

# 2000 | 2001 Annual Report

GOVERNMENT OF ALBERTA

NEW CENTURY. BOLD PLANS.

## Highlights

Budget 2000 *New Century. Bold Plans.* shifted the government's focus to the future. Within a framework of sound fiscal management and debt repayment, the budget set out the following priorities:

- Strengthening Alberta's tax advantage
- Implementing a new economic strategy, building on traditional strengths and new knowledge-based industries
- Improving the quality and accessibility of health, education and other key services to Albertans.

**The government met the commitments made in Budget 2000.**

In 2000-01, the Alberta government:

- balanced the budget
- made significant progress on reducing the debt
- made meaningful cuts to personal income taxes, school property taxes and user fees, and announced a four-year plan to cut business taxes
- implemented the Six Point Plan to protect and improve public health care
- increased funding for health, education and infrastructure
- assisted Albertans and Alberta businesses with higher energy costs
- assisted farmers and ranchers facing unpredictable world markets, poor weather and income pressures, and,
- established the Alberta Heritage Science and Engineering Research Endowment Fund.

## FISCAL RESPONSIBILITY

Alberta balanced the budget for the seventh straight year. Extraordinarily high energy prices raised government revenue to a record high of \$25.6 billion, \$6.5 billion higher than budgeted. At year end, \$6.4 billion was allocated to repay the debt and increase the financial assets of the province. This was nearly 80 per cent of the larger-than-budgeted economic cushion.

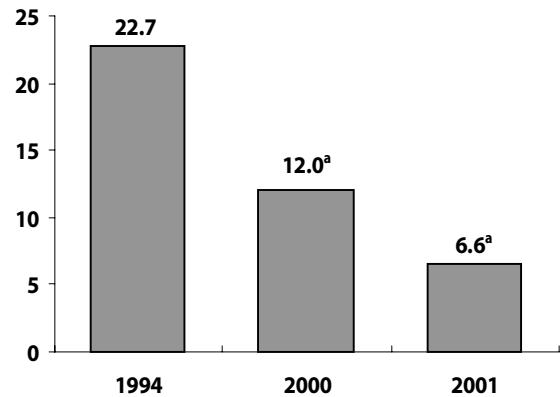
Of this amount, \$5.4 billion was allocated for debt repayment. This allocation means Alberta's accumulated debt is expected to fall to approximately \$6.6 billion and puts Alberta nine years ahead of its legislated debt paydown schedule. If energy prices remain high, the accumulated debt could be eliminated in a few years.

The remaining \$1 billion was used to establish a new science and engineering research endowment fund and for other balance sheet improvements.

## ACCUMULATED DEBT

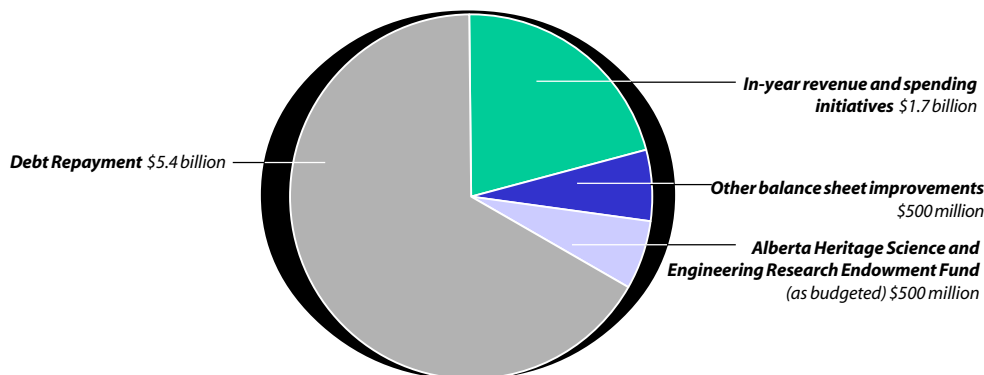
### Less Cash/Accrued Revenue Set Aside for Future Debt Repayment

(billions of dollars)



<sup>a</sup> Less cash set aside for future debt repayment, \$470 million in 1999-2000 and \$2.1 billion in 2000-01. 2001 number has also been reduced by \$1.6 billion for cash that will become available in 2001-02 from revenues accrued in 2000-01.

## ALLOCATION OF ECONOMIC CUSHION 2000-01



About 20 per cent of the economic cushion, or \$1.7 billion, was used for in-year initiatives, including energy cost assistance, increases for health and children's services, accelerated infrastructure, agriculture assistance, and personal income tax and school property tax cuts.

## ALBERTA'S ECONOMY

In 2000, Alberta's economy grew by an estimated 6.1 per cent, out-pacing all other provinces. This growth resulted in 34,900 new jobs for Albertans. Alberta's unemployment rate averaged 5 per cent in 2000, the lowest rate since 1981, and almost two percentage points lower than the national rate of 6.8 per cent.

Alberta had the highest personal disposable income per capita among provinces in 2000. Strong growth in personal income, the elimination of provincial surtax and provincial tax rebates contributed to a 7.1 per cent growth in personal disposable income.

Strong economic and population growth put increased pressure on Alberta's infrastructure. To address these pressures, over \$2 billion in funding was provided for health, education, transportation and other infrastructure.

The government focused on supporting knowledge-based and other value-added industries in part through a new \$500 million endowment fund to support research in science and engineering.

About \$700 million in assistance was provided to farmers and ranchers in the 2000 crop year to help address risks of unpredictable world markets, poor weather, and income pressures. Crop insurance premiums were reduced by 30 per cent. The sustainable growth and diversification of Alberta's agriculture sector was examined through initiatives like Ag Summit 2000.

Albertans and Alberta businesses received about \$1.2 billion in assistance to help weather higher-than-expected energy costs. Proceeds from Power Pool auctions provided additional assistance.

**ALBERTA'S TAX ADVANTAGE**

Alberta strengthened its position as the lowest taxed jurisdiction in Canada and improved on our global competitiveness as significant changes to the tax system kicked in.

On January 1, 2001, Alberta made Canadian history by implementing a 10 per cent single rate personal income tax system. In 2001 alone, changes to Alberta's personal income tax system will save Albertans \$1.1 billion. This brings the total personal income tax cuts since 1998 to \$1.5 billion or 23 per cent.

The government also adopted an aggressive schedule of corporate tax reductions. Alberta business will see savings of \$1 billion by 2004-05, as affordable. The first phase of cuts worth \$286 million took effect April 1, 2001.

In January 2001, school property taxes were reduced by \$135 million and property tax revenues have been frozen at \$1.2 billion in future years.

**ADDRESSING PRIORITY AREAS**

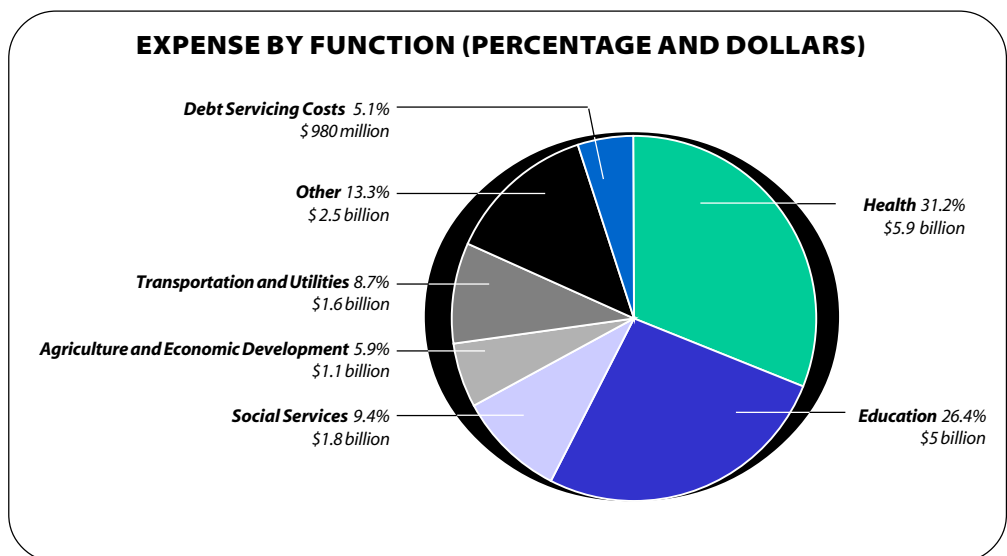
The government spent \$19 billion in 2000-01 for programs and services, and paying interest on the debt. Total spending increased by 9.5 per cent, or \$1.6 billion, from the previous year. The increase primarily reflected higher health and education spending, one-time initiatives to address high energy costs and accelerated infrastructure funding. Health and education spending accounted for 58 per cent of total government spending in 2000-01.

Major changes in spending from the previous year on a functional basis include:

**Health** – Spending increased by \$614 million or 11.6 per cent over the previous year to \$5.9 billion.

**Education** – Spending on basic and post-secondary education increased by \$291 million or 6.1 per cent over the previous year to \$5 billion.

**Social Services** – Spending increased by \$71 million or 4.1 per cent over the previous year to \$1.8 billion, including major increases for children's services, persons with developmental disabilities and seniors' programs.



**Transportation and Utilities** – Spending increased by \$532 million or 47.7 per cent over the previous year to \$1.6 billion. This increase reflects the cost of energy assistance programs.

**Agriculture and Economic Development** – Spending increased by \$31 million or 2.9 per cent over the previous year to \$1.1 billion.

**Other Programs** – Spending increased by \$80 million or 3.3 per cent to \$2.5 billion.

**Debt Servicing Costs** – Debt servicing costs increased by \$24 million or 2.5 per cent to \$980 million. Interest cost savings due to repayment of debt were offset by increase in foreign exchange provisions on debt held in US dollars.

**FISCAL SUMMARY** (millions of dollars)

	2000-01		1999-2000
	Budget <sup>a</sup>	Actual	Actual <sup>a</sup>
1 Revenue	19,075	25,597	20,172
2 Expense			
3 Program	16,732	18,044	16,425
4 Debt Servicing Costs	981	980	956
5 Pension Provisions	19	14	(85)
6 Total Expense	17,732	19,038	17,296
7 Net Revenue	1,343	6,559	2,876
8 Less: Net increase in capital assets	149	185	74
9 Net results of operations	1,194	6,374	2,802
10 Remove pension provisions	19	14	(85)
11 Debt repayment/increase in financial assets <sup>b</sup>	1,213 <sup>c</sup>	6,388 <sup>c</sup>	2,717

<sup>a</sup> 2000-01 budget and 1999-2000 actual numbers have been restated to reflect an accounting change which increased revenue and expense by \$4 million.

<sup>b</sup> Budget basis, excludes the change in pension provisions.

<sup>c</sup> Includes \$500 million set aside in the budget to establish the Alberta Heritage Science and Engineering Research Endowment Fund.

The complete *2000-01 Government Annual Report*, including *Measuring Up*, is available on our website at [www.treas.gov.ab.ca](http://www.treas.gov.ab.ca) or by calling the Alberta Finance Info Line at 427-3035 or toll free at 310-0000, then dial 780-427-3035.