



Budget Speech

March 22, 2006

Check Against Delivery

Wednesday, March 22nd, 2006

Introduction

Mr. Speaker, as a proud Albertan, it is my honour and privilege to rise today and present Alberta's budget for 2006, the first year of our second century.

2005 was a special year for Alberta. We celebrated 100 years as a member of Canada's confederation. Just last week, we celebrated the 100th anniversary of the Alberta Legislature. Alberta has come a long way from that first legislative session held in the Thistle Roller and Ice Rink just a few blocks from where we sit today. Together, Albertans have built a province that's gone from a remote wilderness with great promise to an economic powerhouse with tremendous achievements and boundless opportunities.

Alberta has always been a place for optimists. People like Karl Clark who pioneered Alberta's oil sands discoveries back in the 1920s and refused to give up on his dreams. Karl Clark would be amazed at what's happening today. People like Dr. James Shapiro and his team at the University of Alberta whose Edmonton Protocol is giving new hope to millions of people with diabetes. People like our former Lieutenant Governor Lois Hole whose passion for education and for life inspired us all. People like Arno, Steve, Glenn, Terry, Darcy, Rick, Tony and oh so many others who refused to give up when BSE turned their lives and their livestock businesses upside down.

And people like our Premier who has always believed in Alberta and Albertans. Believed we could be the first and only province in Canada to be debt free, and kept us firmly on track until that goal was achieved.

Mr. Speaker, Alberta's history is defined by optimists.

And if there was ever a time for optimism about Alberta and about our future, this is it.

We enter our second century in a truly remarkable position. Our economy is leading the country. More people are working and earning more than ever before. Our education system is among the best in the world. Our colleges, universities and technical schools are producing outstanding graduates, leading researchers, and thoughtful young people who will lead our province in the years to come. Leading businesses and young entrepreneurs see Alberta as the place to achieve their dreams. And across the province, there's a feeling that this is Alberta – the sky is the limit.

Our challenge, Mr. Speaker, is to channel Albertans' optimism, their energy and ideas, to take the best advantage of today's prosperity, and secure an even better future for our province.

In a nutshell, that's what Alberta's budget for 2006 is designed to achieve. It's about strengthening today and securing tomorrow. It's about seizing today's opportunities and investing wisely to meet today's challenges. But most of all, it's about keeping our eyes firmly on Alberta's future, and making sure everything we do today, every investment we make, helps build a better future for our children and their children to come.

Highlights

Mr. Speaker, Budget 2006 is Alberta's thirteenth consecutive balanced budget. It positions Alberta for continued strong growth and prosperity. It strengthens our position today, ensuring businesses can compete, communities can thrive, and Albertans can succeed. It invests in priority areas, saves for the future, and gives back to Albertans – keeping our taxes the lowest in Canada, and helping people who need our support.

Before I get into some of the details, let me begin with the big picture.

For 2006-07, our budget projects a surplus of just over \$4 billion. That surplus is largely due to continuing high prices for oil and gas. I'll tell you right now that the surplus could be more if prices are higher than we anticipate, and it could be less if prices drop. That's the reality we live with in Alberta. And like every Finance Minister under our Premier's leadership, I would rather be pleasantly surprised with higher than expected prices than be forced to cut back if prices drop.

This year's surplus will be earmarked to three key priorities: saving for Alberta's future, responding to capital and infrastructure needs, and increasing the Sustainability Fund to provide added protection against any sudden declines in revenues and to respond to emergencies throughout the year.

Mr. Speaker, I am pleased to announce today that an additional \$1 billion will be invested in the Heritage Fund in 2006. That's in addition to the \$1 billion we invested earlier this year and our ongoing commitment to inflation-proof the Fund. It's a direct reflection of our government's commitment to use Alberta's abundance of resource revenues not only to meet the challenges of today but to share that legacy with future generations of Albertans.

This year, our government's base operating spending will increase by 8.3 percent. As Alberta's Finance Minister, my focus never strays far from the bottom line. I'll be honest and say I wish spending was lower. But I believe this is responsible spending for this year. And I am confident we are making the right investments today to secure a better future for our province.

At the same time, I will also give fair warning to Albertans and to those who think there's no end to how much we can spend: do not expect this rate of spending to continue in years to come. We have learned the lessons from Alberta's past. We will not squander Alberta's future security by spending more than we can afford. And we will not spend money today then pass on the bills to future generations of Albertans. Not on our government's watch.

This year we will also review our fiscal framework to make sure it continues to serve Alberta's needs now and into the future.

Now, Mr. Speaker, let me talk about some of the details in our budget for 2006-07.

This budget invests in five key areas:

- In infrastructure
- In people
- In communities, both rural and urban
- in Alberta's environment
- And in sustaining economic prosperity

Investing in infrastructure

Mr. Speaker, over the next three years our government will support \$13.3 billion in infrastructure and important capital projects. That's a 45 percent increase over our previous capital plan. It's a level of spending that's unmatched in Canada. In fact, on a per capita basis, we'll spend three times the average of other provinces.

Mr. Speaker, \$13 billion is a lot of money. But it's also a critical investment in Alberta's future. It will continue our investments in new and revitalized schools across the province. It will open up new spaces at colleges, universities and technical institutes and make sure Alberta has the highly skilled workforce we need. It will improve Albertans' access to leading health care treatments. And it will make sure we have safe and efficient roads and highways all across the province.

Let me give Albertans just a quick list of some of the projects this \$13 billion investment will support:

- A new Centennial Centre for Interdisciplinary Science at the University of Alberta
- The Campus Calgary Digital Library at the University of Calgary
- The second phase of redevelopment at Bow Valley College
- Expansion of trades facilities at Red Deer College
- The new Robbins Health Learning Centre at Grant MacEwan College
- Expansion of Lakeland College in Lloydminster
- A new Water and Environmental Science Building at the University of Lethbridge
- A new Centre for Apprenticeship Training at NAIT

In education, 21 school capital projects will be completed this school year, opening up more than 7,300 spaces for kindergarten to grade 12 students across the province. 109 new modular classrooms will open up an additional 2,725 new spaces. And work will begin or continue on 51 previously announced school projects.

In health care, our capital budget will support:

- New health facilities in Sherwood Park and Fort Saskatchewan
- The new Sheldon M. Chumir Health Centre and the Bone and Joint Institute in Calgary
- Expansion of the Rockyview, Foothills and Peter Lougheed Hospitals in Calgary

- Redevelopment of the Royal Alexandra Hospital in Edmonton and hospitals in Lethbridge, Edson, Barrhead, Viking and High Prairie
- Replacing the Eastwood primary health centre in Edmonton
- Building the new South Calgary hospital in Calgary and the Health Sciences Ambulatory Learning Centre in Edmonton
- Completing the Mazankowski Alberta Heart Institute in Edmonton
- And moving ahead with health information systems including electronic health records.

On top of those projects, over \$3 billion will go to Alberta's municipalities over the next three years to support roads, bridges, public transit, water and wastewater, and other infrastructure initiatives in towns, cities and villages across the province. We'll invest \$3.6 billion in Alberta's highway network including critical work to begin twinning Highway 63 to Fort McMurray, build ring roads around Edmonton and Calgary, and pave high volume gravel roads.

Mr. Speaker, this is a clear case of investing now, when we have the money, and putting our resource revenue to work for future generations of Albertans.

Investing in people

The second area I want to highlight today is our investment in people. Ask Albertans what they expect their government's priorities to be and the answers are pretty clear. Make sure our children get a good education. That there's a place for my son or daughter at one of Alberta's universities, colleges or technical institutes. Make sure I can get health care when I need it. And take care of Albertans who need our help, especially children and seniors. That's exactly what Budget 2006 is designed to do.

Total health spending will reach over \$10 billion this year. That includes a 7.5 percent increase in operating spending and nearly \$700 million for health capital grants.

Nearly two thirds of operating spending will go to health regions to support everything from promoting good health to providing home care, running hospitals, and transplanting hearts, even in the tiniest babies. This year, and for the next two years, grants to health regions will increase by 6 percent a year, giving them the certainty they need to plan and deliver health services to Albertans.

We'll follow through on Alberta's commitment to lead the rest of the country in cancer prevention through a combination of screening, research and promotion. And if Albertans like Dr. Tony Fields have their way, we'll prevent thousands of new cases of cancer, save lives, and maybe, just maybe, find a cure for cancer right here in Alberta.

We'll also take important steps this year to build on our experience with the highly successful hip and knee project and reduce waiting times for breast and prostate cancer care, coronary artery bypass surgery, MRIs and CT scans.

By 2008-09, our annual operating spending on continuing care initiatives will have increased by \$127 million. That additional funding will result in more hours of nursing and personal care in long-term care facilities, better access to therapy, expanded staff training, and implementation of new health care standards. This is in addition to capital

funding last year and this year which is being used to support 1,500 new rural supportive living units and upgrade close to 4,000 units in 77 seniors lodges across the province.

Mr. Speaker, these are substantial investments in the future of Alberta's health care system. Over the past ten years, spending on health care has grown by an average of about 10 percent per year. This trend cannot continue or we will be stuck with a health care system we can only afford with \$60 oil and \$7 gas. If we keep spending like we have been over the past ten years, we're betting the future of Alberta's health care system on the price of oil and gas. That worries me. And it worries many Albertans.

Our government has launched a comprehensive discussion on what needs to be done to make sure our health system is there, when people need it, and at a price Alberta taxpayers can afford. It's a debate Albertans need to have. And it's a debate that will shape the future sustainability of health care in Alberta.

Mr. Speaker, this budget also makes a significant investment in the education of our children and young people all across the province.

In 2006-07, our government will increase operating spending on basic education by over 5 percent. Funding to school boards will also increase, including another \$16.6 million to reduce class sizes in Alberta schools, especially in the earlier grades. Increased funding will also support technology, transportation, student health, children with special needs, and students whose first language isn't English. This year, the Minister of Education will also launch a series of roundtable discussions, talking to students, parents, educators, business and community leaders, and finding the best ways to increase the number of young Albertans who complete high school. A high school completion symposium will also be convened to address these issues.

In 2005, post-secondary education was our government's number one priority. And that was just the beginning. Our commitment to post-secondary education will be even stronger in 2006-07. Operating spending will increase by 16 percent and over \$270 million will be invested in capital projects at Alberta's universities, colleges and technical institutes. By 2008-09, our government will have increased operating spending on post-secondary education by nearly 29 percent and opened up 20,000 new learning opportunities for students across the province.

The first allocations will be made this year from the Access to the Future Fund, providing support for up to \$45 million in projects at Alberta's post-secondary institutions. And as announced already, Alberta's post-secondary students will not pay one dollar more in tuition this year thanks to our government's promise to pick up the costs of tuition increases again this year.

On top of that direct support for Alberta's students, we will also increase funding for scholarships, bursaries and grants by 21.5 percent and increase the yearly loan limits to recognize rising costs for students.

Mr. Speaker, here are some of the other investments we will make in Albertans, young and old, as part of Budget 2006.

- Support for the Alberta Seniors Benefit will increase by over 8 percent
- Funding for AISH will increase by nearly 18 percent

- Money will be invested in affordable housing
- And funding for children's programs will increase by over 12 percent, providing additional funding for child care, for child intervention services, to support families of children with disabilities, and to step up our actions in preventing family violence and bullying.

Investing in communities

Mr. Speaker, Albertans are fiercely proud of the communities where they live. They want their communities to be good places to raise their families and build their futures.

There's no doubt that many rural communities have been under enormous strain. While Alberta's cities have struggled to keep pace with a booming economy, rural communities faced the devastation of BSE. Albertans stood by farmers and ranchers when BSE and bad weather took their toll, but it's rural communities that face the hard repercussions, right in their own back yards. They see the impact today whenever commodity prices rise or fall. And they watch their youth and young families leave for the cities in search of further education and better jobs.

In spite of that, rural Alberta is a place for optimists. For people who believe there's a future for rural Alberta and for rural communities all across the province.

Mr. Speaker, I'm fiercely proud of my rural Alberta roots. I come from rural Alberta. It's where I live and where my heart and soul will always be. I'm enormously proud of our government's commitment to rural communities, to their futures, and to the families who call rural Alberta home.

It gives me a great deal of pleasure to announce today that our government is committing \$100 million for a new rural development initiative. This initiative will support a number of projects and help us move forward with implementing our government's comprehensive rural development strategy. We're going to work with rural communities, expand and diversify the rural economy, improve services, and enhance the quality of life in small town Alberta.

Details of this new initiative are still being developed so I can only say to people in rural Alberta – stay tuned, there is more good news to come.

Mr. Speaker, this budget will also provide ongoing support to communities all across the province, large and small, rural and urban.

This year, we'll increase our funding for provincial and municipal policing, step up our efforts to combat organized crime, take steps to address the serious problem of crystal methamphetamine, improve access to the justice system, and establish a new initiative to handle high risk family violence cases.

We'll also spend an additional \$7 million on provincial foundations for arts, sports and recreation, parks and wildlife, human rights and multiculturalism, volunteerism and historical resources.

Investing in Alberta's environment

Mr. Speaker, Albertans are proud of their communities, and rightly so. But they're also fiercely proud and protective of our environment. They value Alberta's land and water. And they want to make sure it's preserved for future generations of Albertans.

With this budget, our government will add to its investment in Alberta's Water for Life Strategy. Over the next three years, \$172 million will be spent on municipal water and wastewater treatment facilities, on reducing the risk of flooding, and on testing and protecting Alberta's water supply.

We'll invest \$15 million in a new initiative to develop a comprehensive land use framework for Alberta – a framework that will guide future decisions on how Alberta's land is used, whether that's to preserve sensitive grasslands, open up recreation areas, manage growth around our major cities, or preserve our valuable farmland.

\$12 million will be spent this year on initiatives related to climate change including major research initiatives through the Alberta Energy Research Institute.

Our Premier has joined with others in the industry to champion a new future for Alberta's vast supplies of coal. We've all heard his passion when he talks about clean coal, and he's working hard to turn the skeptics into believers. Just like the skeptics who said the oil sands would never be viable, we're going to prove the naysayers are wrong.

Alberta has coal reserves to last upwards of 1,000 years, and they contain some of the cleanest-burning coal in the world. Alberta's coal contains twice the energy of Alberta's conventional crude, natural gas, and bitumen combined.

Our challenge is this – to combine new technology with the ingenuity of Albertans to transform those vast reserves of coal into an affordable, reliable and clean source of energy for the future.

Our Premier has said a new day is dawning for coal ... and it's dawning here, in Alberta. With our government's support, the Alberta Energy Research Institute will partner with leading Alberta-based industries to develop clean coal technology – technology designed to eliminate emissions and open the door to new, clean-burning alternatives to meet our growing energy demands.

Mr. Speaker, this is another area where Alberta optimists will lead the way. And the result will be a cleaner environment, a long-term source for energy in Alberta, and a wealth of new opportunity to expand Alberta's economy and build for the future.

Investing in Alberta's economy

Mr. Speaker, Alberta's economy is stronger than ever, and all signs point to continued strong growth in the near future.

As one author put it, "for the first time in our history, Alberta is being widely emulated rather than casually dismissed."

There's no doubt. Alberta is the place to be, and there's no longer a chance that we can be dismissed. People are flocking here to get jobs and pursue their dreams. Businesses look to Alberta as the place to invest, pursue new opportunities and build their futures.

But Mr. Speaker, make no mistake. Alberta has to be able to compete not only with the rest of Canada but the rest of the world. And to do that, it's not enough to sell Alberta as a great place to be. We need to compete on taxes.

That's why our government will reduce the general corporate tax rate from 11.5 percent to 10 percent effective April 1, 2006.

I know some will criticize us for this decision and say we should give a break to small business instead, or pass on any tax reductions to individual Albertans first.

So let me put this in perspective. Alberta's tax rates for small businesses are already very competitive and in comparison to the rates for bigger businesses, small businesses pay only 3 percent. That was the target we set five years ago, and that target has been reached. Plus we've seen no indication that our rates for small business are not competitive or fair.

On the other hand, larger corporations face growing pressures to compete not only here in Canada but on a global basis. Alberta must be able to compete and attract business investment from around the world.

In terms of tax reductions for individuals and families, I also have some good news to report. Our priority is low and middle income Albertans – lightening the load they pay and leaving more of their hard-earned tax dollars in their pockets, not ours.

As many will remember, our first priority when Alberta's financial picture improved in the late 1990s was to reduce personal income taxes. As a result, from 1999 to 2001, our government phased in over \$1.5 billion in personal income tax cuts including the single rate tax and the highest income exemptions in Canada.

This year, the basic, spousal and eligible dependent tax credit amounts will be increased to \$14,899 compared to an average in other provinces of \$7,800 for the basic credit amount and \$6,850 for spousal amounts. All tax credits will be indexed, including the Alberta Family Employment Tax Credit. Together, these changes will save Albertans about \$77 million in personal income taxes.

Effective April 1, we'll also increase the threshold for health care premiums by \$5,000. That means a family with children will pay no health care premiums if their taxable income is less than \$32,210. This is a direct benefit to 140,000 people and it will save them \$30 million in 2006-07 alone.

On top of those important steps, our government will also reduce school property tax rates by over 7 percent and continue to protect Alberta's seniors from paying increases in school property taxes.

We'll invest in research and innovation and continue to attract leading researchers to our province. We'll expand our research endowment funds, encourage innovation and faster commercialization of new energy technologies, invest over \$50 million in life sciences research, and continue to support start-up business ventures.

We'll also continue to assist Alberta's agricultural producers in their ongoing recovery from the effects of drought, low commodity prices, and BSE. For the 2006 crop year, we are extending the previously announced enhancements to the Spring Price Endorsement and Revenue Insurance Coverage programs and reducing producers' share of production insurance premiums. These changes will provide some relief from rising input costs and sagging commodity prices while encouraging producers to protect themselves in an uncertain sector of our economy. In addition, we'll continue our efforts to promote value-added agriculture and secure a brighter future for Alberta's agriculture industry.

Taken together, these investments will make Alberta a fierce competitor for national and international business. It will maintain our commitment to small businesses, provide more certainty for agricultural producers, leave more money in Albertans' pockets, and support research, innovation and leading edge ideas.

Closing

Mr. Speaker, those are the highlights of Budget 2006. As I said at the outset, if there was ever a time for optimism about Alberta's future, this is it.

With Budget 2006, we're determined to capture Albertans' optimism and hopes for the future. To address the challenges of today. But most important, to secure an even better future for our province and for generations of Albertans to come.

We're also determined to play a strong leadership role on the national stage, contributing our ideas and experience, and showing everyone that a strong Alberta makes for an even stronger Canada.

In the Premier's television address a few weeks ago, I listened to the voices of so many Albertans. I heard them talk about their hopes and dreams for the future. And I listened as they talked, and our Premier talked, about Alberta and the kinds of things that are possible here, if we just set our minds to it.

The comments from one young man struck me in particular. He talked of his experience as a youth and how he works with youth today. And he said, "I've always been told that opportunity knocks once. Not in Alberta. It knocks several times on your door. You just have to capitalize on the opportunity when it's there."

Mr. Speaker, opportunity is definitely knocking on Alberta's door. We can hear it. It's all around us. And with this budget, with the right investments, and with our eyes on Alberta's future, we're ready and we will capitalize on every opportunity that comes our way.

Thank you, Mr. Speaker. Thank you, Mr. Premier. And thank you Albertans. As the Premier would say, welcome to Alberta's second century. With Albertans' unique blend of optimism, ingenuity, and sheer hard work, I have no doubt it will be even better than the first.