

HIGHLIGHTS



Investing in the Next Alberta

2005-08 FISCAL PLAN

- ◆ *Budget 2005* will be Alberta's 12th consecutive balanced budget. It will also be the first budget with accumulated debt eliminated.
- ◆ Since 1993-94, the government has followed an aggressive agenda to eliminate deficits and debt, reduce taxes and fund essential programs.
- ◆ *Budget 2005* will invest in key elements of the province's twenty-year strategic plan, including initiatives to improve education, address infrastructure requirements, encourage research and innovation, and make Alberta the best place to live, work and visit.

LEADING IN LEARNING

- ◆ Advanced Education spending will increase by 13.4%, or \$196 million in 2005-06. This September, the government will pay tuition increases at public post-secondary institutions. Over the next three years, 15,000 new spaces will be added to the advanced education system. A \$3 billion advanced education endowment will also be established from future surpluses.
- ◆ Program support for the basic education system will increase by 7.1%, or \$287 million in 2005-06. Funding will be provided to hire more teachers to reduce class sizes.

THE BEST PLACE TO LIVE, WORK AND VISIT

- ◆ Health and Wellness program expense will increase by 8.6%, or \$707 million in 2005-06.
- ◆ Spending on social services will increase by 8.3%, or \$205 million in 2005-06. This includes:
 - An additional \$42 million for enhanced dental and optical assistance for seniors and starting January 1, 2005, senior homeowners will be protected against school property tax increases.
 - Nearly 20% increase in AISH funding in 2005-06 for an increase in monthly income benefits, other program enhancements and higher caseloads and health benefit costs.
- ◆ Funding for policing programs and the justice system will increase by 10% in 2005-06.
- ◆ The Alberta Family Employment Tax Credit will be enhanced.
- ◆ Tourism funding will increase by nearly 75% in 2005-06.

UNLEASHING INNOVATION AND COMPETING IN THE GLOBAL MARKETPLACE

- ◆ Alberta will continue to have the lowest overall taxes in Canada. In 2005:
 - School property tax mill rates will be reduced by 5%.
 - Alberta's personal income tax system will continue to be indexed against inflation.
 - The hotel room tax will be reduced from 5% to 4% and converted into a tourism levy.
- ◆ The 2005-08 Capital Plan will support \$9.2 billion of capital projects over the next three years:
 - \$3.1 billion for municipal infrastructure, including funding for the first three years of the new five-year, \$3 billion Municipal Infrastructure Program.
 - \$2.7 billion for health, school and post-secondary facilities.
 - \$2 billion for the provincial highway network.
 - \$1.4 billion for other capital projects, including centennial projects.
- ◆ Research and Innovation initiatives:
 - \$250 million will be provided through the endowment funds for medical, and science and engineering research in Alberta over the next three years.
 - \$200 million will be provided over the next five years to encourage the development of innovative technologies to enhance oil and gas recovery.

FISCAL OVERVIEW

- ◆ Key elements of the fiscal framework remain unchanged. Deficits are against the law. The government will not borrow to support increases in operating spending.
- ◆ Two key amendments are being made to the *Fiscal Responsibility Act*:
 - The funds currently in the Debt Retirement Account will be locked-in and only used to repay accumulated debt as it matures.
 - The amount of non-renewable resource revenue that can be used for budget purposes will increase from \$4 billion to \$4.75 billion.
- ◆ In 2005-06, total revenue is estimated at \$27.3 billion and total expense at \$25.8 billion. Net revenue (surplus) is estimated at \$1.5 billion. Program expense will increase by 5.9%. The Sustainability Fund will be maintained at \$2.5 billion.
- ◆ Surpluses are no longer required to be set aside for debt repayment. Over the next three years, \$5.5 billion from year-end surpluses, and non-renewable resource revenue above the \$4.75 billion budget limit, will be reallocated to:
 - Capital Account – \$4.1 billion,
 - Heritage Fund – \$667 million for inflation-proofing,
 - Heritage Fund – \$250 million for the initial allocation to the new advanced education endowment, and
 - Medical Research Endowment Fund – \$500 million.
- ◆ If revenue is higher than estimated in *Budget 2005*, the additional revenue could be used to increase the size of the Sustainability Fund or reallocated to the Capital Account, Heritage Fund, endowment funds or other balance sheet improvements.

MAJOR ECONOMIC AND ENERGY ASSUMPTIONS

Energy and Exchange Rate Assumptions

(fiscal year)

	2005-06	2006-07	2007-08
Oil Price (WTI US\$/bbl)	42.00	32.00	31.00
Natural Gas Price (Cdn\$/GJ)	5.60	5.40	5.20
Exchange Rate (US¢/Cdn\$)	83.5	85.0	85.0

Economic Assumptions

(calendar year)

	2005	2006	2007
Alberta Real GDP (% change)	3.7	3.3	3.0
Unemployment Rate (%)	4.5	4.4	4.2
Alberta Consumer Price Index (% change)	1.7	1.9	1.9

Accountability Statement

The government's Fiscal Plan for the three years commencing April 1, 2005 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of March 21, 2005 with material economic or fiscal implications have been considered in preparing the three-year Fiscal Plan.

The government is committed to achieving the planned results laid out in the Fiscal Plan, which includes the government's Business Plan and Capital Plan.

[Original Signed]

Shirley McClellan
Minister of Finance
March 30, 2005