

# SPEECH

## Budget 2011

Building a better Alberta

BUDGET 2011 ADDRESS

*Presented by:*

HONOURABLE  
LLOYD SNELGROVE  
MINISTER OF FINANCE  
AND ENTERPRISE

In the  
Legislative Assembly  
of Alberta

February 24, 2011

*Check Against Delivery*

Speech

Thank you, Mr. Speaker.

It is my privilege today as the MLA for Vermilion-Lloydminster to present the Government of Alberta's Budget for 2011-2012.

A practical, responsible budget that respects the economic lessons of the past, while continuing to build for the future: A budget that combines restraint with the traditional Alberta values of community and compassion.

Like so many Albertans, I learned those values from my parents - Bob and Margaret Snelgrove, who are here today.

They grew up during the Great Depression. They learned the value of a dollar.

And as so many Alberta families have done throughout the history of our province, they figured out what it takes to prosper through difficult times: Live within your means, save something for emergencies, and plan for better days.

I'm proud to say this budget reflects those values.

Over the last 16 years, Alberta paid down \$23 billion in debt!

In the good years we saved nearly \$25 billion - with \$17 billion of that going into Alberta's emergency savings account - The Sustainability Fund.

And through the recession, that solid foundation allowed the government to plan for better days - to continue our investment in the future of our province.

That's the Alberta way Mr. Speaker. Learn from the past! Look to the future!

Thanks to a combination of prudent management and foresight, Alberta has weathered the downturn - and emerged from it in a stronger fiscal position than any other province.

...

At the beginning of the recession, Premier Stelmach announced a plan to see Alberta through the difficult times. A straight-forward plan built on four simple principles:

- We would manage our spending carefully, cutting back where it made sense;
- We would protect and enhance funding for priority public services like health care, education and supports for Albertans in need;

Speech

- We would continue investing in roads, hospitals, schools and other public infrastructure - supporting tens of thousands of jobs and preparing for a return to economic growth;
- And we would continue to compete for investment and skilled workers – with the lowest taxes in the country.

We were able to carry out this plan because we had savings in the bank to pay for it: Savings that would get us through the recession with our fiscal strength intact, our core public services preserved, and our province positioned for growth.

...

Mr. Speaker, growth has returned to Alberta.

Led by a strong oil sector, our economy has recovered from a deeper recession than expected - and is expanding again, with forecast growth in the coming year of 3.3 per cent.

Investment has rebounded in both oil sands and conventional oil - and increasing oil exports are expected to drive Alberta's economic growth over the next three years.

That growth is forecast to average 3.2 per cent between 2012 and 2014: A strong but sustainable pace that should keep inflation in check, and employment growth manageable.

Business investment outside the oil sector - following a weak 2010 - is expected to pick up this year, as other sectors of the economy strengthen.

Alberta's manufacturing shipments were strong in 2010 - and are expected to continue gaining strength as the global economy moves firmly into expansion mode.

The employment picture is also forecast to continue to improve in 2011, with the addition of over 40,000 jobs.

Employment growth is expected to continue in the years ahead, averaging just under 2 per cent per year through 2014 - driving the unemployment rate down to 4.5 per cent.

This strong labour market, coupled with solid growth in personal income, is expected to boost consumer spending.

In short, the overall outlook for our economy is positive, with most indicators pointing up!

...

But there are reasons to be cautious.

Natural gas prices are expected to remain weak for the foreseeable future, with natural gas storage levels close to record highs as supply outstrips demand.

And as an exporting province, Alberta's economic health is closely tied to that of the U.S.—and while economic recovery has taken hold south of the border, it remains fragile.

These are not reasons to expect the worst—but they remind us of the need for ongoing vigilance in how we spend taxpayers' dollars.

...

Mr. Speaker, Budget 2011 reflects that need for vigilance.

Both operating expense and total program expense is forecast to increase at a rate lower than population growth plus inflation.

Because the recession hit Alberta harder than first thought, revenues are not projected to be as high, this year and next, as forecast a year ago.

However, we expect to be back in the black by 2013-14.

We will continue to use our savings account to cover our deficits, as we get back to a balanced budget.

...

With improved overall global economic and energy-price prospects, the outlook for Alberta revenue is positive.

Total revenue is forecast to increase \$1.6 billion in 2011-12 to almost \$35.6 billion—then grow by an average of \$3.2 billion over the next two years, reaching \$42 billion in 2013-14.

Leading the recovery in revenue this year is a 13-per-cent increase in revenue collected from personal and corporate income taxes.

To be clear, this is not because tax rates are being increased.

As Premier Stelmach has often said, you cannot tax your way out of recession.

This government remains firmly committed to maintaining the lowest provincial tax regime in Canada—with low personal taxes, low corporate taxes, the lowest fuel taxes, the highest personal and spousal tax exemptions, no capital tax, no payroll tax - and no sales tax!

## Speech

With any other provincial tax system, Albertans and Alberta businesses would pay at least \$11 billion more in taxes each year – and this is not a burden we are prepared to place on our province.

Our approach, as always, is to keep taxes low and grow the economic pie.

So the factors driving the forecast increase in tax revenue—more jobs, higher wages and stronger corporate profits—are all signs of a growing economy.

Growth in the resource sector—particularly in the oil sands—is also expected to drive revenues.

Resource revenue is forecast to increase by \$300 million to \$8.3 billion in 2011-12, rising to nearly \$12 billion in 2013-14.

This is due mainly to increasing revenue from bitumen royalties, which are forecast to climb to \$4.1 billion this year – more than the combined total of royalties from natural gas and conventional oil.

By 2013-14, bitumen royalties will grow to over \$7 billion, due to increased production.

Revenue from conventional oil royalties is forecast to be relatively flat, while revenue from natural gas is expected to drop 38 per cent compared to last year, and remain low for the next two years.

Most other government revenue is forecast to continue to recover and grow over the next three years.

...

One notable exception is federal transfers—which are forecast to fall by \$500 million or nearly 10 per cent.

This is mainly the result of the winding down of federal stimulus programs introduced during the recession—and so it's not a surprise.

But it is a reminder of our grievance with the federal government over the unfairness of the Canada Health Transfer to Alberta.

All other provinces will receive at least \$805 per person in CHT cash this year - while Alberta will receive only \$558.

Even as Albertans contribute far more per person to Ottawa than the citizens of any other province, they are still being shortchanged by over \$900 million this year alone.

It creates two-tier federal support for public health care.

This is clearly unfair and your government will continue to insist – in the strongest terms – that Albertans be treated equally.

...

As our revenue picture brightens, we must continue to be prudent managers of Albertans' dollars.

Our emergency savings are shrinking and we must begin to rebuild them.

That means keeping our spending in check – and Mr. Speaker, this budget does that.

Total operating expense is forecast to be \$33.9 billion, an increase of \$720 million—targeted at priority areas.

At 2.2 per cent, that increase is less than population growth plus inflation of 3.5 per cent—a trend forecast for the following two years as well.

Total expense—including capital grants and other expense—is forecast to be \$39 billion, an increase of just one-half of one per cent!

...

However, this is far from being a status quo budget. It continues a strong investment in Alberta's future.

Our spending plan for the upcoming year continues to focus on five priorities:

- Increase access to quality health care and improve the efficiency and effectiveness of health care service delivery.
- Enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run sustainability of Alberta's economy.
- Promote strong and vibrant communities and reduce crime so Albertans feel safe.
- Provide the roads, schools, hospitals and other public infrastructure to meet the needs of a growing economy and population.
- Ensure Alberta's energy resources are developed in an environmentally sustainable way.

...

Funding for health care is forecast at \$14.9 billion.

This includes a 6 per cent increase in the base operating grant to Alberta Health Services— in line with the five-year funding commitment made last year that will see further increases of 6 per cent next year and 4.5 per cent in each of the two years after that.

This will increase the base grant to AHS this year by \$545 million to \$9.6 billion.

Short-term results from this substantial investment health care - expected to be achieved by March 2012 - include:

- 360 new hospital beds;
- 3,000 more surgeries;
- 2,300 more continuing care spaces; and
- 3,000 more Albertans receiving home care service.

We are putting new dollars into frontline actions – Albertans told us to put people first, and we are.

...

Funding for K-to-12 education is also again being increased - and significant support to the post-secondary education system will be provided.

Initiatives to build a skilled workforce for the future will continue.

School boards will receive \$5.7 billion in operating grants and property tax support this year – an increase of over \$250 million or 4.7 per cent.

The funding will cover the salary and associated pension costs of a forecast

4.4 per cent increase in teachers' wages effective September 1.

It also provides for general enrolment growth and increases in supports for students with severe disabilities, English as a Second Language, and student transportation services.

...

## Speech

Advanced Education and Technology program expense is budgeted at \$3 billion, which includes \$2.8 billion in operating support.

This includes a \$62-million increase in operating grants to universities, colleges and technical institutes.

More than \$250 million is budgeted for research, innovation and technology commercialization initiatives - including \$202 million in operating support for the four agencies under Alberta Innovates.

The Alberta Heritage Foundation for Medical Research and the Alberta Heritage Science and Engineering Research endowment funds will continue to support increased grants to maintain health research at Alberta universities, and to support long-range initiatives such as nanotechnology research.

...

Almost \$170 million in disaster support was provided to the agriculture industry in the past year, as poor early season weather and other conditions impacted the sector.

Although commodity prices for wheat, canola and beef are encouraging, ongoing agriculture support programs are being maintained, with nearly \$1 billion budgeted in Agriculture and Rural Development.

With over \$41 million budgeted this year, the Alberta Livestock and Meat Agency will continue to implement programs to help build an internationally respected, competitive and profitable livestock and meat industry.

...

The Safe Communities Innovation Fund in the Ministry of Justice will continue to support crime prevention pilot projects and development of municipal, regional or Aboriginal community crime reduction and prevention plans.

Since 2008, 300 new front-line police officers have been added, and in the coming year 30 new probation officers are being added to target repeat or high risk offenders.

...



Our commitment to Albertans most in need will continue.

Nearly \$783 million is budgeted for income and health benefits and other supports to more than 42,000 disabled adults - an increase of 3.5 per cent.

This funding provides for caseload growth and maintains the maximum monthly income benefit for AISH recipients of \$1,188 and the average monthly health benefit of about \$370.

Since 2005 funding to the AISH program has increased by over \$290 million or 60 per cent!

...

The Premier's 10-year plan to end homelessness in Alberta will continue.

Nearly \$93 million in operating support is budgeted, an increase of \$7 million.

This will provide about 3,500 spaces in emergency shelters, as well as outreach support services to assist homeless Albertans.

Since 2009, about 3,000 Albertans who were homeless have been placed in permanent housing.

Budget 2011 also provides a \$16-million increase to seniors' programs, including the Alberta Seniors Benefit, dental assistance and special needs assistance...

And a \$39-million operating increase to child services programs, including intervention services and foster care support, child care, and family support for children with disabilities.

...

Mr. Speaker, if you believe in the future, you build for the future – and this budget continues to do that.

Nearly \$2.6 billion is budgeted over the next three years for expansion, renewal, and maintenance of health facilities and equipment, including:

- Redevelopment and expansion of the Tom Baker Cancer Centre and the completion of the South Calgary Health Campus.
- Construction of the Northern Alberta Urology Centre, including a Men's Prostate Clinic, as part of the new Edmonton Clinic South;
- Significant progress towards a new regional hospital in Grande Prairie, including a cancer centre, and redevelopment of the Medicine Hat Regional Hospital;
- New health care centres in Fort McMurray, High Prairie and Edson, and a new Central Alberta Cancer Centre in Red Deer.

## Speech

- More than \$700 million in capital support is being provided for Alberta schools over the next three years, to create more than 15,000 new student spaces, including:
- The construction of 14 new schools in Calgary, Edmonton, Okotoks, Sherwood Park, Spruce Grove, and Langdon - under the second phase of the Alberta Schools Alternative Procurement plan.
- And the replacement of three other schools in Sexsmith, Drumheller and Millet.

The Ministry of Education is working together with school boards on innovative ways to accelerate the school capital plan to meet the needs of our ever-growing student population.

Alberta's post-secondary universities and colleges will see continued investment as well, including the completion of:

- SAIT's Trades and Technology Complex;
- Agricultural research facilities at Kinsella and St. Albert;
- The University of Alberta's Edmonton Clinic North; and
- The Bow Valley College expansion project.

The Capital Plan also includes more than \$5 billion over three years in municipal infrastructure support for our growing communities - through the Municipal Sustainability Initiative and other programs.

It also includes \$4.6 billion over three years for the provincial highway network – nearly \$1.7 billion this year alone – one of the largest investments in our transportation infrastructure in the province's history.

This investment will fund construction and rehabilitation work on highways throughout the province - with continued construction of the ring roads in Calgary and Edmonton, and continuing work on Highway 63.

The Capital Plan also includes necessary investment in water and wastewater management.

Over \$750 million will be provided over three years for monitoring and other regional projects supporting the Water for Life strategy; for municipal water and wastewater partnership grants; for irrigation rehabilitation grants, and for other projects.

...

## Speech

As a globally important energy producer, Alberta must continue to focus on being a national and international leader in greening its energy production.

This Budget continues to support the ground-breaking Climate Change and Emissions Management Fund.

To date, the fund has announced commitments to support 16 clean technology projects, with more support expected shortly for energy efficiency and renewable energy projects.

The budget also provides \$70 million in 2011-12 for carbon capture and storage projects – part of government's \$2-billion commitment to use this technology to help address climate change.

In addition, nearly \$17 million will be provided in 2011-12 for enhanced environmental monitoring, science and reporting - an increase of 21 per cent.

The recently appointed Environmental Monitoring Panel will provide recommendations to government by June 2011 on the development of a world-class monitoring, evaluation and reporting system for Alberta's oil sands.

...

Mr. Speaker, this is a Budget that positions our province for continued growth and prosperity.

It enhances Alberta's competitiveness in the global marketplace.

It continues to support jobs and create opportunity.

It enhances the public services and programs that Albertans value most – like health care, education and supports for those in need.

Yes, this budget projects a deficit this year, and another smaller one next year.

But let's be very clear.

The deficits are the result of our commitment to building the hospitals, schools, highways, and other public infrastructure we need as our province continues to grow.

And we have money set aside to pay for that continuing investment in the future.

At the same time, we will continue to pursue savings within government, building on our proven record of finding in-year savings in our program expense.

...

## Speech

Mr. Speaker, at the heart of this budget is a rock-solid belief in Alberta's future as an economic leader – in the potential of our province, and the potential of its people.

When the recession hit we were faced with a stark choice:

Do we stop investing in the future? Do we abandon our priorities?

Or do we manage through the difficult times, and make sure we position our province for economic leadership?

As a government, with Premier Stelmach's leadership, we made the right decision - to keep building Alberta.

Through the worst economic downturn in 80 years we chose to continue investing in Alberta's future – to stay true to the values this province was built on.

Why?

Because sound fiscal management had given us the resources to do it, and because it's our responsibility to ensure our province emerges from this recession in fighting shape.

...

As I look at my parents today I can't help but recognize that Albertans have been given opportunities and a quality of life available to very few in this world.

That didn't happen by accident.

It was the hard work of generations of Albertans that has made this province what it is today.

And the foresight of successive governments in creating the framework of fiscal strength and flexibility that allows us to continue building for tomorrow - even during difficult times.

Mr. Speaker, this budget remains true to the pioneering spirit and values that made this province what it is today.

It shows confidence in our people and our future.

And it sets us on the path to join together with all Albertans to Build a Better Alberta.

Thank you, Mr. Speaker.