rebate Parameters

	2017	2018
Benefit Amounts		
First adult	\$ 200	\$ 300
Spouse/Equivalent to spouse	\$ 100	\$ 150
Child (max. 4)	\$ 30	\$ 45
Phase-out Thresholds (Family Net Income)		
Single	\$ 47,500	\$ 47,500
Couple	\$ 95,000	\$ 95,000
Families	\$ 95,000	\$ 95,000
Income at which Rebate is Fully Phased Out (Family Net Income)		
Single	\$ 51,250	\$ 55,000
Couple	\$ 100,000	\$ 103,750
Couple with 2 children	\$ 101,500	\$ 106,000
Couple with 4 children	\$ 103,000	\$ 108,250
Phase-out Rates		
Single	2.67%	2.67%
Couple	4.00%	4.00%
Families	4.00%	4.00%

Climate Leadership Adjustment Rebate Benefits by Income, 2018



Source: Alberta Treasury Board and Finance



The rebate will begin in January 2017 and will provide up to \$200 for an adult, \$100 for a spouse and \$30 for each child under 18 in the household (to a maximum of four). In 2018, when the carbon price rises to \$30 per tonne, rebate amounts will be adjusted accordingly, rising to \$300 for an adult, \$150 for a spouse and \$45 for each child. Single parents will receive the spousal amount for one child and the child amount for up to four additional children.

The rebate will begin to phase out at \$47,500 in net family income for singles and \$95,000 for couples and families.

Payments will be made as frequently as quarterly. Recipients eligible for an annual amount of \$400 or more will receive quarterly payments. Those eligible for an annual amount of less than \$400 and \$200 or more will receive two payments. Those eligible for an annual amount of less than \$200 and \$100 or more will receive one payment. No rebates under \$100 will be paid. For more information on when payments will be made, see page 106.

This rebate is non-taxable. It is also refundable, meaning Albertans will receive the rebate regardless of whether they pay provincial income tax. To be eligible, recipients must be Alberta residents, have filed a 2015 tax return and meet the income parameters.

The rebate will deliver approximately \$95 million in 2016-17, \$435 million in 2017-18 and \$590 million in 2018-19 to offset the carbon costs of lower and middle income Albertans. As this rebate is intended to support households in the transition to the new carbon costs, it will not be indexed to inflation like Alberta's other refundable tax credits.

Many Albertans will also benefit from other programs being developed as part of the Climate Leadership Plan, including energy efficiency programs that provide opportunities for households to find energy savings. For more details on these measures, see the Expense Chapter.

SMALL BUSINESS TAX RELIEF

As part of the Climate Leadership Plan, the government will lower the small business corporate income tax rate from 3% to 2% effective January 1, 2017, to help small businesses adjust to the cost of carbon. This tax relief will be worth an estimated \$185 million in 2017-18 to Alberta small business owners.

With this change to the small business rate, Alberta will be tied with Saskatchewan for the second-lowest provincial small business rate. This reduction increases Alberta's overall tax advantage for small business owners, which also includes comparable personal income tax rates, no provincial payroll or sales tax and no health premium. While Manitoba's small business rate is lower, Alberta small business owners pay less in taxes when they take money out of their small business for personal use.

A number of other programs are being developed to help businesses and communities reduce their greenhouse gas emissions. These programs include support for new technology, green infrastructure, energy efficiency and renewable energy. For more details on these measures, see the Expense Chapter.



TAX PLAN

ANNEX

2016 Tax Expenditure Estimates

(millions of dollars)

Personal Income Tax

Federal Measures Paralleled by Alberta

Workers' compensation payments exemption	20.9
Social assistance payments exemption	10.2
Net federal supplements exemption (e.g. Guaranteed Income Supplement)	1.6
Union and professional dues deduction	44.9
Child care expense deduction	51.8
Moving expense deduction	9.4
Flow-through share deduction	24.5
Clergy residence deduction	4.8
Capital gains inclusion rate (50%)	311.3
Lifetime capital gains exemption	111.8
Security options deduction	89.9
Northern residents deduction	29.1

Provincial Measures

Basic personal amount	4,550.1
Spousal amount	316.4
Eligible dependant amount	93.0
Age amount	92.2
Pension income amount	42.5
Caregiver amount	18.1
Disability amount	39.3
Disability amount transferred from a dependant	37.9
Interest paid on student loans	3.9
Tuition and education amounts	143.6
Tuition and education amounts transferred from a child	34.3
Amounts transferred from a spouse or common-law partner	22.7
Medical expenses	62.5
Donations and gifts	290.4
Political contributions tax credit	2.1

Corporate Income Tax

Small business rate	1,459.3
Donations and gifts	35.0

Fuel Tax

Tax Exempt Fuel User program (marked fuel for off-road use)	210.0
Alberta Farm Fuel Benefit (marked fuel)	63.0
Reduced rate for locomotive fuel	24.0
Exemption for aviation fuel used on international flights	5.5

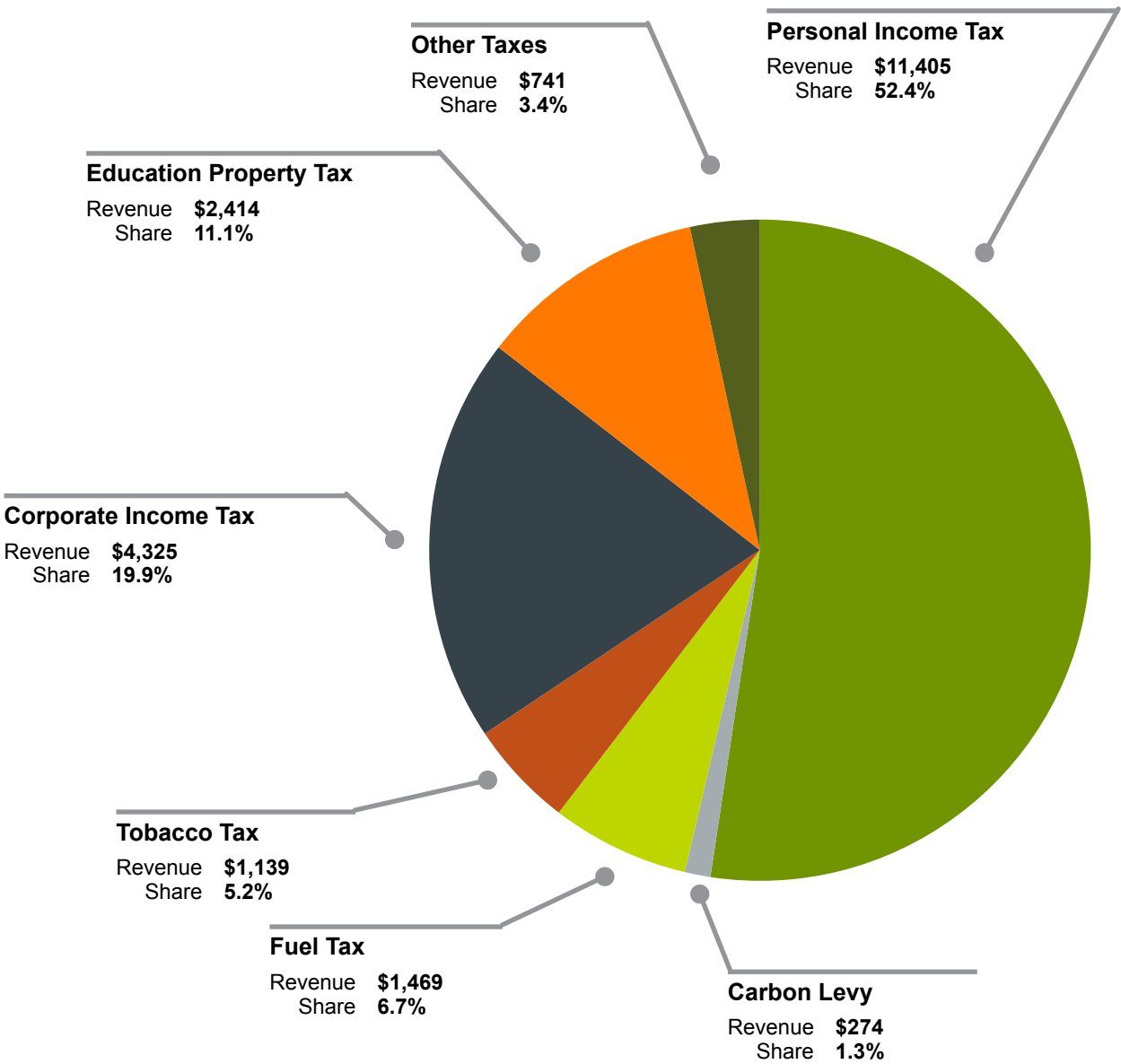
Transfers Through the Tax System^a

Alberta Family Employment Tax Credit	136.9
Alberta Child Benefit	147.0
Scientific Research and Experimental Development Tax Credit	84.0

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

^a Transfers through the tax system are reported in ministries' operating expense. Amounts for the Alberta Family Employment Tax Credit and Scientific Research and Experimental Development Tax Credit appear in the Ministry of Treasury Board and Finance's operating expense, while the Alberta Child Benefit appears in Human Services' operating expense.

2016 –17 Tax and Levy Revenue
(millions of dollars)



Total Tax and Levy Revenue: \$21,767 million

2016 –17 Tax and Levy Revenue Sources

(millions of dollars)

Tax/Levy	Total Revenue	Rate	Revenue per Unit
1. Personal Income Tax	11,405		
All taxable income	10,552	10% of all taxable income	1,055.2 per point
Taxable income > \$125,000	853	multiple rates	n/a
2. Corporate Income Tax	4,325		
General	3,887	12.0%	323.9 per point
Small business	438	2.0%	159.3 per point ^a
3. Education Property Tax	2,414		
Residential/farmland property	1,470	\$2.48 / \$1,000 of assessment	592.7 per mill
Non-residential property	944	\$3.64 / \$1,000 of assessment	259.3 per mill
4. Tobacco Tax	1,139	\$50/carton	22.8 per \$/carton
5. Fuel Tax	1,469		
Gasoline	802	13.0 ¢/litre	61.7 per ¢/litre
Diesel	632	13.0 ¢/litre	48.6 per ¢/litre
Propane	5	9.4 ¢/litre	0.5 per ¢/litre
Aviation	13	1.5 ¢/litre	8.7 per ¢/litre
Locomotive	17	5.5 ¢/litre	3.1 per ¢/litre
6. Carbon Levy	274	multiple rates	n/a
7. Freehold Mineral Rights Tax	71	n/a	n/a
8. Insurance Tax	590		
Life, accident, sickness	178	3.0% of premium	59.3 per point
Other	412	4.0% of premium	103.0 per point
9. Tourism Levy	80	4.0%	20.0 per point

^a As the small business rate will not be lowered until January 1, 2017, this calculation reflects the average tax rate for 2016-17 of 2.75%

Interprovincial Tax Comparison, 2016

(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	(1,774)	753	(908)	36	(1,479)	(4,093)	815	1,679	1,872	851
Provincial sales tax	-	395	761	1,217	162	730	1,272	1,803	1,444	1,467
Health premium	-	921	-	-	300	50	-	-	-	-
Payroll tax	-	-	-	314	464	874	-	-	-	182
Fuel tax	390	635	450	420	441	576	465	465	393	495
Total	(1,384)	2,704	303	1,987	(112)	(1,863)	2,552	3,947	3,709	2,995
Alberta Advantage		4,088	1,687	3,371	1,272	(479)	3,936	5,331	5,093	4,379
Employment Income of \$75,000 – One Income Family with Two Children										
Provincial income tax	2,683	3,241	2,979	4,782	3,565	3,401	6,166	6,920	6,769	5,527
Provincial sales tax	-	952	1,024	1,652	1,984	2,709	2,205	2,482	2,238	2,022
Health premium	-	1,800	-	-	600	175	-	-	-	-
Payroll tax	-	-	-	674	995	1,872	-	-	-	390
Fuel tax	390	635	450	420	441	576	465	465	393	495
Total	3,073	6,628	4,453	7,528	7,585	8,733	8,836	9,867	9,400	8,434
Alberta Advantage		3,555	1,380	4,455	4,512	5,660	5,763	6,794	6,327	5,361
Employment Income of \$100,000 – Two Income Family with Two Children										
Provincial income tax	4,776	3,686	4,693	6,522	3,775	6,467	7,000	7,830	7,856	6,144
Provincial sales tax	-	1,186	1,240	2,018	2,465	2,985	2,803	3,088	2,779	2,514
Health premium	-	1,800	-	-	943	175	-	-	-	-
Payroll tax	-	-	-	898	1,327	2,496	-	-	-	520
Fuel tax	585	953	675	630	662	864	698	698	590	743
Total	5,361	7,625	6,608	10,068	9,172	12,987	10,501	11,616	11,225	9,921
Alberta Advantage		2,264	1,247	4,707	3,811	7,626	5,140	6,255	5,864	4,560
Employment Income of \$200,000 – Two Income Family with Two Children										
Provincial income tax	13,182	11,253	15,482	19,490	13,077	21,736	19,721	21,541	20,960	16,977
Provincial sales tax	-	2,195	2,144	3,462	4,356	5,638	4,827	5,305	4,792	4,360
Health premium	-	1,800	-	-	1,350	175	-	-	-	-
Payroll tax	-	-	-	1,797	2,653	4,993	-	-	-	1,040
Fuel tax	585	953	675	630	662	864	698	698	590	743
Total	13,767	16,201	18,301	25,379	22,098	33,406	25,246	27,544	26,342	23,120
Alberta Advantage		2,434	4,534	11,612	8,331	19,639	11,479	13,777	12,575	9,353

Calculations are based on other provinces' tax parameters known as of March 24, 2016.

Assumptions:

- Health premiums are assumed to be borne by individuals. In provinces that impose payroll taxes, 75% is assumed to be borne 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.

Major Provincial Tax Rates, 2016

		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	(%)	15.00	14.70	15.00	17.40	13.16	25.75 ^a	20.30	21.00	16.70	15.30
Surtax	(%)	-	-	-	-	20/36 ^b	-	-	-	10.00	-
Combined federal/provincial											
top marginal rate ^c	(%)	48.00	47.70	48.00	50.40	53.53	53.31	53.30	54.00	51.37	48.30
Personal amount	(\$)	18,451	10,027	15,843	9,134	10,011	11,550	9,758	8,481	7,708	8,802
Spousal amount	(\$)	18,451	8,586	15,843	9,134	8,500	11,550 ^d	8,286	8,481	6,546	7,192
Corporate Income Tax											
General rate	(%)	12.0	11.0	12.0	12.0	11.5	11.9	14.0	16.0	16.0	14.0
M&P rate	(%)	12.0	11.0	10.0	12.0	10.0	11.9	14.0	16.0	16.0	5.0
Small business											
rate	(%)	3.0 ^e	2.5	2.0	0.0	4.5	8.0	4.0	3.0	4.5	3.0
threshold	(\$000)	500	500	500	450	500	500	500	350	500	500
Capital Tax											
Financial institutions	(max.%)	-	-	3.25	6.00	-	-	5.00	4.00	5.00	5.00
Sales Tax	(%)	-	7.0	5.0	8.0	8.0	9.975	10.0 ^f	10.0	9.0	8.0
Gasoline Tax	(¢/litre)	13.0	21.17 ^g	15.0	14.0	14.7 ^h	19.2 ^{h,i}	15.5 ^h	15.5 ^h	13.1 ^h	16.5 ^h
Tobacco Tax	(\$/carton)	50.00	47.80	50.00 ^h	59.00 ^h	30.95 ^h	29.80	44.52 ^h	51.04 ^h	50.00 ^h	47.00 ^h
Payroll Tax	(max.%)	-	-	-	2.15	1.95	4.26 ^j	-	-	-	2.00

Rates for other provinces known as of March 24, 2016.

^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 Ontario levies a two-tiered surtax, collecting 20% of basic tax in excess of \$4,484 and an additional 36% of basic tax in excess of \$5,739.

^c The top federal personal income tax rate is 33%, except in Quebec where the top federal rate is 27.56% because of the federal abatement.

^d 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.

^e Alberta's small business tax rate will decrease from 3.0% to 2.0% on January 1, 2017.

^f The provincial portion of New Brunswick's HST will be increased from 8% to 10% on July 1, 2016.

^g 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.

^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 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.

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

Carbon Levy Rates, by Type of Fuel

Type of Fuel	Effective January 1, 2017 Rate (\$20/tonne)	Effective January 1, 2018 Rate (\$30/tonne)
Aviation Jet Fuel	5.17 ¢/L	7.75 ¢/L
Aviation Gas	4.98 ¢/L	7.47 ¢/L
Bunker Fuel	6.36 ¢/L	9.55 ¢/L
Butane	3.56 ¢/L	5.34 ¢/L
Coal Coke	63.59 \$/tonne	95.39 \$/tonne
Coke Oven Gas	1.40 ¢/m ³	2.10 ¢/m ³
Diesel	5.35 ¢/L	8.03 ¢/L
Ethane	2.04 ¢/L	3.06 ¢/L
Gas Liquids	3.33 ¢/L	4.99 ¢/L
Gasoline	4.49 ¢/L	6.73 ¢/L
Heating Distillate Oil	5.51 ¢/L	8.27 ¢/L
Heavy Fuel Oil	6.35 ¢/L	9.53 ¢/L
High Heat Value Coal	44.37 \$/tonne	66.56 \$/tonne
Kerosene	5.14 ¢/L	7.71 ¢/L
Locomotive Diesel	5.94 ¢/L	8.90 ¢/L
Low Heat Value Coal	35.39 \$/tonne	53.09 \$/tonne
Methanol	2.18 ¢/L	3.26 ¢/L
Naphtha	4.49 ¢/L	6.73 ¢/L
Natural Gas	1.011 \$/GJ	1.517 \$/GJ
Non-Marketable or Raw Gas	1.150 \$/GJ	1.720 \$/GJ
Pentanes Plus	3.82 ¢/L	5.73 ¢/L
Propane	3.08 ¢/L	4.62 ¢/L
Refinery Gas	3.77 ¢/m ³	5.65 ¢/m ³
Refinery Petroleum Coke	63.86 \$/tonne	95.79 \$/tonne
Upgrader Petroleum Coke	58.50 \$/tonne	87.75 \$/tonne

Climate Leadership Adjustment Rebate Payment Schedule

Rebate Amount	Timing of Payment(s)			
	January	April	July	October
\$400 and Greater	✓	✓	✓	✓
Between \$200 and \$399.99	✓		✓	
Between \$100 and \$199.99	✓			
Less than \$100	No Rebate			



FISCAL PLAN

FISCAL PLAN TABLES

The Alberta
JOBS PLAN **BUDGET 2016**

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

Statement of Operations

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Revenue						
Personal income tax	11,042	12,047	11,278	11,405	11,759	12,363
Corporate income tax	5,796	4,745	4,972	4,325	4,263	4,819
Other taxes	4,598	5,307	5,345	6,037	7,156	7,765
Non-renewable resource revenue	8,948	2,768	2,474	1,364	2,753	4,225
Transfers from Government of Canada	5,982	6,984	7,236	7,278	7,430	7,667
Investment income	3,113	2,820	2,766	2,115	2,266	2,476
Net income from govt. business enterprises	2,665	2,736	2,537	2,416	2,680	2,816
Premiums, fees and licences	3,564	3,687	3,588	3,649	3,805	3,814
Other	3,773	2,694	2,742	2,787	2,876	3,672
Total Revenue	49,481	43,788	42,938	41,376	44,988	49,617
Expense						
Advanced Education	5,526	5,824	5,759	5,895	6,044	6,151
Agriculture and Forestry	1,273	1,851	1,647	1,090	1,062	1,094
Culture and Tourism	337	336	337	334	347	352
Economic Development and Trade	251	393	305	343	393	303
Education	7,556	7,578	7,619	7,911	8,065	8,208
Energy	720	990	788	769	743	658
Environment and Parks	464	530	475	459	454	461
Executive Council	23	27	27	27	27	27
Health	19,262	19,613	19,854	20,361	20,929	21,260
Human Services	3,985	4,171	4,193	4,395	4,525	4,592
Indigenous Relations	191	195	195	186	188	201
Infrastructure	629	612	621	670	697	692
Justice and Solicitor General	1,329	1,358	1,366	1,396	1,391	1,422
Labour	162	201	197	212	216	220
Municipal Affairs	2,136	1,401	1,410	1,764	1,735	1,752
Seniors and Housing	621	611	613	644	635	630
Service Alberta	281	307	302	305	305	310
Status of Women	-	1	1	8	8	8
Transportation	1,416	1,304	1,302	1,310	1,638	1,643
Treasury Board and Finance	1,516	1,432	1,478	1,526	1,547	1,577
Legislative Assembly	125	154	140	128	129	159
2013 Alberta flood assistance	244	205	184	153	131	69
Climate Leadership Plan	-	-	-	330	1,208	2,426
Operating expense in-year savings	-	-	-	(250)	(250)	(250)
Unallocated disaster / emergency assistance	-	-	-	200	200	200
Debt servicing costs	722	778	775	996	1,432	2,003
Pension provisions	(404)	31	(258)	(65)	(180)	(201)
Total Expense	48,366	49,906	49,331	51,097	53,619	55,968
Risk Adjustment	-	-	-	(700)	(1,500)	(2,000)
Surplus / (deficit)	1,115	(6,118)	(6,393)	(10,421)	(10,131)	(8,351)
Beginning net assets (+ adjustments)	54,136	55,251	55,251	48,858	38,437	28,306
Net assets at end of year	55,251	49,133	48,858	38,437	28,306	19,955

Consolidated Fiscal Summary

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Income Statement						
1 Total Revenue	49,481	43,788	42,938	41,376	44,988	49,617
Expense						
2 Operating expense (net of program re-allocations)	42,047	43,209	43,222	44,094	45,090	45,874
3 % change from prior year	4.3	2.8	2.8	2.0	2.3	1.7
4 Climate Leadership Plan operating expense allocation	-	-	-	325	1,000	1,871
5 Disaster assistance (with operating 2013 flood support)	351	829	647	246	228	204
6 Capital grants (including 2013 flood support)	2,466	1,975	1,862	2,288	2,577	2,391
7 Climate Leadership Plan Capital Plan allocation	-	-	-	5	208	555
8 Amortization / loss on disposals	2,302	2,262	2,260	2,380	2,418	2,426
9 Inventory consumption	882	821	823	828	846	845
10 Debt servicing costs – general	370	326	323	367	623	975
11 Debt servicing costs – Capital Plan	352	452	452	629	809	1,028
12 Pension provisions	(404)	31	(258)	(65)	(180)	(201)
13 Total Expense	48,366	49,906	49,331	51,097	53,619	55,968
14 Risk Adjustment	-	-	-	(700)	(1,500)	(2,000)
15 Surplus / (Deficit)	1,115	(6,118)	(6,393)	(10,421)	(10,131)	(8,351)

Capital Plan

16 Capital grants	2,466	1,975	1,862	2,288	2,577	2,391
17 Capital investment	3,715	5,888	5,041	6,188	5,479	4,924
18 Climate Leadership Plan	-	-	-	5	208	555
19 Total Capital Plan	6,181	7,863	6,903	8,481	8,264	7,870

Balance Sheet

	At March 31				
	2015 Actual	2016 Forecast	2017 Estimate	2018 Target	2019 Target
Financial Assets					
20 Heritage Savings Trust Fund, endowment and other funds	18,860	19,278	19,631	19,993	20,428
21 Contingency Account	6,529	3,793	-	-	-
22 Self-supporting lending organizations	19,415	20,001	21,146	22,028	23,013
23 Other financial assets	11,939	12,088	12,217	13,184	13,963
24 SUCH sector financial assets	9,334	8,819	8,349	7,934	7,519
25 Total Financial Assets	66,077	63,979	61,343	63,139	64,923
Liabilities					
26 Liabilities for capital projects	11,922	19,058	24,198	30,426	35,993
27 Debt for pre-1992 TPP liability / direct borrowing for the Fiscal Plan	943	944	6,313	14,733	21,614
28 Self-supporting lending organizations	17,301	17,783	18,632	19,200	19,863
29 Other liabilities	6,425	6,068	6,382	5,949	5,515
30 Pension liabilities	11,196	10,938	10,873	10,693	10,492
31 SUCH sector liabilities	5,236	5,167	4,965	4,796	4,627
32 Total Liabilities	53,023	59,958	71,363	85,797	98,104
33 Net Financial Assets	13,054	4,021	(10,020)	(22,658)	(33,181)
34 Capital / other non-financial assets	44,753	47,528	51,374	54,466	56,996
35 Deferred capital contributions	(2,556)	(2,691)	(2,917)	(3,502)	(3,860)
36 Net Assets	55,251	48,858	38,437	28,306	19,955
37 Change in Net Assets	1,115	(6,393)	(10,421)	(10,131)	(8,351)

Consolidated Fiscal Summary, *continued*

(millions of dollars)

	2014-15	2015-16	2015-16	2016-17	2017-18	2018-19
	Actual	Budget	Forecast	Estimate	Target	Target
Contingency Account						
1 Balance at Start of Year	4,658	6,529	6,529	3,793	-	-
2 Surplus / (deficit)	1,115	(6,118)	(6,393)	(10,421)	(10,131)	(8,351)
Cash Adjustments – Sources / (Requirements)						
3 SUCH / Alberta Innovates revenue / expense adjustments	623	491	443	215	235	340
4 Pension provisions	(404)	31	(258)	(65)	(180)	(201)
5 Net deferred capital contribution cash adjustment	101	89	94	186	545	319
6 Heritage Fund inflation-proofing	(210)	(165)	(209)	(243)	(277)	(329)
7 Retained income of funds and agencies	(838)	(474)	(568)	(475)	(606)	(891)
8 Energy royalties	1,369	354	554	(50)	(276)	(123)
9 Student loans	(239)	(367)	(329)	(341)	(304)	(226)
10 Other cash adjustments	278	(477)	193	(400)	(16)	(16)
11 2013 Alberta flood assistance revenue / expense	(745)	(429)	(144)	(121)	107	-
12 Inventory acquisition	(172)	(180)	(175)	(172)	(183)	(183)
13 Inventory consumption (non-cash expense)	141	129	132	135	153	152
Capital Plan Cash Adjustments – Sources / (Requirements)						
14 Capital investment (excluding SUCH sector self-financed)	(3,414)	(4,762)	(4,014)	(5,237)	(4,681)	(3,913)
15 Amortization / book value of disposals (non-cash expense)	855	847	848	935	978	986
16 Withdrawal from Capital Plan financing account	673	-	-	1,763	-	-
17 Direct borrowing for Capital Plan	3,021	5,958	7,016	5,035	6,066	5,377
18 Alternative financing (P3s – public-private partnerships)	199	143	148	145	211	242
19 Current principal repayments (P3s)	(39)	(42)	(42)	(51)	(61)	(64)
20 Surplus / (deficit) plus net cash adjustments	2,314	(4,972)	(2,704)	(9,162)	(8,420)	(6,881)
21 Cash from prior-year final results	1,287	1,731	1,731	-	-	-
22 Cash to be transferred next year	(1,731)	-	-	-	-	-
23 Deposit to Capital Plan financing account	-	-	(1,763)	-	-	-
24 Direct borrowing for the Fiscal Plan	-	-	-	5,369	8,420	6,881
25 Balance at End of Year	6,529	3,289	3,793	-	-	-

Liabilities for Capital Projects

At March 31

26 Opening balance	8,724	11,922	11,922	19,058	24,198	30,426
27 Alternative financing (P3s – public-private partnerships)	199	143	148	145	211	242
28 Direct borrowing	3,021	5,958	7,016	5,035	6,066	5,377
29 Re-financing of existing debt	905	-	-	-	-	500
30 Principal repayments / amortization of debt issue costs	(927)	(28)	(28)	(40)	(49)	(552)
31 Total Liabilities for Capital Projects	11,922	17,995	19,058	24,198	30,426	35,993

Borrowing for the Fiscal Plan

32 Opening balance (debt for pre-1992 Teachers' Pension Plan)	943	944	944	944	6,313	14,733
33 Direct borrowing	-	-	-	5,369	8,420	6,881
34 Total Borrowing for the Fiscal Plan	943	944	944	6,313	14,733	21,614
35 Total Liabilities / Borrowing	12,865	18,939	20,002	30,511	45,159	57,607
36 Percentage of nominal Alberta GDP	3.4%	5.7%	6.0%	9.6%	13.1%	15.5%

Savings

37 Heritage Fund inflation-proofing	210	165	209	243	277	329
38 Year-end Heritage Fund Balance	14,961	15,126	15,170	15,413	15,690	16,019

Balance Sheet Details

(millions of dollars)

	At March 31				
	2015 Actual	2016 Forecast	2017 Estimate	2018 Target	2019 Target
Financial Assets					
Alberta Heritage Savings Trust Fund	14,961	15,170	15,413	15,690	16,019
Endowment funds:					
Alberta Heritage Foundation for Medical Research	1,414	1,502	1,538	1,582	1,633
Alberta Heritage Science and Engineering Research	844	897	923	954	990
Alberta Heritage Scholarship	1,063	1,116	1,131	1,158	1,194
Alberta Cancer Prevention Legacy Fund	486	476	459	442	425
Alberta Enterprise Corporation	92	117	167	167	167
Contingency Account	6,529	3,793	-	-	-
Self-supporting lending organizations:					
Alberta Capital Finance Authority	15,062	15,505	16,129	16,514	17,004
Agriculture Financial Services Corporation	4,353	4,496	5,017	5,514	6,009
Equity in commercial enterprises	3,687	3,846	3,963	4,302	4,733
Student loans	1,361	1,690	2,031	2,335	2,561
Other cash, inventory, marketable securities, accounts receivable	6,891	6,552	6,223	6,547	6,669
SUCH sector / Ab Innovates Corp. additional financial assets	9,334	8,819	8,349	7,934	7,519
Total Financial Assets	66,077	63,979	61,343	63,139	64,923
Liabilities					
Liabilities for capital projects:					
Alternative financing (P3s)	2,629	2,735	2,829	2,979	3,157
Direct borrowing	9,293	16,323	21,369	27,447	32,836
Debt issued to reduce pre-1992 TPP unfunded liability	943	944	944	944	944
Direct borrowing for the Fiscal Plan	-	-	5,369	13,789	20,670
Self-supporting lending organizations:					
Alberta Capital Finance Authority	15,062	15,505	16,129	16,514	17,004
Agriculture Financial Services Corporation	2,239	2,278	2,503	2,686	2,859
Other debt, accounts and interest payable	6,105	5,703	6,017	5,584	5,150
Other accrued liabilities, including guarantees, indemnities, remissions	320	365	365	365	365
Pension liabilities	11,196	10,938	10,873	10,693	10,492
SUCH sector / Alberta Innovates Corp. additional liabilities	5,236	5,167	4,965	4,796	4,627
Total Liabilities	53,023	59,958	71,363	85,797	98,104
Net Financial Assets	13,054	4,021	(10,020)	(22,658)	(33,181)
Capital / Other Non-financial Assets	44,753	47,528	51,374	54,466	56,996
Deferred capital contributions	(2,556)	(2,691)	(2,917)	(3,502)	(3,860)
Net Assets	55,251	48,858	38,437	28,306	19,955
Change in Net Assets	1,115	(6,393)	(10,421)	(10,131)	(8,351)

Revenue

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Income Taxes						
Personal income tax	11,042	12,047	11,278	11,405	11,759	12,363
Corporate income tax	5,796	4,745	4,972	4,325	4,263	4,819
	16,838	16,792	16,250	15,730	16,022	17,182
Other Taxes						
Education property tax (includes opted-out boards)	2,102	2,253	2,261	2,414	2,463	2,508
Fuel tax	944	1,434	1,465	1,469	1,496	1,535
Tobacco tax	896	1,041	1,059	1,139	1,143	1,148
Insurance taxes	393	407	406	590	634	679
Freehold mineral rights tax	172	87	74	71	89	97
Tourism levy	91	85	80	80	84	89
Carbon levy	-	-	-	274	1,247	1,709
	4,598	5,307	5,345	6,037	7,156	7,765
Non-Renewable Resource Revenue						
Bitumen royalty	5,049	1,547	1,144	656	1,586	2,986
Crude oil royalty	2,245	536	610	333	659	616
Natural gas and by-products royalty	989	343	341	151	230	355
Bonuses and sales of Crown leases	476	181	210	95	157	156
Rentals and fees / coal royalty	188	160	169	129	121	112
	8,948	2,768	2,474	1,364	2,753	4,225
Transfers from Government of Canada						
Canada Health Transfer	3,601	3,967	4,005	4,223	4,344	4,519
Canada Social Transfer	1,452	1,513	1,516	1,563	1,608	1,659
Direct transfers to SUCH sector	321	484	484	500	522	523
Agriculture support programs	288	313	273	300	279	289
Infrastructure support	341	289	269	282	263	266
Labour market agreements	174	177	180	178	178	178
Other (includes 2013 Alberta flood assistance / 2015-16 Fiscal Stabilization)	(195)	241	509	232	236	233
	5,982	6,984	7,236	7,278	7,430	7,667
Investment Income						
Alberta Heritage Savings Trust Fund	1,825	1,719	1,643	1,185	1,325	1,449
Endowment funds	354	355	372	256	283	305
Alberta Capital Finance Authority	225	196	190	157	178	218
Agriculture Financial Services Corporation	132	133	132	137	153	173
Other (includes Contingency Account and SUCH sector)	577	417	429	380	327	331
	3,113	2,820	2,766	2,115	2,266	2,476
Net Income from Government Business Enterprises						
AGLC – Gaming / lottery	1,526	1,545	1,545	1,451	1,481	1,510
AGLC – Liquor	767	851	854	868	879	895
Alberta Treasury Branches	325	283	82	27	226	272
Other (CUDGCo and APMC)	47	57	57	70	93	139
	2,665	2,736	2,537	2,416	2,680	2,816
Premiums, Fees and Licences						
Post-secondary institution tuition fees	1,116	1,138	1,138	1,157	1,199	1,199
Health / school board fees and charges	672	669	671	711	724	681
Motor vehicle licences	516	525	526	528	538	549
Crop, hail and livestock insurance premiums	307	314	300	301	307	320
Energy industry levies	292	306	306	303	303	309
Land Titles	91	90	80	79	80	82
Other (includes lands & grazing, health benefit premiums)	570	645	567	570	654	674
	3,564	3,687	3,588	3,649	3,805	3,814
Other						
SUCH sector sales, rentals and services	850	903	906	950	972	966
SUCH sector fundraising, donations, gifts and contributions	667	564	561	568	586	582
AIMCo investment management charges	264	257	301	307	316	326
Fines and penalties	146	260	256	209	215	222
Refunds of expense	1,106	141	150	140	140	140
Climate Change and Emissions Management Fund	77	91	92	101	146	917
Miscellaneous (includes Alberta Innovates)	663	478	476	512	501	519
	3,773	2,694	2,742	2,787	2,876	3,672
Total Revenue	49,481	43,788	42,938	41,376	44,988	49,617

Expense by Ministry

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Advanced Education	5,526	5,824	5,759	5,895	6,044	6,151
Agriculture and Forestry	1,273	1,851	1,647	1,090	1,062	1,094
Culture and Tourism	337	336	337	334	347	352
Economic Development and Trade	251	393	305	343	393	303
Education	7,556	7,578	7,619	7,911	8,065	8,208
Energy	720	990	788	769	743	658
Environment and Parks	464	530	475	459	454	461
Executive Council	23	27	27	27	27	27
Health	19,262	19,613	19,854	20,361	20,929	21,260
Human Services	3,985	4,171	4,193	4,395	4,525	4,592
Indigenous Relations	191	195	195	186	188	201
Infrastructure	629	612	621	670	697	692
Justice and Solicitor General	1,329	1,358	1,366	1,396	1,391	1,422
Labour	162	201	197	212	216	220
Municipal Affairs	2,136	1,401	1,410	1,764	1,735	1,752
Seniors and Housing	621	611	613	644	635	630
Service Alberta	281	307	302	305	305	310
Status of Women	-	1	1	8	8	8
Transportation	1,416	1,304	1,302	1,310	1,638	1,643
Treasury Board and Finance	1,516	1,432	1,478	1,526	1,547	1,577
Legislative Assembly	125	154	140	128	129	159
Unallocated disaster / emergency assistance	-	-	-	200	200	200
2013 Alberta flood assistance (operating and capital grants)	244	205	184	153	131	69
Climate Leadership operating expense	-	-	-	325	1,000	1,871
Climate Leadership Capital Plan allocation	-	-	-	5	208	555
Operating program re-allocations	-	-	-	(250)	(250)	(250)
Total Program Expense	48,048	49,098	48,815	50,166	52,367	54,165
Debt Servicing Costs	722	778	775	996	1,432	2,003
Pension Provisions	(404)	31	(258)	(65)	(180)	(201)
Total Expense	48,366	49,906	49,331	51,097	53,619	55,967

Debt Servicing Costs

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
General						
Advanced Education – post-secondary institutions	41	39	41	43	47	50
Agriculture and Forestry – Agriculture Financial Services Corp.	70	75	70	72	78	87
Education – school boards	10	10	10	10	10	10
Health – Alberta Health Services	16	16	16	17	17	17
Seniors and Housing – Alberta Social Housing Corporation	10	8	8	6	5	5
Treasury Board and Finance – Alberta Capital Fin. Auth. / other	223	178	178	219	466	806
Total General Debt Servicing Costs	370	326	323	367	623	975
Capital Plan						
Education – Alberta Schools Alternative Procurement P3s	30	30	30	29	28	28
Transportation – ring road P3s	72	71	71	83	94	92
Treasury Board and Finance – direct borrowing	250	351	351	517	687	908
Total Capital Plan Debt Servicing Costs	352	452	452	629	809	1,028
Total Debt Servicing Costs	722	778	775	996	1,432	2,003

Operating Expense

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Advanced Education	5,045	5,337	5,272	5,392	5,521	5,628
Agriculture and Forestry	1,049	1,072	1,013	1,036	1,009	1,041
Culture and Tourism	288	294	295	285	282	288
Economic Development and Trade	246	388	299	337	387	297
Education	7,250	7,251	7,302	7,544	7,696	7,839
Energy	645	681	609	549	576	588
Environment and Parks	400	408	411	403	398	406
Executive Council	23	27	27	27	27	27
Health	17,801	18,227	18,416	18,959	19,476	19,829
Human Services	3,974	4,159	4,181	4,388	4,519	4,587
Indigenous Relations	180	184	184	183	185	198
Infrastructure	501	491	491	496	505	506
Justice and Solicitor General	1,310	1,340	1,348	1,337	1,333	1,364
Labour	160	200	195	210	216	219
Municipal Affairs	237	285	283	262	266	277
Seniors and Housing	573	569	569	577	576	588
Service Alberta	226	250	246	251	250	256
Status of Women	-	1	1	8	8	8
Transportation	523	484	484	471	464	473
Treasury Board and Finance	1,494	1,411	1,459	1,505	1,523	1,552
Legislative Assembly	122	150	136	125	125	156
In-year savings	-	-	-	(250)	(250)	(250)
Total Operating Expense – excluding Climate Leadership	42,047	43,209	43,222	44,094	45,090	45,874
Climate Leadership Plan						
Environment and Parks	-	-	-	230	565	1,281
Treasury Board and Finance	-	-	-	95	435	590
Total Climate Leadership Plan Operating Expense	-	-	-	325	1,000	1,871
Total Operating Expense – including Climate Leadership	42,047	43,209	43,222	44,419	46,090	47,745

Disaster / Emergency Assistance

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Agriculture and Forestry	170	725	580	-	-	-
Municipal Affairs	32	-	9	-	-	-
Unallocated	-	-	-	200	200	200
Total – excluding 2013 Alberta flood assistance	202	725	589	200	200	200
2013 Alberta flood assistance ^a						
Culture and Tourism	5	6	2	6	-	-
Education	3	7	-	-	-	-
Environment and Parks	23	23	23	7	-	-
Health	32	-	-	-	-	-
Human Services	4	1	-	1	1	-
Indigenous Relations	6	7	7	7	3	-
Infrastructure	53	44	10	22	24	4
Municipal Affairs	21	16	16	4	-	-
Other (Trans. / Ag. and Forestry / Econ. Dev. and Trade)	2	-	-	-	-	-
Total 2013 Alberta flood assistance	149	104	58	46	28	4
Total Disaster / Emergency Assistance	351	829	647	246	228	204

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

95	101	126	107	103	65
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Capital Amortization

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Advanced Education	481	487	487	503	523	523
Agriculture and Forestry	26	29	29	29	29	28
Culture and Tourism	3	3	3	3	3	3
Economic Development and Trade	5	6	6	5	5	6
Education	306	317	317	362	368	368
Energy	21	20	20	20	20	20
Environment and Parks	43	44	44	44	44	44
Health	652	637	638	605	575	575
Human Services	11	11	11	7	6	5
Infrastructure	93	107	107	119	128	136
Justice and Solicitor General	15	17	17	59	58	59
Labour	2	2	2	1	1	1
Municipal Affairs	2	3	3	3	3	3
Seniors and Housing	32	32	32	38	36	35
Service Alberta	41	42	42	42	42	42
Transportation	458	480	478	514	548	549
Treasury Board and Finance	17	21	18	21	24	25
Legislative Assembly	3	3	4	4	4	4
Total Amortization Expense	2,211	2,261	2,259	2,379	2,417	2,425

Inventory Consumption

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Agriculture and Forestry	1	2	2	1	1	1
Culture and Tourism	1	1	1	1	1	1
Health	795	750	749	754	756	756
Human Services	-	1	-	-	-	-
Infrastructure	18	3	3	14	30	29
Seniors and Housing	-	-	2	-	-	-
Service Alberta	14	15	15	8	8	8
Transportation	52	50	50	50	50	50
Treasury Board and Finance	1	-	-	-	-	-
Total Inventory Consumption	882	821	823	828	846	845

Capital Grants

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Agriculture and Forestry	26	23	23	23	23	23
Culture and Tourism	46	38	38	45	62	61
Education	-	10	-	5	1	1
Energy	53	289	159	200	147	50
Environment and Parks	78	158	124	105	115	76
Health	11	-	51	43	122	100
Indigenous Relations	11	11	11	3	3	3
Infrastructure	15	11	20	40	35	22
Justice	1	-	-	-	-	-
Municipal Affairs	1,890	1,127	1,129	1,513	1,466	1,472
Seniors and Housing	8	11	11	30	22	7
Service Alberta	-	-	-	5	5	5
Transportation	327	296	296	276	576	571
Total Capital Grants	2,466	1,975	1,862	2,288	2,577	2,391

Capital Plan ^a

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Advanced Education	773	876	876	966	738	805
Agriculture and Forestry	60	53	53	51	45	45
Culture and Tourism	49	41	41	48	65	63
Economic Development and Trade	5	5	5	9	9	9
Education	363	1,343	1,057	1,900	1,367	836
Energy	79	305	175	215	162	65
Environment and Parks	103	276	217	254	222	208
Health	674	916	809	958	1,186	1,328
Human Services	5	7	7	5	5	5
Indigenous Relations	11	11	11	3	3	3
Infrastructure	234	456	260	383	244	191
Justice and Solicitor General	96	70	60	39	10	7
Labour	1	1	4	1	1	1
Municipal Affairs	1,894	1,132	1,134	1,517	1,473	1,479
Seniors and Housing	96	179	130	289	306	221
Service Alberta	39	46	45	105	97	87
Transportation	1,668	2,110	1,989	1,712	2,108	1,947
Treasury Board and Finance	30	33	28	21	13	13
Climate Leadership Plan	-	-	-	5	208	555
Legislative Assembly	-	2	2	1	1	1
Total Capital Plan	6,181	7,863	6,903	8,481	8,264	7,870

^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. The Capital Plan component of the Climate Leadership Plan has been included as expense in the Fiscal Plan; the allocation between capital grants and capital investment has not been finalized.

Capital Investment ^a

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Advanced Education	773	876	876	966	738	805
Agriculture and Forestry	34	30	30	28	23	22
Culture and Tourism	3	3	3	3	3	3
Economic Development and Trade	5	5	5	9	9	9
Education	363	1,333	1,057	1,895	1,366	835
Energy	26	16	16	15	15	15
Environment and Parks	25	118	93	149	107	132
Health	664	916	758	915	1,064	1,228
Human Services	5	7	7	5	5	5
Infrastructure	219	446	240	343	209	169
Justice and Solicitor General	95	70	60	39	10	7
Labour	1	1	4	1	1	1
Municipal Affairs	4	5	5	4	7	6
Seniors and Housing	88	168	120	259	283	214
Service Alberta	39	46	45	100	92	82
Transportation	1,341	1,814	1,693	1,436	1,532	1,376
Treasury Board and Finance	30	33	28	21	13	13
Legislative Assembly	-	2	2	1	1	1
Total Capital Investment	3,715	5,888	5,041	6,188	5,479	4,924

^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	Agriculture, Resource Management and Economic Development	Protection of Persons and Property (includes 2013 flood and unallocated disaster)	Transportation, Communications and Utilities	Regional Planning and Development	Environment	Recreation and Culture	Housing	General Government (includes pension provisions and in-year savings)	Debt Servicing Costs	Total 2016-17 Expense
Legislative Assembly	-	-	14	-	-	-	-	-	-	-	114	-	128
Advanced Education	-	5,895	-	-	-	-	-	-	-	-	(8)	43	5,930
Agriculture and Forestry	-	-	-	970	120	-	-	-	-	-	-	72	1,162
Culture and Tourism	-	-	-	119	6	-	-	-	215	-	-	-	340
Economic Development and Trade	38	-	-	283	-	-	19	-	-	-	3	-	343
Education	-	7,911	-	-	-	-	-	-	-	-	12	39	7,962
Energy	-	-	-	650	-	36	-	31	-	-	52	-	769
Environment and Parks	-	-	-	152	100	-	-	449	94	-	-	-	795
Executive Council	-	-	-	-	-	-	-	-	-	-	27	-	27
Health	20,361	-	-	-	-	-	-	-	-	-	-	17	20,378
Human Services	-	54	4,324	-	18	-	-	-	-	-	-	-	4,396
Indigenous Relations	-	-	-	-	7	-	186	-	-	-	-	-	192
Infrastructure	3	2	-	-	22	3	-	44	-	12	606	-	691
Justice and Solicitor General	-	-	123	21	1,252	-	-	-	-	-	-	-	1,396
Labour	-	36	-	94	82	-	-	-	-	-	-	-	212
Municipal Affairs	-	-	-	-	88	-	1,601	-	37	-	56	-	1,782
Seniors and Housing	-	-	464	-	-	-	-	-	-	180	-	6	650
Service Alberta	-	-	-	-	95	-	-	-	-	-	210	-	305
Status of Women	-	-	3	2	-	-	-	-	-	-	2	-	8
Transportation	-	-	-	-	39	1,269	-	3	-	-	-	83	1,393
Treasury Board and Finance	12	8	137	118	46	-	1	95	8	-	1,127	736	2,289
Unallocated disaster expense / in-year savings	-	-	-	-	200	-	-	-	-	-	(250)	-	(50)
Total 2016-17 Expense	20,414	13,906	5,064	2,409	2,075	1,308	1,806	620	353	192	1,953	996	51,097

Expense by Object

(millions of dollars)

	Salaries, Wages and Employee 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 and in-year savings	Total 2016-17 Expense
Legislative Assembly	77	30	-	-	3	-	-	-	17	128
Advanced Education	3,562	1,311	460	-	503	-	(8)	43	60	5,930
Agriculture and Forestry	253	689	94	23	29	1	-	72	-	1,162
Culture and Tourism	77	76	136	45	3	1	-	-	2	340
Economic Development and Trade	136	72	129	-	5	-	-	-	-	343
Education	5,937	1,333	248	5	362	-	12	39	26	7,962
Energy	282	236	31	200	20	-	-	-	-	769
Environment and Parks ^a	207	190	241	110	44	-	-	-	2	795
Executive Council	24	3	-	-	-	-	-	-	-	27
Health	7,877	5,211	5,870	43	605	754	-	17	2	20,378
Human Services	617	1,501	2,271	-	7	-	-	-	-	4,396
Indigenous Relations	28	4	157	3	-	-	-	-	-	192
Infrastructure	80	430	-	40	119	14	-	-	8	691
Justice and Solicitor General	711	390	214	-	59	-	-	-	22	1,396
Labour	98	49	63	-	1	-	-	-	-	212
Municipal Affairs	73	33	160	1,513	3	-	-	-	-	1,782
Seniors and Housing	30	17	529	30	38	-	-	6	-	650
Service Alberta	131	119	-	5	42	8	-	-	1	305
Status of Women	5	2	1	-	-	-	-	-	-	8
Transportation	73	398	-	276	514	50	-	83	-	1,393
Treasury Board and Finance	236	431	915	-	21	-	(69)	736	18	2,289
Unallocated disaster expense / in-year savings	-	-	-	-	-	-	-	-	(50)	(50)
Total 2016-17 Expense	20,514	12,524	11,519	2,293	2,379	828	(65)	996	108	51,097

^a Climate Leadership Plan Capital Plan allocation included under "Capital Grants to Others."

Inventory Acquisition

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Agriculture and Forestry	1	2	2	1	1	1
Health	799	757	752	756	758	758
Infrastructure	44	48	48	48	58	58
Service Alberta	14	15	16	8	8	8
Transportation	50	50	50	50	50	50
Other (Culture and Tourism / Legislative Assembly / Human Serv.)	3	2	1	1	1	1
Total Inventory Acquisition	911	873	867	865	876	876

Capital Assets

(millions of dollars)

	At March 31					
	2015 Actual	2016 Budget	2016 Forecast	2017 Estimate	2018 Target	2019 Target
Net book value at start of the year	42,839	44,287	44,287	47,064	50,873	53,935
Additions (capital investment)	3,715	5,888	5,041	6,188	5,479	4,924
Amortization	(2,211)	(2,261)	(2,259)	(2,379)	(2,417)	(2,425)
Net book value of capital asset disposals	(56)	-	(5)	-	-	-
Net Book Value at End of Year	44,287	47,914	47,064	50,873	53,935	56,434

Capital Plan Funding Sources

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Capital Plan	6,181	7,863	6,903	8,481	8,264	7,870
Source of funding:						
Cash received (primarily federal govt.) / donations / disposals	524	575	429	554	877	676
Retained income of funds and agencies (primarily ASHC)	138	167	129	121	142	43
SUCH sector self-financed	291	1,020	944	858	760	977
Climate Leadership Plan	-	-	-	5	208	555
Alternative financing (P3s – public-private partnerships)	199	143	148	145	211	242
Direct borrowing	3,021	5,958	7,016	5,035	6,066	5,377
Transfers from / (to) Cap. Plan financing acct. / surplus cash	2,008	-	(1,763)	1,763	-	-
Total Capital Plan funding Sources	6,181	7,863	6,903	8,481	8,264	7,870

Capital Plan Liability Principal Repayments

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Education – Alberta Schools Alternative Procurement P3s	12	13	13	14	14	15
Infrastructure – Evan Thomas water treatment P3	1	1	1	1	1	1
Treasury Board and Finance – direct borrowing	905	-	-	-	-	500
Transportation – ring road P3s	26	28	28	37	46	48
Total Principal Repayments	944	42	42	51	61	564

Cash Adjustments^a

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Retained Income of Funds and Agencies						
Alberta Heritage Savings Trust Fund inflation-proofing	(210)	(165)	(209)	(243)	(277)	(329)
Alberta Treasury Branches	(325)	(283)	(82)	(27)	(226)	(272)
Agriculture Financial Services Corporation	(247)	44	(103)	(296)	(314)	(322)
Climate Change and Emissions Management Fund	(175)	(31)	(85)	-	-	-
Heritage Foundation for Medical Research Endowment Fund	(50)	(76)	(88)	(36)	(44)	(51)
Heritage Science and Engineering Research Endowment Fund	(48)	(53)	(53)	(26)	(31)	(36)
Heritage Scholarship Fund	(65)	(51)	(53)	(15)	(27)	(36)
Alberta School Foundation Fund	10	4	(4)	10	2	2
Alberta Social Housing Corporation	36	79	9	54	105	(11)
Alberta Capital Finance Authority	(58)	(75)	(66)	(52)	(42)	(41)
Alberta Cancer Prevention Legacy Fund	12	14	10	17	17	17
Other	72	(46)	(53)	(104)	(46)	(141)
Total Retained Income of Funds and Agencies	(1,048)	(639)	(777)	(718)	(883)	(1,220)
Other Cash Adjustments						
SUCH sector own-source revenue	(4,300)	(4,283)	(4,305)	(4,451)	(4,579)	(4,526)
SUCH sector own-source expense	4,923	4,774	4,748	4,666	4,814	4,866
Net deferred capital contribution cash adjustment	101	89	94	186	545	319
Energy royalties (difference between accrued revenue & cash)	1,369	354	554	(50)	(276)	(123)
Student loans	(239)	(367)	(329)	(341)	(304)	(226)
Inventory acquisition	(172)	(180)	(175)	(172)	(183)	(183)
Other cash adjustments	278	(477)	193	(400)	(16)	(16)
Current principal repayments (P3 capital projects)	(39)	(42)	(42)	(51)	(61)	(64)
2013 Alberta flood assistance revenue	423	100	100	300	259	-
2013 Alberta flood assistance expense	(1,168)	(529)	(244)	(421)	(152)	-
Pension provisions (non-cash expense)	(404)	31	(258)	(65)	(180)	(201)
Book value of asset disposals (net non-cash expense / revenue)	41	-	5	-	-	-
Inventory consumption (non-cash expense)	141	129	132	135	153	152
Amortization (non-cash expense)	814	847	843	935	978	986
Total Other Cash Adjustments	1,768	446	1,316	271	998	984

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

Financing Requirements

(millions of dollars)

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Term debt borrowing for provincial corporations^a:						
Agriculture Financial Services Corporation	125	355	232	373	371	505
Alberta Capital Finance Authority	1,231	1,852	1,429	1,590	3,145	2,295
Alberta Treasury Branches	500	1,050	1,250	1,450	1,500	700
Alberta Petroleum Marketing Commission	227	340	328	331	344	331
Direct borrowing for capital purposes	3,021	5,958	7,016	5,035	6,066	5,377
Re-financing of maturing debt	905	-	-	-	-	500
Direct borrowing for the Fiscal Plan	-	-	-	5,369	8,420	6,881
Total Financing Requirements	6,009	9,555	10,255	14,148	19,846	16,589

^a Gross borrowing requirements for provincial corporations; include amounts required for re-financing of maturing debt.

Pension Liabilities

(millions of dollars)

	At March 31				
	2015 Actual	2016 Budget	2017 Estimate	2018 Target	2019 Target
Teachers' Pension Plan (pre-1992)	8,432	8,295	8,223	8,040	7,846
Teachers' Pension Plan (post-1992)	637	586	598	603	598
Local Authorities Pension Plan	489	520	555	590	625
Public Service Management Pension Plan (pre-1992; closed) ^a	595	574	549	519	489
Public Service Pension Plan	249	250	260	270	280
Universities Academic Pension Plan (pre-1992)	314	300	285	270	255
Special Forces Pension Plan (pre-1992)	91	85	80	75	70
Members of the Legislative Assembly Pension Plan (closed) ^a	46	46	46	46	46
Management Employees Pension Plan	26	-	3	6	9
Public Service Supplementary Retirement Plan	17	-	-	-	-
Provincial Judges and Masters in Chambers Pension Plan	15	-	-	-	-
SUCH sector – Universities Academic / Supp. Retirement	285	282	274	274	274
Total Pension Liabilities	11,196	10,938	10,873	10,693	10,492
Annual non-cash change in pension liabilities	(404)	(258)	(65)	(180)	(201)

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

Loans and Advances

(millions of dollars)

	At March 31	
	2015 Actual	2016 Forecast
Loans and Advances		
Agriculture Financial Services Act	2,104	2,275
Student Financial Assistance Act	1,540	1,906
Alberta Housing Act	27	30
Financial Administration Act accountable advances	4	4
Total Loans and Advances	3,675	4,215
Allowance for doubtful loans, advances, implemented guarantees and indemnities ^a		
Agriculture Financial Services Act	(37)	(40)
Student Financial Assistance Act	(135)	(176)
Total Loans and Advances	3,503	3,999

^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	
	2015 Actual	2016 Forecast
Guarantees		
Feeder Associations	55	55
Agriculture Financial Services Act	13	27
Total Guarantees	68	82

Full-Time Equivalents ^a

	2015-16 Budget	2016-17 Estimate	Change	Main reasons for change
Department / Government Agencies				
Advanced Education – Department	617	606	(11)	Transfer to Econ Dev. / phase-out of Alberta Abroad
Agriculture and Forestry – Department	1,667	1,672	5	Flat Top Complex implementation
Agriculture Financial Services Corporation	630	630	-	
Alberta Livestock and Meat Agency	35	35	-	
Culture and Tourism – Department	569	581	12	Royal Alberta Museum / transfer from Travel Alberta
Travel Alberta Corporation	87	84	(3)	Transfer to department
Alberta Sport Connection	32	32	-	
Economic Development and Trade – Department	341	420	79	Transfer from Adv. Ed. / expansion of policy activities
Alberta Enterprise Corporation	6	6	-	
Education – Department	704	704	-	
Energy – Department	696	687	(9)	Transfer to Envt. for integrated resource management
Alberta Energy Regulator	1,240	1,240	-	
Alberta Utilities Commission	143	143	-	
Environment and Parks – Department	2,293	2,372	79	Climate Change Off. / Integrated Res. Mgt. Secretariat
Natural Resources Conservation Board	47	47	-	
Health – Department	979	979	-	
Human Services	6,097	6,096	(1)	Transfer to Justice - Legal Services Protocol
Indigenous Relations	219	218	(1)	Transfer to Justice - Legal Services Protocol
Infrastructure	960	987	27	Royal Alberta Museum building operations
Justice and Solicitor General – Department	6,803	6,828	25	Ticket processing / Legal Services Protocol
Victims of Crime Fund	37	37	-	
Labour	653	653	-	
Municipal Affairs – Department	546	546	-	
Safety Codes Council	60	60	-	
Seniors and Housing	295	295	-	
Service Alberta	1,367	1,367	-	
Status of Women	6	34	28	Establishment of Ministry
Transportation – Department	789	789	-	
Transportation Safety Board	12	12	-	
Treasury Board and Finance – Department	748	747	(1)	Transfer to Justice - Legal Services Protocol
Alberta Investment Management Corporation	376	376	-	
Alberta Pensions Services Corporation	287	287	-	
Alberta Securities Commission	196	196	-	
Alberta Insurance Council	24	24	-	
Alberta Local Authorities Pension Plan Corporation	6	6	-	
Executive Council	174	178	4	Public Affairs Bureau
Legislative Assembly	717	731	14	Leg. Assembly, Chief Elect., Ch. & Yth. Advoc. offices
Sub-total: Department / Government Agencies	30,458	30,705	247	
SUCH Sector / Other Arm's Length Entities				
Advanced Education				
Post-secondary institutions	33,517	33,588	71	Enrolment growth
Economic Development and Trade				
Alberta Innovates Corporation	712	712	-	
Education				
School boards (public, separate, francophone, charter):				
Certificated Staff	34,750	35,484	734	Enrolment growth for 2016-17, and higher-than-expected enrolment growth in 2015-16
Non-certificated Staff	24,375	25,431	1,056	
Health				
Alberta Health Services	76,798	77,950	1,152	Continuing Care / new facilities / increased volume
Health Quality Council of Alberta	33	33	-	
Sub-total: SUCH Sector / Other Arm's Length Entities	170,185	173,198	3,013	
Total Full-Time Equivalent Employment	200,643	203,903	3,260	

^a The 2015-16 Budget numbers have been restated on the 2016-17 basis.

Allocation of 2016–17 Lottery Fund Revenue

(thousands of dollars)

Lottery Fund Revenue		1,451,069		
Agriculture and Forestry			Human Services	
Agriculture Initiatives	1,000		Family and Community Safety	6,500
Agricultural Service Boards	11,600		Family and Community Support Services	52,000
Agricultural Societies and Exhibitions	11,462		Fetal Alcohol Spectrum Disorder Initiatives	12,000
Culture and Tourism			Indigenous Relations	
Alberta Media Fund	37,065		First Nations and Metis Relations	200
Assistance to the Alberta Foundation for Arts	26,585		First Nations Development Fund	126,000
Assistance to the Alberta Historical Resources Foundation	8,160		Justice and Solicitor General	
Assistance to the Alberta Sport Connection	21,220		Assistance to the Human Rights Education and Multiculturalism Fund	1,735
Community Facility Enhancement Program	38,000		Labour	
Community Initiatives Program	24,585		Settlement and Integration	4,574
Major Fairs Program	15,348		Skills and Training Support	400
Other Initiatives	2,100		Transportation	
Education			Provincial Highway Maintenance	40,000
Plant Operations and Maintenance	150,000		Treasury Board and Finance	
Transportation	150,000		Bingo Associations	6,200
Environment and Parks			Gaming Research	1,600
Parks Operations	10,000		Horse Racing and Breeding Renewal Program	27,292
Resource Management	500		Total Lottery Fund Allocation	
Health			1,451,069	
Alberta Health Services – Continuing and Community Care	664,943			

Changes to Fees

(dollars)

Ministry / Description	2015-16	2016-17
Culture and Tourism		
Museums and Heritage sites – daily admission fees		
Adult	Free-\$15	Free-\$18
Senior	Free-\$12	Free-\$14
Youth	Free-\$7.50	Free-\$10
Family	Free-\$40	Free-\$46
Museums and Heritage sites – annual pass		
Adult	\$40	\$40-\$50
Senior	\$35	\$35-\$40
Youth	\$25	\$25-\$30
Family	\$100	\$100-\$120
Environment and Parks		
Parks fees		
Campsite water, sewer, shower rates	\$6 / night	\$7 / night
Campsite equestrian corrals rate	\$6 / night	\$7 / night
On-site pump out service (rate per service)	up to \$25	\$25-\$50

Historical Fiscal Summary, 2008–09 to 2018–19^a

Consolidated Financial Statements basis (millions of dollars)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 Actual	2015-16 Forecast	2016-17 Estimate	2017-18 Target	2018-19 Target
Income Statement											
Revenue											
1 Personal income tax	8,708	7,877	7,631	8,563	9,621	10,537	11,042	11,278	11,405	11,759	12,363
2 Corporate income tax	4,252	4,754	3,334	3,678	4,756	5,488	5,796	4,972	4,325	4,263	4,819
3 Other tax revenue	3,817	3,746	3,820	4,099	4,333	4,500	4,598	5,345	6,037	7,156	7,765
4 Resource revenue	11,915	6,768	8,428	11,636	7,779	9,578	8,948	2,474	1,364	2,753	4,225
5 Investment income	(1,888)	3,541	2,486	2,168	2,595	3,423	3,113	2,766	2,115	2,266	2,476
6 Premiums, fees and licences	3,356	2,857	2,922	2,931	3,184	3,437	2,665	2,537	2,416	2,680	2,816
7 Other own-source revenue	4,587	4,627	4,903	5,128	5,234	5,412	7,337	6,330	6,436	6,681	7,486
8 Total own-source revenue	34,747	34,170	33,524	38,203	37,502	42,375	43,499	35,702	34,098	37,558	41,950
9 Federal transfers	4,578	5,342	5,452	5,192	5,042	7,059	5,982	7,236	7,278	7,430	7,667
10 Total Revenue	39,325	39,512	38,976	43,395	42,544	49,434	49,481	42,938	41,376	44,988	49,617
Expense by Function											
11 Health	13,674	14,636	15,393	16,284	17,254	17,967	19,366	19,851	20,414	20,972	21,303
12 Basic / advanced education	10,438	11,067	11,362	11,951	12,394	12,782	13,103	13,472	13,906	14,205	14,455
13 Social services	3,417	3,807	4,129	4,278	4,641	4,668	4,548	4,877	5,064	5,207	5,284
14 Other program expense	10,386	9,834	9,443	9,853	10,528	12,970	11,031	10,614	10,781	11,983	13,124
15 Total program expense	37,915	39,344	40,327	42,366	44,817	48,387	48,048	48,814	50,166	52,367	54,166
16 Debt servicing costs	208	214	472	509	530	601	722	775	996	1,432	2,003
17 Pension provisions	2,133	430	439	634	296	748	(404)	(258)	(65)	(180)	(201)
18 Total Expense	40,256	39,988	41,238	43,509	45,643	49,736	48,366	49,331	51,097	53,619	55,968
19 Surplus / (Deficit) - less risk adjustment beginning 2016-17	(931)	(476)	(2,262)	(114)	(3,099)	(302)	1,115	(6,393)	(10,421)	(10,131)	(8,351)
Capital Plan^b											
	7,943	8,000	7,544	6,884	6,062	5,770	6,181	6,903	8,481	8,264	7,870
Balance Sheet (at March 31)											
20 Heritage / endowment funds	16,900	17,077	17,500	17,936	18,176	18,562	18,860	19,278	19,631	19,993	20,428
21 Contingency Account	16,822	14,983	11,192	7,497	3,326	4,658	6,529	3,793	-	-	-
22 Other financial assets	28,868	30,338	30,799	32,972	34,734	40,039	40,688	40,908	41,712	43,146	44,495
23 Capital Plan liabilities	(880)	(2,888)	(3,199)	(3,442)	(4,594)	(8,724)	(11,922)	(19,058)	(24,198)	(30,426)	(35,993)
24 Pre-1992 Teachers' PP debt / operating liabilities	-	(1,187)	(1,187)	(1,187)	(1,187)	(1,187)	(943)	(944)	(6,312)	(14,732)	(21,613)
25 Pension obligations	(10,239)	(9,483)	(9,922)	(10,556)	(10,852)	(11,600)	(11,196)	(10,938)	(10,873)	(10,693)	(10,492)
26 Other liabilities	(19,770)	(21,523)	(23,530)	(24,229)	(25,148)	(28,716)	(28,962)	(29,018)	(29,980)	(29,946)	(30,006)
27 Net Financial Assets / (Debt)	31,701	27,317	21,653	18,991	14,455	13,032	13,054	4,021	(10,020)	(22,658)	(33,181)
28 Capital / non-fin. assets - less def. contributions beginning 2012-13	30,275	34,217	37,607	40,122	39,517	40,839	42,197	44,837	48,457	50,964	53,136
29 Net Assets^c	61,976	61,534	59,260	59,113	53,972	53,871	55,251	48,858	38,437	28,306	19,955

^a Numbers are not strictly comparable due to numerous accounting policy changes over time. Examples include reporting certain items (transfers through the tax system, crude oil marketing and transportation costs, allowance for corporate income tax doubtful accounts) as expense, instead of netting the amounts from related revenue, increasing both revenue and expense, but not impacting the surplus / (deficit).

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

^c The change in net assets year over year does not match the surplus / (deficit) exactly in most years, due to various balance sheet adjustments, most of which are minor. A significant adjustment reducing net assets by \$2 billion was made in 2012-13, to recognize the accumulated deferred capital contribution liability when the accounting standard was adopted.



FISCAL PLAN

RESPONSE TO THE
AUDITOR GENERAL



OCTOBER 2015

The Alberta
JOBS PLAN **BUDGET
2016**

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RESPONSE TO THE AUDITOR GENERAL – OCTOBER 2015

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 2015* and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Innovation and Advanced Education – For-profit and Cost Recovery Ventures at Post-secondary Institutions</p> <p>1. Document and Communicate Expectations and Guidelines</p> <p>We recommend that the Department of Innovation and Advanced Education:</p> <ul style="list-style-type: none"> • document its expectations in terms of desired results and risk management for institutions participating in for-profit and cost recovery ventures • establish approved guidelines for cost recovery ventures, to support best practices and align with the department's expectations • update and approve for-profit venture guidelines, to support best practices and align with the department's expectations • develop a process to communicate the department's expectations and guidelines to all institutions <p>2. Improve Department's Oversight of Institution's Risk Assessment of Ventures</p> <p>We recommend that the Department of Innovation and Advanced Education improve its oversight processes to ensure that boards of governors oversee management's assessment of the risks associated with for-profit and cost recovery ventures by:</p> <ul style="list-style-type: none"> • tailoring board training to examine these ventures • maintaining relevant documentation of the institution's risk assessment and venture approval requests • requiring the institution to comply with the department's expectations and guidelines • requiring the institution to report on venture results on an ongoing basis • providing effective feedback and ongoing guidance to the boards 	<p>Accepted. The Department of Innovation and Advanced Education will further develop and communicate to the post-secondary institutions, guidelines and expectations on ventures. This recommendation is expected to be completed by Fall 2017.</p> <p>Accepted. The Department of Innovation and Advanced Education will review its existing oversight responsibilities, including risk management responsibilities of the boards of governors, and implement changes by Fall 2017.</p>

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Innovation and Advanced Education – IT System Implementation at Olds College</p> <p>3. Improve Detailed Project Planning</p> <p>We recommend that Olds College develop a detailed project plan and define its criteria for each milestone to implement its enterprise resource planning system.</p> <p>4. Improve Business Change Planning</p> <p>We recommend that Olds College:</p> <ul style="list-style-type: none"> • define the financial and other reporting capabilities required for implementation • define automated business controls in the system configuration, and business controls affected by the use of the new system for training and production readiness • develop and approve post-implementation sustainment plans and support agreements to ensure the college has adequate resources to support the new system <p>5. Improve Oversight on Project Risk Management</p> <p>We recommend that Olds College define a formal project risk management process to identify, rank and mitigate all project risks.</p>	<p>Accepted. Olds College has prepared:</p> <ul style="list-style-type: none"> • a detailed work breakdown structure and project lifecycle plan, including milestones, dependencies and prerequisites; and • a production readiness assessment template. <p>The plan and template were approved in August 2015 by the project steering committee.</p> <p>Accepted. Olds College will:</p> <ul style="list-style-type: none"> • document financial reporting requirements and confirm the University of Alberta's ability to provide services; • document automated business controls and business controls affected by the new system; and • finalize the legal and operating agreement with the University of Alberta. <p>This recommendation was completed in October 2015.</p> <p>Accepted. Olds College formalized risk management and reporting processes in September 2015.</p>
<p>Environment and Parks – Managing Water Act Partnerships and Regulatory Activities</p> <p>6. Monitor Wetland Restoration – Repeated from 2010</p> <p>We again recommend that the Department of Environment and Parks formalize its wetland restoration relationships and control procedures.</p>	<p>Accepted. The Department of Environment and Parks has an implementation plan and will develop a new set of standards and supplemental audit program to ensure fund recipients comply with the requirements under the policy. The program is expected to be in place by Spring 2016.</p>

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Aboriginal Relations – Department</p> <p>7. Improve Financial Reporting Processes – Repeated</p> <p>We again recommend that the Department of Aboriginal Relations improve its financial reporting processes to ensure its estimates are reasonable and properly supported.</p> <p>Culture and Tourism – Travel Alberta</p> <p>8. Enhance Documentation to Support Senior Management Expenses – Repeated</p> <p>We again recommend that Travel Alberta consistently document the business reason to support senior management expenses.</p> <p>Education – Department</p> <p>9. Enforce IT Change Management Controls</p> <p>We recommend that the Department of Education enforce its documented IT change management processes and demonstrate that all changes are appropriately classified, logged and approved.</p> <p>Education – Northland School Division No. 61</p> <p>10. Improve Financial Reporting – Repeated</p> <p>We again recommend that the Northland School Division No. 61 improve its financial reporting by:</p> <ul style="list-style-type: none"> regularly reviewing and reconciling general ledger accounts preparing year-end financial statements promptly 	<p>Accepted. The Department of Aboriginal Relations is working with the Department of Municipal Affairs and the Department of Seniors and Housing to improve financial reporting processes. This recommendation is expected to be implemented for the 2015-16 fiscal year.</p> <p>Accepted. Travel Alberta will ensure the business reason to support senior management expenses that have been incurred is consistently documented.</p> <p>Accepted. The Department of Education has:</p> <ul style="list-style-type: none"> updated IT change management processes, including emergency IT change management; and developed an emergency IT change process to log, approve and implement emergency IT changes. The emergency IT change process has been shared electronically and communicated to all IT change managers. This process has been in place since October 1, 2015. <p>Accepted. Northland School Division No. 61:</p> <ul style="list-style-type: none"> is developing a plan to meet the recommended practice of regularly reviewing and reconciling general ledger accounts; and has also increased staffing to provide the required financial information on a timely basis. The audited financial statements for the year ended August 31, 2015 were received by the Official Trustee in November 2015.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Environment and Parks – Department</p> <p>11. Improve Financial Reporting Processes</p> <p>We recommend that the Department of Environment and Parks improve its process for preparing timely and reliable financial statements by:</p> <ul style="list-style-type: none"> • improving the quality of documentation and analysis to support financial statement items and disclosures • preparing reconciliations for key financial statement balances • scheduling and evidencing management reviews of financial statements, analysis and supporting documentation before finalizing draft financial statements <p>Health– Department</p> <p>12. Establish a Proactive Check to Ensure that Individuals with an Alberta Healthcare Number Continue to Meet Residency Requirements</p> <p>We recommend that the Department of Health improve its processes by establishing a proactive check to ensure that individuals who have been issued an Alberta Healthcare number continue to meet the residency requirements specified in the <i>Alberta Health Care Insurance Act and Regulation</i>.</p>	<p>Accepted. The Department of Environment and Parks has developed new procedures to improve accuracy and quality of the financial statements, along with the timeliness and accuracy of supporting working papers. This recommendation is expected to be implemented for the 2015-16 fiscal year.</p> <p>Accepted. The Department of Health will:</p> <ul style="list-style-type: none"> • continue with the current process of investigating unusual registration activity and residency issues as they become known through tips, migration reports, etc.; • enhance the existing Alberta Health Care Insurance Plan registration process; and • collaborate with the Department of Service Alberta to investigate the benefits of a single secure card that will facilitate coverage for all government funded programs requiring renewal every five years. This is expected to be implemented by 2020-21.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>13. Enhance Processes to Check for Receipt of Services for Which Physicians Billed</p> <p>We recommend that the Department of Health enhance the processes it uses to check whether:</p> <ul style="list-style-type: none"> • patients received the medical services for which physicians billed the department • payments are being made in accordance with the provisions of the <i>Alberta Health Care Insurance Act</i> 	<p>Accepted. The Department of Health will:</p> <ul style="list-style-type: none"> • continue with the current audit process to detect incorrect billing practices and payments; • examine the analytical tools including statistical and random sampling methodologies that would enhance review of physicians' claims; and • proceed with the development and implementation of the Personal Health Portal. This will enable and provide a mechanism for verifying physician billing with patients. This is expected to be implemented by 2018-19.
<p>Health – Alberta Health Services</p> <p>14. Develop a Detailed Plan for Implementing Risk-Based Disaster Recovery Processes</p> <p>We recommend that Alberta Health Services develop and follow a comprehensive plan for implementing risk-based disaster recovery processes, including the necessary IT infrastructure.</p>	<p>Accepted. Alberta Health Services (AHS) will:</p> <ul style="list-style-type: none"> • continue to develop more complete requirements and process steps to be followed for each of their critical applications; and • continue mitigating identified gaps which will potentially require significant capital and operating investment. The investment costs and the risk mitigated will need to be weighed against other investment opportunities across all areas of AHS rather than just IT. <p>This recommendation is expected to be implemented by June 2018.</p>
<p>Innovation and Advanced Education – Department</p> <p>15. Improve Enterprise Risk Management</p> <p>We recommend that the Department of Innovation and Advanced Education implement an integrated enterprise risk management framework to identify and mitigate relevant risks.</p>	<p>Accepted. As part of the Department of Innovation and Advanced Education's approach to integrated strategic planning, the department will be reintroducing an enterprise risk management process for the 2016-19 business planning cycle that will identify, assess, monitor, communicate and address risks.</p>

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Municipal Affairs – Department</p> <p>16. Improve Systems for Updating the Estimated Disaster Recovery Program Liability</p> <p>We recommend that the Department of Municipal Affairs develop and implement an improved method for updating and supporting its estimated disaster recovery program liability.</p>	<p>Accepted. The Department of Municipal Affairs is in the process of:</p> <ul style="list-style-type: none"> collecting information on the progress of Disaster Recovery Program (DRP) projects from municipalities; developing a standard methodology to update the estimated DRP liability; implementing sign-off or approval by management and identification of contingencies and possible cost escalation; and enhancing internal procedures to ensure that appropriate documentation is available for the estimated DRP liability and the submission of the Disaster Federal Assistance Arrangement claims to the federal government. <p>This recommendation is expected to be implemented by Summer 2016.</p>
<p>Treasury Board and Finance – Department</p> <p>17. Improve Compliance Systems for Unfiled Corporate Income Tax Returns</p> <p>We recommend that the Department of Treasury Board and Finance improve its compliance systems to deal with unfiled corporate income tax returns.</p>	<p>Accepted. The Department of Treasury Board and Finance has completed a re-evaluation of its policies and procedures related to default assessments. The process of sending out default assessments began on October 1, 2015.</p> <p>Additional work will include:</p> <ul style="list-style-type: none"> developing additional reporting measures that contain key information to oversee filing compliance activities; developing additional performance measures and targets to better monitor filing compliance officers' actions; and completing an analysis of the filing inventory and developing further strategies.