

Budget 2008

THE RIGHT PLAN FOR
TODAY & TOMORROW

Budget Speech

Delivered by

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April 22, 2008

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Alberta

BUDGET SPEECH

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A BEACON OF HOPE

A budget is about more than numbers. It is about what those numbers represent. I begin our government's budget for 2008 with the number that matters the most: 3.5 million. That, Mr. Speaker, is the number of Albertans who call this great province home. Two million of us are working; 867,000 of us are students, in classrooms from kindergarten to post-secondary; and 362,000 of us are seniors.

Today, Alberta continues its fine tradition as a beacon of hope and a fresh start, in a place that offers something better, not simply more. In this Assembly, we contemplate the great risk taken by many of our ancestors—and even some of our members—who came to Alberta. They came here to build a better life for their families, and themselves. Taking risks and taking responsibility are part of the culture of our province.

Those attributes bring to mind the platforms on which any budget should stand: managing choices wisely, while building for future growth. We will continue to build the right plan for today, and tomorrow. So let's start with two premises.

The first involves our financial operating environment. Our economy is strong, and our finances are strong. Hard work and good fortune have made these exciting times in Alberta. Uncertainties like energy prices as well as exchange rates, national and international rules and agreements, and a downturn in the American economy also challenge us to carefully consider our financial strategies. This environment offers both opportunity and risk. Albertans have learned to manage both, for generations.



The second premise for our budget plan relates to our recent provincial election.

Our government made clear commitments to Albertans in five priority areas:

- Delivering health care more effectively and efficiently;
- Protecting our environment and developing our energy resources in a responsible, sustainable way;
- Broadening Alberta's economic base;
- Ensuring strong, safe and vibrant communities; and
- Providing the infrastructure that we need.

Budget 2008 frames our new mandate, and our plan to deliver on our commitments, and honour Albertans' trust in our Premier and in our government; to provide sustainable solutions to manage pressures of growth responsibly; and to improve Albertans' quality of life, and support wise, compassionate choices in a free democracy.

ALBERTA'S ECONOMY

Let's start with our operating environment. It's no secret that Alberta's economy has been growing at a torrid pace. That growth may cool somewhat, but it will still remain strong. There will continue to be essentially full employment, and healthy growth in population. We forecast real growth in Alberta to average 3.2% over the next four years.

Let's be clear on this. Alberta will remain a major driver of the Canadian economy. Our provincial programs and services will continue to attract people and jobs. Though the United States may show less demand during this time for our services and goods, our strong foundation of investment will continue to fuel growth, create wealth and expand new markets.



FUNDING OUR COMMITMENTS

We have developed our financial plan recognizing that Alberta is in a special position. Our income offers the tremendous privilege of funding services that are beyond the capacity of other jurisdictions.

Price volatility is very real. When we presented our budget last year, oil was at \$61.83 per barrel. Just five years ago, it was less than half that price. A shift of only a dollar in the price of oil over 12 months gains or loses Albertans \$130 million. We have budgeted for a price of oil at \$78 a barrel this year. That's at the cautious end of a wide range of private-sector forecasts. We believe that our price forecast is within our tolerance for risk, and a reasonable point from which to plan. Once our new structure for royalty revenue is fully implemented next year, it will generate a further \$1.8 billion a year, based on our forecast prices and production levels.

This year, we expect our total revenue to be \$38.6 billion.

SURPLUS AND SAVINGS

Our financial plan includes the Premier's direction to support a more sustainable economic future, with a renewed call for an investment and savings policy for the long term. Albertans save money for their children's education, and save for their retirement. So it's important for their government to assure that future generations can cope with the resource-reliant, and therefore cyclical, nature of Alberta's economy.

Based on our revenue predictions and our spending commitments, we target a surplus of \$1.6 billion this year. Of course, that could be higher if energy prices stay where they are today.

We have a plan to deal with any surpluses that come in higher than expected. This



involves allocating one-third of any increased surplus to savings. The other two-thirds will go to capital spending, of which at least half will be for maintenance. Last year, under this policy, we saved almost \$1 billion, which went into the Alberta Heritage Savings Trust Fund. Altogether, we have put almost \$7 billion into long-term savings since we retired our provincial debt. This includes not only the Heritage Fund, but other endowments supporting scholarships, and medical, scientific and engineering research.

This year, we'll deposit \$279 million into the Heritage Fund, to keep pace with inflation. Over the next three years, we plan to contribute almost \$1 billion, plus any additional savings which may accrue with in-year surpluses.

DELIVERING ON COMMITMENTS

Let's look now at how our government will deliver on its spending commitments to Albertans.

Respecting those commitments, our total expense this year will be \$37 billion. That's an increase of \$3.3 billion, or 9.7%. It reflects the growth in population and inflation in Alberta last year, as well as capital commitments, and both new and expanded services. Last year, Alberta grew by almost 68,000 people; that's more than the entire population of Medicine Hat. As people keep coming to Alberta, the demand for services, and the costs of providing those services, continue to rise.

More than 70% of our operating expense is spent on health, education, advanced education, seniors, and Albertans who are most in need.

Based on our three-year capital plan—as well as our longer-term, 20-year plan—our capital spending rises by 22% this year, to a record \$8.7 billion. That's almost \$2,500 per person, which is more than three times the average of our fellow provinces.



Now let's examine our five priorities.

Mr. Speaker, health care is Albertans' highest priority. It's also our largest spending area, taking about a third of our budget, and the largest portion of our spending increase this year. Our program expense on Health and Wellness is up by 9.1% this year, to more than \$13 billion. This pays for professional services, facilities, equipment and information systems. It also provides new and redeveloped health facilities, in places like Calgary, Edmonton, Fort Saskatchewan, Grande Prairie, Medicine Hat and Sherwood Park. Over the next three years, we'll commit \$145 million to attract and retain physicians, and other health-care professionals.

On energy development and the environment, we will pursue a leading role in responding to climate change, through carbon capture and storage, saving energy, and greener energy production. We'll commit almost \$600 million over three years to address climate change and reduce greenhouse gases. We will also invest almost \$800 million to support our Water for Life strategy, and other water, wastewater and irrigation projects.

To broaden the base of our economy, a new Alberta Enterprise Corporation will receive \$100 million, and boost access to capital for early-stage, knowledge-based companies. A new Scientific Research and Experimental Development Tax Credit will provide incentives for businesses to invest in research and development, starting at \$60 million and growing over time.

Our government recognizes the pressures that agriculture and forestry have been under. We are committing just over \$1 billion this year to support Alberta's traditional strengths in agriculture and rural development. And we're allocating \$55 million to protect our forests against the mountain pine beetle.



To support safer communities, we will spend \$500 million over the next three years. This year, we'll hire 67 new crown prosecutors and court staff, and 100 new front-line police officers. More resources will go to high needs like mental-health beds and services, and expanded efforts to prevent addictions.

In the priority area of infrastructure, our support for our communities continues through our Municipal Sustainability Initiative. Over the next three years, municipalities will receive \$5 billion for capital projects from this and other initiatives. We will fund specific new projects in the Fort McMurray region. And we'll improve and expand our provincial road network. This includes twinning Highway 4 at Milk River; replacing the Smoky River Bridge at Highway 49 near High Prairie; and working towards completion of the ring roads in Calgary and Edmonton. In total, we're paving more than 2,800 km of highway this year.

So immense are the demands of economic growth in Alberta, that in the last five years, our funding for roads has grown by 300%, and our commitment to municipal infrastructure is up by 600%.

Mr. Speaker, our government understands that the measure of any society is how well it cares for its most disadvantaged citizens. This year, we are dedicating more than \$500 million to help Albertans in need of housing. We'll continue to fund the construction of 11,000 new affordable housing spaces over five years. We'll continue to support emergency and transitional shelter services, as well as improve our strategies to prevent homelessness and eviction. There are funding increases for aboriginal people, Albertans on lower incomes, seniors and those with special needs. We will also increase funding to agencies contracted by our government to provide care for Albertans, to help those agencies recruit and retain staff.



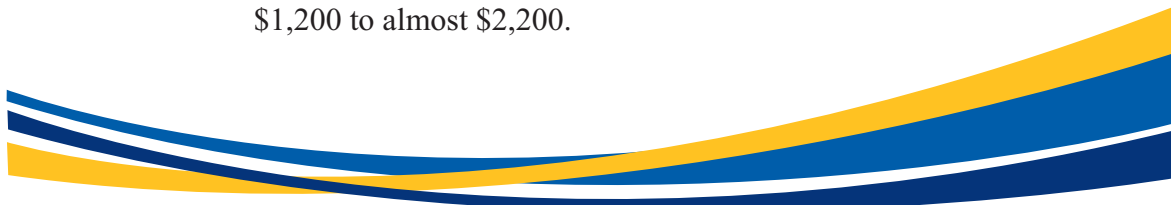
We continue to invest in our youth and their education. We will create 14,000 new child-care spaces over the next three years. We'll build, or do major upgrades to, 134 schools. And we'll expand capacity and access for post-secondary learning, and provide more support for members of groups that are under-represented in adult learning. We have always valued education in our province. Our students remain our most cherished hope for Alberta's future.

Reflecting the importance of Alberta's grassroots and our volunteers, we're allocating over \$500 million to community facility projects this year. We will contribute \$50 million towards the new Capital Region River Valley Park, as part of our efforts to promote tourism. The new Community Spirit Donation Program will provide \$20 million to encourage charitable donations. We recognize that culture is vital to our well-being. We will provide \$12 million to implement our new cultural policy, The Spirit of Alberta, most of which will be allocated to the Alberta Foundation for the Arts.

Mr. Speaker, overall, Albertans pay the lowest taxes in Canada. Our government aims to keep it that way.

Once again, we are increasing personal tax credits to account for inflation. We are also boosting the tax credits for caregivers, for Albertans with disabilities, and also for working families with middle to lower incomes. These measures will save taxpayers about \$180 million a year. Here's what this means to Albertans:

- Indexing tax credits to inflation will save a family with two children about \$200 a year.
- A lower- to middle-income family with two children will receive up to \$316 under the increased Family Employment Tax Credit.
- Families caring for an elderly, live-in parent will more than double their tax savings, from \$436 to \$936.
- And disabled Albertans who are also eligible for the disability supplement will see their annual tax savings grow from nearly \$1,200 to almost \$2,200.



Mr. Speaker, our speech from the throne reiterated our promise to eliminate health-care insurance premiums within four years. We're going to do even better than that.

As of January 1, 2009, Albertans will not pay health-care premiums. This will save Albertans and businesses \$1 billion a year. Here's what this means to individual Albertans. A single person who pays the full premium now will save up to \$528. And a working family paying the full premium will save up to \$1,056 a year.

Add up all of our reductions in taxes and premiums, and individuals, families, businesses and other organizations will save almost \$1.3 billion a year.

If Albertans and Alberta businesses were in any other province, they would pay between about \$10 billion to \$18 billion more in taxes, every single year. That works out to about \$3,000 to \$5,000 for each Albertan.

THE RIGHT PLAN

Mr. Speaker, we believe this is the right plan for today and tomorrow. This plan and this budget respect the privilege of governing in Alberta. In this blessed time of prosperity, Alberta will remain a beacon of hope for people who seek to improve their lives. Alberta's strength will continue to benefit all Canadians.

As we celebrate the arrival of new pioneers every day, our government will keep working hard, to maintain Albertans' trust; to open doors of opportunity for them; to engage citizens of all ages and backgrounds, to achieve their full potential, and to build an even better Alberta together.

