

BUDGET 2019

Budget Address

A plan for jobs
and the economy

Delivered by: Honourable Travis Toews | President of Treasury Board, Minister of Finance | Legislative Assembly of Alberta

Alberta 

Introduction

Mr. Speaker, it is my honour to rise today to deliver the inaugural budget of the first United Conservative government of Alberta.

This budget is the result of the comprehensive platform our party ran on in this year's election and consultations with Albertans over the last few months.

That platform, titled "Getting Alberta Back to Work," was endorsed by over a million voters, representing 55 per cent of electors and the highest single party vote tally in provincial history.

This was an overwhelming public endorsement of our three main priorities:

- Getting Albertans Back to Work
- Making Life Better for Albertans
- Standing Up for Alberta

This budget is the fulfillment of that promise made to Albertans.

This is a budget that is ambitious in its drive for economic growth.

This is a budget that is courageous – tackling the out-of-control spending of previous administrations.

This is a budget that is compassionate – taking care of the most vulnerable and providing more resources for families and children.

This is a budget that is thoughtful, reasonable and precise in its execution.

And this is a budget that puts Alberta and Albertans first, at a time when we are contending against a global campaign of misinformation and a federal government that has campaigned against our province's vital economic interests.

It is in this context that this budget has been crafted.

Ambition: Getting Albertans back to work

So let me start, Mr. Speaker, with the ambition of Budget 2019.

Budget 2019 takes action on our first priority—getting Albertans back to work.

Albertans overwhelmingly endorsed our government's free enterprise principles.

Those principles support the entrepreneurial attitude and can-do spirit that made Alberta prosperous in the past, and will restore our role as the economic engine of Canada's prosperity.

Budget 2019 will get Albertans back to work by restoring our competitiveness, reviving private investment, cutting red tape, and supporting training in the skills that will be needed in the future.

To make Alberta a magnet for investment, Budget 2019 is taking bold action to reduce taxes and regulation.

Our goal is to make Alberta the most competitive jurisdiction to do business in North America.

Our first act after forming government was to eliminate the carbon tax. That job-killing tax created a significant drag on economic growth, and disproportionately penalized us for living in a geographically massive region, with a cold climate, and a resource driven economy.

At 1.4 billion dollars, this was the largest tax cut in Alberta's history. It reversed the skewed priorities of the previous government that raised the cost of everything – from home heating to groceries – for families and small businesses already coping with unemployment and less income.

I was incredibly proud to present legislation that implemented the Job Creation Tax Cut.

This legislation assures the reduction of corporate income tax rates from 12 to eight per cent.

Mr. Speaker, by 2022, Alberta will have the lowest rate in Canada and that rate will be lower than 44 of 50 U.S. states.

The weight of historical evidence overwhelmingly shows that when we improve our corporate tax advantage, our provincial GDP goes up and our share of national GDP increases.

So do jobs. And so do government revenues.

Economists Jack Mintz and Bev Dahlby estimate that the Job Creation Tax Cut will add up to 55,000 jobs by 2023.

My own ministry estimates that the Job Creation Tax Cut will boost real investment by approximately four billion dollars **per year** by 2023.

And we have ample evidence of what doesn't work, Mr. Speaker. After the former government increased the corporate income tax rate, tax revenues fell by billions of dollars.

It is one element of their legacy that we have reversed, in order to shift Alberta to a broad-based, low tax structure that puts investment decisions in the hands of the private sector, not government.

Mr. Speaker, success is the intersection between preparation and opportunity. This side of the house believes that opportunity in Alberta remains boundless; it is the preparation that has been missing in the past few years and we will fix that.

We have also adopted the accelerated capital cost allowance provisions. This will encourage businesses to make capital investments, resulting in growth and improved productivity.

Mr. Speaker, the Job Creation Tax Cut, along with the accelerated capital cost allowance provisions, provide Alberta with a broad-based, low rate, corporate tax system that will be competitive with any jurisdiction in North America.

These two initiatives are designed for optimal economic impacts.

They are a break with the habit of many modern governments to complicate fiscal policy with targeted tax credits. These invariably come with red tape, which makes them inefficient. And they undermine the efficiency of market-based capital allocation in order to achieve political or ideological objectives.

Therefore, we will be taking steps to eliminate five tax credits:

- The Alberta Investor Tax Credit
- Community Economic Development Corporation Tax Credit
- Capital Investment Tax Credit
- Interactive Digital Media Tax Credit, and
- Scientific Research and Experimental Development Tax Credit

Mr. Speaker, we will honour our existing commitments under these programs.

And going forward, companies that received these credits will now instead benefit from the broad-based, low tax environment provided to all those who choose to do business in Alberta.

Mr. Speaker, since day one we have been working to transform Alberta's economy from one of the slowest and most over-regulated in Canada to the fastest and freest in the nation.

My colleague, the Associate Minister of Red Tape Reduction, is making excellent progress working with Albertans to identify roadblocks to job creation and economic development.

Serious efforts to reduce red tape across the entire spectrum of government are projected to save taxpayers at least 140 million dollars a year.

Unlike the previous government, Mr. Speaker, this government is not driven by dogma. We are pragmatic about economic intervention, not doctrinaire.

Indigenous communities, groups and businesses face significant challenges when accessing capital to invest in natural resource projects.

This impedes their economic growth and well-being.

That's why our government is creating the one billion dollar Alberta Indigenous Opportunities Corporation – to help Indigenous owned enterprises become partners in energy and resource development.

The Alberta Indigenous Opportunities Corporation makes Alberta a leader in Canada on the path to reconciliation.

I am proud to present a budget that supports this practical investment to create meaningful, lasting change and a brighter future for Indigenous Albertans.

Mr. Speaker, Albertans want our government to take a realistic approach to the challenge of climate change.

Our government's Technology Innovation and Emissions Reduction – or TIER program – is an ambitious and realistic plan to incent investment in new emission reduction research and technologies.

It invests in the tremendous progress we are already seeing in the oil sands. Between 2000 and 2017, the emission intensity of oil sands operations has dropped by 28 per cent.

This is the result of made-in-Alberta technologies and is a real outcome in the effort to reduce global emissions.

TIER builds on this success and keeps the focus on large industrial emitters responsible for half of the emissions in Alberta.

Regulated facilities can reduce or offset their emissions, or pay directly into the TIER fund.

Over the next four years, TIER revenues are estimated to be 1.9 billion dollars.

This will be used to fund further development of emissions reduction technologies, ensuring that Alberta companies, who are already among the most environmentally responsible in the world, continue to innovate and improve by investing in clean technologies that reduce greenhouse gas emissions.

Mr. Speaker, Budget 2019 also invests in developing the work skills that are and will be needed to move our province forward.

To develop the next generation of skilled tradesmen and women, Budget 2019 expands the apprenticeship model with:

- Over 11 million dollars for schools to work with CAREERS: the Next Generation – an organization connecting students with apprenticeships and skills that will lead to high-paying jobs and rewarding careers
- It provides 10 million dollars for Women Building Futures to encourage women to enter the trades
- Two million dollars over four years for Skills Canada Alberta to help young Albertans build their technology skills and make connections on the national and world stage

Actions to attract and keep skilled workers include developing the Alberta Advantage Immigration Strategy with 2.5 million dollars to recognize foreign qualifications so newcomers can accelerate their entry into the job market.

Mr. Speaker, we also will build on our strength in technology, data and telecommunications, and our leadership in artificial intelligence.

We will spend more than 200 million dollars on research, innovation and commercialization to develop talent and attract global investment.

This funding will commercialize technologies that will improve the productivity and competitiveness of our traditional industries and build the ones we haven't yet envisioned.

Mr. Speaker, this funding will support a highly skilled labour force, world-class university programs and a competitive business environment that will make lasting contributions to economic growth.

All of these measures, Mr. Speaker, will help the province recover from the past four years.

With business investment picking up, real GDP growth is forecast to improve from 0.6 per cent in 2019, to 2.7 per cent in 2020 and then to three per cent in the final two years of our mandate.

Our ambitious strategy for job creation will lead to marked improvement in economic growth.

While we are confident in our policies, we are aware of increasing risks to the global economy.

In the event of negative external economic impacts beyond our control, additional spending restraint will be required.

Courage: Living within our means

Now Mr. Speaker, I'd like to speak of courage.

To rein in the excessive spending of Alberta governments dating back 25 years will take courage and resolve, and not just by this government, but by all Albertans.

We all have an obligation to live within our means. It is unfair to saddle future generations of Albertans with debt, to effectively steal their opportunities and force them to pay our bills. We must be responsible today to ensure the next generation can continue to access the high-quality public services we enjoy, and have opportunities for healthy, fulfilling and prosperous lives.

As the MacKinnon Panel noted, Alberta's annual expenditures would be 10.4 billion dollars less if our per capita spending simply matched the average of spending in Canada's three largest provinces: British Columbia, Ontario and Quebec – and we would not have a deficit.

In Health, we spent almost 1,000 dollars more per person in 2018 than Ontario. This means we would be spending over 4 billion dollars less on health care if we matched Ontario's spending.

But all that money isn't buying us better results.

The panel pointed to a number of metrics that demonstrate our health care service delivery is no better than comparable provinces, and in some cases worse. For example, Alberta has:

- The highest percentage of people cared for in hospitals who should be in a more appropriate setting, and
- We wait longer to see a specialist after getting a referral

It's clear, other provinces are doing more with less in health care.

This is why our Minister of Health has initiated an Alberta Health Services review to identify a course of action that will ensure Albertans receive better value from our health care system.

Mr. Speaker, we also are spending more than other provinces on education.

In K-12 education, school board funding increased by 3.5 per cent over the last decade, more than double the increase in student enrolment.

In advanced education, funding to post-secondary institutions has grown by 40 per cent since 2009, about three times the growth of enrolment.

To live within our means, government spending must adjust to a new reality. Oil prices will be lower for longer. We can't count on another boom to bail us out.

The MacKinnon panel concluded that a spending freeze would not be enough to balance the budget in 2023.

Alberta must now bring spending to more affordable levels in line with other provinces.

When Dr. Janice MacKinnon delivered her panel's report to me, she said something that has remained top of mind. It was that Alberta still has options, but you must take action now to restrain spending – do not delay. If you don't take action now, there will be far fewer options for Alberta in the future.

Mr. Speaker, I will not be responsible for removing opportunities for Albertans in the generations to come.

The challenge of this restraint is the spending trajectory the previous government left us. In the last four years, Alberta's operating expenses have been increasing at over four per cent every year while revenues have remained flat.

This budget is a first step in changing that trajectory, as it rolls back operating spending.

Ministries have put in countless hours finding efficiencies, and are now beginning the work that will lead to transformative change.

Redesigning and modernizing the way we deliver services has the potential to unlock significant savings and provide better outcomes.

We are taking a thoughtful and surgical approach to spending restraint.

To ensure their sustainability, we are evaluating programs that were put in place and left to grow at an unrestrained pace.

We are considering ways in which programs can be restructured so that they truly support the most vulnerable. We are taking efforts to simplify the supports Albertans receive to cut down on administration costs. Where we believe Albertans could afford to cover more supports, we will ask them to do so.

But I want to be clear. This is Budget 2019...not Budget 1993.

Budget 2019 is making a 2.8 per cent measured spending reduction over four years. That's less than three cents on the dollar.

This is not an 18 per cent across-the-board cut.

In Budget 2019, front line services are protected.

We will maintain our platform commitment to fully fund Education.

Health care spending will rise.

Funding will also increase for Children's Services, Community and Social Services, and Seniors and Housing.

That is all possible because our plan to balance the budget is focused, thoughtful and practical.

Mr. Speaker, what we can't ignore is the crippling legacy of unrestrained spending.

Government's operating expense is now 1.2 billion dollars higher than if it matched Alberta's population growth and inflation in the last four years.

At the end of 2009, Alberta's debt was 1.2 billion dollars.

This number has grown exponentially and on March 31, 2019, provincial taxpayer supported debt totalled 63 billion dollars.

Interest payments on that debt consume 3.5 per cent of the budget.

That's two billion dollars a year or five million dollars a day going to bankers and bond holders, that could instead pay for 30,000 teachers, or 35,000 long-term care beds, or a new school every day.

Had the previous government continued with their plan, we would have generated nearly 100 billion dollars in debt by 2024, with annual interest payments of 3.4 billion dollars.

Living within our means – and getting spending down to comparative levels with peer provinces – is the only way we will balance the budget, get out of debt and strengthen public services for Albertans.

Something we will not do Mr. Speaker is continue with the reckless crude-by-rail program the previous government created on the eve of its demise.

The program would have paid out 10.6 billion dollars in expenses to get back 8.8 billion dollars in oil revenues.

Rail contracts alone were 3.7 billion dollars – almost as much as the federal government paid for the Trans Mountain pipeline.

Mr. Speaker, the private sector can ship this oil far more cost effectively than government, without risking the tax dollars of hard working Albertans.

Budget 2019 includes a one-time, 1.5 billion dollar provision to get government and taxpayers out of the crude-by-rail business.

Mr. Speaker, this budget honours previous commitments to build and maintain key infrastructure projects.

But it also takes into account what we learned from the MacKinnon report – that infrastructure in Alberta is generally newer than in other jurisdictions.

Capital spending in Alberta averaged seven billion dollars a year over the past decade. In this capital plan, it will average just over six billion dollars.

The 2019 Capital Plan provides 24.2 billion dollars over four years.

The MacKinnon report made it clear that municipalities must shoulder more of the responsibility for major projects.

The panel found that Alberta provides over 20 per cent more grant support to municipalities than other provinces, and recommended that we bring municipal spending in line accordingly.

The four-year fiscal plan in Budget 2019 will put us on that recommended path.

Mr. Speaker, an important partner on the journey to a new and better fiscal future for Albertans will be our public sector workers. Each and every Albertan who works to deliver government services – whether they are a doctor, janitor, administrator, teacher or nurse – is an important partner in our work.

Labour costs represent 55 per cent – more than half – of the total operating budget.

And in 2018, Alberta's total wage and salary expenses were 880 million dollars higher than in British Columbia, and 1.2 billion dollars higher than in Ontario on a per capita basis.

In keeping with the McKinnon report recommendations, our goal is to bring Alberta government wages in line with other provinces.

Alberta MLAs demonstrated leadership by taking a five per cent salary reduction. The Premier himself took a 10 per cent cut.

We will be looking to the public service for restraint.

Let me be clear, this budget does not contain any provision for wage increases.

And over the next four years, the size of Alberta's public service will be reduced, and management-to-staff ratios will fall.

This will be accomplished mainly through attrition, coupled with hiring restraint in the broader public sector.

Next year, almost every contract we have with union labour will expire.

As we approach a new agreement, we must keep in step:

- With today's fiscal reality
- With other provincial remuneration levels
- With other Albertans who saw their wages decrease or disappear altogether due to our province's recent economic travails

And so I speak directly to Alberta's public service, to the nurses, and teachers, and all the committed professionals who deliver to Albertans every day: work with us to bring Alberta's spending in line.

This will protect jobs now and for the future. And it will show fairness and respect for Albertans' hard-earned tax dollars.

Compassion: Protect the most vulnerable

While Albertans are hard working and self-reliant, they are also compassionate and care about their neighbours and those who are less fortunate.

Our government promised to maintain quality health care and education, and social supports for the most vulnerable.

Budget 2019 honours that promise, while achieving the MacKinnon Panel recommendation to bring Alberta's spending in line with the average of other provinces.

True to our commitment and Albertans' priorities, Health gets a 200 million dollar increase in this budget.

Over four years, Health will receive:

- 100 million dollars for a mental health and addiction strategy
- 40 million dollars to address the opioid crisis
- 20 million dollars for palliative care

That said, we must recognize that health care is the single biggest government expense.

We must stabilize health care spending. This will be essential to balance the budget by 2023. And it can't be accomplished in one year alone.

Last year, Alberta spent 20.4 billion dollars on health care. That's 42 per cent of the entire operating budget.

Between 2009 and 2019, health care spending increased 60 per cent, while government revenue only increased by 26 per cent.

Our goal is to establish a health care system that achieves better outcomes, provides more appropriate care for Albertans, and comes closer to funding levels in B.C., Ontario and Quebec.

Mr. Speaker, the Alberta government spends over eight billion dollars every year to educate children from Kindergarten through to Grade 12.

Budget 2019 maintains this funding.

We are allocating funding for the school nutrition program as promised, with 15.5 million dollars for schools and three million dollars for not-for-profits.

And we are accommodating student growth with 1.8 billion dollars in new capital funding, for new and upgraded schools, and 250 new modular classrooms.

We will build and upgrade playgrounds for Alberta's children by contributing 11 million dollars over two years.

We will also act on a MacKinnon Panel recommendation for Alberta's K – 12 system.

Government will review and revise the education formula to address enrolment growth and to provide incentives for sharing services and achieving better student outcomes.

We also want to ensure better outcomes for our post-secondary students. Post-secondary education accounts for nearly 11 per cent of our budget.

Spending on post-secondary education has grown at a rate of four per cent per year – three times the rate of enrollment growth.

We spend 36,500 dollars per student, per year. That's 5,000 dollars more than British Columbia, 10,000 more than Quebec, and 15,000 more than Ontario.

The Minister of Advanced Education is consulting with post-secondary institutions to set a new course that focuses on performance, accountability and cost management.

Mr. Speaker, we will end the five-year tuition freeze and decrease institutional dependence on taxpayer dollars – while maintaining a high level of student support through scholarships and endowments.

Our post-secondary institutions will help hone the next generation of great leaders, and education is one of the best personal financial investments you can make.

Removing the cap on tuition will incent our universities and colleges to compete for enrollment by focusing on the delivery of programs that directly meet student needs.

Mr. Speaker, Alberta has some of the most generous social programs in the country.

The Assured Income for the Severely Handicapped – or AISH – is 400 dollars more per month than the next most generous province.

Supports for the disabled are also among the most substantial.

Mr. Speaker, Budget 2019 makes no cuts to social programs. In fact, it increases spending. This aligns with our government's commitment to protect the most vulnerable while living within our means.

Community and Social Services receives a 7.6 per cent increase to address human trafficking and sexual exploitation, caseload pressure and a comprehensive review of programming to ensure value for money.

We are maintaining the low-income transit support pilot program for vulnerable Albertans so they can get to appointments, job interviews and their work places.

Seniors and Housing will receive an increase of eight million dollars to maintain overall seniors' benefits.

And Children's Services receives a 15 per cent increase over four years.

The Alberta Child and Family Benefit will replace the Alberta Child Benefit and Alberta Family Employment Tax Credit. This single program will provide more benefits to lower-income families, while reducing administrative costs.

Put Alberta and Albertans first: Standing up for Alberta

Mr. Speaker, the third priority for our government and for Budget 2019 is standing up for Alberta.

- Standing up for a fair deal in Confederation
- Standing up against foreign-funded activists trying to landlock our oil

Alberta is a proud and significant contributor to the national economy.

We have 12 per cent of Canada's population, but contribute more than 16 per cent to national GDP.

We attract 25 per cent of all capital investment and are responsible for nearly a quarter of all Canadian exports.

When our economy is strong, all of Canada benefits.

Alberta's net fiscal contribution to the rest of Canada averaged over 23 billion dollars a year in the last five years, and 211 billion dollars over the last decade. Alberta tax payers make an extraordinarily outsized contribution to the federation, largely due to the energy sector.

When Ottawa enacts discriminatory legislation like the tanker ban, or creates excessive, opaque and unconstitutional government programs like the new environmental assessment regime of Bill C-69, they are not just attacking the Alberta economy; they are undermining the future growth and prosperity of the entire nation.

Last year, Canada imported more than 18 billion dollars worth of crude oil from foreign countries, including \$1.1 billion from Saudi Arabia alone.

At the same time, Alberta's reputation as the most environmentally friendly and socially responsible energy producer in the world has been unfairly maligned.

We are fighting back against these defamations and disinformation with the truth, and with a proactive and relentless effort that will bring back international investment.

Budget 2019 includes 30 million dollars a year for the Canadian Energy Centre to do just that.

And 2.5 million dollars is budgeted for the public inquiry into foreign funding of anti-energy campaigns.

But, Mr. Speaker, the Canadian Energy Centre is just the start of our campaign to Stand Up for Alberta.

In light of the election results earlier this week, it is clear that we cannot rely on federal support to rebuild our province. It is absolutely essential that we put our fiscal house in order and take charge of our economic future.

In the coming months we will be focusing our efforts on bringing fiscal fairness back to Alberta. We will be looking at each and every federal fiscal transfer program and demanding that our concerns are addressed. We will use all the tools at our disposal to get a fair deal for Alberta.

Conclusion

In closing, friends, fellow Albertans, I am proud of this budget and the people who have helped put it together.

It is a plan that will, above all, balance the provincial budget within four years.

But it is much more than that. It is a turning point in Alberta's history.

It is a budget that will grow the economy and create jobs through an ambitious strategy to attract investment to Alberta.

It is a budget that will chart a prudent and thoughtful new course that breaks away from the excessive spending of past governments.

It is a budget that provides certainty and stability.

And it is a budget that demonstrates compassion for people and protects the most vulnerable.

We promised to get Albertans working in a growing economy.

We promised to deliver quality health care and education.

We promised to support the most vulnerable among us.

And we promised to balance the budget in four years.

Budget 2019 keeps those promises.

Mr. Speaker, on behalf of all my colleagues in government I would like to thank the people of Alberta for giving us this opportunity to return our province to prosperity.

We will not let you down.

Friends and fellow Albertans I want to conclude with this message:

While we have no shortage of challenges today, I believe Alberta has a bright future.

I'm hopeful today, not only because we've been blessed with a truly beautiful province, abundant in resources. But because Albertans are resilient and responsible, men and women who cherish and defend their freedom, and know that reward does not come without risk and effort.

This is the spirit of the men and women who built this province and it remains today, and it's for this reason I am incredibly hopeful for our future.

Thank you.

Alberta ▣