

TAX INITIATIVES

- Albertans pay, by far, the **lowest overall taxes** in Canada. 2007 income tax changes will save Albertans nearly \$200 million annually and businesses about \$22 million in 2007. These changes include increases to the Charitable Donations Tax Credit and the Education Tax Credit, and the annual indexation of the income tax system. Alberta will also parallel some of the income tax changes announced in the federal budget.
- **Education property tax** mill rates are being reduced by 5.8%. This is the 14th consecutive year of reducing or freezing education property tax mill rates.
- **Tobacco taxes** are being increased by 16% in an effort to reduce smoking.

IN-YEAR SURPLUS ALLOCATION POLICY

- If the surplus is higher than estimated in the budget, the additional cash available will be allocated one-third to savings/investments and two-thirds to capital requirements.
- At least 50% of the capital allocation will be used to address capital maintenance and replacement requirements.

SOUND FISCAL MANAGEMENT

- A review of Alberta's energy royalty and tax systems is being undertaken by an independent panel of experts.
- A Financial Investment and Planning Commission will be established to examine longer-term investment/savings strategies.
- The new Treasury Board Ministry has been tasked with ensuring more disciplined government spending. Program reviews will be undertaken. Capital and operating planning processes will be better integrated.

BUDGET2007
MANAGING OUR GROWTH

Highlights



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Alberta

BUDGET 2007 Highlights

Over the last year, Alberta experienced extraordinary growth. The economy grew by 6.9% in 2006, the best performance since 1993. More than 57,000 people moved to Alberta from other provinces, the highest level on record, contributing to an overall population growth of nearly 100,000. Employment growth, at 4.8%, was at its highest level in 25 years, while the province's annual unemployment rate was 3.4%, the lowest recorded in Alberta or any other province in the past 30 years. **Budget 2007** aggressively addresses the growth pressures associated with this prosperity.

FISCAL SUMMARY

- **Revenue** is estimated at \$35.3 billion in 2007-08, down 4.7% from 2006-07. This reflects lower resource revenue and the expectation that income tax revenue and investment income will not be as high as they were in 2006-07.
- **Expense** is estimated at \$33.1 billion in 2007-08. This includes an increase of 10%, or \$2.4 billion, in operating expense and an increase of 37%, or \$1.3 billion, in capital grants. These increases will help address the pressures caused by Alberta's rapid growth in 2006.
- **Surplus** is estimated at \$2.2 billion in 2007-08, and is being used primarily for inflation-proofing the Heritage Fund, an allocation to the Medical Research Endowment Fund, and to meet capital cash requirements.

Budget 2007 addresses the government's priorities of governing with integrity and transparency, managing growth pressures, improving Albertans' quality of life, building a stronger Alberta, and providing safe and secure communities.

SPENDING INITIATIVES

- **Operating spending** is increasing by 10%, or \$2.4 billion, in 2007-08. This will help address pressures caused by a 3% increase in population and a 3.9% inflation rate in 2006.
- **Health and Wellness** operating spending is increasing by 10.1% to \$10.8 billion. In addition, capital grants to health authorities are increasing by 37% to \$1.1 billion. Alberta's per capita spending on health is higher than any other province.
- **Advanced Education and Technology** operating budget is increasing by 10.1% to \$2.3 billion. In addition, capital grants are increasing by 88% to \$743 million.
- **Education** operating support is increasing by 5.5%. As enrolment growth is only 0.5%, there will be some flexibility in how education pressures are addressed.
- **Other Ministries** operating spending is increasing by 12.5% to \$8.7 billion. This provides additional support for programs such as justice and law enforcement, Assured Income for the Severely Handicapped (AISH), children's services, and the environment.

The 2007-10 Capital Plan will directly support \$18.2 billion in capital projects. This is an increase of 37%, or \$4.9 billion, from the 2006-09 Capital Plan.

2007-10 CAPITAL PLAN

- **Highlights** from the 2007-10 Capital Plan include:
 - » \$5.9 billion for health, post-secondary, and school capital projects, an increase of 21%.
 - » \$4.6 billion for the provincial highway network, an increase of 27%.
 - » \$4.3 billion for municipal infrastructure, an increase of 36%.
 - » \$3.5 billion for other projects, including community facilities, housing, and water and wastewater infrastructure, an increase of 105%.
- The 2007-10 Capital Plan includes the phase-in of the **Municipal Sustainability Initiative**. By 2010-11, this initiative will provide \$1.4 billion in annual support to help municipalities meet their growth and sustainability needs. Almost all of this support is for capital.
- Alberta's **per capita spending** on infrastructure is about four times higher than the average of other provinces.