

## A Message from the Minister of Finance

These are challenging times, not only in Alberta, but around the world. It's a time of uncertainty in which the future is surrounded by the shock of September 11, the reality of lower revenues, rising costs, and uncertain markets in the US, Canada and around the world.



It is clear the world is a very different place than a year ago when I tabled *Budget 2001*. However, despite lingering impacts from the fiscal and economic storms that have affected every province in Canada, Alberta's fiscal plan remains on track. Along with the entrepreneurial spirit of Albertans, we've been able to take on these storms, make the right decisions, and keep Alberta strong.

*Budget 2002* allocates available dollars to key priorities like health care, education and those in need while maintaining our province's overall tax advantage, keeping the budget balanced and continuing to pay down our province's debt.

Our goal is to keep the budget balanced in spite of substantial losses in revenue, to sustain our commitment to health and education, and to build a future that undoubtedly will be bright, for our children and for our province.

Like a business, our government has to stay within a realistic fiscal plan. This means watching the bottom line, paying off our debt and not spending money we don't have while targeting available dollars to key program areas.

This brief overview of *Budget 2002* outlines the fiscal plan of the province for the next three years and summarizes the right decisions we have made for these challenging times.

**Patricia L. Nelson**

## ALBERTA ADVANTAGES

- Alberta continues to have the lowest debt per capita in Canada and the best credit rating. Accumulated debt is projected to be \$5.9 billion by the end of the 2002-03 fiscal year and less than \$5 billion by March 31, 2005.
- Alberta remains nine years ahead of its 25-year legislated debt retirement schedule.
- We have saved \$1.2 billion in debt servicing costs since 1994-95. Debt servicing costs are projected to be \$585 million, a decrease of \$251 million from 2001-02.
- We have the lowest unemployment rate in Canada. Employment is expected to grow by an average of 2.2 per cent for the next four years.
- Economic growth is estimated at 2.5 per cent in 2002, rising to a strong 3.9 per cent in 2003.
- Over 35,000 new jobs are forecasted to be created in Alberta in 2002; in total approximately 144,000 additional jobs by 2005.
- Albertans continue to enjoy the lowest overall personal and business tax load in Canada. Alberta has no sales tax, no payroll tax and no capital tax.
- We have a high standard of living and a beautiful natural environment.
- Alberta has the highest GDP per capita among the provinces and based on the Fraser Institute's 2001 Survey of Senior Managers, Alberta has the best investment climate in the country.
- In 2001, Alberta had a record 11.7 per cent of the workforce involved in research and development activities.
- Alberta continues to lead, as it has for decades, all provinces in total private sector investment per capita. For the last five years, it has been nearly double that of the next highest province.
- Over the last five years, our average growth in the number of businesses has been the fastest of any province in the country.

Complete copies of *Budget 2002* and information on the 2000-05 Government of Alberta Business Plan are available at [www.finance.gov.ab.ca](http://www.finance.gov.ab.ca) or by calling toll free (310-0000) 427-3035.

**Finance**  
ALBERTA

# BUDGET 2002

THE RIGHT DECISIONS FOR CHALLENGING TIMES

## BUDGET IN BRIEF



**Alberta**  
GOVERNMENT OF ALBERTA

## FISCAL ADVANTAGE

Alberta already has a fiscal position that is unmatched by any other province and this budget builds on that strength. We are the only province that owns more than it owes.

Our budgets have been balanced for the past eight consecutive years, program spending is prudent and affordable, and the government is accountable to Albertans.

*Budget 2002* assumes that natural gas prices will be around Cdn \$3.00 per mcf for the next three years and that oil prices will be US \$20 per barrel.

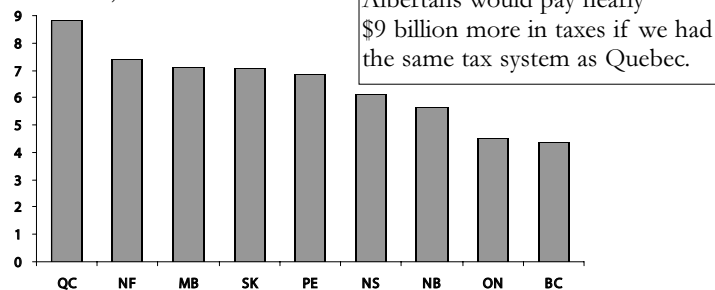
### Tax Advantage

Alberta's overall tax advantage has been maintained in *Budget 2002*. There is no sales tax, no payroll tax, and no capital tax and the provincial tax burden on Alberta families will continue to be, by far, the lowest in Canada.

Corporate income tax rates will fall by half a percentage point and the small business threshold will rise to \$350,000. This will mean an additional savings of \$81 million to Alberta businesses and further tax cuts will proceed as affordable.

### Alberta's Tax Advantage

(billions of dollars)



This graph shows the total additional provincial taxes that individuals and businesses would pay if Alberta had the same personal and corporate taxes as other provinces.

### Debt

Over the last eight years, Alberta has cut its debt by nearly 75 per cent or \$16.7 billion and as a result, have also saved more than \$1.2 billion in debt servicing costs. Alberta enjoys the lowest debt per capita among all provinces and we are currently nine years ahead of the legislated schedule to eliminate the debt completely.

### Credit Rating

Alberta continues to be recognized for its fiscal responsibility. We enjoy a 'Triple A' credit rating, the highest rate in the country.

## PROTECTING PRIORITIES

Our foundation of fiscal strength allows us to protect the programs that are important to Albertans.

### Health and Wellness

In 2002-03, Health and Wellness funding will increase by 7.3 per cent or \$468 million - an extra \$1.3 million every day. Funding increases include more money for health authorities, physician services, highly specialized medical procedures such as cardiac surgery, organ transplants and renal dialysis, and programs to reduce tobacco use.

In total Health and Wellness funding will be about \$6.84 billion this year or \$180 million more than was planned a year ago.



The additional spending will be funded through an increase in health care insurance premiums. Even with the increases, less than 13 per cent of health spending in 2002-03 will be funded by premiums. Many lower-income families, individuals and seniors will continue to pay no health care premiums and many families with children will pay less because of an enhanced premium subsidy.

To encourage Albertans, especially young Albertans, to stop smoking or never start, the tax on a pack of 25 cigarettes will increase by \$2.25.

### Learning

Learning will receive the second highest increase in this year's budget. Total program spending will increase by 4.7 per cent to \$4.7 billion.



School boards will effectively receive a 5.6 per cent or \$158 million increase and funding for post secondary institutions will increase by \$56 million or 5.5 per cent. This money will fund increases to the basic instruction grants, overall enrolment growth in K-12, increases for students with disabilities and additional apprenticeship spaces.

### Assistance for those in need

Assistance for those in need will increase by \$107 million, or 5.6 per cent in 2002-03.

- Children's services funding will increase by \$27 million, or 4.2 per cent
- Assured Income for the Severely Handicapped program will increase by \$30 million, or 9 per cent
- Persons with Developmental Disabilities program will increase by \$30 million, or 8 per cent
- Alberta Seniors Benefit will increase by \$3 million
- Funding for the Special Needs Assistance for seniors will increase by \$11 million

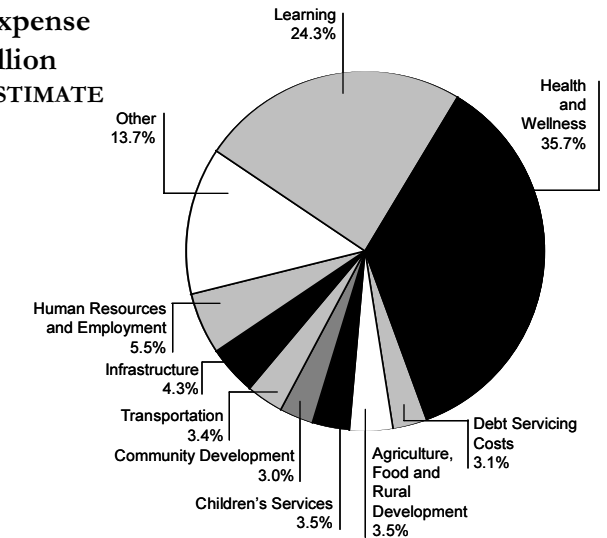
## EXPENSE AND REVENUE

This year, even though total expense will decline by 8.1 per cent to \$19.2 billion, Alberta's core programs are protected.

### Total Expense

\$19.2 billion

2002-03 ESTIMATE



Overall, changing world conditions cut \$1.6 billion from forecast government revenues for 2002-03. Resource revenues are down 37 per cent from last year.

Other actions taken to meet the shortfall include lifting the freeze on school property taxes and increases to liquor markups, highway traffic fines and various fees. Revenue actions have been specifically targeted to minimize the effect on Alberta's Tax Advantage.

### Total Revenue

\$20.0 billion

2002-03 ESTIMATE

