

# **Budget 2002 –**

## **The Right Decisions for Challenging Times**

### **Quick Facts**

#### **Budget 2002 Highlights**

- Responds to changing world economic conditions.
- Starts the implementation of health reforms.
- Allocates available dollars to key priorities.
- Maintains Alberta's overall economic and tax advantages.
- Balances the budget and continues debt repayment.

#### **Solid Economic Growth for Alberta**

- Alberta's economic growth will be 2.5% in 2002.
- Over 35,000 new jobs will be created in 2002.
- Alberta's growth is expected to climb to 3.9% in 2003.
- Another 109,000 jobs will be added by 2005.

#### **Responding to Challenging Times**

- Budget 2002 assumes natural gas prices will average around Cdn\$3.00 per thousand cubic feet and oil prices will be US\$20 per barrel for the next three fiscal years.
- Resource revenue is budgeted to decline to \$3.7 billion in 2002-03. Corporate income tax revenue and investment income will also be weaker than expected a year ago.
- Health spending will be \$180 million higher than planned in Budget 2001. To pay for this, health care insurance premiums will increase by \$10 per month for individuals and \$20 per month for families. Premium subsidies for lower-income Albertans will also increase.
- Increases for most other ministries will be lower than previously planned, saving \$159 million.
- \$631 million in infrastructure spending, previously planned for 2002-03, will be deferred.
- Business tax reductions will proceed, but at a slower rate.
- Taxes on cigarettes will increase by \$2.25 per pack.
- Liquor markups, highway traffic fines and various fees will increase and the freeze on school property tax revenue will be lifted.

## Protecting Priorities

- Health and Wellness spending will increase by 7.3% to \$6.8 billion in 2002-03.
- Learning program spending will increase by 4.7% to \$4.7 billion in 2002-03.
- Assistance for those in need will increase by 5.6% to over \$2 billion in 2002-03.
- Spending on transportation and infrastructure will return to the base level of about \$1.1 billion per year for the next three years.
- Agriculture, Food and Rural Development spending is budgeted to be about \$550 million per year for the next three years.

## The Alberta Tax Advantage

- Alberta's overall tax advantage will be maintained. There will be no sales tax, no personal income tax increase, no payroll tax, and no capital tax.
- A typical one-income family earning \$30,000 with two children will pay 81% less in taxes and health care insurance premiums in Alberta than the average in other provinces.
- A typical two-income family earning \$60,000 with two children will pay 30% less in taxes and health care insurance premiums in Alberta than the average in other provinces.
- Business tax reductions will save Alberta businesses \$81 million in 2002-03.
- Alberta's small business corporate income tax rate of 4.5% will be tied for the second lowest among provinces and the general corporate income tax rate of 13% will be the third lowest.

## Balanced Budgets and Debt Repayment

- As required by the *Fiscal Responsibility Act*, the budget will be balanced for the next three years.
- The economic cushion will be \$724 million in 2002-03.
- In 2002-03, revenue will decline by 5.6% to \$20 billion a drop of \$1.2 billion from the 2001-02.
- Total expense for 2002-03 is \$19.2 billion, a decline of \$1.7 billion or 8.1%.
- Accumulated debt, less cash set aside for future debt repayment, is forecast to be \$5.8 billion at the end of 2002-03 and less than \$5 billion by the end of 2004-05.
- Debt reduction has eliminated over \$1.2 billion in debt servicing costs.
- Debt repayment is nine years ahead of the legislated schedule.