

HIGHLIGHTS

BUDGET
2004

ON ROUTE
ON COURSE

Heading Toward Alberta's Second Century

TWENTY-YEAR STRATEGIC PLAN

- ◆ *Budget 2004* outlines a vision of Alberta's second century and a twenty-year strategic plan to achieve that vision. The strategic plan is based on four key opportunities or pillars:
 - unleashing innovation,
 - leading in learning,
 - competing in the global marketplace, and
 - making Alberta the best place to live, work and visit.
- ◆ Many of the building blocks for achieving our vision have been put in place over the last decade. More will be added with this year's budget. *Budget 2004* will:
 - increase funding for health and education,
 - address infrastructure requirements with a \$6.5 billion three-year Capital Plan,
 - enhance the Alberta Advantage by reducing corporate income tax rates, encouraging innovation, improving the quality of life of Albertans and strengthening communities, and
 - bring Alberta within striking distance of eliminating accumulated debt.

FISCAL PLAN

- ◆ The budget will be balanced every year, as required by the *Fiscal Responsibility Act*. The Contingency Allowance available for in-year initiatives averages just under \$270 million for the next three years.
- ◆ Accumulated debt will be reduced by \$1 billion to \$2.7 billion by the end of 2005-06. Since 1993-94, accumulated debt will have been cut by \$20 billion or nearly 90%, saving \$1.4 billion a year in debt servicing costs.
- ◆ Sustainability Fund assets will be maintained at \$2.5 billion to protect against short-term revenue declines and other unforeseen events.
- ◆ Over the next two years, \$706 million will be added to the Capital Account, bringing total allocations to \$2.5 billion since 2002-03. These funds are being used to pay for Capital Plan projects.
- ◆ Revenue is estimated at \$23 billion and expense at \$22.6 billion in 2004-05. Program expense will increase by \$555 million, or 2.6%. No funding has been budgeted for emergency and disaster assistance or natural gas rebates in 2004-05.

ECONOMIC OUTLOOK AND ASSUMPTIONS

- ◆ Alberta's economic growth is expected to increase to 3.6% in 2004 and average 3.1% over the medium term. 42,700 new jobs are expected in 2004 and a further 112,200 jobs over the following three years.
- ◆ Energy prices are assumed to decline:
 - Natural gas prices – Cdn\$4.20 per thousand cubic feet in 2004-05 and Cdn\$4.01 by 2006-07.
 - Oil prices – US\$26 per barrel in 2004-05 and US\$25 for the following two years.
- ◆ The U.S./Canada exchange rate is assumed to average 77 cents for the next three years.

BUDGET 2004 PRIORITIES

ENHANCING ALBERTA'S TAX AND ECONOMIC ADVANTAGES

- ◆ Indexing of Alberta's 10% single-rate personal income tax system against inflation will continue in 2004, saving Albertans about \$150 million.
- ◆ On April 1, the general corporate income tax rate will be cut from 12.5% to 11.5% and the small business rate will be cut from 4% to 3%, saving Alberta businesses \$142 million.
- ◆ School property tax rates will be cut by about 2.3% in 2004, saving Albertans and Alberta businesses about \$20 million.
- ◆ There are no changes to other tax rates, health care insurance premiums or major fees. Alberta will remain the only province with no general retail sales tax.
- ◆ New initiatives will be undertaken to promote innovation and economic opportunities. Continued support will be provided to the agriculture sector.

PROGRAM PRIORITIES

- ◆ Learning's program spending will increase by \$284 million, or 5.7%, to \$5.3 billion in 2004-05. Increased funding for school boards will give them the flexibility to address supported Learning Commission recommendations. Access to post-secondary education will improve.
- ◆ Health and Wellness program spending will increase by \$618 million, or 8.4%, to \$8 billion in 2004-05. Spending on health programs has more than doubled over the last nine years and will continue to account for the largest share of total government spending. Actions are required to make the Alberta health system sustainable.
- ◆ Program spending will also increase for policing, seniors, children's services and other priorities.

CAPITAL PLAN PRIORITIES

- ◆ The 2004-07 Capital Plan will support \$6.5 billion of capital projects over the next three years, an increase of about \$900 million from the 2003-06 Capital Plan. This level of funding is unmatched in the rest of Canada. The Capital Plan includes:
 - \$2.7 billion for provincial highway projects and municipal transportation grants,
 - \$1.1 billion for health facilities and equipment,
 - \$1.1 billion for schools and post-secondary facilities, and
 - \$1.6 billion for other capital, including community facilities, centennial projects, water and wastewater management, housing, parks and information technology.

Accountability Statement

The government's Fiscal Plan for the three years commencing April 1, 2004 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 February 27, 2004 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.

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Patricia L. Nelson
Minister of Finance and
Chair of Treasury Board
March 12, 2004