

ALBERTA'S FISCAL FRAMEWORK SURVEY

**DOLLARS
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Alberta



Surveys must be submitted by October 31, 2012.

Completed surveys can be submitted:

By mail: The Praxis Group
221- 2451 Dieppe Ave SW
Calgary, AB T3E 7K1

By fax: 1-403-249-8983

The survey can also be completed online
at www.dollarsandsense.alberta.ca.

In *Budget 2012*, the Government of Alberta (GoA) committed to developing a fiscal framework that will build a predictable, sustainable revenue base to provide stable funding for day-to-day programs and infrastructure for the future. In addition, one of Premier Redford's priorities is to obtain Albertans' views about finances and savings. As a result, the government is conducting consultations on the fiscal framework throughout the fall of 2012.

Over the past two decades, the GoA has engaged in numerous major public consultations to inform the development of its fiscal and savings policies. These consultations have resulted in fundamental and longstanding changes to Alberta's fiscal and savings policies, including new or revised fiscal frameworks, improved governance and management of the Alberta Heritage Savings Trust Fund, and reductions in personal and business taxes.

The purpose of this survey is to collect your opinions about managing provincial savings, allocating non-renewable resource revenues, funding infrastructure projects, and the future of the Alberta Heritage Savings Trust Fund and the Alberta Sustainability Fund. The information gathered in the survey will help guide the development of a renewed fiscal framework.

ABOUT THIS SURVEY

Your views will provide important input for developing the fiscal framework. Your responses to the survey questions will be anonymous unless you choose to provide information that will identify you. If you have any questions about the collection or use of this information, please contact us through www.finance.alberta.ca/contactus.html.

The survey consists of 16 questions. The sidebars throughout the survey provide background information associated with the questions. Within each sidebar there is a list of documents that provide more detailed background information. These documents are available online at www.dollarsandsense.alberta.ca.



ALBERTA'S FISCAL FRAMEWORK SURVEY

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What is Alberta's Fiscal Framework?

The fiscal framework is essentially the rules and limitations the government places on itself concerning the budget. It sets the boundaries within which the government can act. The fiscal framework in Alberta has evolved over the years as circumstances have changed, but generally it includes:

- Fiscal rules/guidelines regarding balanced budgets, limitations on total government spending, limitations on the uses of specific revenue sources (e.g., non-renewable resource revenues), limitations on transfers between savings funds and the government's budget
- Long-term provincial savings (e.g., Alberta Heritage Savings Trust Fund), shorter-term provincial savings for purposes such as budget stabilization (e.g., Sustainability Fund) and endowment funds
- Guidelines used to fund the building and improving of infrastructure (e.g., schools, highways)

The fiscal framework does not include:

- Budget allocations for government programs (e.g., health, education)
- Spending allocations for infrastructure projects

The following documents provide more detailed background information:

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- *A Renewed Alberta Savings Policy and Fiscal Framework – Key Issues for the 2012 Public Consultations*
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- *Backgrounder D: A Chronology of Major Public Consultations on Fiscal and Savings Policy, 1993 to Present*
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These documents are available online at www.dollarsandsense.alberta.ca.

What should we do with our savings?

The province's revenue (income) comes from a variety of sources, including:

- personal, corporate and other taxes;
- revenue from non-renewable resources;
- income from investments such as the Alberta Heritage Savings Trust Fund; and
- transfers from the federal government.

Alberta is an energy-driven province. Over the past decade, about 30 per cent of Alberta's revenue has been from non-renewable resources (NRR). In the short-term, NRR revenue is volatile because it can be seriously affected by factors that are out of our control, such as drops in resource prices, changes in the exchange rate or a global recession. In the long-term, the only thing certain is that non-renewable resources will be depleted over time. Consequently, over the long-term the income the province currently receives from NRR revenue will need to be replaced through other sources.

The Premier has indicated her desire to reduce the Alberta government's exposure to short-term revenue volatility, which results from our dependence on NRR revenues for spending on programs and services to Albertans. In addition, Premier Redford has committed to a return to budget surpluses. Together, this means that the government, in consultation with Albertans, must determine the best approach to reduce our exposure to the volatility of NRR revenue and to save for Alberta's future.

The following documents provide more detailed background information:

- *A Renewed Alberta Savings Policy and Fiscal Framework – Key Issues for the 2012 Public Consultations*
- *Backgrounder A: The Evolution of Alberta's Fiscal and Savings Policies, 1976 to Present*
- *Backgrounder B: Alberta's Current Savings Framework and Savings Accounts*
- *Backgrounder C: Alberta's Record on Savings*

These documents are available online at www.dollarsandsense.alberta.ca.

1. In your opinion, when should the province save?

(choose one)

- Planned savings every year regardless of a deficit or surplus
- Only when there is a surplus
- Other (please specify) _____
- _____
- Don't know

2. In your opinion, how should the province save?

(choose one)

- Make contributions with no predetermined timing or amount (ad hoc)
- Use a predetermined portion of non-renewable resource revenue (budgeted %)
- Use a predetermined portion of total revenue (budgeted %)
- Use surplus funds (budgeted and unanticipated)
- Make a fixed contribution every year (budgeted \$ amount)
- Other (please specify) _____
- _____
- Don't know

3. Please indicate the degree to which you oppose or support the use of savings for each of the following.

	Strongly oppose	Somewhat oppose	Neutral	Somewhat support	Strongly support	Don't know
For future generations - using income generated by savings to replace declining resource revenue.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
For specific purpose endowment funds, such as those used for medical research and scholarships.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
For maintaining funding levels for priorities when revenues are down, like during a recession.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
For emergency funding for disasters like fires and floods.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. Does the government need a savings fund for any of the following?

	Yes	No	Don't know
To protect against short-term revenue volatility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
As a long-term revenue replacement in order to reduce reliance on non-renewable revenue resources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
For innovation and research	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
For funding new infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
For maintaining existing infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other (please specify) _____

How should we pay for infrastructure?

The Government of Alberta provides funding to municipalities and supported organizations for the construction of infrastructure such as water and wastewater facilities, health facilities, housing, schools and post-secondary institutions. Money is also provided for government-owned infrastructure such as highways, water systems, parks and museums.

In recent decades, the GoA has used a variety of approaches to fund infrastructure. From 1976 to 1995, a Capital Projects Division existed within the Alberta Heritage Savings Trust Fund to fund infrastructure projects. In 1986, the Alberta Capital Fund was established to help pay for construction of major public facilities. The Capital Fund originally borrowed funds required to finance infrastructure projects, but moved to a 'pay as you go' approach in the mid-1990s as part of fiscal consolidation. The fund was discontinued in 2003 when the Alberta Capital Account was created as a dedicated source for funding infrastructure. Money allocated to the Capital Account in one year could be used for projects in future years to help ensure that capital plan commitments were met. The account was discontinued in 2009 and all assets were transferred to the Sustainability Fund.

Going forward, a growing Alberta population and economy suggests that demands on our infrastructure will also continue to grow. Ideally, the fiscal framework will address how the government should fund infrastructure in a way that considers both Alberta's anticipated infrastructure needs and the lifespan of our infrastructure.

The following documents provide more detailed background information:

- *A Renewed Alberta Savings Policy and Fiscal Framework – Key Issues for the 2012 Public Consultations*
- *Backgrounder E: The Evolution of Alberta's Policies on Capital Financing and Accounting*
- *20-Year Strategic Capital Plan*

These documents are available online at www.dollarsandsense.alberta.ca.

5. When should consideration be given to borrowing for infrastructure? (choose one)

- Never
- When borrowing makes good financial sense (e.g., good return on investment, low borrowing rates, etc.)
- When not borrowing means a cut in infrastructure spending and/or slowing down for projects
- Other (please specify) _____
- Don't know

6. Should a dedicated funding account for infrastructure projects be created?

- Yes
- No
- Don't know

7. Should government finance infrastructure projects over their lifespan (e.g., like a mortgage)?

- Yes
- No
- Don't know



What should we do with the Alberta Heritage Savings Trust Fund?

In 1976, when provincial energy revenues and budget surpluses were rising rapidly, the Alberta Heritage Savings Trust Fund was established as a long-term savings vehicle to collect a portion of NRR revenue for use by future generations. At first, 30 per cent of Alberta's NRR revenue was transferred to the fund. With fiscal pressures from a recession, the percentage was reduced to 15 per cent in 1983 and eliminated in 1987. In 2005, after eliminating the debt, the government began inflation-proofing the Heritage Fund again. As of March 31, 2012, the Heritage Fund is worth \$16.1 billion.

Legislation requires that a portion of the Alberta Heritage Savings Trust Fund income be held back in the fund as protection against inflation. The remaining income is transferred to the province's General Revenue Fund for use on programs and services for Albertans. Over the past 36 years, \$33.4 billion from the Heritage Fund has supported spending in areas such as health care, education, infrastructure, debt reduction and social programs.

The following documents provide more detailed background information:

- *A Renewed Alberta Savings Policy and Fiscal Framework – Key Issues for the 2012 Public Consultations*
- *Backgrounder A: The Evolution of Alberta's Fiscal and Savings Policies, 1976 to Present*
- *Backgrounder B: Alberta's Current Savings Framework and Savings Accounts*
- *Backgrounder C: Alberta's Record on Savings*

These documents are available online at www.dollarsandsense.alberta.ca.

8. What do you think the Alberta Heritage Savings Trust Fund should be used for? (choose one)

- Funding Albertans' current priorities
- Generating income for future generations, to be used when non-renewable resource revenues begin to decline
- A mix of both
- Don't know

9. After protecting for inflation, how much of the Alberta Heritage Savings Trust Fund's earnings should be retained in the fund? (choose one)

- All of it
- None of it
- Specific amount as a percentage (please specify) _____ %
- Don't know

10. Should the government deposit money into the Alberta Heritage Savings Trust Fund on a regular basis to help it grow faster?

- Yes
- No
- Don't know

11. Please indicate your level of agreement or disagreement with each of the following statements about what the government should do with the Alberta Heritage Savings Trust Fund.

	Strongly disagree	Somewhat disagree	Neutral	Somewhat agree	Strongly agree	Don't know
Maintain the Alberta Heritage Savings Trust Fund as is, whereby government would continue to spend the earnings from the fund on its priority programs and services (after inflation-proofing).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Turn the Alberta Heritage Savings Trust Fund into a dedicated endowment fund, whereby the fund would be divided into a number of special purpose funds and government would spend a portion of the interest earned from each endowment on the dedicated purpose.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Guarantee that the value of the Alberta Heritage Savings Trust Fund would not drop below a predetermined amount.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In years where there is a budgeted surplus, money would be added to the fund. In years where there is a budgeted deficit, money would be withdrawn.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Use some of the money in the Alberta Heritage Savings Trust Fund to more quickly complete large infrastructure projects such as highway improvements.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Establish a predetermined amount of yearly contributions to the Alberta Heritage Savings Trust Fund.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dissolve the Alberta Heritage Savings Trust Fund and determine a fair way to give the money in the fund back to Albertans.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

What should we do with the Alberta Sustainability Fund?

In 2003, after nine consecutive years of surpluses and in response to recommendations by the Alberta Financial Management Commission, the Government of Alberta created the Sustainability Fund. The fund serves a budget stabilization function by providing an additional source of revenues to support priority programs if there is an unanticipated decline in revenue. Since the introduction of the Sustainability Fund, it has evolved. Currently, the fund is used to offset deficits when they occur and as a source of funding for infrastructure projects. As of March 31, 2012, the Sustainability Fund had a balance of \$7.5 billion.

The following documents provide more detailed background information:

- *A Renewed Alberta Savings Policy and Fiscal Framework – Key Issues for the 2012 Public Consultations*
- *Backgrounder A: The Evolution of Alberta's Fiscal and Savings Policies, 1976 to Present*
- *Backgrounder B: Alberta's Current Savings Framework and Savings Accounts*
- *Backgrounder C: Alberta's Record on Savings*

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12. Please indicate your level of agreement or disagreement with each of the following statements about what the government should do with the Alberta Sustainability Fund.

	Strongly disagree	Somewhat disagree	Neutral	Somewhat agree	Strongly agree	Don't know
Maintain the Sustainability Fund as a stabilization fund, whereby government would add money to the fund when revenues are high and withdraw money from the fund when revenue is low.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dissolve the Sustainability Fund and place the money into the Alberta Heritage Savings Trust Fund.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dissolve the Sustainability Fund and allocate the money into one-time special funding for programs and services.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Guarantee that the value of the Sustainability Fund would not drop below a predetermined amount.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Establish a predetermined amount of yearly contributions to the Sustainability Fund.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

13. Do you have any final comments regarding Alberta's fiscal framework?

The final questions below are for statistical calculation only. Your responses will be kept confidential and no individual responses will be identified.

14. What are the first three characters of your postal code?

15. Which age category do you fall into?

- 18 to 29 30 to 44 45 to 64 65 or over

16. Please indicate whether you are:

- Male Female