BUDGET 2004 ON ROUTE ON COURSE

Heading Toward Alberta's Second Century



Budget Speech



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Check Against delivery

Looking back to Alberta's beginning

Mr. Speaker, in just over nine months, Alberta will begin to celebrate its 100th birthday. And what a remarkable 100 years it has been. Like most landmark birthdays, celebrating our province's centennial is an opportunity to look back at the amazing changes that have taken place since the early settlers ventured out west to break ground and build a new future. It's also an opportunity to look ahead and to envision Alberta's next century.

As Premier Klein said, "let's make sure Albertans enter the province's second century with the same spirit of hope, determination and confidence as Albertans had in 1905 when our first century began". Before I get into the details of this year's budget, I want to take us back to where this all began – and that's with Alberta's very first budget.

Picture this. Edmonton, May 7th, 1906. Honourable A. C. Rutherford, then called the "Prime Minister" of Alberta and also the Provincial Treasurer, stood, not in this building but a few blocks away at McKay Avenue School, and delivered Alberta's first budget. Looking at that budget today, two things are striking. First, the simplicity and how small the numbers were. And secondly, the parallels between then and now.

Fiscal responsibility seems to have been bred in the bones of Albertans. Alberta's very first budget was balanced. In fact, they projected a surplus of \$283,373.32. And this year, I'm proud to tell you that Alberta's budget is balanced for the eleventh straight year. Back in 1906, when Alberta was brand new, one of the top priorities was infrastructure – building roads and bridges, building schools, digging ditches and water wells, and building the very first Normal School for training teachers.

Investing in Alberta's infrastructure was critical at the beginning of Alberta's first century, and it is just as critical as we approach Alberta's second century. Look through that first budget and you'll see a line item outlining an investment of \$140,000 for the construction of this beautiful building – Alberta's legislature building. Imagine what \$140,000 would build today and imagine the foresight they had in designing this wonderful legacy.

Even in 1906, Alberta's leaders were looking at value-added agriculture and how to build a strong agricultural economy. Back then, they invested \$250,000 in creameries to launch the province's dairy industry. Today, we're struggling to deal with the impact of BSE, to get the borders open, and rebuild confidence in Alberta's food industry. And Mr. Speaker, we will succeed.

Education was another big priority in that very first budget, just as it is today. But back then, they spent a whopping sum of \$200,000 and had ambitious plans for 800 schools by the end of the year. Today, \$200,000 would pay for about two classrooms and we have thousands of them across the province.

One striking difference is in health care. You'll see today that health care is taking up more and more of the provincial budget and its costs are growing at a dramatic rate. Not so in 1906. The entire budget for what was then called Hospitals, Charities, and Public Health was \$33,500 and it warranted only one line in the budget speech.

On taxes, there was no such thing as personal income taxes. But Premier Rutherford served notice that it would be right and proper to tax lands outside of school districts for school purposes. And because most of the provinces received revenue from corporations like insurance companies, banks, loan companies and telephone companies, he could see no reason why Alberta shouldn't as well. And so corporate taxes were launched.

Much to my surprise, even then they were talking about Ottawa and guns. But in this case, the budget set aside \$1,200 for the Provincial Rifle Association to go to competitions in Ottawa.

Mr. Speaker, it's fun to look back at the numbers and to see how things have changed since our province's early days. But to me, the most important lesson in Alberta's first budget comes in this quote from Premier Rutherford. He said:

"We have no pessimists in Alberta – a pessimist could not succeed. We are optimistic, and always look on the brighter side of affairs, and so long as we keep progressing in the future as we have in the past, we will, without a doubt, become the great premier Province in British North America."

In 1906, there was no room for pessimists in Alberta. There is no room for pessimists today.

Albertans are mavericks – people who look challenges square in the face and see hope – hope for better solutions, hope for a better future for ourselves, our families and our province. That was true in 1906. And it's certainly true today. Mr. Speaker, optimism and hope for the future are what this year's budget is all about.

This is a budget for Albertans. It's the budget Albertans have asked for through countless meetings, letters, e-mails, phone calls and consultations. Albertans want their children and young people to have the best education we can provide. And they'll get that with this budget. They want their health system to be there when they need it. And this budget will help make that possible. They want strong and safe communities, a thriving economy with jobs for themselves and a strong future for their children, right here in Alberta. They want to make sure children get a safe and healthy start in life, family violence becomes a thing of the past, and seniors and people who need help get the support they need.

All of those expectations are addressed in Budget 2004. Frankly, Mr. Speaker, this is a budget that would only be possible in a province like Alberta. We have choices that simply are out of the question in many other parts of the country. We are a prosperous province – a province that's blessed with an abundance of resources and driven by the hard work of determined Albertans.

The obligation of a prosperous province is to invest wisely – not to squander our resources – but also not to refuse to spend money where there are pressing needs and the opportunity to build a better future. That's the goal of Budget 2004, Mr. Speaker. To seize every opportunity and to put our province on route and on course for unparalleled success in our second century.

Budget 2004 Highlights

Let me now turn to the big picture and the highlights of Budget 2004. With this Budget, we will spend a total of \$22.6 billion. That includes an increase of 6.1% in operating spending for government programs and services. We expect the province's total revenues to be just under \$23 billion. That's a 9% decrease from the current year's budget, primarily because, like most private sector forecasters, we are assuming that the price of oil and gas will return to more sustainable levels this year. As announced, the amount of resource revenues we can spend each year on programs will increase from \$3.5 to \$4 billion this year, an amount we are confident can be sustained.

In 1906, Premier Rutherford served notice to corporations to get ready to pay taxes to support essential government programs. Today, I'm serving notice that, for the fourth straight year, taxes for Alberta's businesses will go down. The general corporate tax rate will drop from 12.5% to 11.5%. That's one step closer to our target of 8%. The small business rate will drop from 4% to 3%. Together, these reductions amount to savings of \$142 million this year for businesses that drive Alberta's economy and create lasting jobs for Albertans. We also will take steps to enhance Alberta's reputation as a business-friendly jurisdiction. Legislation dealing with income trusts and unlimited liability companies will be introduced this year.

Mr. Speaker, businesses are not the only ones to benefit from tax changes this year. Thanks to indexing of our 10% single-rate personal tax, Albertans will save \$150 million in personal income taxes this year alone. School property tax rates are going down by 2.3%, saving Albertans and Alberta businesses about \$20 million dollars. Since 1993, our government has dropped education property tax rates by over 27%. Overall, Mr. Speaker, Albertans pay the lowest personal and business taxes in the country, and there is still no sales tax.

Our record on debt repayment is unparalleled. In the early 1990s, our province was burdened by a crippling debt of \$23 billion dollars. My fondest wish would be to stand here today and say, by the end of this year, Alberta's debt will be gone. But that would be speculation, and budgets are not about speculation. By March 2005, our debt will have dropped to just under \$3 billion, a drop of nearly 90%. That puts us within striking distance of eliminating the debt, a truly remarkable achievement.

And I can tell you that if, and I say if, resource revenues are considerably higher than our forecast my vote, and the Premier's vote, will be to seize the opportunity and hand Albertans the best gift we could provide. The gift of a debt-free province.

Mr. Speaker, I know that many people looking at today's budget will say the forecasts are too low. How could we expect oil and gas prices and our resource revenues to drop when things are looking so good? Most industry observers expect energy prices to go down. The question is when and by how much. Because energy prices are always an unknown factor, our forecasts may be too low. They may be too high.

The reality is that, with Alberta's new fiscal framework, our budgets are no longer tied to the ups and downs of oil and gas prices. We don't need to watch the daily news, wondering what impact the latest shock will have on our budget. We have protected Albertans against those shocks. Spending \$4 billion from resource revenues is the limit. That's all we can or will spend in the budget. The only difference the price of oil or gas makes is at the end of the year, when we have some real choices to make. If oil and gas revenues are higher than we expect, and I truly hope they are, we have two choices and only two choices. We can put more money down on the debt or we can invest more in assets, including capital.

Mr. Speaker, we can't underestimate the strength of our new fiscal framework. Not only does the Sustainability Fund protect us from the ups and downs of resource revenue, but it also allows us to respond to emergencies when they occur. This past year alone, the Sustainability Fund was there to provide assistance to farmers and ranchers, to cover the extraordinary costs of last year's forest fires, and to shelter Albertans from high natural gas prices. This new fiscal plan works. It works for Albertans today. And it will keep working for Albertans as we begin our next century.

Mr. Speaker, another concern some may have about today's budget is the level of spending. It's a lot of money. And for someone like me who keeps a careful eye on the bottom line, I have to admit it gives me some pause for thought. But I am convinced of two things. First, we are investing wisely in things that matter most and will help build a better future. And second, to quote Premier Rutherford, there are no pessimists in Alberta.

We are confident Alberta's economy will continue to grow, creating jobs and prosperity for Albertans and for our province. And with continuing strong growth, we will be able to afford this level of spending now and in the years to come. Furthermore, Mr. Speaker, we're not going to leave Alberta's future prosperity to chance. Last week, our government unveiled a comprehensive 20- year plan to build a strong future for our province. The plan is built on four key pillars:

- Unleashing innovation
- Leading in learning
- Competing in the global marketplace
- Making Alberta the best place to live, work and visit.

Budget 2004 is designed to address each of these pillars and to put Alberta on course to a bright and prosperous future. Today, I want to highlight four key areas that underpin our plans.

Learning

First on learning. Our strategic plan commits us to be leaders in learning. And action on that commitment begins today. With Budget 2004, program spending on basic and post-secondary education will increase by 5.7% to \$5.3 billion. In basic education, an additional \$216 million will be spent in 2004-05. The vast majority of that funding will go directly to school boards to be spent in classrooms across the province.

A new funding framework will be implemented, giving school boards the flexibility they need to meet local priorities and local needs. Our approach is not to tell school boards how to spend the money. But we are confident that, with the increases provided today, they will take positive steps to address parents' number one concern and that's class sizes. The first priority should be making sure that children who are just starting school have the opportunity to learn and succeed in classes where they are not lost in the crowd.

Our government has stated its commitment to implement other key recommendations from the Learning Commission report. And further plans will unfold in the weeks and months ahead. Mr. Speaker, the importance of education doesn't end when students graduate from high school. In a highly competitive global marketplace, success depends on a well-qualified, highly skilled and productive workforce, driven not just by hard work, but by ideas, creativity and innovation.

With Budget 2004, we will provide an additional \$85 million in ongoing funding to colleges, technical institutes, universities, and apprenticeship programs across the province. On top of a base funding increase of 4%, increased Access Funding will create up to 2,000 new spaces over the next four years in high priority programs. Funding for scholarships, bursaries and grants will increase by over 10% and close to 28,000 students will benefit from scholarships in 2004-05 alone. We will also invest \$39 million to reduce students' debt load and reward them for successful completion of their programs.

Budget 2004 also begins our government's new investment in the future of Alberta's children. Through the Alberta Centennial Education Savings Plan, our government will join with families across the province in investing in Registered Education Savings Plans for each and every child born or adopted in Alberta, starting in January 2005.

Health

Let me turn from education to the second big area in this year's budget, and that's health care. In Budget 2004, health will continue to take up the largest share of total government spending. This year alone, spending by Health and Wellness will increase by 8.4% to a total of \$8 billion. Mr. Speaker, increasing costs in health care are causing alarm bells not only here in Alberta but all across the country.

Our Premier has led the charge, warning Albertans that the future sustainability of our health system is at risk if we continue to pour more and more money into the status quo. Premiers across the country unanimously have said that unless there are major changes, Canada's health care system as we know it will not survive the decade. The health care spending path we are on today is simply not sustainable.

In the last nine years, spending on health has more than doubled. More than fifty cents out of every additional operating dollar in this year's budget goes to health care. That can't continue. In the past three years, our government has taken some good steps to renew and sustain our health system. But our message to Albertans, to the federal government, and to all Canadians is something has to give.

We are spending more and more money on health care. And I have no doubt you will hear in the weeks and months ahead that it isn't enough. If an increase of 8.4% is not enough in a province like Alberta, how can other provinces expect to sustain their health systems? Mr. Speaker, this is a national issue that will be played out in every province across the land. Yesterday's federal budget provided some welcome cash, but no long-term commitment to sustainable funding. Canadians deserve better.

We're not waiting for the federal government. Once again, Alberta will take a strong leadership role, trying new ideas, and implementing new solutions to keep our health system on a sustainable track. As Premier Klein has said, we should put up signs on highways coming into Alberta saying, "Welcome to Alberta. Be prepared to think differently." Albertans can expect to hear more this year about new ways to renew and sustain the health care system. I encourage them to consider each of the ideas with an open mind and a fresh willingness to embrace change, because that's the only way we will preserve and protect Alberta's public health care system.

Capital Plan

The third area I want to highlight is our capital plan. All forecasts point to continued strong growth in Alberta's economy. In fact, we expect Alberta's economy to grow by 3.6% in 2004. That translates into close to 43,000 new jobs this year and the lowest unemployment rate in the country. It also means more people are choosing Alberta as the place to invest and build their futures. All of that is good news to an already prosperous province. But it also means increasing strain on Alberta's infrastructure.

For that reason, our new Capital Plan will increase our investment in essential capital projects to \$6.5 billion over the next three years, an increase of \$900 million.

Mr. Speaker, that level of capital investment is unmatched anywhere in Canada. With that investment, we can assure Albertans that:

- New schools will be built and others will get the renovations they need
- New space will be added to universities, colleges and technical institutes
- Leading-edge health facilities, long-term care centres, and new health equipment will help give Albertans access to quality health services
- Alberta's network of roads and highways will be expanded and improved.
- And money will be invested in important capital projects including parks, housing, water & wastewater treatment, centennial projects, and community facilities.

Communities

Mr. Speaker, the final area I want to highlight today is communities. I've heard it said that everything that's important happens close to home, in communities where people live, work and raise their families. A key part of Alberta's new strategic plan is to make Alberta the best place to live, work and visit. That starts with safe, secure and vibrant communities.

In recent months, we've heard about the fiscal challenges faced by Alberta's municipalities. And today we are introducing a package of initiatives to address those concerns. The first is policing. Provincial support for policing programs will increase by 50% this year to a total of \$174 million. As a result of that increase, municipalities with populations under 5,000 will no longer pay for policing costs. That's a direct benefit to an additional 20 small communities across the province. \$37 million will be spent on a new per capita policing grant for larger municipalities. And additional funds will be available to address other critical policing issues.

Important changes will also be made this year to ambulance services. Our government has received several reports indicating that ambulance services are health services and should be integrated with the health system. Starting this year, we will begin the transition. We will consult with municipalities and health regions, and develop plans for shifting responsibility for ground ambulance services. By 2005-06, funding to health regions for ambulance services will increase by \$55 million. And the good news for municipalities is that this will free up money they can spend to meet other pressing needs.

Work is also underway on a new rural development strategy. While our government works hard to reopen the borders and restore confidence in Alberta's food industry, the impact on many rural communities has been devastating. This year, our government will build on the work done by two MLA's: The Honourable Member for Wainwright; and The Honourable Member for Innisfail-Sylvan Lake – to develop a comprehensive Alberta Strategy for Rural Development.

On top of those initiatives, Mr. Speaker, municipalities will also receive:

- \$934 million over the next three years for transportation projects supported through the municipal share of gas taxes and other provincial grant programs
- Increased funding for Alberta's centennial celebrations to support community, cultural and historic facilities
- Additional capital funding for projects such as water and wastewater treatment projects and
- Interest-free loans to improve energy efficiency.

Mr. Speaker, that package of initiatives may not solve all the challenges faced by municipalities, but it will go a long way to free up essential funds and relieve the burden on local taxpayers.

As usual, Mr. Speaker, there is never enough time to highlight all of the many initiatives in our government's annual budget. I can tell you that additional funds are also included for expanding programs for children, implementing a comprehensive approach to preventing family violence, improving maintenance enforcement, supporting people with disabilities, and providing much needed assistance to seniors and to people who need our support.

I encourage all Albertans to review the budget and find out more about these important developments.

Conclusion

Mr. Speaker, let me close today by summarizing the highlights of Budget 2004. It's a budget for Albertans. A budget that reflects our hopes, our dreams and our optimism for the future. It's a budget that will provide our children with the best education and the best opportunity to learn, succeed and build their futures. It's a budget that invests heavily in our health care system, but also positions us to explore innovative approaches and seize the opportunity to secure a sustainable future for health care.

It's a budget that will see new schools, new buildings on post-secondary campuses, new health facilities, new roads and highways. It's a budget that keeps Alberta's taxes the lowest in Canada. And it's a budget that puts us firmly on route to a prosperous and successful second century.

It is a deep honour and a privilege to serve Albertans and to present the province's 99th budget. Like Finance Ministers before me, I stand here today filled with hope about the future of our province and confident that our budget plans will help secure the kind of future we all want for ourselves, our families and our province.

As Premier Klein has often said, "given a choice between the past and the future, Albertans will choose the future every time". Albertans began our first century with their eyes on a better future. They were filled with hope, ready to take on tough challenges, and confident they would succeed. That same confidence, that same spirit of optimism and determination, remains a hallmark of Alberta today.

Premier Rutherford was right. There are no pessimists in Alberta. Not then. Not now. We have become the great province Premier Rutherford envisioned back in 1906. Now we are on route to Alberta's next century.

And I have no doubt it will be even better than the first. Thank you Mr. Speaker. And thank you Albertans.