

Alberta **2003** Budget

Making Alberta Even Better



BUDGET SPEECH

Budget 2003 Speech

Check against delivery

Mr. Speaker, Alberta is a place like no other.

Thanks to the hard work, strong spirit and unrelenting determination of Albertans, we've built a province that simply is the best. A province whose exceptional track record of the past will only be outmatched by our potential for the future.

Just think about these facts.

Alberta has the strongest economy in Canada and we're going to keep it that way.

There are more people working in the province than ever before and our rate of unemployment is among the lowest in the country.

Albertans pay the lowest overall taxes, and there's no sales tax, no capital tax, and no payroll tax.

Our health and education systems lead the way in innovation and produce excellent results, and our universities, colleges and technical institutes rank with the best.

We have the best educated workforce in the country and Alberta businesses consistently outpace the competition, producing new ideas, new technologies, and new opportunities.

Mr. Speaker, when you put all that together, it's no wonder why I and every other member of our government can stand here today and say, "I'm proud to be an Albertan."

Our province's strong record of success is unparalleled. But we're not about to stop now. In fact, the very reason our province has been so successful is that we never sit back, rest on our laurels, and assume that what we have today is "good enough."

Today, our province stands on the brink of a future with unlimited potential. To fulfill that potential, we need to act now ... respond to the pressures of growth ... and put a solid foundation in place to prepare Alberta for the future.

As our Premier has often said, people who come to this province for jobs and careers, don't bring their roads, their hospitals, and their schools with them.

As new businesses set up or develop new markets, they need highly skilled people and first-rate transportation systems.

As our cities and towns grow, they need good roads, better access to technology, and excellent infrastructure to meet their communities' needs.

Mr. Speaker, Budget 2003 reflects these challenges ... the challenges of growth our province faces today. But more importantly, it is a budget for Alberta's future.

It sets the province on a new fiscal course. A balanced and determined course that builds on our successes of the past, recognizes the realities of today, and prepares us for tomorrow.

It's a course that makes sure our province is ready and well prepared to seize every opportunity that comes our way. The bottom line ... Budget 2003 is about moving our province from *GOOD TO GREAT*. It's about making Alberta even better.

In approaching this year's budget, we've taken the course so many sensible Albertans have taken all along in making their own budget decisions.

We won't spend more money than we take in. Balanced budgets are the law in Alberta. And Alberta's budget will be balanced for the tenth year in a row.

We're not counting on winning the lottery every year. So we will put money aside in a savings account and it will be there to protect us when we need it.

We'll spend most of our money on the essentials – on priorities like health and education.

Most Albertans who need to buy a new car or make major repairs on their house spread the payments out over a number of years rather than paying cash.

We'll take the same approach and introduce new ways to pay for capital projects over the longer term.

Like so many Albertans, we'd dearly love to pay off the mortgage entirely. But that goal has to be balanced against important priorities for today.

Mr. Speaker, it's a practical, sensible approach. An approach that's right for Albertans and right for their province.

Albertans told us, we want predictability. Instead of trying to pick the price for oil and gas, and tie our spending to those guesses, let's get off the roller coaster. We've listened. We've taken action.

With the new Alberta Sustainability Fund, the days of wishing for windfalls or worrying about downturns in prices are over. Every year, we'll count on a steady stream of resource revenues. No more annual ups and downs ... just steady, stable revenues ... and budgets we can count on.

Albertans said, spend money on what counts most. Health, education, and infrastructure are consistently at the top of their list. And once again, we've listened.

Close to 70% of spending in Budget 2003 goes to health, to education, and to infrastructure ... making sure children get a first class education and have good schools to go to ... making sure Albertans have access to health care when they need it.

We'll support transportation projects in municipalities and improve Alberta's highways. The rest will go to new programs for farmers, to programs for children, to projects that keep Alberta's environment clean, and to increased support for families in need.

Albertans said, our province's economy is growing and we need first-rate infrastructure to keep pace. From health authorities and school boards, from municipalities, and industry, we heard about problems with stop and start funding – projects that are announced one year then can't go ahead if budgets are tight.

We've listened. With Budget 2003, we'll put a new Capital Plan in place, double our investment in capital projects, and introduce a Capital Account so we end the uncertainty and get the projects built.

Albertans said, get rid of Alberta's debt, but not at the expense of addressing real problems today. Because of the wise choices we made in the past, we've reduced accumulated debt by nearly 80% and we're in the strongest fiscal position in Canada.

So we'll use the money we've already set aside to make the payments when they come due this year.

That's it in a nutshell, Mr. Speaker. It's a new direction for new times. A balanced direction that provides stable and predictable budgets, gives more resources to health and education, and re-affirms our commitment to essential capital projects. It's a direction that will make Alberta even better.

There's one clear message I want all Albertans to understand. They will get all the benefits of this new direction without paying a single cent more in income tax or health care premiums.

Because of the solid new direction and the positive forecast for Alberta's future, previously announced plans to reduce corporate income taxes will go ahead this year. Corporate tax rates for small business will drop from 4.5% to 4% this year. The threshold for small businesses will increase to \$400,000. Tax rates for larger businesses will drop from 13% to 12.5% this year.

These steps will result in direct tax savings of \$94 million this year. That's money they can use to build their business, build a strong economy, and create more jobs for Albertans.

Mr. Speaker, no other province in the country can match this kind of budget package. And I'm proud to be able to deliver the good news to Albertans today.

Now for some of the details.

The Alberta Sustainability Fund

I'm sure that, for the past thirty years, almost every Finance Minister before me has stood here on budget day and talked about one single word – volatility.

Our abundance of natural resources is a tremendous asset. But it's also a two-edged sword. When prices are up, revenues go up, and so do expectations for more and more services.

When prices drop – as they can do without warning – we're left high and dry wondering how we can afford to pay for commitments we've made in the past.

That roller coaster puts everyone on edge, and the ride has to end.

Last summer I asked the Financial Management Commission to recommend long term strategies that would serve Alberta well into the future.

The Chairman, David Tuer, and some of his commission members are here today and I want to thank them for their excellent work.

Based on the sound advice of the Financial Management Commission, our government is introducing the new Alberta Sustainability Fund. With this new Fund in place, the days of unpredictable, uncertain budgets are over.

Instead of pegging our budgets and spending plans to best guesses about the price of oil and gas, we'll consistently count on \$3.5 billion in oil and gas revenues.

If prices are high, any additional revenue will go into the Sustainability Fund to cushion us against years when the prices may not be as good.

If prices are low, we'll be able to use savings in the Sustainability Fund to guarantee that no less than \$3.5 billion will be available for the budget.

Mr. Speaker, this is a fundamental change for our province. We've replaced volatility with predictability.

But it also means expectations have to change. Too often, as soon as oil or gas prices spike upwards, so do expectations for more spending. Those days are over.

If prices go up during the year or if we have surpluses at the end of the year, the only place those funds can go is to the Sustainability Fund. Extra revenues cannot be used for operating purposes.

If revenues are much higher than expected ... and if we have at least \$2.5 billion set aside in the Sustainability Fund ... then we can use surplus funds to pay down our debt or put more in the Capital Account.

Paying down Alberta's debt

With Budget 2003, we are retaining our strong commitment to burning the mortgage and making Alberta the first debt free province in the country.

But it can't be our only objective.

Nothing would make our Premier and his Finance Minister happier than making the final payment on Alberta's debt. But we can't and we won't ignore the realities of today. The province is growing, and there are immediate, pressing needs that simply can't wait until the debt is gone.

Our successful fiscal policies of the past mean that Alberta's accumulated debt now stands at just \$4.8 billion, by far the lowest in the country and at least ten years ahead of our legislated debt repayment plan.

Just like a regular mortgage, Albertans understand that you can only make payments on the mortgage when it comes due. Thanks to our wise decisions of the past, we've set money aside in a debt repayment fund to pay off the debt on time and on schedule.

In effect, we've pre-paid the mortgage down to \$4.8 billion, and with the money that's set aside, all the payments that come due this year, and part of next year as well, will be paid without having to touch a cent of this year's budget.

Mr. Speaker, I know some people will be disappointed that we are not putting every spare dollar into paying down the debt as quickly as possible. But they should remember we are years ahead of the game and can now reap the benefits of pre-paying the mortgage.

They should think about the combined advantages of the Sustainability Fund and the Capital Plan not only this year but for years to come.

They should remember that the benefits will go to children who now will have better classrooms or new schools to go to.

They should understand that Alberta needs better transportation routes, better access to health care services, better safety net programs for farmers. All of those benefits are possible because of the balanced approach we're taking.

Mr. Speaker, we will pay off Alberta's accumulated debt. We will be the first debt free province in the country. That's a promise, and a promise we will keep.

Capital plan

Let me move now to some of the direct benefits Budget 2003 provides for Albertans in every corner of this province.

Over the past few years, the first budget priority has consistently been meeting pressing needs in programs that are important to Albertans, especially in health and education. Spending on capital projects often had to take a back seat.

As a result, there is a serious backlog of essential capital projects, a backlog that threatens our ability to provide the necessary infrastructure and to support ongoing growth in the province.

Once again, we're taking action.

Our new Capital Plan will support more than \$5.5 billion in capital projects over the next three years. That money will go to highways and municipal transportation projects.

It will go to leading edge health facilities and new equipment. It will go to build new schools, renovate existing ones, and to upgrade and improve access to technology in schools.

It will:

- build new facilities at post-secondary institutions,
- improve irrigation, water management and water treatment,
- make more affordable housing available to Albertans,
- upgrade seniors lodges, and
- support hundreds of community projects.

The new Capital Plan not only significantly expands our investment but it also fundamentally changes how we fund capital projects.

Funds for new projects will come from three sources:

- the annual budget,
- the Capital Account that allows us to carry funding from one year to the next, and
- alternative funding arrangements to be considered on a project-by-project basis.

Thanks to our strong fiscal performance in 2002-03, \$910 million from our year-end surplus went directly into the Capital Account. That will pay for roughly 16% of the projects included in the Capital Plan. About 59% of the funding will come from revenues in the three-year budget. And the remaining 25% will come from alternative funding arrangements.

Alternative arrangements could include public private partnerships. They could involve leasing arrangements or other options that allow us to pay for projects over the longer term rather than in one fiscal year.

Each of those alternatives will be reviewed on a project-by-project basis by a new Advisory Committee on Alternative Capital Financing. And I can assure Albertans, that all aspects of any alternative financing approved by our government will be open and fully disclosed.

Mr. Speaker, the new Capital Plan is a major investment in the future of our province. An investment that will benefit Albertans today and for generations to come. An investment that will make Alberta even better.

Investing in Albertans' priorities

When it comes to the top priorities for Albertans, health and education are consistently at the top of the list. People want to know they have access to health care when they need it.

They want their children and grandchildren to get an excellent education. And they want every young person to have a chance to get post-secondary education and build a productive and positive future right here in Alberta.

Spending decisions in Budget 2003 reflect those priorities.

In health care, overall spending will increase by 7.2% this year, including funding received from the federal government as part of the recent arrangement with Premiers.

In total, spending for health care will increase by \$1.26 billion over the next three years. By the time our province celebrates its hundredth birthday in 2005, we will spend over \$8 billion a year on health care in Alberta.

That money will go to health authorities and the Cancer Board. It will support specialized health services like cardiac surgeries and organ transplants. It will support continuing efforts to reform the health care system. And fundamentally, it will result in better access and better health services for all Albertans.

In Learning, base operating support for kindergarten to grade 12 will increase by 4.9% this year, and over the next three years, close to \$390 million more will go to school boards across the province.

That will bring total funding to public and separate school boards to \$3.4 billion by 2005-06.

On top of that investment in Alberta's children, \$450 million is included in the Capital Plan to build new schools and improve classrooms across the province. Nearly 80% of the new funds will go directly to the classroom. It will support the excellent work of Alberta's teachers and help ensure that our students continue to achieve the best results in the world.

It will support increases in enrolments, including an 8% increase in the number of students with severe disabilities. More funds will be available to buy books and other learning resources.

A new Funding Framework will also be introduced, giving school boards the flexibility they need to make local decisions and meet local needs.

And later this year, Alberta's Commission on Learning will issue its report and help set the direction for the future of education in this province.

At the post-secondary level, first priority must go to making sure students have access to university, college and technical institute programs.

Funding for post-secondary education will increase by \$44 million or 4.1% this year. This includes \$10 million to increase access in high priority areas and \$12 million to maintain spaces in Alberta's apprenticeship programs.

We also will step up our investment in loans and scholarships for students and continue to provide loan relief.

Other highlights

People looking through Budget 2003 will find dozens of initiatives targeted at different segments of Alberta's population. But let me highlight some of the initiatives for Alberta's farmers, for children, for families, and for our environment.

All of us watched last summer the heartbreaking scenes of farmers forced to abandon their crops, sell their cattle, and face the ravages of an unrelenting drought.

Our government didn't hesitate for a minute. We stepped in and provided over one billion dollars in disaster funding and emergency disaster assistance.

This year, we're keeping our fingers crossed along with every farmer in the province ... hoping the winter's snow combined with spring rains will put our farmers back on track and the days of drought will be behind us.

With this year's budget, farm safety net programs are being completely revamped, giving Alberta producers the most innovative and comprehensive crop insurance program in Canada.

Close to \$200 million will be provided this year to implement this new insurance program - a program that gives farmers and producers a solid safety net they can count on.

Mr. Speaker, Alberta's farmers and producers have long been the backbone of our province. They've had a rough go over the past few years. But we're determined to work

with them to address the issues, expand their ability to add value and market their products, and find the best ways of building capacity in rural communities. Our commitment to the future of agriculture in Alberta is stronger than ever.

Looking to the future and making Alberta even better means making sure our children get the best start in life and are able to look forward to a future full of potential and hope.

With Budget 2003, funding for Children's Services will increase by 5.4%. Funding will go to protect vulnerable children, support children with disabilities, and expand early learning and childcare programs. A new centre for Child, Family and Community Research will also be established this year.

Thanks to our Premier's strong leadership, funds will go to support *Alberta's Promise* ... an initiative designed to mobilize every sector of our society ... to bring new resources and new partnerships together ... and support a whole range of community initiatives for children.

Mr. Speaker, our children are Alberta's promise. And we'll do our best to make sure that promise is fulfilled.

Actions in Budget 2003 are also directed at supporting families who need it the most. Following up on the Low Income Review, income and employment support programs will be combined into a single, integrated approach that puts people first and matches their unique needs with a range of programs and support. Along with those changes, we'll take action this year to increase the income support rates for 12,000 families with children, and another 10,000 people in assured support who are not expected to work.

To make Alberta even better, we also need to protect and preserve our environment for future generations of Albertans.

Our government took a strong stand opposing the Kyoto Accord, not because we disagree with the need to reduce emissions and protect our environment, but because of the federal government's failure to understand and acknowledge the potential impact the Accord could have on Alberta's future.

Our commitment to Alberta's environment is unwavering. We will not be deterred by misguided federal actions. We'll act on our own to do what needs to be done ... for Alberta ... and by Albertans.

With Budget 2003, we'll invest an additional \$30 million over the next three years in the Climate Change Action Plan to reduce emissions, support energy conservation projects, invest in demonstration projects, and support research on new clean energy technology.

In addition, discussions are underway with Alberta's municipalities about a potential interest-free loan program to support municipal energy efficiency projects.

In summary

Those are some of the key highlights, Mr. Speaker.

Budget 2003 is about a single goal – making Alberta even better. All signs point to a strong future for our province, with a growing economy, more jobs for Albertans, and almost endless opportunities for success.

Budget 2003 positions our province to take advantage of the tremendous potential that lies ahead. It sets a new fiscal direction – a steady, balanced direction that delivers what Albertans want and expect – stable, predictable budgets, spending on what counts the most, investment in the province’s infrastructure to meet the demands of growth, and no tax increases.

It takes courage and determination to set a new direction. Alberta is known as a national and international leader in fiscal policy and our success over the past ten years has been unprecedented in Canada. But as Sir Winston Churchill said, “Success is never final.”

As times change and needs change, good governments don’t cling to their successes from the past. They change and adapt. They set the stage for new successes to come. They keep their eyes firmly focused on the future rather than the rear view mirror. And they never shy away from taking action that will move their province from good to great.

I remember in one of his early speeches in this Assembly, Premier Klein said, “Given a choice between the past and the future, Albertans will choose the future every time.”

He was absolutely right ... and he still is.

Once again, we are choosing the future. Choosing to build new successes. Choosing to make Alberta even better for all our children and for generations of Albertans to come.

Thank you, Mr. Speaker.