

HIGHLIGHTS

Alberta **2003** Budget

Making Alberta Even Better

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A NEW FISCAL FRAMEWORK

- Budget 2003 implements significant changes to Alberta's fiscal framework to bring more sustainability and predictability to fiscal planning. The new framework maintains the government's commitment to balanced budgets and debt retirement.
- A new Alberta Sustainability Fund will help manage the volatility of resource revenue and the costs of emergencies and disasters.
- A new Capital Plan will end stop-and-go funding of capital projects. Also, investment in government-owned capital will now be reported on an amortized basis.
- The budgeted economic cushion will be smaller and stronger limits will be placed on in-year spending increases.
- Balanced budgets continue to be required every year.
- Accumulated debt must be eliminated by 2025.

BUDGET 2003 PRIORITIES

- Base operating spending will increase by 4.9% in 2003-04. The increase will be focused on health, education and agriculture.
- The \$5.5 billion three-year Capital Plan will address deferred capital projects and infrastructure priorities.
- There will be no tax increases and no new taxes. Business tax reductions continue as planned.

FISCAL PLAN

- The budgeted economic cushion is \$268 million in 2003-04 and averages about \$240 million for the following two years.
- Total expense is \$20.8 billion in 2003-04, essentially unchanged from the 2002-03 forecast. Increases in operating and capital expense are offset by the disaster spending in 2002-03. Health and education account for 64% of total expense.
- Resource revenue above \$3.5 billion will be deposited in the Alberta Sustainability Fund and shortfalls in resource revenue can be withdrawn. Fund assets will average \$2.4 billion over the next three years.
- Debt servicing costs will decline to 2% of revenue. Accumulated debt that matures in 2003-04 and part of 2004-05 will be repaid.
- Alberta is in the strongest fiscal position of any government in Canada.

ECONOMIC OUTLOOK

- Alberta's economic growth is expected to reach 3.6% in 2003 and 2004.
- Close to 37,000 new jobs are expected in 2003, with over 100,000 more jobs by 2006. The unemployment rate is expected to fall to 4% by 2005.
- Energy prices are assumed to return to more sustainable levels. In 2003-04, oil prices are assumed to average US\$23.30 per barrel and natural gas prices Cdn\$4.05 per thousand cubic feet (mcf). For the following two years, oil prices are assumed to average US\$22.00 and natural gas prices about Cdn\$3.50.

BUDGET 2003 PRIORITIES

EXPENSE

- Base operating expense (excluding expense for capital purposes) will increase by \$902 million, or 4.9%, in 2003-04 and by an average of nearly 3% a year for the following two years.
- Health and Wellness spending will increase by 7.2%, or \$492 million, to \$7.35 billion in 2003-04. Spending will grow by 4.3% and 5.8% in the following two years to \$8.1 billion by 2005-06. The increases include new federal transfers under the 2003 First Ministers' Health Accord.
- Learning base program spending will increase by 4.7%, or \$219 million, to \$4.9 billion in 2003-04. Base program spending will grow by 3.3% and 3.2% in the following two years to \$5.2 billion by 2005-06.
- Agriculture base spending will increase by \$262 million to \$808 million in 2003-04, primarily for enhancements to farm safety-net programs. Spending will average about \$860 million per year for the following two years.
- Additional funding will be provided for Supports for Independence benefit increases, children's services, adults with disabilities, affordable housing, and protection and enhancement of Alberta's environment.

CAPITAL PLAN

- The Capital Plan commits over \$5.5 billion for capital spending over the next three years. Capital spending will double to an average of \$1.85 billion a year.
- The Capital Plan includes major projects deferred in the fall of 2001 that have not yet been funded.
- Capital support to school boards, post-secondary institutions, health authorities, municipal governments, and other local authorities and organizations will total \$3.2 billion.
- Spending on government-owned capital assets, including highways, will total \$2.3 billion.
- Part of the Capital Plan is prefunded from the \$910 million Capital Account established from the 2002-03 surplus.
- The Capital Plan includes \$1.4 billion of alternative financing, which is assumed to start in 2004-05.

TAX ADVANTAGE

- Indexation of the personal income tax system to Alberta inflation will continue. Albertans are saving \$130 million from indexing over the last two years, on top of the \$1.5 billion in cuts in 1999 to 2001.
- Corporate income tax cuts will continue as planned. On April 1, the general corporate income tax rate was cut to 12.5%, the small business rate was cut to 4%, and income eligible for the small business rate increased to \$400,000. Alberta businesses will save \$94 million this year, bringing the total savings since cuts began in 2001 to \$435 million.
- There are no changes to other tax rates, health care insurance premiums or major fees.

Accountability Statement

The government's Fiscal Plan for the three years commencing April 1, 2003 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 19, 2003 with material economic or fiscal implications have been considered in preparing the 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]

Patricia L. Nelson
Minister of Finance and
Chair of Treasury Board
March 27, 2003