DOLLARS and $ENSE

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FISCAL FRAMEWORK CONSULTATIONS

BUDGET 2013 CONSULTATIONS

Alberta

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DOLLARS and $ENSE

BUDGET 2013 AND THE PATH FORWARD: OUR COMMITMENT TO ALBERTANS

In Budget 2012, the Government of Alberta committed to developing a fiscal framework that will ultimately reduce our reliance on non-renewable resource revenue.

In the fall of 2012, more than 6,000 Albertans participated in the province's fiscal framework and budget consultations, building on Premier Redford's promise to obtain Albertans' views about the long-term finances of this province. The consultation included an online survey, discussion sessions with business and financial leaders, and nine public open houses across the province.

We are grateful for the opportunity to hear firsthand what Albertans had to say about our financial issues going forward, and want to thank everyone who took the time to participate and provide us with your thoughts. Input from participants will help government develop a renewed fiscal framework, which will be released with Budget 2013.

As this work progresses, we are making a commitment to Albertans today; this government will secure Alberta's economic future and prosperity, deliver on Albertans' priorities and responsibly manage the province's finances.

At the heart of our commitment is a fiscal framework that will speak to Premier Redford's vision for the province, the optimism Albertans have for the future, and the recognition of the fiscal challenges we will face now and in the long term.

The renewed fiscal framework will present a clear set of rules regarding overall budget policy and will address matters such as:

- the extent to which non-renewable resource revenues can be used for the government's current operating budget,
- savings targets,

- provincial borrowing, including limits and the requirement for a repayment plan, and
- increases in in-year spending.

The fiscal framework is founded on three key outcomes:

A policy on the allocation of non-renewable resource revenues

While non-renewable resource revenue allows government to provide high quality public services and low taxes to Albertans, we know this revenue is finite. Albertans told us they want a long-range fiscal plan that acknowledges and addresses the eventual depletion of non-renewable resource revenue with a vision for ensuring the benefits of this revenue are enjoyed by all Albertans, today and in the future.

Long-term savings policies

Through a renewed commitment to savings, the Alberta government will ensure that essential programs are protected from the effects of current and future changes in resource revenues, including the current drop in the price for Alberta oil. We will protect core programs and ensure that the province will remain globally competitive as the economic engine of Canada.

Our plans include growing the Alberta Heritage Savings Trust Fund, Alberta's long-term savings account. There will also be some flexibility built into our savings policy, as it's challenging to contribute substantial savings in the face of widely fluctuating revenues. However, we will be committed to saving in both good and bad times.

A clearly articulated fiscal framework

Albertans told us they want a plan that is understandable to Alberta families and consistent with how successful businesses operate. The renewed fiscal framework will clearly articulate the government's policies on savings, both short- and long-term; the use of non-renewable resource revenues; and any rules or guidelines on overall government spending.

The framework will also articulate the government's policies on strategic economic investments and borrowing for capital purposes, including limitations on the amount of borrowing in line with best practices. It's essential that we have increased flexibility to respond to capital pressures in a growing and competitive economy. We will access all the tools in our toolbox, including leveraging Alberta's AAA credit rating to borrow for key infrastructure projects. With access to the lowest borrowing costs in 50 years, both financial experts and everyday Albertans have told us they support this approach.

We will continue to deliver on the priorities Albertans value: families, communities, health care, education, supporting our most vulnerable citizens, entrepreneurship, building our markets, preserving our finances and protecting our environment.

This also includes ensuring we have the infrastructure in place to meet the needs of Albertans today as well as 20 years from now, when Alberta's population is expected to grow to five million people.

And ultimately, our fiscal framework will mean responsible spending and living within our means.

Alberta is a place for opportunity. As our economic prosperity continues to attract new people and families to our province, Alberta will chart a new path forward, securing Alberta's position as an economic leader, and ensuring a high quality of life for generations to come.

[original signed]

Doug Horner
President of the Treasury Board
and Minister of Finance

Kyle Fawcett
Associate Minister of Finance

WHAT WE HEARD

INTRODUCTION

THE REPORT

This report consists of three main sections:

1. The *Introduction* includes the background, purpose and approach used to conduct the Fiscal Framework Consultation and the Budget 2013 Consultation.

2. The *Fiscal Framework Consultation Summary Results* presents the findings from the Fiscal Framework Survey and provides a high-level synopsis of the key themes from all seven advisory panel discussion sessions.

3. The *Budget 2013 Consultation Summary Results* details the findings from the Budget 2013 Survey and provides a roll-up summary of the main themes emerging from the nine public open houses.

BACKGROUND AND PURPOSE

In Budget 2012, the Government of Alberta (GoA) committed to developing a fiscal framework that contributes to building a predictable, sustainable revenue base to provide funding stability for day-to-day programs and investments for the future, either in the form of financial assets or infrastructure. In addition, Premier Redford made a commitment to ask Albertans about their views on provincial finances and savings. Accordingly, in the fall of 2012, the GoA conducted two consultation processes with the assistance of The Praxis Group™. The Praxis Group™ facilitated panel sessions and open houses, compiled the results of the online surveys, analyzed all of the gathered information for themes and created the two "what we heard" reports.

1. *Alberta's Fiscal Framework Consultation* was initiated in early September 2012 with the launch of an online survey to solicit Albertans' opinions about managing provincial savings, allocating non-renewable resource revenues, funding infrastructure projects, and the future of the Alberta Heritage Savings Trust Fund and Alberta Sustainability Fund. From mid-September to early October, seven advisory panel discussion sessions were conducted—four in Calgary and three in Edmonton—comprised of

business leaders, economists, banking and financial experts and academics. The purpose of the sessions was to access participants' expertise and address the topics raised in the public survey in greater depth. The feedback collected from the public survey and the discussion sessions will help guide the development of a renewed fiscal framework for Alberta.

2. *Budget 2013 Consultation* was a two-phase process conducted throughout October 2012. The first phase consisted of an online survey to gather public feedback about provincial spending priorities, infrastructure development, and saving for the future. The second phase, from October 4-13, involved public open houses in nine locations across the province, including: Calgary, Drumheller, Lethbridge, Medicine Hat, Bonnyville, Red Deer, Grande Prairie, Fort McMurray, and Edmonton.

   The purpose of the open houses was to provide Albertans with information about the budget process and to address the questions in the public survey in more detail. The findings from these consultations will inform the development of Budget 2013.

APPROACH AND PRESENTATION OF FINDINGS

Fiscal Framework and Budget 2013 Surveys

The GoA launched a dedicated website, www.dollarsandsense.alberta.ca, to support the consultation processes. The Fiscal Framework Survey and supporting background materials were posted on the website from September 10 to October 31, 2012. The Budget 2013 Survey was available on the website from October 1 to October 31, 2012. Albertans could access and complete the surveys online or download the surveys, complete them in hardcopy format, and submit the surveys via mail or fax.

A total of 3,832 Fiscal Framework Surveys were submitted, and 2,149 surveys were submitted for the Budget 2013 consultation. The quantitative data from both surveys were analyzed using Statistical Package for the Social Sciences (SPSS v20). Quantitative results are presented in figure format. Respondents' comments from the open-ended questions in each survey were consolidated and a qualitative analysis was performed to identify key themes. High-level summaries of the main themes emerging from the comments are provided for each question, along with direct quotes from survey respondents, which reflect the themes described.

Participation in the surveys was voluntary. As respondents were not selected randomly, the resulting 'self-selected' respondent populations can be considered representative of 'interested Albertans; however, they may not be representative of the entire Alberta population. Data has not been weighted in the quantitative summaries since the relationship of the sample to the population is unknown. It is important to remember that the qualitative summaries for the open-ended questions represent a general indication of the impressions and preferences of survey respondents. While comments can be helpful in understanding the reasons behind the quantitative choices, the summaries provided should not be taken as representative of survey respondents who did not comment.

Fiscal Framework Advisory Panel Discussion Sessions

Participation in the advisory panel discussion sessions was by invitation. A total of 53 individuals participated in seven sessions. A standardized guide was used to facilitate each of the half-day sessions. Each session began with a brief presentation to welcome participants and provide background and context for the discussions, given by Kyle Fawcett, Associate Minister of Finance[1], and in some sessions, Doug Horner, President of the Treasury Board and Minister of Finance. Participants were then asked to respond to and discuss four questions:

- What should we be doing with non-renewable resource revenue over the short-, medium- and long-term to realize benefits on behalf of Albertans?
- How do we reduce our exposure to the volatility of non-renewable resource revenue?
- What should we do with the Alberta Heritage Savings Trust Fund and the Alberta Sustainability Fund?
- Moving forward, what is the best way to build and finance infrastructure?

Time was allotted in each session for the Ministers in attendance to ask participants questions for clarification. Sessions closed with participants indicating top-of-mind issues and topics that were not addressed during the session.

1 Annette Trimbee, Deputy Minister, Alberta Treasury Board and Finance replaced Associate Minister Fawcett at the morning session on September 17, 2012.

An on-site recorder captured the content of the proceedings from each session. The output was compiled and a high-level summary of the key themes emerging across all sessions was produced.

Budget 2013 Public Open Houses

Over 200 individuals participated in the nine public open houses across the province. The sessions were conducted over a two- or three-hour time period in public venues in each community. Upon arrival, open house participants divided into groups and seated themselves at tables of their choice. Participants were provided with a handout containing a series of questions regarding spending, savings and infrastructure priorities, as well as background information pertaining to the questions. The purpose of the handout was to generate thought and guide the discussions.

At the beginning of each open house, Minister Horner welcomed participants and provided background and context for the discussions. The facilitator then led a group discussion where participants were asked to respond to the four questions contained in the handout:

- What are your fiscal priorities for the province?
- How would you allocate the budget?
- What should we do with the Alberta Heritage Savings Trust Fund and the Alberta Sustainability Fund?
- What are your priorities for infrastructure?

Where open house attendance numbers allowed, the discussion was conducted with all participants collectively. However, in open houses with higher attendance, participants engaged in table discussions and reported back to the larger group throughout the session.

An on-site recorder documented the group discussions at each open house. Public feedback from the open houses was aggregated, reviewed, and a high-level summary of the key themes emerging across all open houses was produced.

FISCAL FRAMEWORK CONSULTATION

FISCAL FRAMEWORK ONLINE SURVEY FINDINGS

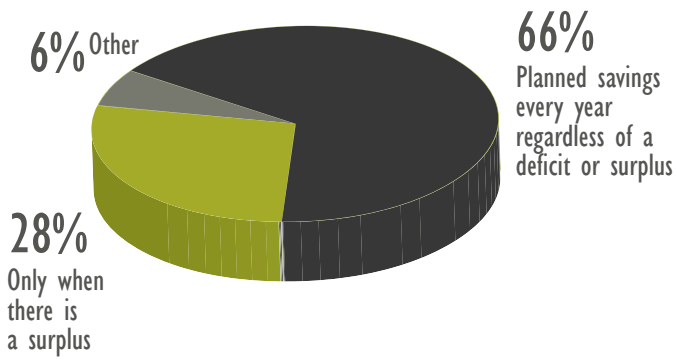
Please note that percentages may not add up to 100% due to rounding.

WHAT SHOULD WE DO WITH OUR SAVINGS?

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

The majority of respondents (66%) felt the government should save every year regardless of a deficit or surplus.

WHEN TO SAVE



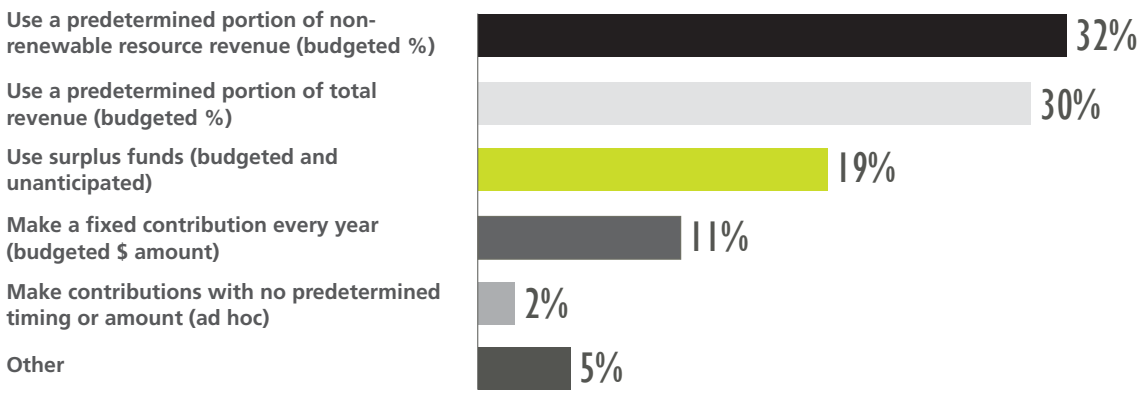
(n=3,803)

Among respondents who said 'other,' the main thoughts about when the province should save focused on planned savings every year, with additional savings in times of surplus. Other thoughts included not to save, but to put excess funds towards other things like balancing the budget, infrastructure, education and giving back to Albertans. There was also mention about saving non-renewable revenues when royalties are received, reach pre-specified levels or are particularly high.

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

Most respondents indicated that the government should save by using a budgeted percent of either non-renewable resource revenue (32%) or of total revenue (30%).

HOW TO SAVE



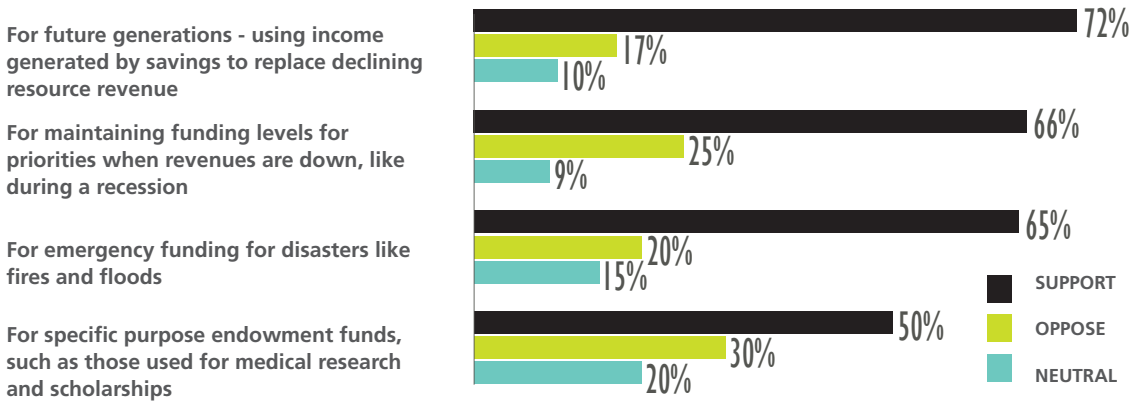
(n=3,805)

Among respondents who said 'other,' the main response was to save using a combination of both predetermined revenues (either non-renewable resource revenue or total revenue) and surplus funds.

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

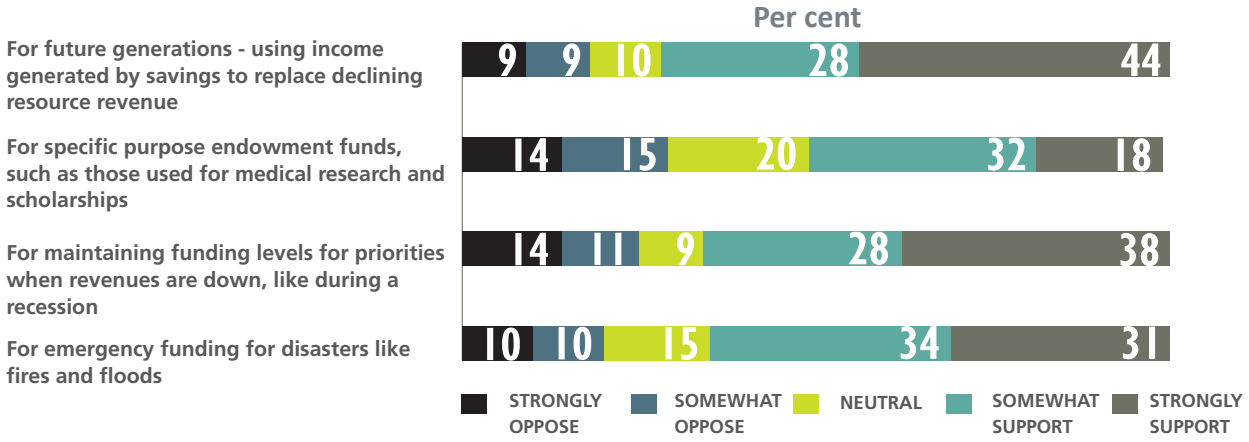
Support was strongest for the use of savings for future generations (72% strongly or somewhat support).

USE OF SAVINGS - SUPPORT/OPPOSE SUMMARY



(n values vary between n=3,735 & n=3,764)

USE OF SAVINGS - FULL RESPONSE SCALE

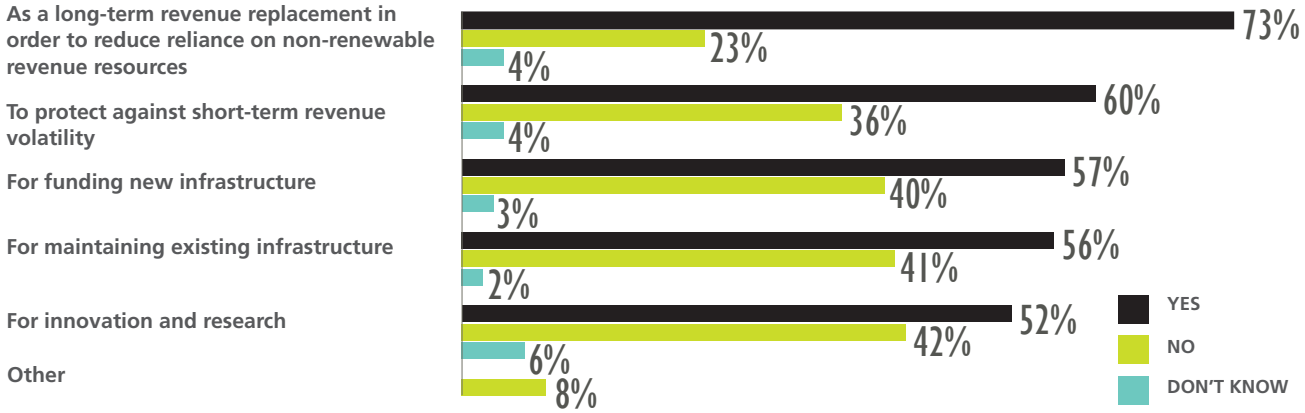


(n values vary between n=3,735 & n=3,764)

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

The majority of respondents believed that the government needs a savings fund for all reasons surveyed. A savings fund for long-term revenue replacement was the option selected most often (73%).

SAVINGS FUNDS OPTIONS



(n values vary between n=3,730 & n=3,772)

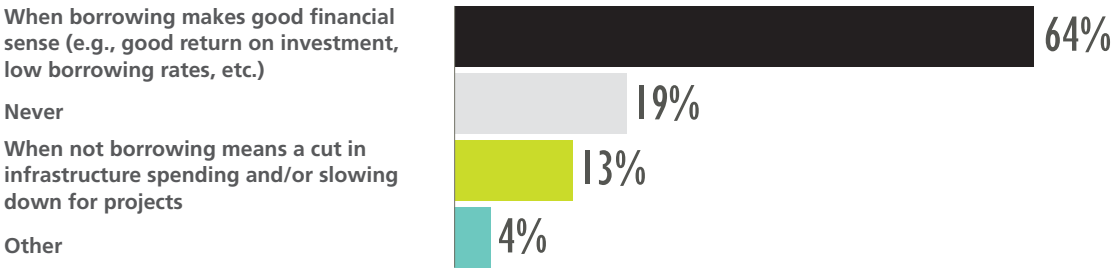
Among respondents who said 'other,' the main mentions were savings funds for infrastructure, education and health care, followed by economic development and diversification.

HOW SHOULD WE PAY FOR INFRASTRUCTURE?

5. When should consideration be given to borrowing for infrastructure?

The majority of respondents (64%), felt consideration should be given to borrowing for infrastructure when borrowing makes good financial sense.

WHEN TO BORROW FOR INFRASTRUCTURE

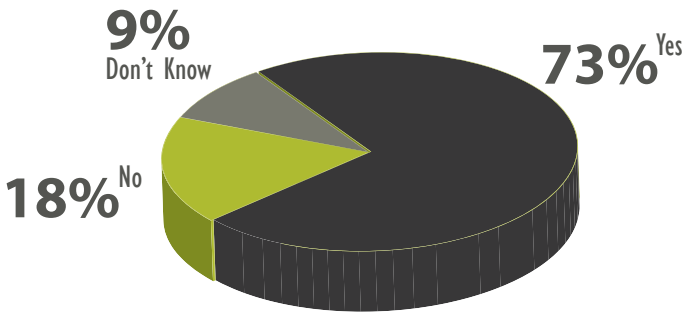


(n=3,811)

6. Should a dedicated fund for infrastructure projects be created?

Seventy-three per cent of respondents supported a dedicated funding account for infrastructure projects

DEDICATED FUND FOR INFRASTRUCTURE PROJECTS

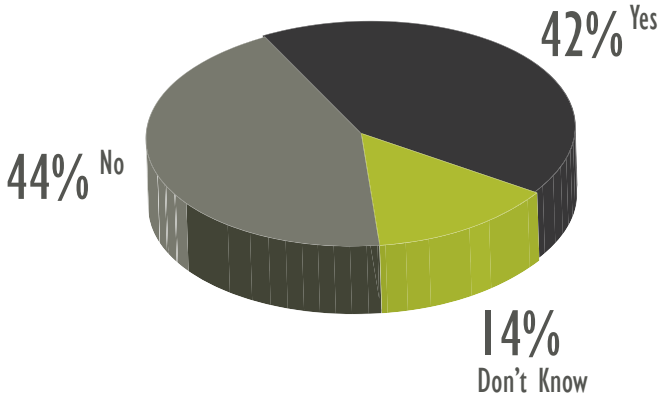


(n=3,798)

7. Should the government finance infrastructure projects over their lifespan?

Support for government financing infrastructure projects over their lifespan was split almost evenly (42% yes and 44% no).

FINANCING INFRASTRUCTURE PROJECTS OVER THEIR LIFESPAN



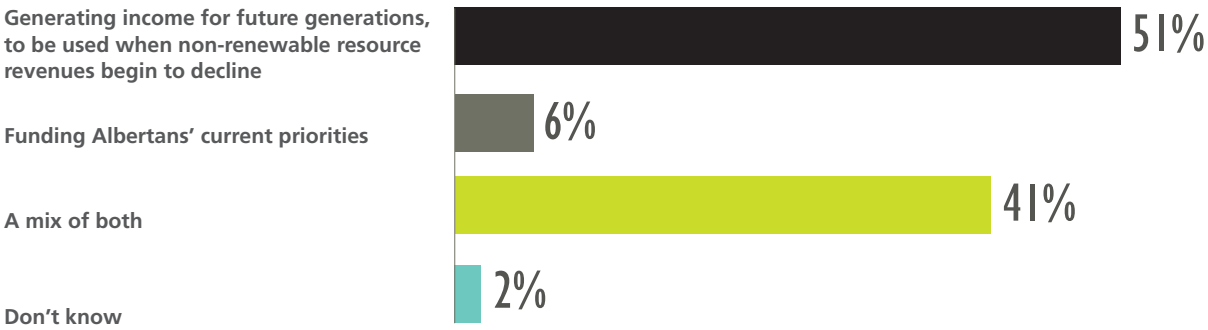
(n=3,810)

WHAT SHOULD WE DO WITH THE ALBERTA HERITAGE SAVINGS TRUST FUND?

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

Just over half of respondents (51%) felt the Heritage Fund should be used for generating income for future generations. Another 41% indicated the fund should be used for a mix of generating income for future generations and funding Albertans' current priorities.

USE OF THE HERITAGE FUND

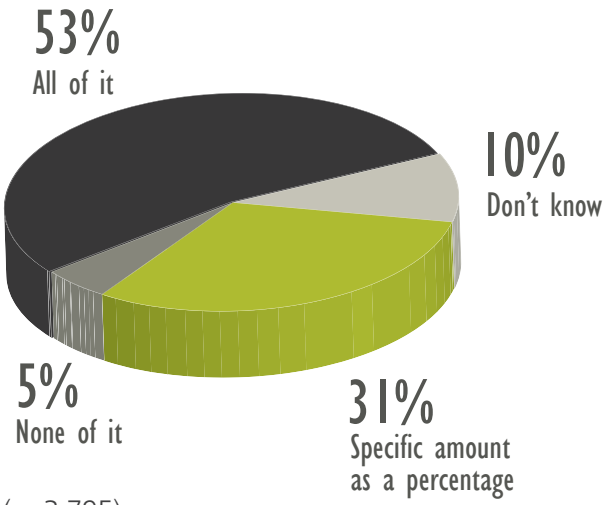


(n=3,796)

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

Over half of respondents (53%) felt that all of the fund's earnings should be retained in the fund, after protecting for inflation.

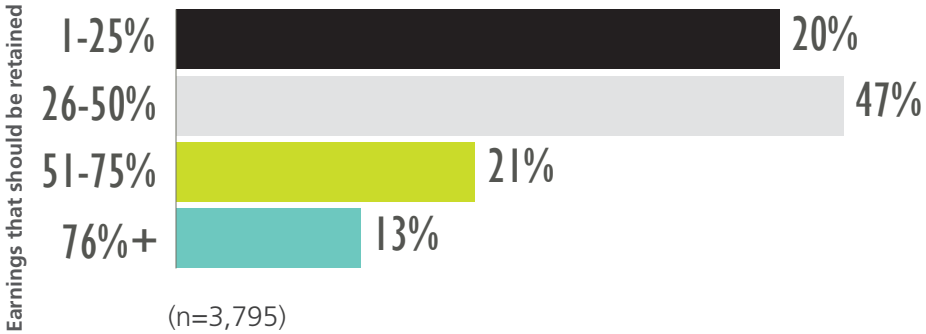
AMOUNT OF EARNINGS THAT SHOULD BE RETAINED



(n=3,795)

Among the respondents who said a specific amount should be retained in the fund (31%), 47% preferred a percentage between 26 and 50, while 34% preferred to retain 51% or more of the earnings.

PERCENTAGE OF EARNINGS THAT SHOULD BE RETAINED



(n=3,795)

10. Should the government deposit money into the Alberta Heritage Savings Trust Fund on a regular basis?

Eighty-one per cent of respondents agreed that money should be deposited into the Heritage Fund on a regular basis.

REGULAR DEPOSITS INTO THE HERITAGE FUND

(n=3,788)

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.

The highest level of agreement among respondents was for the government to guarantee that the value of the Heritage Fund does not drop below a predetermined amount (76% strongly or somewhat agree). Respondents expressed very strong disagreement with the government dissolving the Heritage Fund (88% strongly or somewhat disagree).

DIRECTION FOR THE HERITAGE FUND - AGREE/DISAGREE SUMMARY

(n values vary between n=3,706 & n= 3,755)

DIRECTION FOR THE HERITAGE FUND - FULL RESPONSE SCALE SUMMARY

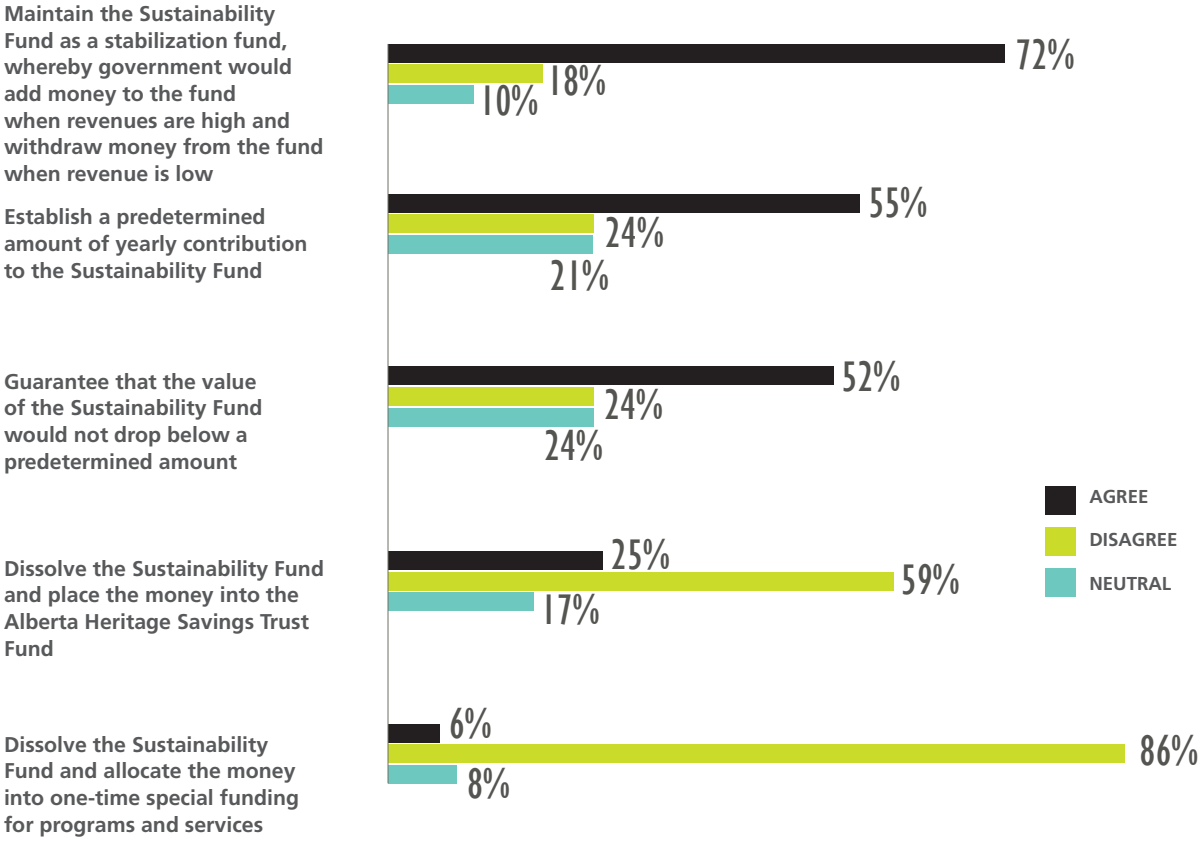
(n values vary between n=3,706 & n= 3,755)

WHAT SHOULD WE DO WITH THE ALBERTA SUSTAINABILITY FUND?

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.

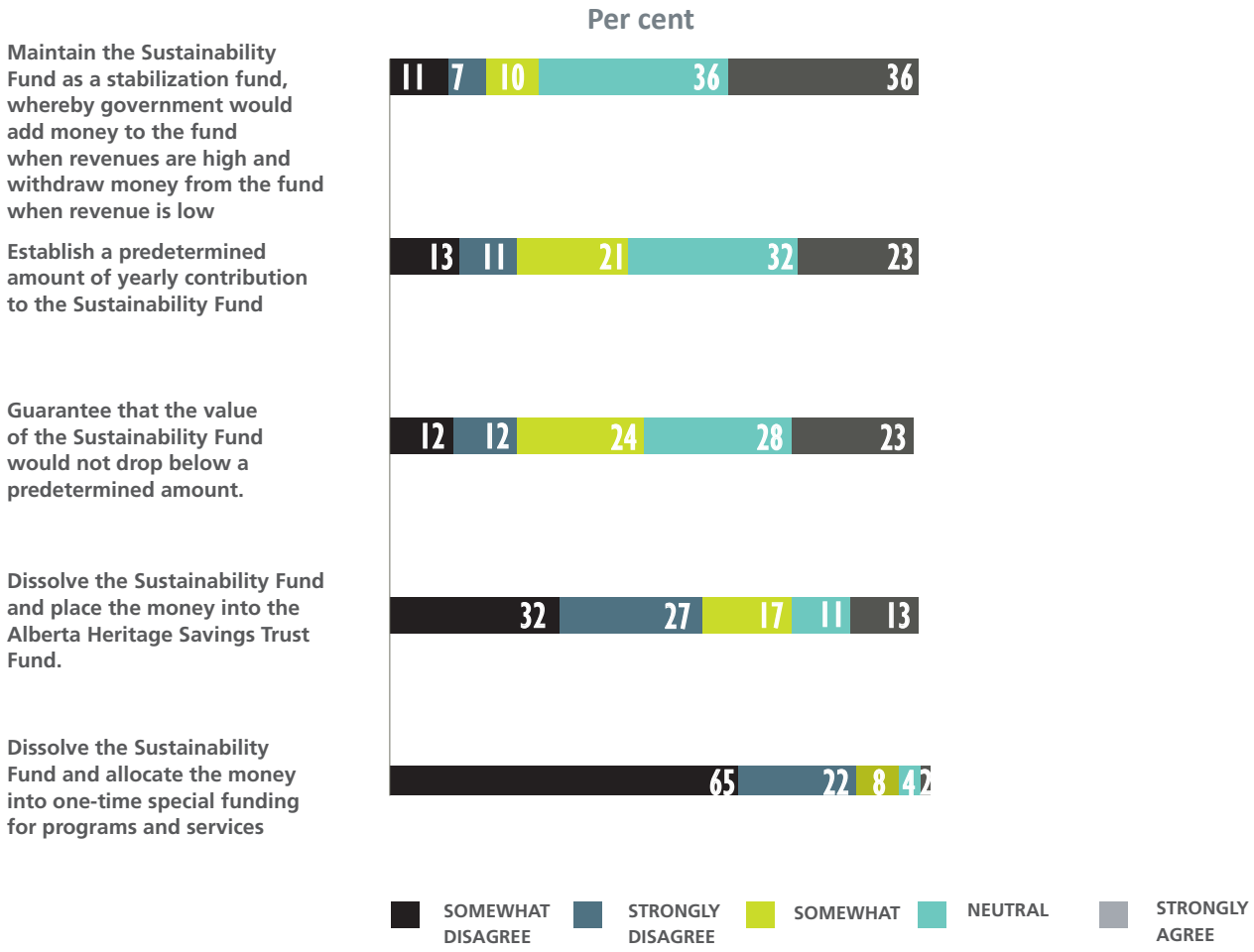
The highest level of agreement on the direction to be taken for the Sustainability Fund was for the government to maintain it as a stabilization fund (72% strongly or somewhat agree). The highest level of disagreement was for the government to dissolve the Sustainability Fund and allocate the money into one-time special funding for programs and services (86% strongly or somewhat disagree).

DIRECTION FOR THE SUSTAINABILITY FUND – AGREE/DISAGREE SUMMARY



(n values vary between n=3,666 & n= 3,739)

DIRECTION FOR THE SUSTAINABILITY FUND - FULL RESPONSE SCALE SUMMARY



(n values vary between n=3,666 & n= 3,739)

PARTICIPANT COMMENTS

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

Survey participants were given the opportunity in the final question of the survey to offer additional comments about Alberta's fiscal framework. Participant comments dealt with several key elements of the fiscal framework, providing reiterations of the topics addressed in other areas of the survey.

The following key elements of the fiscal framework, as raised by participants in the final question, are listed below in order of frequency of mention.

1. Saving
2. Operational Spending
3. Revenue
4. The Role of Government
5. Budgeting

For each of these framework elements, participant comments are summarized below, in order of frequency of mention within each element.

SAVING

Savings Funds

Almost all of the comments provided by participants on the topic of saving related to defining the use of the Alberta Sustainability Fund and the Alberta Heritage Trust Fund. While greater clarity and communication to Albertans about the value of having these funds as savings tools was suggested by a few, the majority of comments related to the most beneficial manner in which to manage and/or use these savings tools.

Many participants reflected on the original purpose of savings tools such as the Heritage Fund, emphasizing that the fund needs to be protected, given that its intention had been to grow its savings over time as a long-term future fallback funding source once non-renewable resource revenues decline. Participants commenting in this way reiterated that it was important to continue to add to the Heritage Fund at a defined rate, as well as to put in place strong rules to restrict access to saved amounts for use either prematurely to cover current spending deficits, to deal with immediate economic fluctuations, or to pay for non-essential projects that may be motivated by short-term gains. Some of these comments

referred to the importance of providing stability for future generations of Albertans who are in a unique position to translate resource revenues into future revenue as a heritage benefit of our economy. Further, it is this unique type of revenue that is most appropriate to build the Heritage Fund.

Some participants indicated that it was acceptable for earnings from the Heritage Fund to be withdrawn while leaving the capital in place, using it only to spend on specific items or to borrow at advantageous rates to fund specific areas of spending. If protected from premature use, the Heritage Fund would in this way act as a true endowment fund. For those who indicated that spending of the Heritage Fund's earnings would be permissible, suggestions for use of those dollars were linked only to initiatives that demonstrate longer-term benefits and a solid return-on-investment, including education, research, and economic diversification, in particular to balance out a dependence on non-renewable resources.

A few participants also stated that it is important to maintain the two distinct savings funds, each with a different purpose. Comments about the Sustainability Fund, for example, focused primarily on the shorter-term use of savings, while the Heritage Fund was viewed overall as being an essential investment tool focused on long-term gain and stability. A few participants recommended that management of the funds be administered by a special directorate acting at arm's length from political influence. A few participants also suggested that the two current savings funds be combined into one.

A very few participants offered the viewpoint that government savings tools were inappropriate and unnecessary, preferring instead that individuals be responsible for their own savings, whether short-term or long-term, and that any type of saving fund is an indicator of over-taxation.

"I support having the Sustainability Fund for present/near future use under specified conditions, and keeping the Heritage Fund as a future investment. I strongly advocate planning for a more diversified economy to reduce dependency on non-renewable revenue resources."

"I think it's very, very smart to have both a short- and long-term fund that are separate from each other."

"Non-renewable resource revenues belong to all generations; ideally all resource revenue should go into the Heritage Trust Fund and only the earnings should be taken in revenues."

"It is time to return to the foresight of Peter Lougheed… so that all Albertans can benefit from the resource revenues that belong to all of us."

"The Heritage Trust Fund should be kept for future generations."

"At this time when Alberta is making lots of money from non-renewable resources, putting money into the Alberta Heritage Savings Trust Fund is very important. In the future when there is less money, the money in the fund may have to be spent to provide a smoother transition to a new reality."

"Alberta has a unique position in Canada to capitalize on natural resources. If we plan well, and save using the Heritage and Sustainability Funds, we can ensure lasting benefits from non-renewable resource revenues. If we plan to ensure budget surpluses, and make contributions to savings funds every year, the interest generated will grow with time. Theoretically, if Alberta contributes enough over a period of decades, a point could be reached where a significant portion of the provincial government's budget can be sourced solely from interest generated."

Infrastructure

Alberta's infrastructure was among the topics mentioned most frequently by participants who commented on this survey question. These comments were tied in many cases to the use of the existing Sustainability Fund to address what participants described in various ways as the province's infrastructure deficit. While a very few participants indicated they did not see any need to spend on building new or maintaining existing infrastructure, and that they believe that infrastructure is being built unnecessarily, the large majority of comments reflected the necessity of addressing infrastructure in many areas across the province, and doing so in the very near future.

Many of the comments about infrastructure spoke to the notion of maintaining a good quality of life for all Albertans, not just in the immediate term, but also for future generations. Ensuring quality of life and quality infrastructure, participants suggested, also underpins a strongly performing economy. Lack of appropriate infrastructure can otherwise be reflected in a decrease in our competitive edge and an increase in uncertainty (such as loss of anticipated jobs and the security they bring) associated with projects starting and stopping due to seemingly sudden changes in available funds, or increases in labour and materials costs.

Several suggestions for funding infrastructure costs were provided. Some, but not all, indicated that the Sustainability

Fund is one good tool for doing so. The Sustainability Fund can be used to:

- Maximize on beneficial interest rates to raise funds for infrastructure;
- Assist municipalities with the demands placed on them to build and maintain infrastructure; and
- Balance the development of infrastructure and industry by ensuring environmental protection is funded.

Suggestions for funding infrastructure, in addition to those provided about use of the Sustainability Fund, included the following.

- Save surplus funds in surplus years and use these dollars for infrastructure in "lean" years when costs are lower;
- Borrow to take advantage of low interest rates now to fund the building of new infrastructure required for the many thousands of anticipated new Albertans;
- Encourage incentive/disincentive policies within municipalities to capture life cycle costs of new infrastructure (e.g., with developers), putting at least some of the cost on the new end user;
- Utilize multi-year (e.g., 25-year) bonds to fund infrastructure; and
- Use tax revenues (see Revenue section).

Some respondents also pointed out that for any infrastructure dollars spent, reliable and consistent oversight of projects and programs is essential.

A few respondents commented that some alternate funding models utilized in the recent past, e.g., Design-Build, or P3, have been found to be less beneficial than originally anticipated and in some cases result in greater cost to the taxpayer than direct funding. A very small number of participants indicated that no infrastructure development is required, or that any that is required must be funded out of a current year's budget only.

"Keep investing in infrastructure projects that will enable us to grow and prosper."

"In times of low-interest rates, we should take the opportunity to renew our existing infrastructure and build new infrastructure to accommodate the 100,000+ new Albertans."

"Borrowing costs are very low and, in fact, will be more than offset by the cost escalation which will be incurred if these projects are delayed."

"We need to invest in infrastructure for the present and future needs of our society. Deferring this responsibility will only cost more."

"Infrastructure needs to last 50 years whereas operating funds are gone as soon as they are spent. Build and maintain!!!!!!"

"Infrastructure investments must be made in a manner that represents good value over the complete life cycle, which is typically incongruous with Design-Build project delivery methods."

"P3s are not a best value for the taxpayers."

OPERATIONAL SPENDING

Participants commented extensively on the manner and focus of government operational spending, raising just two main points, both strongly stated: reduce spending and enhance services.

Reduce Spending

While a few participants questioned why the focus of the survey appeared to be on saving without incorporating a discussion on spending, many respondents expressed their frustration that, in their view, the province's levels of spending are too high, adding that overall spending is mismanaged. These comments indicated that Albertans' expectations for services are unrealistically high; that our province's spending outpaces that of many other provinces; that bureaucracy and non-essential projects or services are unnecessarily funded; and that ever-increasing spending does not seem to translate to improved outcomes.

This overall view about "government waste" was also expressed in numerous comments expressing frustration about the size of political and staff salaries, including administrative costs such as bonuses, pensions, perks and payouts. The fields of health and education were also described as needing a significant spending review, with many respondents suggesting that extensive increases in funding in recent years cannot continue because they are not sustainable.

Suggestions to limit or cut spending included enhancing oversight of spending, increasing privatization, providing less support to unions and to partnerships where shareholders are the primary beneficiaries, and reducing or eliminating expense contractors. Underlying many of these comments is the preference to "live within our means," particularly in a province whose economy is considered vibrant relative to other jurisdictions.

"Stop government waste and public sector inefficiency! The costs of bureaucracy are killing us in direct and indirect costs."

"There has to be a much tighter control and transparent way of dealing with financial matters."

"We are a rich province. We have a high yearly income. There is no excuse for spending more than we take in."

"We need to spend less. First and foremost, we need to live within our means."

Enhance Services

The second main area of comment by respondents regarding operational spending was a strong desire to enhance services. As described in the previous section dealing with reducing spending by eliminating wasteful practices, the respondents who commented on enhancing services also stressed the need for greater efficiency, but expressed this through the perspective of what they view as services essential to a productive Alberta society and a good quality of life for Albertans. The need to re-align and/or increase spending in some key areas was also underpinned by frustration about being unable to appropriately access these services in a province that is believed to be wealthy.

Specific areas mentioned by participants in which operational spending is needed to enhance services include:

- Education;
- Health care;
- Seniors care and housing;
- Childcare;
- Homelessness and affordable housing;
- Job support/training; and
- Transportation.

"Keep Alberta economically strong and globally competitive while taking care of all of our citizens' wellness."

"Create more long-term housing since people occupy beds at hospitals where there are no beds in long-term care centres."

"If there's money sitting around and my mother needs to wait 13 months to have a surgery she needs and my 6 year old needs to spend 30 minutes on a bus to get to Grade 1, then I'd suggest the money is not being allocated very well."

REVENUE

Respondent comments about revenue focused on two topics that were inevitably inter-related. First, participants indicated the need to structure our non-renewable resource revenue differently, starting now, and to be better prepared for its eventual depletion. Second, comments indicated the need to re-examine the province's tax structure so that this type of revenue acts to balance the volatility and finite factors associated with non-renewable resource revenue, thereby providing stable funding to support ongoing operational spending and the quality of life Albertans enjoy.

Underpinning these viewpoints was disappointment that this survey did not actively recognize the interdependence of both spending and revenue that these respondents believe to be fundamental to a discussion about a fiscal framework. Further, respondents reiterated that the government, regardless of politics, needs to demonstrate strong, ethical and transparent leadership in tackling subjects such as taxation that may be unpalatable to some Albertans, with the broader goal being the ability to put in place a fiscal framework that is viable over the long-term.

Non-Renewable Resource Revenue

With respect to non-renewable resource revenue, many respondents who commented on this topic referred to a type of disconnect: that the non-renewable resources owned by Albertans are both finite and economically volatile, while our management of them does not reflect these factors and in turn directly impacts the economy and well-being of Albertans. In emphasizing their concern that we are shortsighted in terms of relying too heavily on non-renewable resource revenues, respondents suggested the following ideas:

- Re-evaluate the use of different types of tax revenue (see next section on tax structure);

- Increase royalties (given that the resources desired by the industry are primarily located in Alberta);
- Build refining capacity in the province; and
- Share profits with the taxpayer directly in addition to shareholders.

"It's clear we are not getting full value for our resources. We are selling them at fire sale prices for reasons I cannot fathom."

"The oil resources in this province belong to everyone, but the benefit of those resources seems to go to a select few. Time to raise the royalty rates and create a more equitable share of this province's wealth."

"Something needs to be done to counter commodity price volatility. There is more to this province than oil - we shouldn't be counting on non-renewable resources as the revenue base."

"Increase oil/gas royalties by 2% and all tax problems, etc. solved!"

"I would like to see the government, no matter which political party it is, stop relying on renewable resource income to fund the budget. It is absolute insanity to hear jobs and programs being cut because our leaders thought oil prices would be better, but in turn they are not, so we don't have the money to pay for things. Have some fiscal responsibility and plan appropriately."

Tax Structure

Almost all comments about taxation indicated that it is essential to re-evaluate ways that the province can, and should, balance our reliance on non-renewable resource revenue, in particular by increasing tax revenues. While recognizing that any new tax might be unpalatable to some, these comments referred to the need to be realistic, practical and flexible for the long-term, and that any changes need not be extensive and could be done without impacting our competitive advantage. Further, some comments indicated that Albertans have become too comfortable with lower taxes while also expecting a high quality of life to be maintained, represented by infrastructure, services and programs. This incompatibility, together with the current approach to non-renewable resource revenue, was viewed as unsustainable, and requires a strong and courageous look at the way the province manages taxation.

Options for tax revenue sources reflected a range of ideas, including:

- Sales tax;
- Corporate tax;
- Property tax (by supporting municipal charters to enable this);
- Business tax;
- Reinstated health premium;
- Progressive income tax; and
- Flat rate tax.

"Albertans need to pay the freight, not rely solely on resource revenue."

"While not politically popular, a provincial sales tax would be smart fiscal policy in Alberta. It is a fair tax where those with the ability to spend more pay more and vice versa."

"The revenue needed to operate the province should be derived income, property and business tax. The petro resources should be considered a windfall and preserved and enhanced."

"It is crucial that we return to a progressive tax system so that we have the revenue needed for essential programs, infrastructure and healthy communities."

"Increase corporate taxes by 2-3 per cent so that we can quit relying so heavily on resource revenue. We should all pay our fair share to fund the programs and services we need."

"We must be willing to consider small changes to all revenue sources (income tax included)."

"With all revenue from oil, high employment we should not have any deficit."

Conversely, a few respondents commenting about taxation indicated that taxes are already too high and should be returned to taxpayers through direct payment.

"All I care about is … tax reduction. No future, no more saving. Pay back the tax-paying workers."

"Lower the taxes."

THE ROLE OF GOVERNMENT

Some respondents commented on their view, philosophically, of the nature of leadership and the role of government. Generally, these comments addressed two topics, namely that leadership needs to be strong, transparent, and ethical; and that government in general should be smaller with less intrusion into the lives of Albertans.

Comments also touched on the specific fiscal management role of the government, suggesting that fewer services and programs are needed and so should not be funded (this topic is discussed further in the Spending section), there should be no deficit financing, and the province should carry no debt. Similar comments spoke to the role of saving as an individual matter and that saving should not be the role of government. A very few respondents commented that the government should stop all support, including transfer payments, to other regions of Canada.

"The fiscal framework must allow for the GoA to address social inequality more effectively - through health, education, poverty alleviation, housing, etc. Alberta is a wealthy province… I would like to see Alberta's fiscal framework make the province a leader in supporting its citizens - from early childhood onward - in having healthy, happy, and productive lives."

"Government was designed to provide an infrastructure to Albertans for certain things, but government everywhere has become cumbersome and too large.… Let Albertans keep their own money and be more self sufficient."

"Absolutely no deficit financing of the provincial budget, that includes payments for new and existing infrastructure. Cut the number of civil servants by 5% every year for the next 5 years. In fact, there has to be whole departments that could be eliminated without any ill effect on the average Albertan. Smaller government."

"Do not go into debt. Do not run a deficit."

BUDGETING

A few respondents commented about the provincial budget, stating succinctly that the budget must in all cases be balanced. These comments were based on the belief that government fiscal management should mirror that required of individuals by living within available means, including funding all expenses with cash. Further, best-case scenario projections of non-renewable resource revenues for inclusion in the provincial budget was described as a strategy bound to fail, suggesting that using more conservative estimates would assist in guiding the amount of spending that would be realistic in a given year.

"Lead by example."

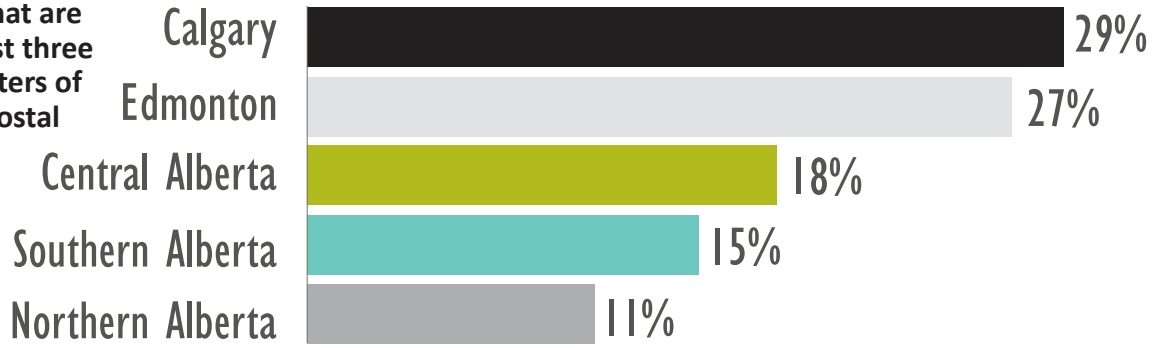
"I have to live with in my finances and so should the government."

"I feel it is extremely important to keep a balanced budget by not assuming best case scenarios for natural resource revenues! Spend based on money you have not what you think you might have based on overly optimistic revenue forecasts."

"Please low-ball predictions of oil and gas prices when doing the budget."

RESPONDENT DEMOGRAPHICS

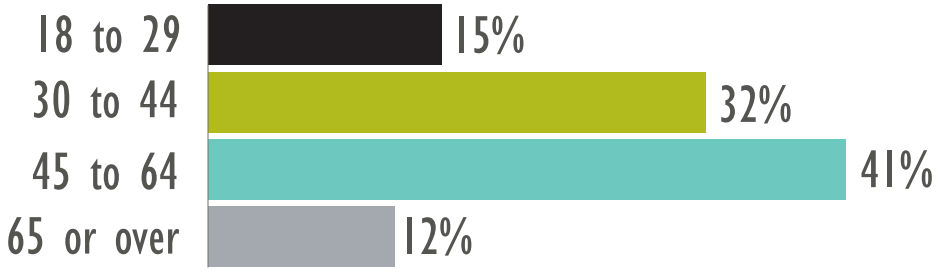
14. What are the first three characters of your postal code?



15. Please indicate if you are male or female.

(n=1,716)

16. Which age category do you fall into?



(n=1,723)

ADVISORY PANEL SESSIONS SUMMARY OVERVIEW

What should we be doing with non-renewable resource revenue over the short-, medium- and long-term to realize benefits on behalf of Albertans?

Across all groups, participants called upon the GoA to actively incorporate disciplined saving as a fundamental fiscal policy aimed at benefiting all Albertans. Session participants emphasized the importance of developing a long-range savings plan that acknowledges and addresses the eventual depletion of non-renewable resource revenue. Further, participants generally agreed that the savings plan should set out a broad vision for provincial savings and definitively establish savings principles, goals, purposes, guidelines and timelines. Many participants said that once the savings plan is developed, the GoA must show strong fiscal leadership and be firm and consistent to ensure that savings goals are not weakened as political and/or fiscal circumstances change. It was suggested that policy mechanisms or legislation be put in place to protect the long-term integrity of provincial savings funds and to limit ad hoc political access. Finally, participants in some groups highlighted the fundamental synergy between saving and spending, and indicated that it is essential for the GoA to develop and implement spending policy that supports savings.

Session participants suggested a range of ideas for realizing benefits for Albertans from non-renewable resource revenue over the short-, medium- and long-term, such as:

- Using the Alberta Heritage Savings Trust Fund for its intended purpose as a long-term savings vehicle to collect and maximize non-renewable resource revenue for future generations;
- Engaging Albertans in a dialogue to increase the public's understanding of the volatility of non-renewable resource revenue, to determine how best to manage non-renewable resource revenue, and to develop publicly supported savings and spending objectives for this revenue source;
- Learning from past experience, especially "mistakes" and "tough times," and creatively applying the lessons learned to the future use of non-renewable resource revenue; and

- Using an investment portfolio approach that maximizes a broad range of investment types necessary to build net income over the long-term.

In several sessions, participants called on the GoA to provide Albertans with straightforward information about the government's role in and approach to savings and fiscal management, including clarifying the different tools available to achieve savings goals. A few contended that the current messaging from the GoA is confusing, lacks credibility and creates false expectations among the public. It was suggested that clear communications with the public explaining saving objectives and spending guidelines would increase acceptance of and participation in savings and spending decisions.

"It's about the larger vision."

"It's about what we invest in for a sustainable return, it's not about revenue. Always look for the long view."

"If we use this concept and legislate, savings are filtered away from political decisions."

"Communication with the public is very important. What triggers a cut-back process needs to be clearly communicated and understood."

"The public does not understand the volatility of non-renewable resource revenue.… This is partly because the government has had a "cookie jar" approach to it. Some[one] has to stand up and convince the people of the need for restraint...."

How do we reduce our exposure to the volatility of non-renewable resource revenue?

Several themes surfaced when participants were asked how to reduce the province's exposure to the volatility of non-renewable resource revenues. Some advocated taking a counter-cyclical budget approach whereby government spending, particularly capital investment, is curtailed and savings are increased when revenues and costs are high, and deficits and spending are increased during downturns when the province can get better value for its dollar and buy and build more affordably. Moving toward multi-year budget cycles to flatten uncertainty about revenue and spending, as well as taking advantage of longer-term amortization of capital assets, were other measures suggested to reduce Alberta's exposure to volatility.

Other participants suggested that the best way to address volatility is to invest strategically to diversify the economy away from non-renewable resource revenue. A variety of strategies to promote diversification were suggested, including:

- Supporting and investing in infrastructure development that provides the province access to world markets for our products (e.g., road to the Beaufort);
- Exploring investment opportunities in other provinces and other markets;
- Focusing on investments that capitalize on and retain our competitive advantage;
- Translating Alberta-grown leading-edge technology, research and innovation into commercialization;
- Promoting home-based business, and people living and working in small communities;
- Renewing the commitment to agriculture by pursuing value-added opportunities in the agri-food industry; and
- Investing in renewable energy to become world energy leaders.

Within the discussions around diversification, many groups highlighted the need to enhance our commitment to the future by investing in education in multiple areas of expertise to develop and maintain a healthy, employed and contributing population for the future.

Some participants contended that the volatility of non-renewable resource revenue should be embraced as both a reality and an opportunity. Again, participants stressed the need to incorporate mechanisms in the fiscal framework that address volatility and respond to global economic forces. In this context, participants urged the GoA to:

- Engage in co-operative planning with industry and municipal partners to develop strategies to mitigate the impacts of volatility;
- Review recent Alberta-based research for options to transfer skills and adapt our technology to other industries;

- Adapt models from prior years that successfully built the petrochemical industry when industrial primacy evolved away from coal; and

- Learn from other jurisdictions confronting similar circumstances such as Alaska, Texas and Norway.

Examining more stable and predictable revenue sources as a means of diminishing the province's reliance on fluctuating non-renewable resource revenues was raised in a few sessions. Much of this discussion centered on the need to examine the current tax structure to determine if the implementation of taxes, such as consumption taxes, wealth taxes and user fees, is appropriate. Alternatively, some participants insisted that taxes should be kept low, saying that the GoA should focus on gaining access to more markets. In doing so, the province would get fair market value for products and increase revenue significantly without the need to raise taxes.

"Always view non-renewable resource revenue as a declining asset and an asset that cannot be replaced."

"Non-renewable resource funds invested in renewable resources makes so much sense. There are many benefits from it and it addresses environmental issues."

"Always invest in education. It gives adaptability and is a huge resource."

"Consumption taxes have to come back on the board."

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

Most participants agreed that the Alberta Sustainability Fund is operating well as the province's short-term savings vehicle and that the fund has successfully served to level the volatility of non-renewable resource revenue by providing short-term funding for important ongoing expenditures, such as priority programs and infrastructure. Acknowledging the Alberta Sustainability Fund's effectiveness in recent years, some participants challenged the GoA to improve on that success. In a few sessions, however, participants highlighted confusion and a lack of clarity regarding the scale of the fund as well as its perceived unplanned use, leading to depleted fund value. Participants again reinforced the need to be both clear on the purpose and firm on the use of these savings.

Suggestions made to improve clarity included:

- Establishing specifics for replenishing the fund;
- Implementing a fund cap and sending the surplus to the Alberta Heritage Savings Trust Fund;
- Tying investment in the fund to GDP;
- Separating out capital funds; and
- Setting limits on or disallowing amounts to be transferred to the General Revenue Fund.

There was broad backing across all sessions for protecting the Alberta Heritage Savings Trust Fund and working to ensure that the fund continues to grow and provide income when non-renewable resource revenue is depleted. In many sessions, participants underlined the need to reiterate the vision for the fund, and then to establish a long-term plan for how to use it. Participants urged the GoA to set clear and time-bound savings goals for the fund and to place strict controls around the use of funds to protect the principal. Some advocated for the development of a consistent savings formula that establishes a fixed amount of annual savings for the fund, regardless of income. Alternatively, a few argued that it is necessary to build flexibility into a savings policy because it is difficult to fix an amount to contribute to savings when revenues fluctuate year-to-year.

In addition to acting as the province's principle long-term savings fund, participants generally advocated using the Alberta Heritage Savings Trust Fund to support a wide range of industry and commerce that would diversify and strengthen the provincial economy. A variety of strategic investment opportunities were cited, including: education, renewable energy, research and development, strategic infrastructure projects, and investments in other parts of Canada. In some cases, participants suggested directly leveraging fund dollars to access capital for investment, thereby converting non-renewable resource revenues into more stable financial resources to provide future income. Participants in a few groups maintained that at least some of the fund should be used in a manner that benefits Canadians in other provinces as well as Albertans. In this regard, a few participants proposed using the fund to lower borrowing costs for other provinces and investing to help address the declining infrastructure in other parts of Canada

in the spirit of being good neighbours. It was emphasized that even though this may generate a lower return, some return is still required. That said, others cautioned that investment in other provinces could expose the fund to risks that could harm the province's credit rating.

Lastly, across several sessions, participants stressed the importance of reducing the public's uncertainty regarding the benefits and current status of both the Alberta Heritage Savings Trust Fund and the Alberta Sustainability Fund. It was felt that the public will commit to a long-term savings vision if strategies to clearly communicate the goals, as well as the distinct roles and functions of the funds are developed and implemented.

"I believe that every year some saving should occur, maybe a minimum amount."

"The government needs to strip out all the revenue from the General Revenue Fund that comes from the Heritage Fund."

"Examine risk and invest in low risk reliable things."

"It bails you out of the valleys and shaves off the peaks."

Moving forward, what is the best way to build and finance infrastructure?

When asked about the best way to build and finance infrastructure, participants recommended a reassessment of the province's budgeting and capitalization models. They also recommended the development of a long-range capital plan that is creative, managed in a firm and consistent manner, distinguishes between operating and capital budgets, and definitively lays out debt limits. As a starting point, participants encouraged the province to conduct a comprehensive assessment of Alberta's infrastructure needs, for both maintenance and growth, to help inform infrastructure planning. Others called for an independent evaluation to scrutinize current infrastructure spending to define needs and priorities.

In most sessions, borrowing was encouraged for capital expenditure in the current low-interest market to leverage value and purchasing power, now or when required at a future point, provided that a sensible debt ratio is established. While participants did not advocate borrowing for operations, they argued that capital debt is good debt and that going into debt for tangible things such as infrastructure is more acceptable to voters than traditional thinking may suggest. Participants in a few sessions stressed the importance of inter-generational

equity, saying that capital debt must be paid in full over the lifespan of the project to ensure that debt is not passed on unfairly to future generations. In other words, the people who are using the infrastructure should pay for it. During the sessions, participants noted that the accounting treatment currently used by the GoA to reflect infrastructure can lead to confusion about asset values and the associated expense and/or debt. It was recommended that the accounting treatment more closely mirror that used by business, including appropriate reflections of amortization.

Participants also generally supported counter-cyclical spending, including "building in quiet times," to take advantage of increased access to labour and other lower cost inputs characteristic of non-boom years. Some session participants recommended financing capital expenditures by reiterating its important role in flattening volatility. By contrast, a minority voice said that a "live within your means" approach, in which capital funding is based on anticipated revenues alone and only core requirements are funded by the province, is preferable to counter-cyclical spending.

Session participants described the inherent relationship between controlling volatility and exploring other creative methods to fund infrastructure, citing mechanisms like public-private partnerships (P3s), industry loan guarantees, bond issuance and user-pay models. While P3s were largely seen as a viable option, particularly for funding large capital projects, others expressed caution because the lack of policy around their use can lead to deferring infrastructure costs to future generations. A few said that consideration should be given to an "Alberta Advantage" program that would offer loan guarantees to industry willing to partner and share risk on major capital projects. Borrowing via bonds surfaced in few groups as a means of generating funds for both capital projects and investment, providing the added advantage of enabling ordinary Albertans, and Canadians, to participate positively in the provincial economy. Concepts such as user-pay and tolls generated a range of views as to their fairness and alignment with Albertans' core values, with no clear agreement across groups.

In most sessions, participants acknowledged the issues and challenges for communities, organizations and individuals of not having clear provincial goals and firm management of infrastructure spending. Participants contended that decisions regarding infrastructure cannot be made in isolation and they urged the GoA to work collaboratively with municipalities and

other jurisdictions to define rules and roles, and to address the technical and functional challenges between differing funding models.

"Set the rules, set them clearly, and don't bend them."

"If it's capital it sells well with Albertans. If they can see, feel and touch it, it is politically palatable [to borrow for it]."

"Set spending three years in advance so everybody knows what you're going to have to spend. Spending, you want to keep flat. There should be very few reasons in Alberta to have cyclical spending."

"It should be pretty constant."

"This country was built on private/public partnerships like the railroad. Why wouldn't Alberta want to be a part of this?"

BUDGET 2013 CONSULTATION

BUDGET 2013 ONLINE SURVEY FINDINGS

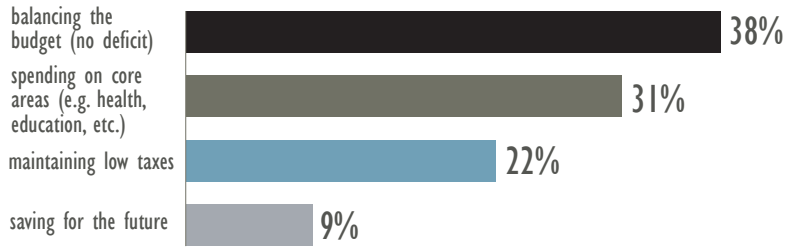
Please note that percentages may not add up to 100% due to rounding.

SETTING THE RIGHT PRIORITIES

1. Rank in order of priority: balancing the budget (no deficit); spending on core areas (e.g., health, education, etc.); maintaining low taxes; and saving for the future.

The graph below shows the percentage of respondents who ranked each option as their priority. Thirty-eight per cent ranked balancing the budget as their top priority, while 31% ranked spending on core areas their top priority. Twenty-two per cent ranked maintaining low taxes as their priority, and 9% ranked saving for the future as their top priority.

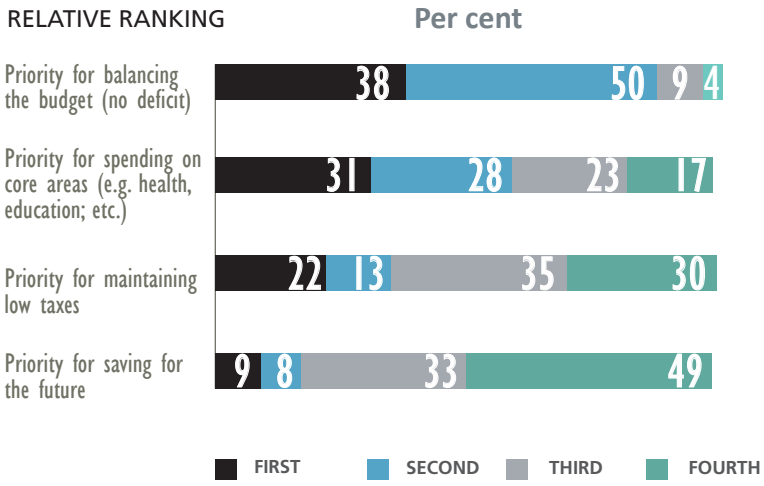
TOP PRIORITY RANKING



(n=2,149)

The graph below shows the relative rankings of all items (first through fourth). Saving for the future was the lowest priority with almost half (49%) ranking this item last and 9% ranking it first.

RELATIVE RANKING



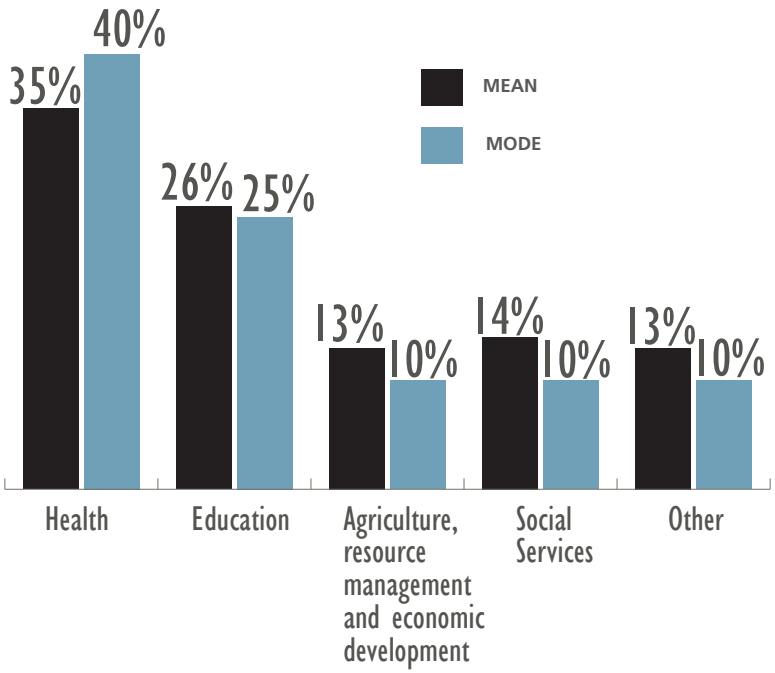
(n=2,149)

MEETING YOUR NEEDS

2a. How would you allocate the budget among: health; education; agriculture, resource management and economic development; social services; and other?

Respondents were asked to assign their desired percentage of government spending to each of five areas. The chart below displays the mean and mode for each spending area. The mean, or average of all responses, is the most commonly used statistic. The mode is the most frequent data point. For example, 35% was the average budget allocation for health, and 40% was the most mentioned data point for health.

ALLOCATION TO SPENDING AREAS



(n=2,149)

2b. What does investing in this priority mean to you?

Survey respondents were asked to indicate what investing in each of four priority areas (health; education; agriculture, resource management and economic development; and social services) means to them. Generally speaking, survey respondents answered this question in two ways. Some provided broad statements indicating why investment in the priority area is important and/or what investment in the area means to them. Others identified specific outcomes that could be derived from investment in each priority area and/or identified their individual investment priorities for each of the four areas. Finally, in some instances, respondents offered suggestions for improving spending efficiencies.

The following section provides a high-level summary of the most common themes that emerged from respondents' comments, which are structured as follows:

THEME STATEMENTS – why each spending area is important, followed by direct quotes from respondents

OUTCOMES[1] – results that could be achieved through investment, in order of frequency of mention

PRIORITIES – individual priorities for investment/actions to be taken, in order of frequency of mention

HEALTH

THEME STATEMENTS

Maintaining and improving the quality of health care in Alberta is essential because a healthy population has a higher quality of life, is more productive and better able to contribute to society and the economy.

"Healthy citizens will benefit the economy since they can be fully employed and at the same time become consumers."

"This is of the utmost importance because if we do not have [our health], we are not capable of functioning well in society."

"Quality of life. This is necessary and we must constantly strive to stay current, as well as improve."

OUTCOMES

Ensuring that all Albertans are provided with equal and timely access to high-quality health care services, facilities and professionals.

[1] Outcomes are provided for health and education areas only, as reflected in survey comments.

PRIORITIES

- Shorten wait times for health services (e.g., emergency room visits, surgery and medical procedures, diagnostic tests, test results, appointments with specialists).
- Improve access to family doctors resulting from an increased emphasis on attracting and retaining doctors.
- Provide additional funding to increase the number of front-line medical personnel (e.g., doctors, registered nurses, licensed practical nurses).
- Ensure that health care in Alberta is publicly funded; disallow privatized health care.
- Build new and maintain existing health care infrastructure.
- Increase local access to health care services, facilities and professionals, particularly in small communities and rural and remote areas.
- Ensure sufficient funds are available for medical equipment and technology.
- Implement health care alternatives to reduce pressure on emergency rooms and acute care system (e.g., walk-in clinics, family care clinics, Health Link, hospices).
- Increase mental health services and facilities, including addictions treatment.
- Expand the number and range of insured services (e.g., dental care, vision care, physiotherapy).
- Fund new, experimental and/or uninsured drugs and therapies.

"Better and faster access to doctors and health specialists. Faster access to health test results. Better funding on different types of treatments and drugs."

"Equal access to health care for all Albertans. The person with the greatest need is served first. No privatization of services."

"Timely access to doctors, specialists, diagnostic procedures. Today I found out there is an 18-month wait to see a specialist about an abdominal injury [and] I was recently told it was a two-year wait to obtain a colonoscopy - this is unacceptable."

OUTCOMES

Changing the focus of health care spending to health promotion, prevention and wellness to reduce health care costs and to build healthy communities.

PRIORITIES

- Foster a culture of change toward individual responsibility for personal health.
- Conduct public education to promote healthy lifestyles.
- Fund complementary medical services and therapies (e.g., acupuncture, naturopathy, chiropractic).
- Implement incentives/disincentives to encourage healthy lifestyle choices.

"Promote healthy living to keep people out of the hospital. Give tax breaks to those who lose weight, live healthy, stay away from doctors."

"Preventative health. Alberta is spending so much to prepare for people that will have bad health when they are seniors. Why not put more into prevention so future seniors require less hospital time, less medication and less visits to the doctors?"

"Changing the way we look at health care. Business as usual can't continue as it is. People need to take responsibility for the lifestyle choices they make that affect their health."

OUTCOMES

Ensuring that there are a sufficient number and range of care and services options to meet the needs of the province's current and growing seniors population.

PRIORITIES

- Build and fund care facilities for seniors (e.g., long-term care, assisted living facilities).
- Provide support services to help seniors remain in their own home.

"Looking after the elderly who were the backbone in building this country… [they] should want for nothing and are struggling to make ends meet and to afford their medication."

"It means that there will be funding for Alzheimer's, separate long-term care facilities so young patients are not housed with the aged and the aged are not housed with dementia patients; facilities need to be built and controlled by the government, not private sector."

"We need to invest in safe well-funded, long-term care and nursing home beds. A shortage of available spots for our aging population is putting unnecessary pressure on our acute care hospital beds."

Some of the individuals responding to this question called for increased efficiencies within the health care system and greater accountability for how health care dollars are spent. Respondents provided a variety of suggestions to improve spending efficiency, such as:

- Decrease bureaucracy in health care.
- Reduce health executive and administrative salaries, benefits, severances, expenses, and redirect those funds to frontline services.
- Maximize the use of existing funds and resources; reduce waste and duplication.
- Privatize some health care services (e.g., elective surgery, services above basic care) to lower overall costs and reduce wait times.
- Employ innovation, creativity and risk in developing solutions to address health care spending.
- Reinstate health care premiums.
- Address union issues.
- Conduct a comprehensive review of health care spending to identify opportunities to increase efficiencies.

"It is important to have sufficient and efficiently run health care. Start by drastically decreasing the top heavy overpaid administration in the Alberta Health Services and use some of the funds from this decrease to hire the front line workers."

"I think that there is sufficient funding in health care to make it work as is. It would be nice to look at big changes to make the system work more efficiently and use the dollars wisely."

"Investing tax dollars in health should focus on 'basic' health care for all Albertans. Enhanced health care should be available outside of the public system."

EDUCATION

THEME STATEMENTS

Maintaining and improving the high quality of education in Alberta is an investment in the future of Alberta and Canada. Investing in education generates positive economic benefits; builds a skilled work force; fosters innovation and leadership; creates a healthier society; reduces social problems; improves quality of life; and makes Alberta more competitive in the global market.

"Investing in education is an investment in the future. If we want Alberta to continue to be a leader and a positive contributor in all aspects of business and society then we need to put our children first."

"Our greatest resource for the future is a solid education system for our children. A solid education means we can compete with the world, not just be a provider of raw materials."

"Take care of our future by educating the younger generation to sustain our economy by ensuring the population has good jobs that allow for extracurricular spending."

OUTCOMES

Ensuring sufficient and quality education professionals, resources and infrastructure are in place throughout the province to meet the demands of current and future students.

PRIORITIES

- Reduce class sizes, lower student/teacher ratios.
- Maintain and maximize existing educational infrastructure.
- Anticipate demand and proactively build schools.
- Ensure all schools have adequate and up-to-date learning resources (e.g., books, technology).
- Provide funding for more front-line workers (e.g., teachers, teacher aides, support staff, specialists).
- Attract and retain high-quality teachers, value teachers, increase teacher wages, ensure workloads are manageable.
- Provide local access to high quality education programs and facilities, particularly in smaller communities, rural and remote areas, and suburbs.
- Address the issue of rural school closures and the related issue of long bus commutes for rural students.

"Provide money to enable schools to reduce class sizes by hiring more teachers. Provide money to hire more support staff in the classroom to assist children who need a little extra help."

"Schools, teachers, support staff, supplies (basic school supplies should not have to be purchased by teachers or parents or through constant fundraising)."

"There is a myth about Alberta's education, that every student has opportunities. In smaller cities this is not the truth. Students are being left behind. They don't have proper technology or access to technology, resources or teachers."

OUTCOMES

Ensuring that all Albertans have fair and equal access to high quality, publicly-funded education from kindergarten to Grade 12 and beyond.

PRIORITIES

- Support alternative education options (e.g., home schooling, charter schools, private schools); implement a voucher system; allow funding to follow the student.
- Increase support for special needs students, and for disadvantaged students and students-at-risk.
- Increase emphasis on and programming for early childhood education.
- Ensure funding remains in the public system; do not fund alternative education options.
- Reduce or eliminate additional school fees and costs (e.g., general fees, alternative programs, educational supplies and materials, transportation fees, etc.).

"The most important social policy this government should have is an egalitarian, accessible and effective education system that gives all our young citizens the preparation they need to have this province succeed."

"Allow for more home-schooling which lowers costs. Force school boards to work with, not against, those who wish to home-school. More funding for alternate schools, which are usually cheaper to run."

"Focus on early childhood education to ensure that all children, regardless of the social or economic background, have the tools and skills to succeed throughout their later years."

OUTCOMES Providing increased opportunities and support for education and training beyond high school.

PRIORITIES

- Lower or abolish post-secondary tuitions (e.g., universities, colleges, trade schools), particularly for Alberta residents.
- Increase financial support of post-secondary students (e.g., scholarships, lower cost loans, loan forgiveness, incentives for high-demand professions).
- Promote the development of skilled trades, particularly in areas experiencing labour shortages.
- Support the educational needs of skilled immigrants.

"Reduce post-secondary fees. They are rioting in the streets of Quebec about fee increases where fees are a fraction of what they are here. We are burdening our children for decades with debt."

"Investing in more university and college grants would mean creating a larger skilled workforce which in turn would also increase profits from income tax collections of those higher earners and would also help fill the many gaps the baby boomers are leaving."

"Investment in education, particularly for new immigrants to Alberta, as these are our future workers. Acknowledging the educational background and breaking down educational barriers for new immigrants who are the future of the workforce."

Similarly, some recommendations were provided for improving efficiencies and reducing wasteful spending on education, including:

- Reduce bureaucracy in education.
- Cut management and administrative wages, bonuses and expense accounts.
- Increase transparency in spending; make management, administration and teachers accountable for money spent.
- Focus on the fundamentals in education; only teach the basics.
- Reduce or freeze teacher salaries.
- Address union issues.
- Restructure education into a single system.

"Eliminate the excessive management structure and the education administration that established a no zero policy. Stick to the basics for fundamental education."

"Cut costs not relating directly to education, such as CEO and management wages, bonuses, expense accounts. Make management and their decisions accountable. They are spending public money."

"The union is too powerful, delivers extraordinary wages to its members, and yet delivers poorer and poorer results."

AGRICULTURE, RESOURCE MANAGEMENT AND ECONOMIC DEVELOPMENT

THEME STATEMENTS

Agriculture, resource management and economic development fuel our province's continued growth and prosperity and provide Albertans with a high standard of living and quality of life. These are elements to maintaining a strong and sustainable economy for future generations.

"This is an Alberta staple and without them the strength of the other programs would not be there."

"These areas are the cornerstones of the economy and provide the jobs necessary for Albertans."

"Probably most important of all, because of oil and agriculture, Alberta is in the best seat in the house. We best keep these wheels rolling and be sure to keep our advantage for as long as we can."

AGRICULTURE:

PRIORITIES

- Ensure food safety; increase monitoring of food supply and food processors.
- Support local and small farm operations; protect and preserve the family farm; support young farmers.
- Maintain a viable agricultural base to secure a sustainable food supply, now and into the future.
- Preserve prime agricultural land; limit rural development; reduce urban sprawl.
- Promote environmentally sustainable agricultural practices.
- Reduce/discontinue agricultural subsidies.

"Farmers are the backbone of our country. Farmers need help keeping the family farm especially encouraging youth to continue with the farm instead of everyone going to the city."

"Watching good farmland be plowed under for housing is shameful in a world where there is not enough to eat."

"I do not understand why our government even considers agriculture support programs. This is a business and a way of life that people choose. If we support this business, we should be supporting all business that encounter struggles."

RESOURCE MANAGEMENT:

PRIORITIES

- Protect Alberta's environment (e.g., air, water, land, flora, fauna); invest in environmental conservation and preservation.
- Promote environmentally sustainable resource development practices; invest in innovation, research and development, technology and education.
- Manage natural resources to be sustainable over the long-term; slow the pace of development.
- Maximize the value of provincial resources; re-examine the royalty structure; increase royalties.
- Process the province's natural resources in Alberta; limit export of raw materials.
- Bolster regulatory requirements for industry, increase environmental monitoring, enforce non-compliance.
- Protect provincial parks, public lands and natural areas; increase public education, policing and enforcement; limit/ban industrial development and high impact recreation.
- Maintain economic control of natural resources; block foreign ownership.
- Reduce/halt government involvement and investment in private industry.

"Resource management in Alberta is a huge concern. We need to plan for the future and slow down the rate in which we are using our non-renewable resources up so quickly. We also need to look at the foreign ownership."

"Industry and resources are what power Alberta. There has to be some investment to keep people employed. The government has to stop giving our resources away at a bargain basement royalty price."

"I am concerned about the small amount of money that is allocated to the protection of our environment. We are very fortunate to live in a province where we have access to such beauty and provincial parks."

ECONOMIC DEVELOPMENT:

PRIORITIES

» Diversify the provincial economy to reduce reliance on non-renewable resource revenue; invest in non-resource based industries, alternative energy, innovation, research and development, and technology; switch the focus of the economy from resource-based to knowledge-based.

» Support the economic drivers that generate wealth in the province.

» Produce value-added products in Alberta.

» Promote entrepreneurship; support small businesses and Alberta-based businesses.

» Invest in job creation.

» Reduce/halt government involvement and investment in the private sector.

» Fund economic infrastructure development (e.g. roads, power, transportation, pipelines).

» Provide incentives to encourage businesses to locate in Alberta (e.g., reduce taxes, lower utility costs, streamline approval processes).

"Economic diversification is also critical to Alberta, in particular, among the provinces. We are susceptible to economic downturns due to our reliance on non-renewable resources and must diversify as well as manage our natural resources."

"Stop giving our resources away. Start using our natural resources to manufacture products here instead of shipping out raw goods. We need to create more jobs by building more refinery plants and not ship out our bitumen to other provinces/countries."

"We spend too much money here promoting industries. What does resource management mean in this context? In a supposedly free market economy we should allow industry to shoulder the burden."

SOCIAL SERVICES

In a province as wealthy as Alberta, it is essential to ensure that our sincerely vulnerable and disadvantaged citizens are cared for and are given dignity and respect.

THEME STATEMENT

- Focus social services funding on programs and services targeting seniors, families and children, persons with disabilities, mental health, poverty, and homelessness.

PRIORITIES

- Implement screening and monitoring processes to ensure that only those with legitimate needs access the social services system.
- Give people a "hand-up" not a "hand-out"; fund programs and services to transition people out of the social services system (e.g., job training, education upgrading, addictions rehabilitation, financial planning).
- Focus on education and prevention to reduce reliance on social services; fund social programs to reduce incidence of and cost to address social problems (e.g., policing, health care, prisons).
- Reduce waste and inefficiencies within the social services system; redirect funds to front-line staff and services.
- Improve access to and delivery of social services across Alberta (e.g., one-window point of entry, public education, community-based delivery, cross-ministry integration).
- Promote a culture shift toward self-sufficiency and personal responsibility.

"Ensure there is a safety net of course for only the most vulnerable. Make it hard to live off the government. Empower people and families to look after themselves."

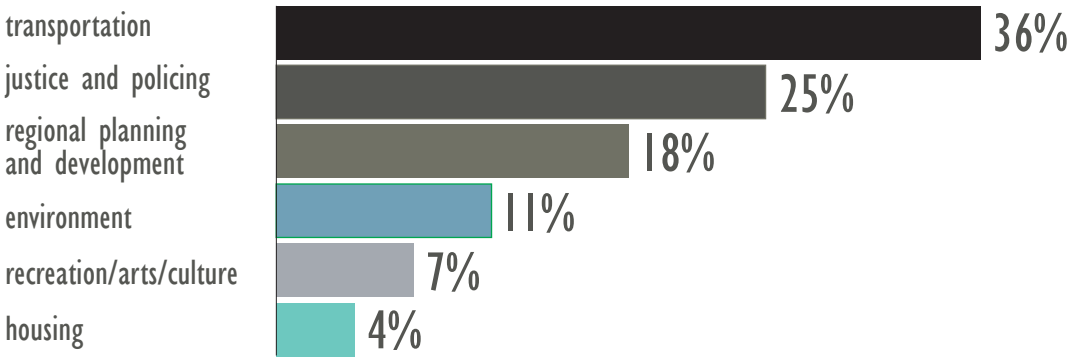
"Handouts do not solve the problem. People need to be taught how to care for themselves, find jobs and be self-sufficient. Only help those who are willing to learn and grow, not those who turn around and fall back down again."

"Ensuring those with disabilities and elderly people are cared for with dignity, not living close to poverty, preventing neglect and abuse in care. Ensuring at-risk children and their families get whatever is needed to get them out of poverty cycles."

2c. Rank the items in the other category in order of priority.

As shown below, respondents ranked transportation as the highest priority (36%) and housing as the lowest (4%).

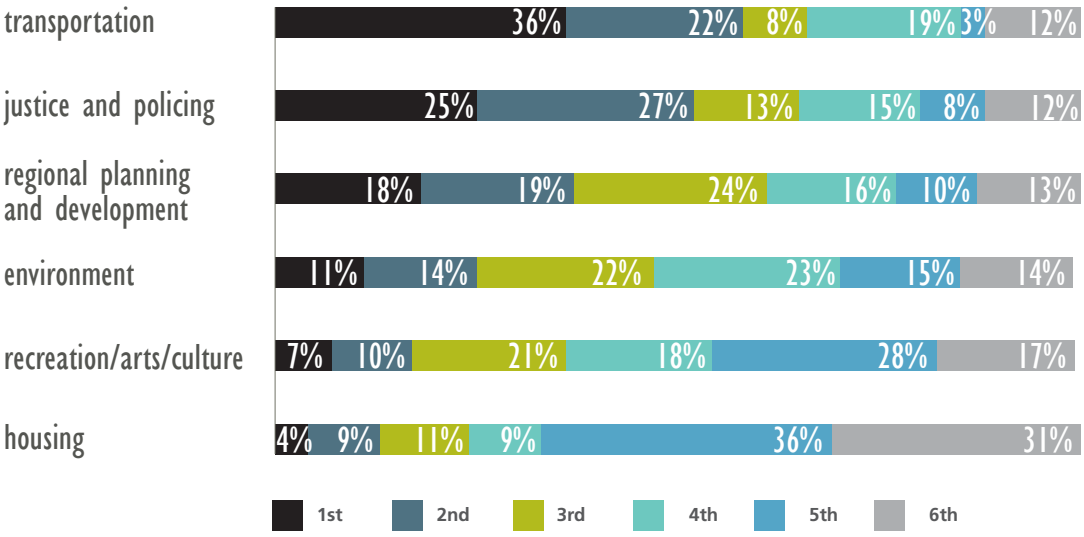
TOP PRIORITY RANKING FOR 'OTHER' CATEGORY'



(n=2,149)

The relative rankings from first to sixth for each item are shown in the chart below. More than half (67%) rated housing 5th or 6th in priority. Transportation, and justice and policing, had the highest per centage of 1st and 2nd rankings (58% and 52% respectively).

RELATIVE RANKING FOR 'OTHER' CATEGORY



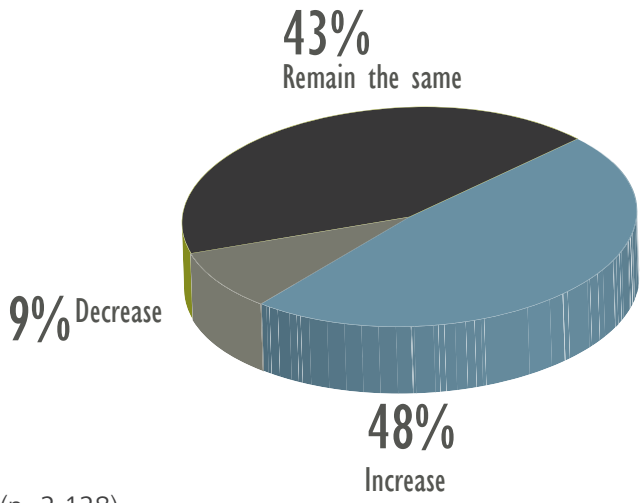
(n=2,149)

BUILDING YOUR PROVINCE

3a. Overall, how do you feel about investing in infrastructure? In the coming years would you like to see investment…

The pie chart below shows that 48% of respondents supported increased investment in infrastructure in the coming years, 43% indicated investment levels should remain the same and 9% indicated investment levels should decrease.

INVESTMENT IN INFRASTRUCTURE IN THE COMING YEARS

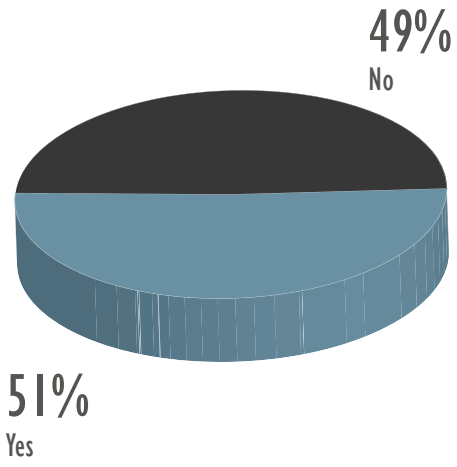


(n=2,128)

3b. Would you be willing to borrow for infrastructure?

Survey respondents' willingness to borrow for infrastructure was split almost evenly, with 51% in favour and 48% against.

WILLING TO BORROW FOR INFRASTRUCTURE

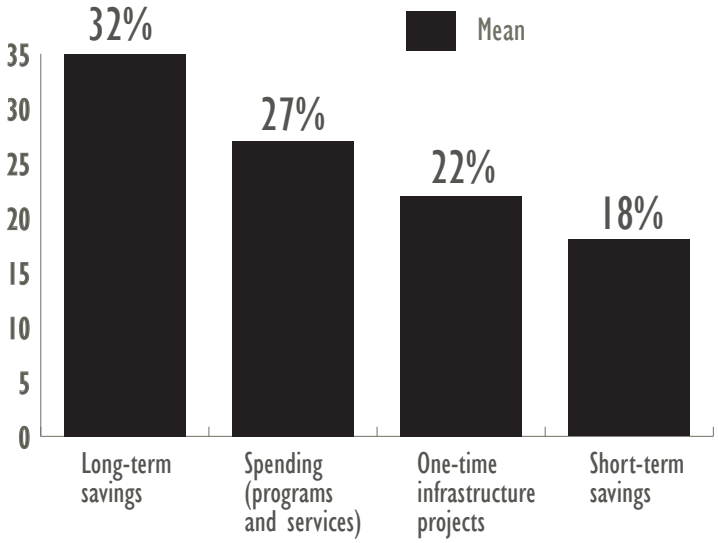


(n=2,132)

SAVING FOR THE FUTURE
4. Where would you allocate surplus revenue?

On average, respondents believe 32% of surplus revenue should be allocated to long-term savings, 27% should be allocated to spending on programs and services, 22% to one-time infrastructure projects, and 18% to short-term savings.

ALLOCATION OF SURPLUS REVENUE



(n=2,149)

PUBLIC OPEN HOUSES SUMMARY OVERVIEW

SETTING THE RIGHT PRIORITIES

Public open house group discussions surfaced a range of views, with participants generally acknowledging that all four priority areas (spending on core areas, balancing the budget, saving for the future and maintaining low taxes) are important. There was agreement across several open houses that strong fiscal management to enable the GoA to balance the various priorities appropriately is essential.

Spending on core areas emerged as the top priority overall. Participants broadly agreed that spending in the core areas of health and education are investments in Alberta's future and will ensure that Alberta has a healthy and educated population with the capacity to secure the continued prosperity of the province. However, several groups stressed that spending in core areas must incorporate integrated, long-term planning to account for changing demographics as well as to maximize efficiencies and reduce waste. A few groups suggested that it is essential for the GoA to prioritize

infrastructure development and improvement as a core spending area given subpar infrastructure in some regions, as well as to deal with the challenges faced by local governments to keep pace with infrastructure demands.

Balancing the budget received mixed support across most groups. While supporting a balanced budget, some groups stressed that it should not be achieved by deferring debt to future generations. Saving for the future and keeping taxes low were given the least priority. Open house participants generally viewed savings as important to ensure that some of today's revenue is available for the generations of Albertans to come. In a few cases, participants stressed the importance of having clearly defined savings goals and targets. Although keeping taxes low did not surface as a key priority, a few insisted that lower taxes ultimately yield more tax revenue because a low tax structure encourages economic development.

"I normally would have chosen a balanced budget but investing in core areas is number one. We need trained people for the future. Looking at the big picture we need to spend money to ensure we have a healthy, educated population. We need to build capacity for the future."

"We have a strong belief that investing in education is how to diversify our economy so we're not excessively reliant on oil sands."

"My household budget has to balance, it's my responsibility to my children, and the government needs to do the same."

"We are really lucky here [in Alberta] for what we receive, compared to taxes paid."

MEETING YOUR NEEDS

Throughout the discussions regarding budget allocations and spending, there was an overarching call for the GoA to find efficiencies and to reduce wasteful spending "to get more for the money we spend." Open house participants offered a range of suggestions to improve spending efficiency, such as:

- Planning and cost-sharing across inter-related services such as education, health and social services to enhance efficiency, and impact across the population.

- Developing multi-use or "wrap-around" facilities and services, which integrate education with health, recreation, libraries, family services and other community programs, to make best use of available dollars and to meet the evolving demographics of many communities.

- Reducing and integrating bureaucracy (e.g., applications, reporting) so dollars and staff resources are put toward program oversight and implementation, rather than paperwork.

- Expanding and supporting programs, initiatives and best practices known to be successful across the province and assessing departmental administrative spending in an effort to eliminate waste.

- Removing artificial operational barriers to effective planning and delivery such as the GoA's requirement to spend each year's entire budget by March 31 regardless of the efficacy of that spending.

- Supporting research, innovation and education to ensure that "made in Alberta solutions" are developed for dealing with problems specific to our province, such as the environmental impacts associated with the oil sands.

Managing the "rampant" and "unwieldy" increases in health care costs surfaced as a strong concern in several open houses. Participants said that, given current high cost allocations and expected increases in demand from a growing and aging population, the existing model of health care spending is not sustainable over the long-term. While the need for improved results in health care delivery was acknowledged, there was general agreement that the current high standards and quality of care must be maintained.

To improve and enhance delivery and outcomes, many participants advocated shifting the focus of health care spending to prevention to reduce acute care costs and to promote a culture change toward accountability for personal health. Others stressed the need to move quickly to ensure that a range of housing and care options are in place to meet the varied requirements of the growing seniors demographic (e.g., support services to facilitate "aging in place", assisted living facilities). Additional recommendations for improving health care efficiencies included dissolving the Alberta Health superboard and returning to a decentralized model, establishing a cost ceiling for health care, and learning from other, more effective models of health care delivery.

Education was considered a foundation investment in the future of the province. Maintaining and expanding investment in high quality education was strongly supported overall. A few groups advocated for increased spending to support agriculture throughout the province, highlighting the challenges confronting the agriculture industry in recent years as well as the sector's significant contribution to the rural tax base.

Finally, within discussions regarding budget allocations, participants in a number of groups raised the notion of exploring alternative revenue sources in order to "grow the pie" to fulfill all the identified spending requirements. Suggestions ranged from considering a sales tax and other progressive taxes, to an increase in royalties, to re-introducing health care premiums with subsidies for those unable to afford the premiums.

At a more general level, some participants argued that focusing on allocating percentages for the budget categories was premature. They recommended a broad review to identify the needs within each spending area in order to more effectively target funding allocations in both the short- and long-term. In this regard, participants maintained that the province is inadequately prepared to address the significant demographic shifts in our population. They stated that it is essential to adopt integrated planning now to determine appropriate spending, as the population ages and increases through in-migration, and the mix of needs evolve.

"There is a lot of waste throughout the whole structure. We need to tighten up the loose screws and plug the hole in the dyke."

"Sharing recreational facilities is an excellent idea. We're building a health and education centre that integrates the two and it's great."

"We need to address prevention in order to address costs for the future."

"We have a huge wave of aging baby-boomers coming at us, and different government agencies have different responses, and they're… disproportionate to the size of the wave. It's like three sandbags against a tidal wave."

BUILDING YOUR PROVINCE

In the discussions about capital planning, participants underlined the critical need for infrastructure funds now, asking the GoA to take swift action to deal with infrastructure shortfalls and deteriorating infrastructure throughout the province. There was general agreement that the GoA's current capital funding approach of paying "cash up front" for long-term assets is a poor business model that has left Alberta with a significant infrastructure deficit. There was consistent and strong support across the open houses for the GoA to borrow to raise funds for capital assets, taking advantage of today's low costs by leveraging the province's solid credit rating and well-established savings funds. Participants emphasized that this forward-looking business model will not only help address the current infrastructure deficit, but will underpin the long-range planning required to maintain and build a sustainable economy that will provide significant benefits to Albertans into the future.

Participants in several open houses specifically highlighted issues around municipal infrastructure, explaining that many municipalities across Alberta are struggling to finance new infrastructure projects. Many are increasingly unable to keep pace with the operational costs of maintaining existing facilities and services, which has forced them into deep arrears.

In general, participants emphasized the need to establish more efficient ways for municipalities to access capital funding and called on the GoA to increase funding for municipal infrastructure. Further, they suggested that any approach intended to improve the infrastructure deficit must also address operational costs.

In some groups, participants recommended that a long-range capital plan should establish clear policy around capital debt, set borrowing limits, and define how the money is spent and invested. Acknowledging that infrastructure needs are unique and varied in communities across the province, participants also maintained that long-term, integrated planning is necessary for efficiency and fairness, and highlighted the importance of balancing the needs of all areas of the province equitably. Some participants also indicated that a solid policy and planning framework will prevent infrastructure expenditure being used to stop-gap immediate concerns and instead will be used to meet Alberta's needs today and for future generations.

"We should be borrowing for long-term infrastructure capital projects. It is good debt."

"Don't go back to the 'pay the last dollar' concept that led us down the wrong path in the first place."

"Our biggest concern in municipal government is how to maintain and operate our facilities over time."

"There is a great deal of inequality in water quality between various municipalities… municipal infrastructure needs to be number one… we need clean water, safe roads and waste management upgrades."

SAVING FOR THE FUTURE

There was solid support across the majority of open houses for maintaining the Alberta Heritage Savings Trust Fund and for working to increase the size of the fund to offset the eventual depletion of non-renewable resource revenue. In a few open houses, participants stressed the importance of defining and agreeing upon the purpose and use of the fund, establishing a long-range plan for the fund with specific savings methods, goals and targets, and developing rules for administering and accessing the fund. A few participants maintained that measures should be implemented to limit GoA access to the fund.

Investing a portion of the Heritage Fund to strengthen and diversify the provincial economy received broad backing in most sessions. Some indicated support for directly leveraging the fund to generate investment dollars by taking advantage of favourable return and interest rates. The GoA could then direct the funds raised to long-term capital assets, while maintaining the province's excellent credit rating. A range of strategic investment opportunities were identified, including research, innovation and education in renewable energies, agri-business, knowledge industries, and wellness. Further, participants in several open houses urged the GoA to capitalize on low costs in down cycles and to spend the saved dollars on urgent infrastructure needs.

While investing the Heritage Fund to generate revenue for future generations received support overall, there were caveats: use of the fund must be prudent, the principal must remain intact, the fund must be protected from erosion by inflation, and spending must be transparent and demonstrate how it provides a return to Albertans.

Overall, open house participants agreed that the Alberta Sustainability Fund is a valuable tool for stabilizing the provincial economy and balancing infrastructure spending during fluctuations in non-renewable resource revenue. That said, some criticized the fund's lack of clarity, purpose and defined rules for accessing and using the fund. A few supported the implementation of a fund cap and rolling the surplus into the Heritage Fund.

In many of the open houses, participants emphasized the need for the GoA to clearly communicate to Albertans the distinct functions of the Heritage Fund and the Sustainability Fund. Participants maintained that without a better understanding by the public, any decisions about use of the funds will create confusion about the overall fiscal plan and goals.

"The Heritage and Sustainability Funds are great ideas."

"We really encourage the GoA to use the Heritage Fund to invest heavily in diversification."

"It [Heritage Fund] needs to grow and have a rule book for it."

"It [The Sustainability Fund] runs counter to the economic circumstances and helps us weather the storm."

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