

# 2001-02 Annual Report

GOVERNMENT OF ALBERTA

REPORT TO ALBERTANS ON BUDGET 2001

- MEETING PRIORITIES, SHARING BENEFITS

## Highlights

### **The Future: Meeting Priorities, Sharing Benefits**

Budget 2001 set out to meet the priorities and share the benefits with Albertans. In keeping the commitment of solid fiscal management the budget focused on the following priorities:

- Improving the quality of life of Albertans, with a focus on health care, education and social services,
- Strengthening the Alberta economic advantage, including the investment in infrastructure and,
- Increasing the Alberta tax advantage.

While no one could have predicted the events of fiscal 2001-02, the primary commitments of Budget 2001 were met.

In 2001-02 the provincial government:

- Balanced the budget and repaid debt
- Established a plan for reforming health care
- Provided \$3 billion for infrastructure requirements
- Increased funding for health, education, and social services
- Increased basic, spousal and equivalent to spouse exemptions for personal income tax.
- Implemented the first stage of business tax cuts
- Provided emergency agriculture assistance for farmers and ranchers
- Provided assistance for Albertans and Alberta businesses with high energy costs
- Completed a review of security and emergency response plans

## Fiscal Responsibility

The past fiscal year saw challenges and uncertainty in both society and the economy that required solid leadership to keep the province's overall fiscal plan on course.

Economic growth slowed more sharply than expected, Alberta had the worst drought in over a hundred years, and events throughout the world impacted both our economy and society.

For the first time in nine years revenue was lower than budgeted and the provincial government took the necessary action. In October, the government implemented a freeze on hiring and discretionary spending and deferred some infrastructure spending. These measures ensured the budget remained balanced and core services were protected.

Total revenue for 2001-02 was \$22 billion, \$646 million lower than budgeted, however, as a result of stronger fourth quarter results, some previously deferred infrastructure projects were restored.

The 2001-02 results will allow accumulated debt less cash set aside for future debt repayment to be reduced to \$5.3 billion. Alberta's plan to eliminate the debt is now ten years ahead of the legislated schedule.

Fiscal Summary (millions of dollars)	2001-02		2000-01
	Budget	Actual	Actual
<b>Revenue</b>	<b>22,673</b>	<b>22,027</b>	<b>25,597</b>
<b>Expense</b>			
Program	20,832	20,145	18,044
Debt servicing costs	750	774	980
Pension provisions	30	29	14
<b>Total Expense</b>	<b>21,612</b>	<b>20,948</b>	<b>19,038</b>
Net revenue	1,061	1,079	6,559
Less: Net increase in capital assets affecting operations	274	336	185
Net results of operations	787	743	6,374
Removal of pension provisions	30	29	14
<b>Economic Cushion<sup>a</sup></b>	<b>817</b>	<b>772</b>	<b>6,388</b>

<sup>a</sup> Subject to *Fiscal Responsibility Act*, excludes the change in pension provisions. Total spending referred to in the Executive Summary equals total expense plus net increase in capital assets affecting operations less pension provisions.

## Alberta's Economy

In 2001, Alberta's economy grew by an estimated 4.5 per cent, the highest growth among all provinces. Employment also increased by 2.8 per cent, or nearly 44,000 new jobs. Unemployment rates were the lowest in 20 years at 4.6 per cent and far lower than the national average.

Alberta's personal disposable income per capita was the highest in the country. Higher incomes and lower taxes contributed to 8.1 per cent growth, close to double Canadian growth.

As a result of the strong economy Alberta's population grew by 1.8 per cent, the strongest growth rate in the country. Both the economic and population growth put increased demands on Alberta's infrastructure and, as a result, more than \$3 billion was provided for health, education, transportation and other infrastructure projects. This is approximately three times the average rate of infrastructure spending allocated in other provinces' budgets.

**Alberta's Tax Advantage**

On January 1, 2001 Alberta implemented a new tax plan and, in 2001 alone, Albertans saved \$1.1 billion in personal income tax. In addition, in January 2002, basic, spousal and equivalent to spouse amounts were increased to \$13,339, meaning Albertans can earn more before paying any provincial personal income tax at all.

On April 1, business rates were also reduced. General business income tax was cut from 15.5 per cent to 13.5 percent and the small business rate was reduced from 6 per cent to 5 per cent and the small business threshold increased to \$300,000.

Changes to the tax system ensured that Alberta kept the overall lowest tax load in the country and improved the global tax competitiveness of the province.

**Addressing Core Services**

While overall spending was \$600 million lower than budgeted, the province spent over \$21.3 billion on programs and services for Albertans including the interest on debt. Total spending increased by \$2 billion from the previous year.

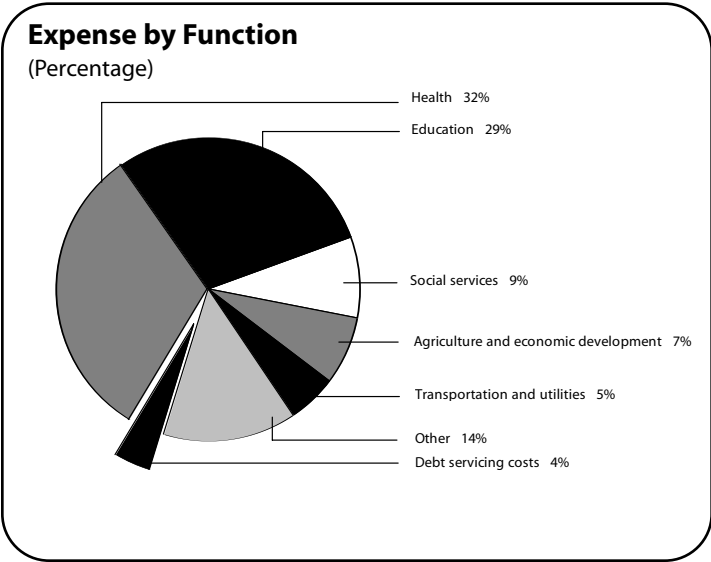
The increased year over year spending included increases to health, education, social services and other key initiatives. Including capital investment, health and education accounted for 61 per cent of total expense.

By function, major changes in spending from the previous year and from Budget 2001 include:

**Health** - spending increased by \$862 million or 14.5 per cent over last year to \$6.8 billion. Spending was \$350 million less than budgeted primarily due to the deferral of some capital projects.

**Education** - spending increased by over \$1 billion or 21.4 per cent over last year to \$6.1 billion. Spending from budget increased by \$33 million primarily due to infrastructure spending.

**Social Services** - increased by \$154 million or 8.6 per cent, to \$1.9 billion over last year and was \$8 million higher than budgeted.

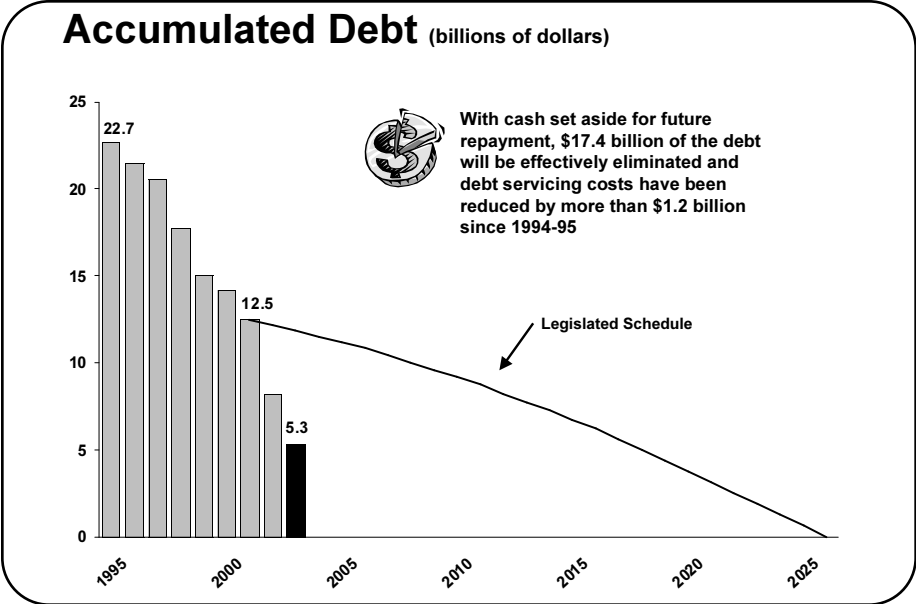


**Agriculture and Economic Development** - spending increased by \$391 million or 35.1 per cent to \$1.5 billion over last year. It was also \$221 million higher than budgeted.

**Transportation and Utilities** - spending decreased by \$546 million or 33.1 per cent from last year to \$1.1 billion. This is entirely due to a reduction in energy shielding programs. Spending was \$524 million lower than budgeted due to lower spending on energy shielding programs, deferred infrastructure projects and other changes.

**Other programs** - Spending increased by \$165 million or 6.5 per cent to \$2.7 billion from the previous year.

**Debt Servicing Costs** - were \$206 million lower than the previous year as a result of debt repayment but were \$24 million higher than budgeted due to US exchange rates.



The complete 2001-02 *Government of Alberta Annual Report*, including *Measuring Up*, is available on our website at [www.finance.gov.ab.ca](http://www.finance.gov.ab.ca) or by calling the Finance information line at 427-3035 or toll free at 310-0000, then dial 780-427-3035.