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BUDGET

99

the
**Right
Balance**

Alberta
GOVERNMENT OF ALBERTA

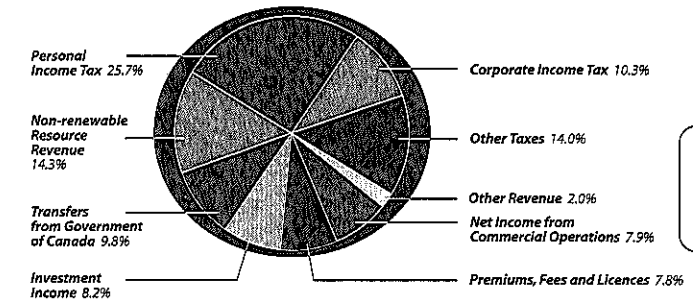
The Right Balance

Budget '99 is an important milestone for Alberta. It is the culmination of the work we've been doing for the last six years and lays the foundation for a very bright future. To build this budget, we asked Albertans what was most important to them. And then we found a way to do those important things without going into debt. It wasn't easy, but we found a way to increase spending in health and education, and make the final payment on Alberta's net debt at the same time. The icing on the cake? A three-year plan to save Albertans money by cutting taxes and making Alberta's tax system simple and fair.



Provincial Treasurer
Stockwell Day

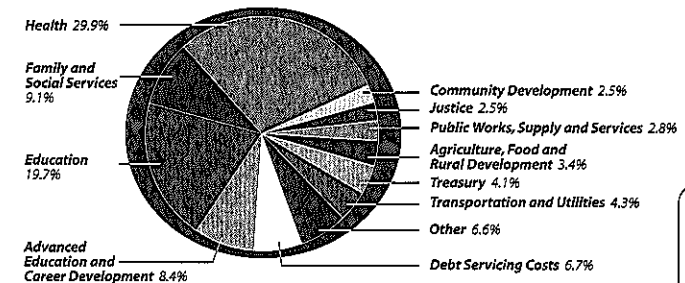
CHART 1 THIS IS WHAT GOVERNMENT WILL EARN IN REVENUES* IN 1999-2000.



We estimate that total revenue for 1999-2000 will be \$16.9 billion.

* Revenue is income, like your paycheck.

CHART 2 THIS IS WHAT GOVERNMENT WILL SPEND IN 1999-2000.



We estimate that total spending in 1999-2000 will be \$16.2 billion.

Our best estimate

All the numbers in the revenue pie chart (chart 1) are estimates. Because we can't predict exactly what the price of oil or gas will be for the year or just how much Alberta businesses will make in profits and pay in taxes, we make an educated guess that we call a forecast. We try to keep our forecasts prudent so we don't bank on money that we might not get.

Fiscal Responsibility . . .

Fiscal responsibility means always keeping a close eye on the bottom line so that you will always have enough money to do the things that are most important to you. As a government, this is so important to us that we wrote a law making it illegal to do anything else. The Fiscal Responsibility Act (FRA) lays down the law on balanced budgets, debt repayment and spending so that we can achieve the right balance in 1999-2000 and into the 21st Century.

To see how well we'll meet our responsibilities in 1999-2000, look at where our money goes (chart 2, page 2).

. . . in a changing economy

Because the energy sector plays such a big role in our economy, the amount of revenue we take in can increase or decrease a fair amount from year to year.

However, the economy has become steadily more diversified as Albertans have expanded in other areas like manufacturing and high-tech industries.

As a result, government has also become less dependent on non-renewable resources for its revenue. In 1985, the energy sector accounted for 61 per cent of total corporate income taxes. In 1997, it was only 21 per cent. And, even though oil prices hit a twelve-year low, our economy remained steady in 1998, drawing its strength from construction, transportation, business services and high-tech industries.

A CUSHION TO PROTECT US FROM UNCERTAINTY

Just in case our revenues come in lower than we expect or costly emergencies crop up (like forest fires that no one can predict), we have a cushion to keep us from adding to our debt. To create the economic cushion, we set aside a minimum of 3.5 per cent of the total forecast of revenue at the beginning of each year. So, if oil prices plummet again, we will still be able to pay for all the things we've promised. If the money in the cushion isn't used to offset weak revenues or pay the cost of emergencies during the year, the FRA tells us that we have to use at least 75 per cent of it to make a payment on our debt. In Budget '99, the economic cushion is \$617 million.

Growing strong

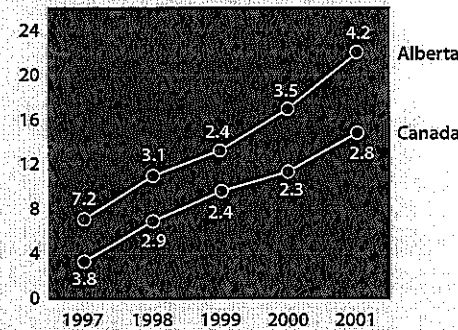
We've worked hard over the last several years to get our fiscal house in order and it's really paying off. We will enter the 21st Century with one of the strongest economies in the country.

In 1997, our economic growth was 7.2 per cent. That was almost double the national growth rate for that year. Then, in 1998 it was 3.1 per cent, which was also very good. We're forecasting 2.4 per cent growth for 1999, 3.5 per cent for 2000 and 4.2 per cent for 2001. In total that's over 20 per cent growth in just five years.

Our economy is not the only place we see growth. Alberta's population is exploding.

Between October, 1997 and September, 1998 over 55,000 people moved to Alberta. That's like having everyone in Langley, B.C. (pop. 22,500) and Moose Jaw, Saskatchewan (pop. 32,000) pack up their belongings and move to Alberta. Except they didn't bring their hospitals, schools or roads with them. So, in Budget '99 we're increasing spending to meet the demands of those new Albertans on our hospitals, schools and roads.

REAL GROSS DOMESTIC PRODUCT
(%CHANGE)



Source: Statistics Canada and
Alberta Treasury

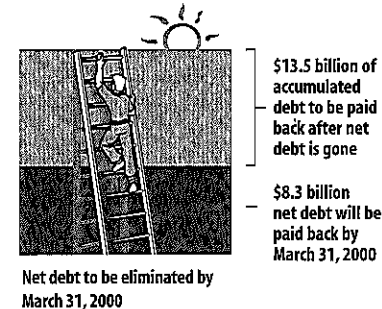
Debt-free is the way to be

On March 31, 2000, we plan to make the last payment on the net debt, wiping it out forever. For the first time in nearly a decade we will no longer owe more than we own. This is cause for celebration. But we're not out of the woods yet.

From 1985-1986 to 1993-1994 the province borrowed over \$21 billion to finance government overspending. While we will

have eliminated the net portion of the debt, we will still owe \$13.5 billion in accumulated debt. And we will still pay about \$1.1 billion a year in interest on it.

CLIMBING OUT OF DEBT



When we consulted with you in our *Talk it Up. Talk it Out.* survey, just before Christmas, you told us that repaying our province's debt is still very

important. That's not surprising because it makes sense and Albertans are sensible people. By paying back over \$8 billion of our debt, our interest costs are \$650 million less than five years ago. That's \$650 million that has been put towards tax cuts and spent in our education and health systems. Every penny we save goes to Albertans' priorities.

Putting money back in your pocket

You're the one who knows best how to manage your money. That's why in Budget '99 we unveil a new three-year plan that will leave more money in your pocket. Alberta, which leads the nation in balancing books, will now take the lead in tax reform. When the plan is fully implemented, it will save Albertans \$600 million a year in taxes.

Cutting edge tax reform

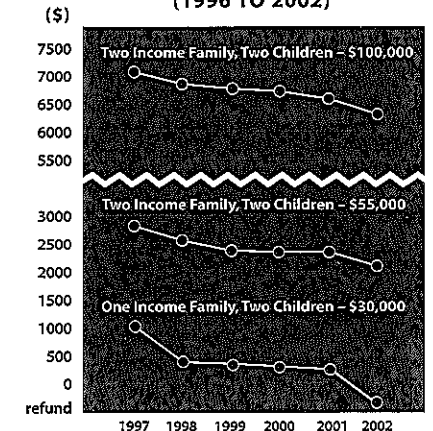
This year, we match federal increases in personal and spousal exemptions and save Albertans \$55 million. Next year, we cut the deficit elimination surtax in half. In year three, we eliminate the surtax altogether. Plus we wipe out the other deficit elimination tax, the flat tax, when we move to a new system.

Slated for introduction in 2002, the new tax system will be simple. We will have a single tax rate of 11 per cent of what you earn. We will also raise the basic personal and spousal exemptions again so an additional 78,000 Albertans with low incomes will pay no provincial income tax what-so-ever.

Lowering taxes not only beefs up your bank account, it's also good for our economy. It attracts new people to the province and gives us more rewards for working and investing in Alberta. Our tax reforms also add fairness to the system with a more equitable approach to taxation of single and two-income families.

As well, this system is fully inflation adjusted, so your taxes don't creep up over time. This new tax system is the first of its kind in Canada and it's a bold move for us.

**ALBERTA TAXES PAYABLE
(1996 TO 2002)**

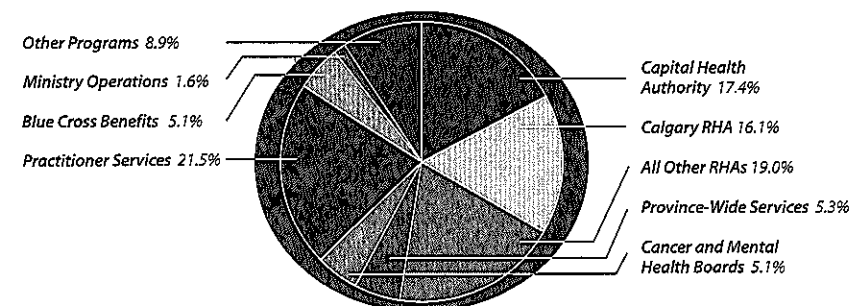


...Ours too

We will use the money to improve services and take the pressure off our health system that is caused by the recent population growth in our province.

This spells relief for health authorities. They'll use their \$261 million share of the increase to up the number of important operations that are performed like heart surgery, bone marrow transplants and joint replacements. And they'll hire about 1,000 full-time, front-line staff so Albertans can count on better service in hospital emergency wards, acute care, home care, and long-term care.

HEALTH SPENDING



In 1982-1983 our health spending was \$2.438 billion, or 20.7 per cent of total spending. In 1992-1993, before restructuring, it was \$4.164 billion, or 23.7 per cent. In Budget '99 it will be \$4.851 billion, or 29.9 per cent of our total budget.

Six million dollars of the increase will be spent on a new program that will support the cost of drug therapies for patients who are released early from acute care hospitals. This way, patients will be more comfortable at home without the worry of how to pay for drug treatment they would have received for free in the hospital. Also included in the increase is another \$9 million to improve access to long-term care and another \$24 million to improve services for Albertans with cancer and mental illness.

Money isn't the only thing we're putting into the health system this year; we're also adding smarts. For example, the provincial Health Summit, held in late February, generated great ideas for the direction health care should take in this province. And, we're always looking for new and more effective ways to make sure Albertans get all the care they need. And we're not just talking treatments and cures here; we're also talking about ways to help people lead healthier lives.



Children. Our greatest joy . . .

Nobody can say for sure what the future holds. But judging by the smart young people we're raising here in Alberta, the future looks to be an inviting place. So that they get the basic knowledge they need to build a successful future, funding for Kindergarten to Grade 12 education will increase 7.1 per cent this year and a total of 19 per cent over the next three years. That's a total increase of almost \$600 million.

... our most valuable resource

This major increase to basic education funding will be used to:

- increase per-student grants for basic instruction from \$3,860 to \$4,136 over three years
- implement a new program to reward school boards for improvements in student performance
- address the special needs of students with health difficulties
- address the costs of increasing enrolment
- increase private school basic instruction grants to 60 per cent of public education rates
- address the growing costs of pension benefits for teachers.

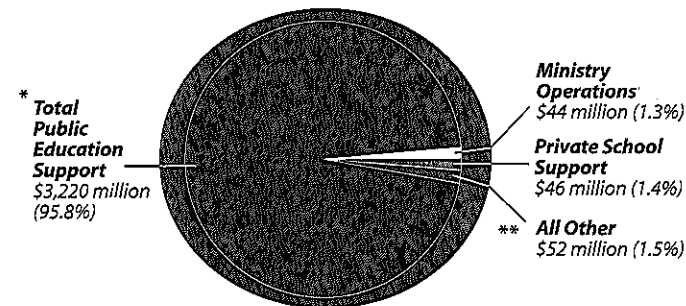
OTHER INITIATIVES THAT WILL ALSO ADD PROMISE TO OUR FUTURE INCLUDE:

- an increase of \$13.1 million in funding for the Child and Family Services Regional Authorities
- a \$2.9 million funding increase for children's programs aimed at eliminating child prostitution and fetal alcohol syndrome
- an additional \$0.5 million for the Prevention of Family Violence program

Children can't learn unless they're healthy and happy. So, the Child Health Benefits program will be expanded so that children in low-income families will receive all the medical and dental services they need. Parents get a break too. Day care subsidies have gone up and more people are now eligible for them.

Total spending on education will be \$3.36 billion in 1999-2000. This includes not only provincial funding, but also property tax collected directly by some separate school boards.

EDUCATION SPENDING



* Public education system support includes: instruction \$2,527(78.5%), support \$553(17.5%), capital \$140(4.3%)

** All other includes: student health initiatives, LRDC operations, and private early childhood services

Into the 21st Century

Things have changed a lot in the last 100 years and now it is time for our young adults to lead us into the next century.

We are doing our best to make sure they are prepared for it. Here's what we're going to do:

- increase spending on the post-secondary education system for adult learning and career development by 7.7 per cent this year to reach a total of \$1.36 billion, and by 16.6 per cent, or \$209 million, by 2001-2002
- create places for 1,200 new students in high-tech and other high-demand degree and diploma programs
- ensure that students with financial needs have access to learning by increasing student loan limits by \$300 to cover higher tuition and living costs
- make Alberta a Centre of Excellence in Information and Communications Technology
- encourage academically outstanding students to pursue high-tech related careers and Alberta universities to recruit world-class researchers in science, engineering, and management