

The first budget of Alberta's second century shows the province in an enviable position, with a strong economy, no debt and the fiscal flexibility to strengthen current advantages and build new opportunities. But it's also a challenging time.

*Resource revenue is highly unpredictable. Alberta's growing population and economy place pressures on the province. **Budget 2006** is focused on strengthening today and securing tomorrow, balancing current and longer-term requirements within a positive, but uncertain revenue outlook.*



Fiscal Summary:

Revenue for 2006-07 is estimated at \$32.4 billion and expense at \$28.3 billion, with non-renewable resource revenue estimated at \$11.4 billion.

The surplus is estimated at \$4.1 billion and has been allocated to a number of areas, including:

- » \$1.9 billion to savings and endowments, including the Heritage Fund, the Alberta Cancer Prevention Legacy Fund and the Medical Research Endowment Fund;
- » \$813 million for government-owned capital projects;
- » \$325 million to the Sustainability Fund, which protects against unexpected declines in resource revenue and the cost of emergencies;
- » \$300 million for a contingency allowance; and
- » \$746 million for other requirements, including retained income of funds/agencies and cash adjustments.

Capital Plan:

On a per capita basis, Alberta's support for capital projects is unmatched in the rest of the country. The 2006-09 Capital Plan directly supports \$13.3 billion in capital projects, an increase of \$4.1 billion, or 45 per cent, over the previous capital plan. This includes:

- » \$4.9 billion for health, post-secondary and school capital;
- » \$3.6 billion for the provincial highway network;
- » \$3.1 billion for municipal infrastructure; and
- » \$1.7 billion for other projects, including community facilities, and water/wastewater infrastructure.

Health:

Health spending will reach \$10.5 billion in 2006-07, a 7.7 per cent increase, and about 37 per cent of the entire provincial budget. The Alberta government's per capita health spending is one of the highest in the country.

Operating grants to health authorities will increase by \$338 million, or six per cent, to nearly \$6 billion. Support for capital projects over the next three years is \$2.9 billion.

The approach used to reduce wait times for hip and knee replacement will be extended to other services. The new \$500 million Alberta Cancer Prevention Legacy Fund will support the fight against cancer.

Advanced Education:

Over the next three years, funding for post-secondary education will increase \$474 million, or 29 per cent, with \$1.1 billion in capital support for post-secondary facilities.

Additional funding is being provided to address enrolment growth and expand apprenticeship training. In 2006-07, the government will also continue to pay the bill for tuition increases. A review of affordability of advanced education will result in a new tuition policy by the fall of 2006.

Basic Education:

Program spending for education in Budget 2006 is over \$5.1 billion, a 6.8 per cent increase from 2005-06. Capital support for schools will total \$833 million over the next three years, including \$339 million in 2006-07.

Additional funding will give school boards increased capacity to manage current education initiatives while providing flexibility to address local education needs. Support for the Class Size Initiative will increase 15 per cent, allowing school boards to retain teachers already hired and to hire additional ones.

Taxes:

Basic, spousal and eligible dependant tax credits are being increased to \$14,899, the highest of any province, from \$14,523. These changes, along with indexation of other credit amounts, are expected to save Albertans about \$77 million in the 2006 tax year. The indexation of the Alberta Family Employment Tax Credit will also begin in July 2006. With these enhancements, a typical working family with two children can effectively earn up to \$37,000 before paying provincial income taxes.

Increased income thresholds for health care insurance premium subsidies will benefit approximately 140,000 people and save them about \$30 million in 2006-07.

Alberta's general corporate income tax rate is being reduced to 10 per cent, setting the foundation for future economic growth and to meet worldwide competition. This is estimated to save Alberta businesses \$265 million in 2006-07.

Additional Budget 2006 initiatives:

- » \$100 million for an initiative to support rural development.
- » \$20 million to respond, if necessary, to BSE-related changes in feed regulations and specified risk materials disposal.
- » \$172 million for the province's Water for Life strategy over the next three years.
- » \$86 million for higher AISH caseload volumes and enhanced benefits.
- » \$63 million for energy research over the next three years.
- » \$6.1 million for up to 80 additional RCMP officers.