

# BUDGET

New Century. **Bold Plans.**

# 2000

**PRESENTED BY STOCKWELL DAY,  
PROVINCIAL TREASURER**

In the Legislative Assembly of Alberta

February 24, 2000

# Table of Contents

Highlights .....	1
Fiscal Plan 2000-03 .....	5
Economic Outlook .....	63
Alberta Advantage .....	89
Alberta Tax Advantage .....	111
Fees and Charges Review .....	131
Canada Pension Plan Reform .....	139
Alberta Heritage Savings Trust Fund Business Plan 2000-03 .....	147
Response to the Auditor General .....	167
Index of Charts and Tables .....	181

# BUDGET

New Century. **Bold Plans.**

# 2000

## HIGHLIGHTS

# Highlights

## **BUDGET 2000 OVERVIEW**

Taxes and fees reduced  
Health and education spending increased  
Accelerated spending on infrastructure  
New Science and Engineering Research Endowment Fund  
Budget balanced  
Debt reduced

## **THE RESULTS FOR ALBERTANS**

Strongest economy  
Record employment  
Least taxed  
Most disposable income  
Best future

## **THE DETAILS**

- The budget will be balanced in each year of the fiscal plan.
- An economic cushion of \$713 million has been set aside for 2000-01. If the economic cushion is not required to protect against a revenue decline, up to 25% may be allocated during the year to priority initiatives.
- Net debt was eliminated in 1999. Alberta is the only province with financial assets that exceed its liabilities, excluding pension obligations. Over the next three years, the government will pay off about \$1.2 billion of the remaining \$12.5 billion of accumulated debt.
- Strong economic growth of 4.5% is expected in 2000, creating 48,000 new jobs. The consensus is that oil prices will decline from recent highs. The uncertainty is when, how fast and by how much. This budget assumes oil prices will average US\$19 per barrel in 2000-01. Natural gas prices are expected to average \$2.50 per thousand cubic feet.
- Revenue reached a record level of \$19.4 billion in 1999-2000. Revenue is expected to fall to \$19.1 billion in 2000-01, as energy prices begin declining to more sustainable levels.
- Base program spending will increase by \$948 million, or 6.3%, in 2000-01 and by \$2 billion, or 13.3%, over the next three years. Almost all of these dollars will be directed to Albertans' top priorities – health and education.
- Transportation, health, education and other infrastructure initiatives are being accelerated. Nearly \$2 billion will be spent on infrastructure this year and over \$4 billion over the next three years.

# New Century, Bold Plans

## **STRENGTHENING THE ALBERTA TAX ADVANTAGE**

- The 8% 'deficit elimination' surtax on personal income tax was eliminated on January 1, 2000, saving Albertans \$144 million this year.
- Alberta's new, simple and fair personal income tax system will be fully implemented on January 1, 2001. Albertans' tax savings will reach \$852 million in 2001, an overall 15% cut in provincial income taxes. Alberta will be the only government in Canada that has eliminated bracket creep.
- Provincial education property tax rates are being cut by 2.6% this year.
- Over 100 user fees are being cut or eliminated, saving Albertans \$60 million a year.
- Business taxes will be reviewed.

## **A NEW ECONOMIC STRATEGY FOR THE 21<sup>ST</sup> CENTURY**

- Building an Alberta knowledge advantage – A new \$500 million Alberta Heritage Science and Engineering Research Endowment Fund will be established.
- Building on traditional strengths – An Agriculture Summit will be held in the spring.
- Our policies of low taxes, limited government and sound fiscal management have created the friendliest environment in Canada for economic growth.

## **IMPROVING QUALITY AND ACCESSIBILITY OF HEALTH, EDUCATION AND OTHER SERVICES**

- 2,400 more nurses and other front-line workers will be hired, waiting times for life-saving surgeries and procedures will be reduced, and access to home care and continuing care will be improved. Health and Wellness base funding will increase by \$1.088 billion, or 21%, over the next three years.
- 2,200 more teachers and classroom aides will be hired. Financial assistance to post-secondary students will increase by nearly 50% to \$154 million by 2002-03. Learning base funding will increase by \$766 million, or 18.9%, over the next three years.
- Funding for Children's Services will increase by 6.4% this year and over 16% to \$587 million by 2002-03.
- A 10% cost of living adjustment will be made to the Alberta Seniors Benefit.

## **SOUND FISCAL MANAGEMENT**

- Balanced budgets – Deficits are against the law in Alberta.
- Debt repayment – Net debt was eliminated in 1999. The *Fiscal Responsibility Act* requires the remaining accumulated debt of \$12.5 billion to be paid off in no more than 25 years.
- Prudent revenue forecasts – At least 3½% of revenue must be set aside in the budget each year as an economic cushion to protect against unexpected declines in revenue and public emergencies or disasters.
- Affordable spending plans – Long-term spending commitments cannot be based on short-term revenue windfalls.
- Open and accountable government – Albertans will be kept fully informed through consolidated budgeting, three-year business and budget plans, quarterly budget updates and performance reports.

# Accountability Statement

The government's Fiscal and Business Plan for the three years commencing April 1, 2000 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at February 9, 2000 with material economic or fiscal implications have been considered in preparing the Fiscal and Business Plan.

The government is committed to achieving the planned results laid out in the Fiscal and Business Plan.

*[original signed]*

Stockwell Day  
Provincial Treasurer  
Chairman of Treasury Board

February 15, 2000

# BUDGET

New Century. **Bold Plans.**

# 2000

**FISCAL PLAN 2000-03**

# Table of Contents

A Bold Plan for the New Century .....	7
Sound Fiscal Management .....	8
Strengthening the Alberta Tax Advantage .....	13
A New Economic Strategy.....	16
Addressing Albertans' Priorities .....	19
Revenue Outlook.....	32

## LIST OF TABLES

Consolidated Fiscal Summary .....	38
Accumulated Debt Repayment.....	38
Net Financial Position .....	39
Revenue .....	40
Expense .....	42
Net Increase in Capital Assets Affecting Operations .....	42
Capital Investment .....	44
Capital Amortization .....	44
Support for Infrastructure .....	45
Debt Servicing Costs .....	45
Valuation Adjustments and Other Provisions.....	46
2000-01 Allocation of Lottery Fund Revenue .....	47
Expense by Function .....	48
2000-01 Expense by Function .....	49
2000-01 Expense by Object .....	50
Full-Time Equivalent Employment .....	51
Details of Net Financial Position .....	52
Accumulated Debt Retirement Schedule .....	53
Details of Accumulated Debt Repayment .....	54
Net Refinancing Requirements .....	54
2000-01 Term Debt Maturities .....	55
Pension Obligations .....	55
Loans and Advances .....	56
Guarantees .....	57
Key Energy and Economic Assumptions .....	58
Sensitivities to Fiscal Year Assumptions, 2000-01 .....	59
Risks to the Forecast .....	59
Major Provincial Tax Rates, 2000.....	60
Historical Consolidated Fiscal Summary, 1983-84 to 2002-03.....	61

# A Bold Plan for the New Century

*“Overall, Alberta is enjoying a hard won era of growth and prosperity. But we still can’t stand still. It is a fiercely competitive, global marketplace out there, driven by knowledge, innovation and technology. Albertans must continue to diversify the economy and create new jobs.”*

Honourable Ralph Klein  
Premier  
Televised Address  
January 31, 2000

*“Our policies of low taxes, limited government and sound fiscal management have helped create the strongest economy in Canada.”*

Honourable Stockwell Day  
Provincial Treasurer  
February 15, 2000

Alberta is starting the new millennium with the strongest economy in Canada. Employment is at record levels. People are moving here from across Canada to take advantage of the opportunities in Alberta.

Alberta has major advantages:

- an increasingly diversified economy,
- the lowest overall tax burden in the country,
- a young, skilled and productive workforce,
- a highly entrepreneurial and competitive business community, and
- the best fiscal position of all the provinces in Canada.

We have the right policies and the fiscal strength to continue to improve Albertans’ quality of life and help ensure a strong economy well into the 21<sup>st</sup> century. Budget 2000 builds on our advantages with a bold plan of action for the new century.

- ***The Alberta tax advantage will be strengthened.*** Our new, simple and fair personal income tax system will be fully implemented on January 1, 2001. Albertans’ personal income taxes will be cut substantially. Provincial education property tax rates are being cut and user fees reduced. Business taxes will be reviewed.
- ***A new economic strategy for the 21<sup>st</sup> century will focus on the knowledge-based industries that are expected to drive economic growth in the new millennium.*** A new endowment fund will spur science and engineering research and the commercialization of research advances. We will also build on traditional strengths. An Agriculture Summit will be held in the spring to examine ways to strengthen our vital agriculture sector.
- ***We will improve the quality and accessibility of health, education and other key services to Albertans.*** Health and education will be enhanced. Infrastructure will be expanded and modernized. Financial assistance to students will be enriched substantially to ensure that cost is not a barrier to pursuing a post-secondary education. Financial support for children and seniors will be increased.
- ***Sound fiscal management will continue to be a fundamental principle of the government.*** Budgets will be balanced and debt will be paid down. The government will continue to live within its means.

As we enter the 21<sup>st</sup> century, Albertans can be proud of their past and confident of their future. Albertans have created the strongest and most dynamic province in Canada through their drive for excellence, compassion and ability to overcome challenges and seize opportunities.

Budget 2000 reflects the confidence Albertans have in themselves and their province. Our bold fiscal plan will help launch Alberta into the new century.

# Sound Fiscal Management

The restructuring of the last decade has made Alberta stronger and more resilient. More than any other province in Canada, we are ready to face the challenges of the 21<sup>st</sup> century and take advantage of new opportunities.

*Budgets will be balanced  
and debt paid down.*

*“The government has  
done a commendable  
job in implementing the  
Government  
Accountability Act.”*

Peter Valentine, FCA  
Auditor General of Alberta  
1998-99 Annual Report

## FISCAL RESPONSIBILITY

The 2000-03 fiscal plan is based on the fiscal principles that have guided the Klein government since 1993:

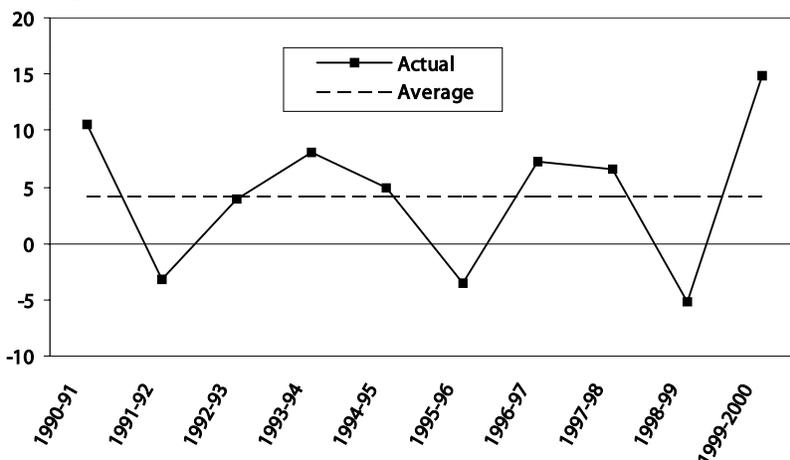
- *Balanced budgets.* Deficits are against the law in Alberta.
- *Debt repayment.* The legislated accumulated debt repayment schedule set out in the *Fiscal Responsibility Act* must be met.
- *Prudent revenue forecasts.* At least 3½% of revenue must be set aside in the budget each year as an economic cushion to protect against unexpected declines in revenue and public emergencies or disasters.
- *Affordable spending plans.* Long-term spending commitments cannot be based on short-term revenue windfalls.
- *Open and accountable government.* As required by the *Government Accountability Act*, Albertans will be kept fully informed through consolidated budgeting, three-year business and budget plans, quarterly budget updates and performance reports.

## MANAGING REVENUE FLUCTUATIONS

Alberta is faced with a situation that is unique among governments in Canada. While Alberta's average annual revenue growth has been similar to that in other provinces, revenue has fluctuated dramatically from year to year. The last decade has seen annual increases in total revenue of up to 15% in some years and declines of as much as 5% in other years.

### Revenue Fluctuations, 1990-91 to 1999-2000

(per cent change)



This creates a difficult challenge, not only in forecasting revenue, but also in ensuring spending plans remain affordable. Long-term spending commitments cannot be based on short-term revenue windfalls. That is the road back to deficits and spending cuts. The government must be prudent in both its revenue forecasting and in the spending commitments it makes for future years. Prudent budgeting means that, in most years, the bottom line at year-end will be better than budgeted at the start of the year.

## 2000-03 FISCAL OUTLOOK

Revenue is expected to reach a record high of \$19.4 billion in 1999-2000, 15% higher than in 1998-99. The unexpected and rapid recovery in oil prices, combined with strong natural gas prices, increased non-renewable resource revenue by 82%. Oil prices rose from an average of US\$11.31 per barrel in December 1998 to US\$27.06 in January 2000. A return to more sustainable energy prices is expected to result in total revenue declining to about \$18.5 billion by 2001-02.

### Budget 2000

Revenue	\$19.1 billion
Spending	\$17.7 billion
Endowment Fund	\$ 0.5 billion

### Fiscal Summary

(millions of dollars)

	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
Revenue	19,390	19,071	18,549	18,738
Expense	17,399	17,709	17,513	17,971
Net Revenue	1,991	1,362	1,036	767
Net increase (decrease) in capital assets affecting operations	68	149	130	(1)
	1,923	1,213	906	768
Science and Engineering Research Endowment Fund	—	500	—	—
Economic Cushion	1,923	713	906	768
Planned allocation of economic cushion:				
Debt payment and increase in assets*	1,923	535	487	492
Contingency reserve	—	178	419	276
Accumulated Debt Repayment	1,567	532	316	331

\* In 2001-02 and 2002-03, it is assumed that only 75% of the minimum 3½% cushion required by the *Fiscal Responsibility Act* will be realized for debt payment, not 75% of the larger cushion currently projected.

*An economic cushion of \$713 million has been set aside for 2000-01.*

An economic cushion of \$713 million has been set aside for 2000-01. For the following two years, the projected economic cushion is larger than the legislated 3½% minimum. This larger cushion leaves some flexibility in those years to address possible changes in the economic outlook and handle issues that arise.

If the economic cushion is not required to offset unexpected declines in revenue or public emergencies or disasters, up to 25% of the cushion can be allocated to in-year spending increases or revenue reduction initiatives that were not included in the budget. The balance will be used to repay debt or increase financial assets.

## REPAYING DEBT AND INVESTING IN THE FUTURE

Nine years of deficits in the 1980s and early 1990s put Alberta deeply into debt. In 1993-94, the province's accumulated debt reached \$22.7 billion. Our liabilities, excluding pension obligations, exceeded our financial assets by \$8.3 billion.

### NET DEBT PAID OFF IN 1999

Albertans have consistently said that repaying the debt is their first priority. Not just because we have to pay interest on every dollar we borrowed. But, more importantly, because it's not fair to spend more money than we have, borrow the rest and leave our children with the burden of that debt.

*Accumulated debt paid down by over \$1.5 billion in 1999-2000.*

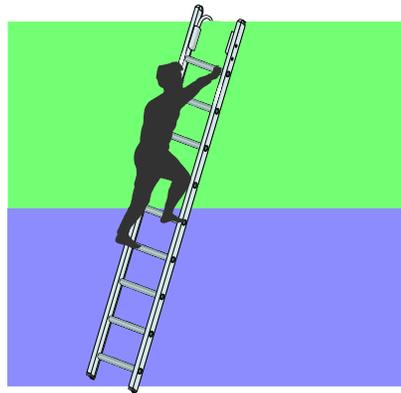
The accumulated debt payment in 1999-2000 is forecast at over \$1.5 billion, more than triple the payment planned in Budget '99. This brings the total debt payment over the last six years to more than \$10 billion. Nearly half of the accumulated debt has been repaid.

As a result, the province's net debt, excluding pension obligations, was eliminated in 1999, almost 20 years ahead of the original schedule. This means that, even though we still have debt to pay off, we are the only province to own, in hard financial assets, more than we owe.

---

### Climbing Out of Debt

**Net debt eliminated in 1999**



**\$12.5 billion of accumulated debt still to be repaid**

**\$10.2 billion of debt will be repaid by March 31, 2000**

*Over the next three years, we are targeting to pay off almost \$1.2 billion of accumulated debt.*

### PAYING OFF THE REMAINING DEBT

The *Fiscal Responsibility Act* sets out a schedule for eliminating the province's remaining \$12.5 billion of accumulated debt, starting in 2000-01. This goal must be achieved within 25 years, with five-year milestones that must be met.

Over the next three years, the government is targeting to make accumulated debt repayments of almost \$1.2 billion. This will put Alberta well on track to achieve the first five-year milestone of \$1.6 billion in accumulated debt payments by March 31, 2005.

## Accumulated Debt Retirement Schedule

(Minimum Required Debt Payments)

At March 31	Per Cent Reduction	Milestones	
		5-Year Debt Payment (\$ millions)	Accumulated Debt (\$ millions)
<b>2000</b> Forecast	—	—	<b>12,539</b>
2005	13%	1,630	10,909
2010	30%	2,130	8,779
2015	50%	2,510	6,269
2020	75%	3,135	3,134
<b>2025</b>	<b>100%</b>	<b>3,134</b>	<b>0</b>

### CUTTING DEBT SERVICING COSTS

Repaying debt reduces our debt servicing costs, not just for one year, but for every year, forever. With less money going to pay interest costs, more of Albertans' tax dollars are available to fund priority programs.

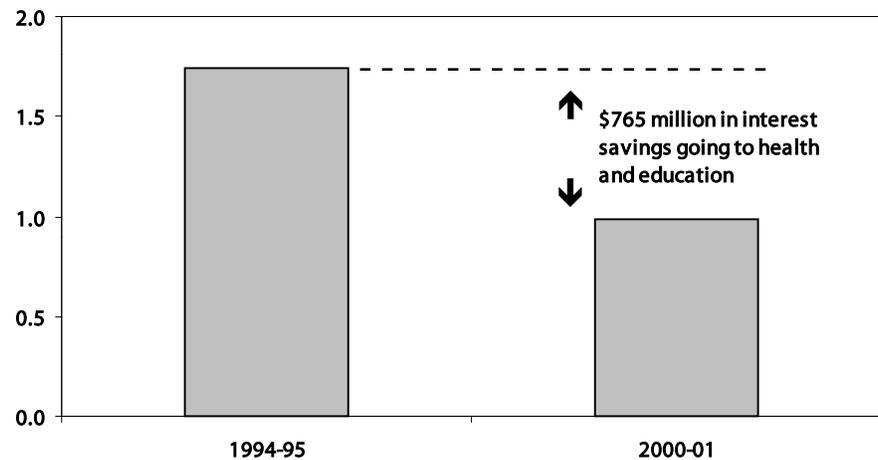
In 1994-95, the province paid a record \$1.75 billion in interest costs on the debt. Nearly 11 cents of every dollar of revenue collected by the government had to be used to pay our creditors. In 2000-01, debt servicing costs will be less than \$1 billion for the first time in 12 years. Only about 5 cents of every revenue dollar will be required to service our remaining debt.

*\$765 million per year  
in interest costs saved  
since 1994-95.*

By repaying debt over the last six years, we have permanently saved \$765 million per year in interest costs. Dollars formerly used to pay our creditors are now being used to fund our children's education and Albertans' health care. As we continue to pay down debt, the interest savings will continue to mount and we will continue to apply those savings to Albertans' priorities.

### Debt Servicing Costs

(billions of dollars)



## RENEWED FLEXIBILITY FOR A NEW CENTURY

Alberta is the only province in Canada with financial assets that exceed its liabilities, excluding pension obligations. This has provided Alberta with renewed fiscal flexibility. While debt repayment remains a top priority, we are now able to set aside some of the windfall revenue from high energy prices for the benefit of future generations of Albertans.

In 1999-2000, the government allocated \$230 million from the economic cushion to increase the financial assets of the Alberta Heritage Savings Trust Fund. The Heritage Fund was created in 1976 to save and reinvest a portion of Alberta's oil and gas revenue. For a decade, until the energy price collapse in 1986, a portion of the province's non-renewable resource revenue was saved. As a result of this forward-looking policy, the Heritage Fund is worth over \$12 billion today. It had investment income of close to \$950 million in 1999-2000. The government's action to increase the value of the Heritage Fund will help ensure that the Fund continues to make a major contribution to revenues in the future.

In 2000-01, the government will make another investment in the future. A new \$500 million Alberta Heritage Science and Engineering Research Endowment Fund will be established to support science and engineering research in the province.

If the province gets ahead of schedule on repaying accumulated debt, consideration will be given to allocating additional dollars to increase the assets of the Heritage Fund and the new Alberta Heritage Science and Engineering Research Endowment Fund. The new endowment fund could expand from its initial endowment of \$500 million to \$1 billion by 2005.

### Heritage Fund

- Over \$12 billion of financial assets.
- Nearly \$950 million of investment income in 1999-2000.

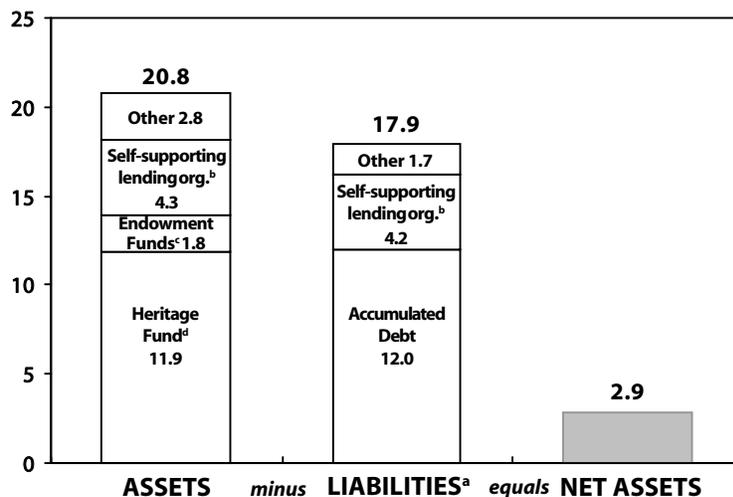
*"If it worked in medicine, what about science and engineering? Everybody wins. This [the new endowment fund] is very visionary."*

Terry White, President  
University of Calgary  
Calgary Herald  
January 28, 2000

## Net Worth (Balance Sheet)<sup>a</sup>

at March 31, 2001

(billions of dollars)



<sup>a</sup> Excludes pension obligations of \$4.807 billion which are scheduled for elimination under a separate plan.

<sup>b</sup> Alberta Municipal Financing Corp., Agriculture Financial Services Corp., Alberta Opportunity Company.

<sup>c</sup> Includes Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund and Alberta Heritage Science and Engineering Research Endowment Fund.

<sup>d</sup> On a consolidated basis, the Heritage Fund's total assets of \$12.256 billion are reduced by the Fund's internal holdings of \$326 million of General Revenue Fund and provincial corporation debt.

# Strengthening the Alberta Tax Advantage

*"It's not our money. It's yours. Like all governments, we have your permission to collect what we need to provide you with services. But it is then our obligation to give back what we don't need."*

Honourable Ralph Klein  
Premier  
Televised Address  
January 31, 2000

*"As the storm settles on the debate over tax reductions, a consistent pattern rises like morning light through the dissipating fog – lower taxes invigorate the economy, increasing opportunities and quality of life."*

Honourable Stockwell Day  
Provincial Treasurer  
February 1, 2000

Alberta has the strongest economy in Canada and the lowest tax burden. We are the only province that does not have a provincial sales tax. This means that Albertans have both the highest average personal incomes and the highest after-tax incomes in Canada.

Our policies of low taxes, limited government and sound fiscal management have created the friendliest environment in Canada for economic growth. This has encouraged diversification of the economy and creation of more quality jobs, and has allowed us to maintain a social safety net that protects Albertans.

Today, we are the leaders in Canada. But we cannot stand still. To succeed in the future, Alberta must compete for business investment and skilled workers not only across Canada but also around the world. Alberta must continue to be internationally recognized as a good place to live, invest and do business. The Alberta tax advantage will be strengthened in Budget 2000. The only way taxes are going in Alberta is down.

## **A BOLD NEW PERSONAL INCOME TAX SYSTEM**

Alberta is leading the way on tax reform. In Budget '99, the government announced that Alberta's personal income tax system would be fundamentally reformed and Albertans' taxes cut substantially. A target date of January 1, 2002 was set for full implementation.

As announced last fall, the continuing strength of the Alberta economy has made it possible to advance implementation of the new tax plan by a full year:

- on January 1, 2000, the 8% 'deficit elimination' surtax on personal income tax, imposed in 1987, was eliminated.
- on January 1, 2001, the other deficit elimination tax, the 0.5% flat tax, will be eliminated and the new personal income tax system introduced.

The new personal income tax system will be simple and fair, with:

- a single tax rate of 11% of taxable income,
- basic and spousal exemptions increased substantially to \$11,620 each,
- basic and spousal exemptions fully indexed to inflation, putting an end to bracket creep.

All other existing tax credits will continue to be provided. This includes the Alberta Family Employment Tax Credit for low and middle income working families, and non-refundable credits such as those for seniors and charitable donations.

Families with two children earning less than \$31,000 will no longer pay any provincial income tax in Alberta. In total, the new tax plan will remove 132,000 low income Albertans from the provincial tax rolls.

Alberta will be the first jurisdiction in Canada to eliminate bracket creep. Individuals will no longer pay higher provincial taxes just because of inflation.

Albertans' will save \$236 million in the 2000 tax year, as the tax plan is phased in, including \$144 million from the elimination of the 8% surtax on January 1, 2000. By 2001, the total tax cut from our new tax system will reach \$852 million – a 15% cut in Alberta's personal income taxes.

*"... Day is going to preside over an experiment here in Alberta which we hope one day will revolutionize the way Canadians pay, and understand, taxes."*

Edmonton Sun Editorial  
February 6, 2000

### Annual Savings from Tax Plan (Calendar Year)

(millions of dollars)

	1999	2000	2001
<b>1999 Tax Savings</b>			
Parallel federal increases to basic and spousal exemptions	55	92	94
<b>New Tax Savings</b>			
Eliminate 8% surtax on January 1, 2000	—	144	162
Eliminate 0.5% flat tax and move to new single rate system on January 1, 2001	—	—	596
<b>Total Tax Savings</b>	<b>55</b>	<b>236</b>	<b>852</b>
Less: Revenue from stronger economic growth	5	48	181
Net cost of tax cuts	50	188	671

By leaving more money in taxpayers' pockets and rewarding initiative, the new tax system will increase economic growth and employment. By 2006, Alberta's real gross domestic product is expected to be about 1%, or \$1.3 billion, larger than it would have been without the tax changes and employment about 20,000 higher. That means more Albertans will have jobs because this government is leading the way with its new tax plan. Stronger economic growth will offset part of the cost of the tax cuts.

Alberta paralleled federal personal income tax cuts in 1999 and will also parallel any new federal tax cuts for the 2000 tax year. The budget sets aside \$100 million in the 2000-01 fiscal year for this purpose. In 2001, the new tax plan will unhook Alberta's income tax revenue from the federal tax base.

### REVIEWING BUSINESS TAXES

The cost of doing business in Alberta, which includes business taxes, must be competitive not only with other Canadian provinces but also with the United States and our other major trading partners. A Business Tax Review Committee has been appointed to investigate the competitiveness of Alberta's corporate tax regime, seek the views of Albertans and make recommendations on improving our current business tax environment.

The Committee will examine the level and mix of provincial business taxes, including corporate income taxes, the capital tax on financial institutions, the insurance premiums tax, the hotel room tax, the fuel tax and the provincial education property tax on non-residential property. These taxes

*"We'll attract the right types of people and the right type of brain gain, so they'll want to stay in place. Alberta plays in a global arena. We must be more competitive."*

Kevin Gregor, President  
Alberta Chamber of Commerce  
Calgary Herald  
February 15, 2000

will provide approximately \$3.2 billion of revenue in 2000-01, about 17% of our total revenue. The Committee has been asked to submit its report to the government by September 1, 2000.

*What is a mill rate?*

*Property taxes are based on a dollar amount per \$1,000 of assessed market value. This is called a "mill rate".*

*Ten mills equals one per cent.*

*What does the tax cut mean for the "average" homeowner?*

*Their school taxes will be unchanged in 2000. For example:*

*1999*

*Market Value = \$100,000*

*Mill Rate = \$6.95 per \$1,000*

*Property Tax = 100 x \$6.95 = \$695*

*2000*

*Average property value increase equals 2.6%*

*Market value = \$100,000 + 2.6%  
= \$102,600*

*Mill Rate = \$6.77 per \$1,000*

*Property Tax = 102.6 x \$6.77 = \$695*

*More than 100 fees will be reduced or eliminated saving Albertans \$60 million a year.*

## **EDUCATION PROPERTY TAX RATES**

Until the province completes its review of education property taxes, steps are being taken in this year's budget to hold the line on what people pay. Provincial education property tax rates will be cut by 2.6% for the 2000 tax year. The mill rate for residential and farm property will be reduced from \$6.95 to \$6.77 per \$1,000 of assessment. The mill rate for non-residential property will be lowered from \$10.20 to \$9.94. In addition, a 5% cap is being applied to the growth of each municipality's assessment base for education purposes.

These tax measures will offset the 2.6% average inflation in the market value of properties across the province. At the request of municipalities, Alberta has moved to assessments based on the market value of properties. Both municipal taxes and provincial school taxes are based on market values. This is the assessment base used in most of North America.

Total education property tax revenue will grow because new homes and businesses are being built and added to the tax base. For some homeowners and businesses, education property taxes may rise because their property increased in value more than average. For others, taxes may fall because the market value of their property declined, or rose less than average.

This year's mill rate reductions will bring the total cut in provincial education property tax rates since 1994 to 10% for residential and farm properties and 7.5% for non-residential properties. The provincial portion of the machinery and equipment property tax was eliminated in 1998.

In 2000-01, total education property taxes will be \$19 million less than in 1994-95 – despite a 25% increase in economic activity and a 12% increase in population since that time. Over the same period, spending on basic education has increased by \$792 million, or over 30%.

## **CUTTING FEES**

User fees will be cut by \$60 million a year as a result of a review by the Fees and Charges Review Committee. The Committee was established in response to the Eurig Estate decision by the Supreme Court of Canada which said fees much higher than associated costs must be legislated.

Effective February 25, 2000, more than 100 fees will be reduced or eliminated, including land title fees, personal property registration fees, corporate registry fees and probate fees.

Alberta is the only province in Canada that has undertaken a formal review of its fees and charges. Other provinces have simply protected their fee revenue by establishing the charges in legislation.

# A New Economic Strategy

Economic growth is the job of the private sector. However, government policies can provide an environment that encourages growth. We will continue to work with Albertans and Alberta businesses to ensure an economic climate that encourages businesses to locate and expand in Alberta and create productive, well-paying jobs for Albertans.

The government has released a new economic strategy, *Get Ready Alberta*. The strategy recognizes the importance of low taxes, encourages the expansion of Alberta's new knowledge-based economy, and builds on the strengths of our existing agriculture, energy and other industries.

## A DIVERSIFIED ECONOMY

Albertans have made substantial progress in diversifying the economy since 1985-86. The growth of manufacturing and service industries has dramatically changed the Alberta economy.

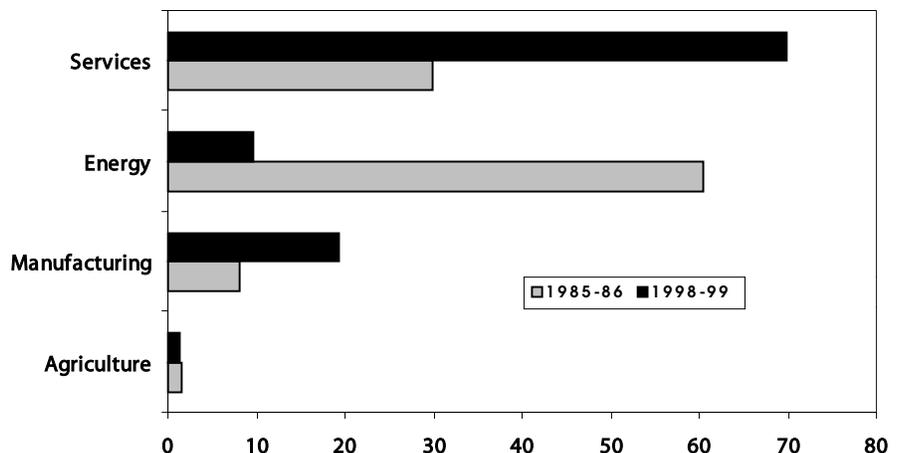
In 1985-86, 60% of Alberta's corporate income tax was paid by the energy industry. In 1998-99, the energy industry accounted for only 10% of corporate tax revenue. Manufacturing's share of corporate tax revenue has grown from 8% to 19% and the service sector's share has expanded from 30% to 70%.

*In 1985-86, 60% of Alberta's corporate income taxes were paid by the energy industry. In 1998-99, it was only 10%.*

Diversification has made the economy less vulnerable to swings in commodity prices. Alberta businesses are better able to seize opportunities in the global market place.

## Diversification in Alberta

*Corporate Income Tax Paid by Industry  
(per cent)*



## **BUILDING AN ALBERTA KNOWLEDGE ADVANTAGE**

Innovation is critical to maintaining the Alberta Advantage in the future. The ability of Alberta businesses to compete will increasingly depend on their ability to focus on research and development, adopt new ideas, and take new products and services from ideas to the commercial marketplace.

To be successful innovators, Albertans must have the opportunity to learn new knowledge and new skills. Alberta requires not only highly skilled researchers and workers but also entrepreneurs who have the skills needed for their companies to succeed in the marketplace.

The government will act in Budget 2000 to help build an Alberta knowledge advantage.

We will establish a new foundation, the Alberta Heritage Foundation for Science and Engineering Research, modeled on the highly successful Alberta Heritage Foundation for Medical Research.

A \$500 million endowment fund will be created that is expected to provide the Heritage Foundation for Science and Engineering Research with funding of \$25 million per year, growing with inflation. The Foundation will direct these dollars to support scientific research outside the medical field. It will help recruit top researchers from around the world and give students at post-secondary institutions the chance to train with some of the best minds, using the latest technologies. Based on the experience of the Heritage Foundation for Medical Research, it is expected that, for every dollar provided by the Foundation, another \$2 to \$3 will be attracted from the private sector.

The Heritage Foundation for Medical Research will continue its 20 years of support for medical research in Alberta. Since its creation in 1980, the Foundation has provided about \$600 million in direct financial and infrastructure support to Alberta researchers and institutions. In 2000-01, the Foundation is expected to spend another \$45 million in support of medical research in the province.

Through the Ministry of Innovation and Science's iCORE initiative, a total of \$30 million over the next three years will be provided to help attract and develop a critical mass of outstanding researchers in information and communications technology, including the fields of computer science, electrical and computer engineering, physics and mathematics.

In 2000-01, \$33 million will also be provided to support research and the retention of top quality faculty at Alberta universities and research hospitals. Total spending by the Ministry of Innovation and Science will increase by 11% to \$186 million in 2000-01.

The Internet is an increasingly vital connection to the world for individuals and businesses. The province plans to encourage the development of a technology network that will make access to high-speed Internet connections available to every home, business, classroom, library and municipality.

*"Establishing this endowment will allow our government to encourage the development and commercialization of new technologies without having to resort to outdated tactics such as tax credits and special incentives and concessions to individual businesses. This approach will keep our government out of the business of being in business."*

**Honourable Ralph Klein**  
Premier  
January 26, 2000

## AGRICULTURE IN THE NEW CENTURY

Alberta's resource industries are the economic foundation of our province. The agriculture industry has been a key to Alberta's prosperity since the creation of our province. It will remain a key to our prosperity in the new century. An Agriculture Summit will be held in the spring to lay the groundwork for ensuring the long-term viability of our agriculture and food industries.

In 1999-2000, the government provided \$164 million for agriculture disaster assistance. We will continue to provide a comprehensive and responsive safety-net package for farmers facing disaster. A major review of Alberta's crop insurance program will be carried out. This will include examining insurance coverage concepts that allow greater flexibility to customize insurance protection to business needs.

## MORE JOBS FOR ALBERTANS

The government's actions to cut taxes and encourage innovation will contribute to strong economic growth in Alberta over the next four years. The economy is forecast to grow by 4.5% in 2000 and 3.9% in 2001, before settling back to more sustainable, but still strong, growth of around 3.5% in 2002 and 2003 as energy prices return to more normal levels.

The strong economy will mean strong employment growth. A record 1.56 million Albertans were employed in 1999. About 48,000 new jobs are expected to be created in 2000 and 43,000 more in 2001. About 36,000 new jobs per year are expected in 2002 and 2003, bringing total growth in employment over the next four years to 163,000. The unemployment rate is expected to fall to 4.9% by 2003.

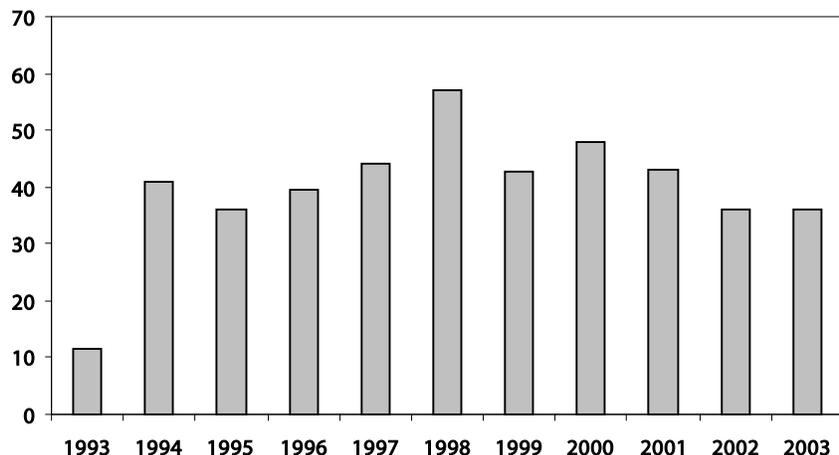
Our policies will ensure that Alberta remains the location of choice for businesses looking to expand or relocate. That will mean continued growth in job opportunities for Albertans.

*"We see the Alberta growth this year as being spectacular."*

Warren Jestin  
Chief Economist  
Bank of Nova Scotia  
Edmonton Sun  
January 21, 2000

## Alberta Employment Growth

(thousands)



Source: Statistics Canada and Alberta Treasury

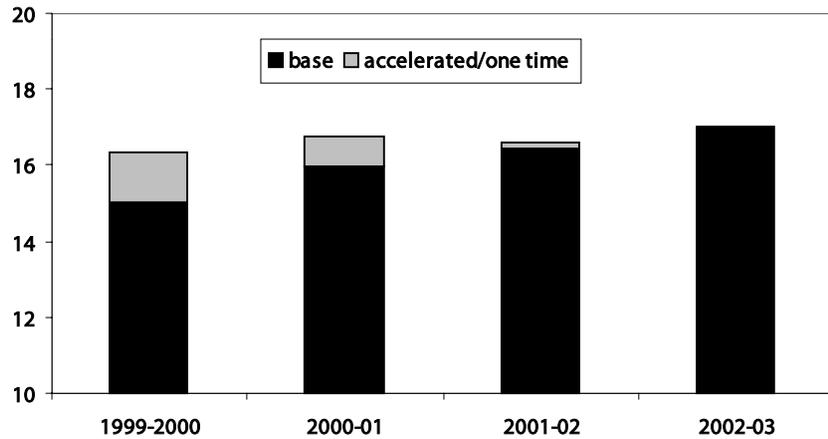
# Addressing Albertans' Priorities

*In 2000-01, the government will spend \$16.7 billion to address Albertans' priorities.*

Albertans expect quality health care, excellence in education, sound infrastructure and strong and safe communities. In 2000-01, the government will spend \$16.7 billion to address Albertans' priorities. Program spending will increase to over \$17 billion by 2002-03. We will continue to encourage innovation in the provision of quality services at an affordable cost.

## Program Spending

(billions of dollars)



In setting its spending plans, the government must carefully consider not just the revenue available in the current year but also the revenue that can reasonably be expected in future years. Short-term revenue windfalls cannot be used to increase the long-term spending base, but can be used to address short-term funding issues.

The spending plan in Budget 2000 is built on these principles.

*Base program spending will increase by \$2 billion, or 13.3%, over the next three years, with nearly all of the increase directed to health and education.*

Base program spending will be increased by \$2 billion, or 13.3%, over the next three years. This is an average annual increase of 4.3%. These base spending increases are affordable in the three-year fiscal plan even though revenue is expected to decline over the next two years as energy prices return to more sustainable levels.

Nearly all of the increase will be directed to improving the quality and accessibility of health care and education. The combined base budgets of the Ministry of Health and Wellness and the Ministry of Learning will increase by about \$1.85 billion, or 20%, over the next three years. By 2002-03, these two ministries will account for 65% of total program spending.

*Infrastructure spending is being accelerated.*

Budget 2000 also includes significant short-term funding that is affordable only because of the current high energy prices. Accelerated infrastructure investment of over \$1.6 billion is being provided from 1999-2000 to

2001-02, on top of the ongoing base infrastructure budgets of about \$1.1 billion per year. This short-term funding will address projects in priority areas including transportation, health and education facilities and equipment, and water and wastewater facilities. It will help ensure Alberta's infrastructure is capable of meeting the demands of the new century.

### Spending Plan, 2000-03

(millions of dollars)

	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target	3-year Increase
Base program spending	15,035	15,983	16,427	17,041	2,006
Accelerated infrastructure*	739	745	150	—	(739)
Elimination of RHA and school board deficits	367	—	—	—	(367)
Extraordinary costs**	218	—	—	—	(218)
Total program spending	16,359	16,728	16,577	17,041	682
Debt servicing costs	1,040	981	936	930	(110)
Total spending	17,399	17,709	17,513	17,971	572
<b>Base spending increase (%)</b>		<b>6.3</b>	<b>2.8</b>	<b>3.7</b>	<b>13.3</b>
Total program spending (%)		2.3	(0.9)	2.8	4.3
Total spending increase (%)		2.1	(1.1)	2.6	3.3

\* \$18 million of accelerated infrastructure funding in 1999-2000 is included in capital investment.

\*\* Forest fire fighting costs, sterilization settlements and Year 2000 costs.

## HEALTH & WELLNESS – BRINGING HEALTH CARE INTO THE 21<sup>ST</sup> CENTURY

Albertans know that the health system needs to change. It is time to bring public health care into the 21<sup>st</sup> century. We need to take bold action to ensure that Alberta taxpayers continue to receive top quality health care at a cost they can afford. Guided by the recommendations of last year's Health Summit, a six-point plan for protecting and improving public health care has been developed to:

1. improve access to quality publicly funded health services,
2. improve the management of the health system,
3. enhance the quality of health services,
4. increase emphasis on wellness promotion and disease and accident prevention,
5. foster new ideas to improve health care, and
6. protect the publicly funded and administered health system by legislation.

*Health and Wellness' base budget will increase by nearly \$1.1 billion, or 21%, to \$6.26 billion by 2002-03.*

Our plan is backed up by the government's funding commitment for the public health system. Health and Wellness' base budget will increase by nearly \$1.1 billion, or 21%, to \$6.26 billion by 2002-03. In simpler terms, Health and Wellness spending in 2002-03 will be more than \$17 million per day.

## Health and Wellness

(millions of dollars)

	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target	3-year Increase
Health and Wellness base budget	5,171	5,653	5,942	6,259	1,088
One-time initiatives:					
Health authorities' debt initiative	216	—	—	—	(216)
Infrastructure initiatives	20	—	—	—	(20)
Extraordinary costs (Y2K/sterilization)	84	—	—	—	(84)
<b>Total Ministry Spending</b>	<b>5,491</b>	<b>5,653</b>	<b>5,942</b>	<b>6,259</b>	<b>768</b>
<b>Base budget increase (%)</b>		<b>9.3</b>	<b>5.1</b>	<b>5.3</b>	<b>21.0</b>
<b>Total ministry increase (%)</b>		<b>3.0</b>	<b>5.1</b>	<b>5.3</b>	<b>14.0</b>

Just spending more money will not improve the quality of our health system. Taxpayers' dollars must be directed to where they will make a real difference; to areas where the system is under stress and services must be enhanced. More dollars are being provided to pay for increased services by physicians, to employ more nurses and other health professionals, to reduce waiting times for life-saving surgeries and procedures, and to improve access to home care and continuing care.

### HEALTH AUTHORITIES

Base funding for health authorities will increase by 7.7%, or \$218 million, in 2000-01 and by 17.6%, or \$497 million, over the next three years. This additional funding will be used to:

*2,400 more nurses and other front-line workers will be hired over the next three years.*

- Enable health authorities to hire 2,400 more nurses and other front-line workers over the next three years.
- Help health authorities address salary increases.
- Help health authorities address the rising costs of drugs and other medical supplies.
- Enable regional health authorities to provide more hip and knee replacements.
- Continue to expand home care services. In 1999-2000, some 70,000 Albertans are receiving over 6 million hours of home care services, compared to just 2.3 million hours in 1992-93.
- Purchase needed medical equipment. Supplemental funding of \$58 million will be provided to health authorities over the next three years, starting with \$38 million in 2000-01. An annual allocation of \$10 million is budgeted to purchase specialized high-technology medical equipment such as MRI machines.

## PROVINCE-WIDE SERVICES

Funding for province-wide services will increase by 18.2%, or \$47 million, in 2000-01 and by 37.7%, or \$97 million, over the next three years. In 2000-01, we will fund:

*More organ and bone marrow transplants.*

- More organ and bone marrow transplants, including:
  - 161 bone marrow transplants at a cost of \$8 million (up 11.8% from 144 in 1999-2000),
  - 53 liver transplants at a cost of \$2.5 million (up 10.4% from 48 in 1999-2000),
  - 29 heart transplants at a cost of \$1.5 million (up 16.0% from 25 in 1999-2000), and
  - 159 kidney and kidney/pancreas transplants at a cost of \$3.3 million (up 2.6% from 155 kidney transplants in 1999-2000).

*Nearly 6,000 major heart surgeries.*

- 5,947 major heart surgeries at a cost of over \$80 million (up 9.4% from 5,435 in 1999-2000) including:
  - 1,487 coronary bypasses at a cost of \$25 million (up 3.9% from 1,431 in 1999-2000), and
  - 3,235 angioplasties at a cost of \$23.5 million (up 10.2% from 2,935 in 1999-2000).
- 680 major cancer surgeries at a cost of \$7 million (up 4.8% from 649 in 1999-2000).
- 1,444 major neurosurgeries at a cost of nearly \$18 million (essentially unchanged from 1999-2000).
- 985 low-birthweight neonatal procedures at a cost of \$28 million (up 10.8% from 889 in 1999-2000).
- kidney dialysis for over 1,430 people at a cost of \$49 million (up about 10% from an estimated 1,300 in 1999-2000).

*Expanded kidney dialysis program.*

## OTHER HEALTH SERVICES

Support for other health services will increase by 10.4%, or \$188 million, in 2000-01, and by 23.7%, or \$426 million, over the next three years. This additional funding will:

- Provide for an additional 90 physicians in 2000-01. The number of physicians practicing in Alberta has steadily increased over the past few years. The recommendations of the Physician Resource Planning Committee will help guide future actions to ensure that Albertans continue to have appropriate access to physician services.

Reform of primary care delivery will be key in making it easier for Albertans to get in to see a doctor and taking pressure off emergency wards. Over the next year, pilot projects now underway will be assessed for possible application across the province.

- Add 20 post-graduate residency positions in Alberta’s medical schools in 2000-01 and a further 20 positions in 2001-02.
- Provide for the growing need for, and cost of, blood and blood products.
- Provide support for the cost of drugs for low income Albertans and seniors.
- Expand health promotion and prevention programs, and addiction prevention and treatment services. All women in their high-risk years will have access to screening for the early detection of breast cancer and a new cervical cancer screening program will be implemented as well. A new five-year immunization strategy will be launched, targeted primarily at children.
- Expand the application of technology to improve health service delivery. Telehealth services will be expanded to provide all parts of the province with equitable access to services such as psychiatry and diagnostic services. A secure Pharmaceutical Information Network will improve the quality of drug therapies available to Albertans.
- Support the new Premier’s Advisory Council on Health and the new Health Services Utilization Commission, both of which will be important in supporting improvements to the health system.
- Provide \$15 million in 2000-01, through the Health Innovation Fund, to test innovative ways to improve patient access, better integrate health service delivery, ensure health system affordability and enhance health outcomes.

*Funding for services to persons with developmental disabilities will increase by 23% by 2002-03.*

### **PERSONS WITH DEVELOPMENTAL DISABILITIES**

Over the next three years, funding for services to persons with developmental disabilities will increase by 23.2%, or \$68 million, including an increase of 9.9%, or \$29 million, in 2000-01 to address projected cost and caseload growth. The government will give careful consideration to the recommendations of the Persons with Developmental Disabilities Review. An action plan will be announced in the spring.

### **LEARNING – A FLEXIBLE, RESPONSIVE AND ACCESSIBLE EDUCATION SYSTEM**

A good education and a healthy start in life are the most important tools we can give our children to prepare them for a successful future. But learning does not stop when we become adults – it is a life-long process. Learning’s 2000-03 Business Plan focuses on creating a flexible, responsive and accessible education system for all Albertans.

*Base program funding for the Ministry of Learning will increase by 18.9%, or \$766 million, over the next three years.*

Base program funding for the Ministry of Learning will increase by 9.2%, or \$371 million, in 2000-01 and by 18.9%, or \$766 million, over the next three years. The ministry will work with students, parents, educators and administrators to ensure that the necessary policies are in place to achieve excellence in our learning system.

## A BASIC EDUCATION SYSTEM SECOND TO NONE

Base funding for public and separate school boards will increase by 8.8%, or \$227 million, in the 2000-01 fiscal year, and by 19.4%, or \$500 million, over the next three years. Major funding increases include:

- All per student operating grants to school authorities will increase by 3% for each school year, to help offset the costs of higher teacher salaries and other inflation increases.
- Growth in student enrolment will be funded. Enrolment growth is expected to slow to an average 1.4% per year over the next three years. By 2002-03, enrolment in Alberta schools is expected to rise by over 23,000 students from the current level of 556,000.
- A projected 10% annual increase in the number of students with severe disabilities will also be funded. In early childhood services, the increased funding will help ensure that these children are better prepared for their learning challenges when they start grade one. In grades 1 to 12, the extra funding will help ensure that students' opportunities to learn are not restricted by their special needs.

*2,200 additional teachers and classroom aides will be hired over the next three years.*

More funding for more students means more teachers will be hired. 2,200 additional teachers and classroom aides will be added over the next three years.

Other key initiatives include:

- The Alberta Initiative for School Improvement will provide \$66 million per school year to fund pilot projects aimed at improving student learning and achievement. Early indications are that school boards will be focusing on initiatives such as stay-in-school programs, early literacy and numeracy programs, and smaller class sizes in the early elementary grades.
- The Alberta Student Health Initiative will provide \$26 million per school year for integrated in-school health and related support services to students with special health needs. Up to 73,000 students will benefit. The program provides services such as speech, occupational and physical therapy, and enhanced counseling treatment for students with emotional and behavioural problems.
- Support for the computers in schools program will be accelerated. \$60 million of funding will be provided in 2000-01 to be spent over the next three years. Getting the money into the hands of school boards now will allow better long-term planning to meet the growing technology needs of students.
- The Ministry of Infrastructure will provide school infrastructure funding of \$440 million over the next three years.

## **EXPANDING POST-SECONDARY EDUCATION FOR A GROWING ECONOMY**

Alberta's post-secondary learning system must continue to expand the high quality learning opportunities it provides to Albertans. Operating funding for post-secondary institutions will increase by 7.7%, or \$68 million, in the 2000-01 fiscal year and by 16.2%, or \$144 million, over the next three years. This includes:

*2,400 new post-secondary spaces will be added this September.*

- An average increase of 3% per year for awards to post-secondary institutions, based on performance.
- An additional \$28 million in 2000-01 and \$72 million by 2002-03 to expand enrolment by an average of 2% per year. Nursing, health technology, and information and communications technology (ICT) programs will receive most of the 2,400 additional spaces being added this September. Our goal is 23,000 new spaces for post-secondary students from 1996 to 2005, including doubling the number of ICT graduates to 4,000 annually.

The post-secondary sector will also benefit from research funding from the Alberta Heritage Foundation for Medical Research, the new Alberta Heritage Foundation for Science and Engineering Research, and the Ministry of Innovation and Science. The Ministry of Infrastructure will provide \$134 million over the next three years for post-secondary facilities.

## **ENSURING AFFORDABLE POST-SECONDARY LEARNING**

Alberta already has one of the most generous and comprehensive student financial assistance systems in Canada, consisting of merit-based scholarships, need-based bursaries and grants, student loans, and loan remissions.

*Financial support to post-secondary students will increase by nearly 50%, to \$154 million, over the next three years.*

The government will act in this budget to expand student assistance dramatically. We must ensure that costs are not a barrier to students taking advantage of post-secondary learning opportunities. Financial support to post-secondary students will be increased by 22%, to \$125 million, in 2000-01 and by nearly 50%, to \$154 million, over the next three years.

Scholarships, bursaries and grants will be increased by almost \$18 million by 2002-03 to \$56 million.

*New scholarships for 3,000 second-year students.*

- 3,000 students per year will be rewarded for academic excellence through a new \$3 million scholarship program for students entering their second year of post-secondary studies.
- Funding for Alberta Heritage Scholarships, which assist about 8,600 students per year, will increase from \$17 million to \$17.8 million in 2000-01.
- Students will now be able to receive up to \$1,600 in scholarships without affecting the amount of loan and grant assistance available to them.

*Need-based grants to 15,000 students will increase by nearly \$14 million by 2002-03.*

- 15,000 students per year will benefit from funding increases of nearly \$14 million to the Alberta Opportunities Bursary and Maintenance Grant programs.

Alberta's student loan program will be expanded and enhanced:

- The number of students assisted will increase by 10% over the next three years to about 50,000.
- Student loan limits will be increased to reflect rising tuition and living costs.
- Exemptions will be increased for part-time earnings.
- Financial assistance will be expanded to cover all Albertans attending post-secondary programs anywhere in Canada.
- Graduates experiencing difficulty in repaying their loans will be able to access up to 54 months of interest relief.

To ensure student debt levels remain manageable, an additional \$17 million will be provided through the provincial loan remission program. Another \$16 million will pay for the increased costs of risk premiums to the banks and shielding loan interest payments until students graduate and begin working.

The remission program limits the amount of Alberta student loan debt a student must repay upon graduation. For example, remissions ensure that a student completing a degree program in four years has no more than \$20,000 of student loan debt to repay. The debt limit varies with the length of the study program and thus is higher for professional faculties and graduate programs. Debt above the limit is paid off by the government through the remission program.

In Alberta, more than half of our students graduate with no provincial loan debt. Of those students that do require student loan assistance, the majority of their debt is Canada Student Loan debt, due to our remissions on provincial loans.

## Learning

(millions of dollars)

	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target	3-year Increase
Learning base budget	4,045	4,416	4,606	4,811	766
One-time school board initiative	151	—	—	—	(151)
Accelerated funding of computers	—	40	—	—	—
Total ministry program spending	4,196	4,456	4,606	4,811	615
Opted-out school boards' property tax revenue	160	162	165	168	8
Alberta School Foundation Fund debt servicing costs	4	8	8	8	4
Total spending on learning	4,360	4,626	4,779	4,987	627
<b>Base budget increase (%)</b>		<b>9.2</b>	<b>4.3</b>	<b>4.5</b>	<b>18.9</b>
Total ministry program increase (%)		6.2	3.4	4.5	14.7

## **INFRASTRUCTURE – MEETING THE DEMANDS FROM A GROWING POPULATION**

Quality infrastructure plays an essential role in sustaining economic growth and delivering efficient and effective health, education and other services to our growing population. Alberta's existing public infrastructure has a replacement value of about \$77 billion. About one-third of the infrastructure is owned by the province and the rest by local authorities and other partners.

Long-term planning is required to ensure that the dollars available for infrastructure are used wisely where the dollars will make the biggest difference. In 1998, the government reviewed the infrastructure planning process with the help of the private sector. Based on the results of the review, the province implemented a cross-government initiative last year to strengthen the priority setting process.

Responsibility for most government owned and supported infrastructure has been brought together in one ministry – the Ministry of Infrastructure. Ministries with program delivery responsibilities continue to play a key role in infrastructure planning, prioritizing and decision making.

### **BASE FUNDING FOR INFRASTRUCTURE**

Base government funding for infrastructure and other capital spending is about \$1.1 billion a year. The Ministry of Infrastructure spends about \$900 million per year on the transportation network; health care, learning and government facilities; municipal water and wastewater facilities, and seniors' lodges. Other ministries spend about \$200 million per year on capital, including capital equipment for health authorities and schools, water management and irrigation projects, and government information and technology requirements.

In 1999, the Premier's Task Force on Infrastructure recommended changes to the cost-sharing arrangements with municipalities for transportation infrastructure. Effective April 1, 2000:

- Funding to the cities of Edmonton and Calgary will be based on the equivalent of five cents per litre of on-road fuel delivered within each city.
- Other cities will continue to receive basic funding of \$60 per capita each year and will also be eligible for supplemental funding on a project-specific basis.
- Other municipalities' transportation funding will be in line with these cities through the Streets Improvement Program.
- The province will take over responsibility for primary highways through major cities and the secondary highway system.

*Changes to the cost-sharing arrangements with municipalities for transportation infrastructure.*

## ACCELERATED INFRASTRUCTURE FUNDING

In Budget '99, a commitment was made to provide an additional \$150 million a year, for three years, for municipal transportation initiatives.

Last fall, higher-than-expected energy prices allowed the government to commit accelerated funding of \$900 million for transportation initiatives to be undertaken over the next three years, as recommended by the Premier's Task Force on Infrastructure. \$425 million was provided in 1999-2000 and \$475 million will be provided in 2000-01. With funding guaranteed, local authorities can allocate the accelerated dollars to their key infrastructure priorities on a pre-planned basis over the next three years.

Funding has also been accelerated for other, high-priority infrastructure projects, mostly in the health and learning sectors. \$182 million was provided in 1999-2000 and a further \$120 million will be provided in 2000-01.

*Over \$1.6 billion in accelerated funding for infrastructure, on top of the base budgets of \$1.1 billion per year.*

In total, over \$1.6 billion in accelerated funding for infrastructure is being provided over the three years from 1999-2000 to 2001-02, on top of the annual base infrastructure budgets of \$1.1 billion per year. This major allocation of dollars from windfall energy revenues will help address the key infrastructure pressures created by our growing economy and population.

### INFRASTRUCTURE PROJECT PRIORITIES

#### Health Facilities and Seniors' Lodges:

- Drumheller Regional Health Centre
- Stony Plain Health Centre
- Peace River Health Centre
- High Level General Hospital
- Alberta Hospital, Ponoka
- New long-term care facilities in Calgary, Edmonton, Red Deer, Medicine Hat, Camrose, Evansburg and Hinton
- Upgrading of 15 lodges to be completed in 2000-01

#### Schools and Post-Secondary Facilities:

- New schools to accommodate increased enrolment
- Preservation and modernization of existing schools
- Renovation, replacement and expansion of post-secondary facilities

#### Transportation Network:

- Twinning of the North-South Trade Corridor in northwest Alberta
- Deerfoot Trail Extension, South Calgary
- South West Ring Road, Edmonton
- Ellerslie Interchange, Edmonton
- Widening and reconstruction of provincial highways and replacement of bridges
- Various smaller projects in cities, towns, villages and rural municipalities

#### Water Management Infrastructure:

- Little Bow River Water Management Project
- South Heart Water Management Project
- Various irrigation and municipal water and wastewater projects

## Infrastructure and Other Capital Spending

(program expense and capital investment)

(millions of dollars)

		1999-2000	2000-01	2001-02	2002-03
		Forecast	Estimate	Target	Target
Ministry					
<b>Transportation Network</b>					
INF	Construction, maintenance and rehabilitation	526	547	556	560
INF	<i>Three-year municipal transportation initiative</i>	150	150	150	—
INF	<i>Acceleration of funding</i>	425	475	—	—
		1,101	1,172	706	560
<b>Health</b>					
INF	Construction and upgrading	108	108	78	78
INF/HW	<i>Acceleration of health and long-term care facilities</i>	87	60	—	—
HW	Medical equipment	12	18	18	18
HW	Supplemental medical equipment funding	—	38	4	16
HW	Y2K funding	22	—	—	—
HW	RHA medical equipment*	15	—	—	—
HW	<i>Accelerated funding of medical equipment</i>	10	—	—	—
		254	224	100	112
<b>Schools</b>					
INF	School construction and renewal	140	140	140	140
INF	<i>Accelerated school construction and renewal</i>	—	20	—	—
LEA	Funding of computers in schools	20	20	—	—
LEA	<i>Acceleration of computers in schools</i>	—	40	—	—
		160	220	140	140
<b>Post-Secondary Institutions</b>					
INF	Infrastructure support	61	47	46	41
INF	<i>Acceleration of projects</i>	38	—	—	—
		99	47	46	41
<b>Water Management</b>					
ENV/INF	Water management infrastructure	33	32	34	34
ARD/INF	Municipal waste/wastewater	24	41	25	21
ARD	Irrigation rehabilitation and expansion	17	17	19	19
ARD/ENV/INF	<i>Acceleration of projects</i>	37	—	—	—
		111	90	78	74
<b>Other</b>					
INF	Seniors' lodges	18	17	17	17
INF	<i>Acceleration of seniors' lodges</i>	3	—	—	—
GAM	Community Facility Enhancement Program	25	25	25	25
INF	<i>Acceleration of government facilities</i>	7	—	—	—
ALL	Other	123	133	115	106
		176	175	157	148
<b>Total</b>		<b>1,901</b>	<b>1,928</b>	<b>1,227</b>	<b>1,075</b>
Consisting of:					
Base funding		1,144	1,183	1,077	1,075
<i>Accelerated/one-time funding</i>		757	745	150	—

**Key:**

ARD	Agriculture, Food and Rural Development	INF	Infrastructure
ENV	Environment	LEA	Learning
GAM	Gaming	ALL	All ministries
HW	Health and Wellness		

\* In 2000-03, RHA medical equipment funding is included in base operating grants to Regional Health Authorities.

## **STRONG AND SAFE COMMUNITIES**

By 2002-03, about 65% of total program spending will be directed to health and education, Albertans' top priorities. There are other important programs funded from the balance of the government's budget, including programs to assist Albertans in need, build safe communities and protect our environment.

*Spending by Children's Services will increase by more than 16% over the next three years.*

### **SERVICES FOR CHILDREN**

This government has a strong commitment to support children and their families. The Ministry of Children's Services funds the delivery of programs by local Child and Family Services Authorities, and provides direct support to children as well. Overall, spending by Children's Services will increase by 6.4% in 2000-01 and by over 16% over the next three years. Total spending will reach \$587 million in 2002-03.

Funding for the Child Health Benefit program, which provides health benefits for low-income families, is being increased by \$4.8 million, or 50%, in 2000-01.

As recommended by the Task Force on Children at Risk, early support for children and families to promote healthy development will be a top priority. Additional funding will be provided to Child and Family Services Authorities for early intervention strategies and programs. A Youth Secretariat has been established to address issues and needs of adolescents.

Over the next three years, the government will respond to the recommendations of the Alberta Children's Forum. An external review of the factors leading to rising child welfare caseloads is also being undertaken.

### **SENIORS**

Alberta has the best and most comprehensive programs of assistance for seniors in Canada. All Alberta seniors will benefit from continuing improvements to our health care system, including the expansion of long-term care facilities.

There will be a 10% cost of living adjustment to the Alberta Seniors Benefit on April 1, 2000. The Alberta Seniors Benefit program assists approximately 130,000 seniors.

*A 10% cost of living adjustment to the Alberta Seniors Benefit on April 1.*

Low income seniors with special needs can also apply for assistance from the Special Needs Assistance for Seniors program. Funding will be increased from \$15.5 million in 1999-2000 to \$18 million by 2002-03, a 16% increase.

A study on the impact of our aging population is currently underway. Based on its recommendations, consideration will be given to initiatives that will strengthen programs, services and housing supports for seniors.

## **ABORIGINAL INITIATIVES**

Following consultation with First Nations and Metis leaders and organizations, industry, municipalities and others, the government will release a new Aboriginal Policy Framework. The framework will guide government in its relations with Aboriginal people and create an environment for better social and economic opportunities. As well, a Metis Advisory Committee will be established to obtain Metis input into justice issues affecting their people.

## **JUSTICE**

Funding will be increased by nearly 10% over the next three years to \$452 million. Based on the recommendations of the Summit on Justice, action will be taken in seven key areas:

- crime prevention and policing,
- reform of family law,
- improving the court system,
- restorative justice approaches,
- youth justice,
- enhanced services for victims, and
- First Nations policing and prosecutions.

## **ENVIRONMENT**

Through Climate Change Central, the government will work with industry, environmental groups and communities to develop practical strategies to reduce greenhouse gas emissions. A grant of \$6 million was provided in 1999-2000 to Climate Change Central for its operations over the next three years. In 2000-01, the Ministry of Environment will:

- upgrade the enforcement of environment and renewable resource regimes,
- expand efforts to protect endangered species, and
- enhance communications systems used in forest-fire fighting.

## **OTHER INITIATIVES**

- Funding for the Assured Income for the Severely Handicapped program will be increased by 15% over the next three years.
- Community Lottery Board grants up 5% or \$2.5 million in 2000-01.
- Family and Community support services funding up 17%, or \$6.2 million, over the next three years.
- \$3 million per year will be provided over the next three years to support community-based initiatives to assist the homeless. There will also be a 5% increase in funding for Shelters for Homeless Adults in 2000-01.
- Including funding already advanced, up to \$40 million in provincial support will be provided for the 2001 World Championships in Athletics being held in Edmonton.

*\$3 million per year will be provided to support community-based initiatives to assist the homeless.*

# Revenue Outlook

*In 1999-2000, revenue increased by 15% to a record \$19.4 billion.*

*Revenue is expected to fall to \$19.1 billion in 2000-01.*

The 2000-03 fiscal plan is based on the revenue the government can prudently expect to receive over the next three years.

In 1999-2000, revenue increased by 15% to a record \$19.4 billion, primarily due to:

- strong energy prices that boosted non-renewable resource revenue to \$4.3 billion, up 82%, or nearly \$2 billion, from 1998-99, and
- higher employment and higher incomes that increased personal income tax revenue to \$5.0 billion, up 8%, or \$380 million, from 1998-99.

Over the next two years, energy prices are expected to decline to more sustainable levels. As a result, total revenue is expected to fall to \$19.1 billion in 2000-01 and then \$18.5 billion in 2001-02, before recovering slightly to \$18.7 billion in 2002-03.

## Revenue Forecast

*(millions of dollars)*

	1998-99	1999-2000	2000-01	2001-02	2002-03
	Actual	Forecast	Estimate	Target	Target
Tax revenue	8,556	8,889	9,027	9,177	9,609
Resource revenue	2,368	4,310	4,048	3,357	3,109
Federal transfers	1,335	1,528	1,445	1,490	1,466
Investment income	1,604	1,624	1,454	1,393	1,352
Other revenue	3,019	3,039	3,097	3,132	3,202
<b>Total revenue</b>	<b>16,882</b>	<b>19,390</b>	<b>19,071</b>	<b>18,549</b>	<b>18,738</b>

## RESOURCE REVENUE

During the 1990s, resource revenue averaged about \$3 billion per year. However, annual revenue varied widely, ranging from \$2 billion to over \$4 billion. Energy prices continue to be extremely volatile and difficult to predict.

*Industry experts agree that oil prices will decline from the current highs to more sustainable levels as world oil production rises.*

There is a consensus that oil prices will decline from the current highs to more sustainable levels as world production rises. The uncertainty is when, how fast, and by how much, prices will decline. The fiscal plan assumes that oil prices will fall from an average of US\$22 per barrel in 1999-2000 to US\$19.00 per barrel in 2000-01 and US\$18.00 per barrel over the following two years.

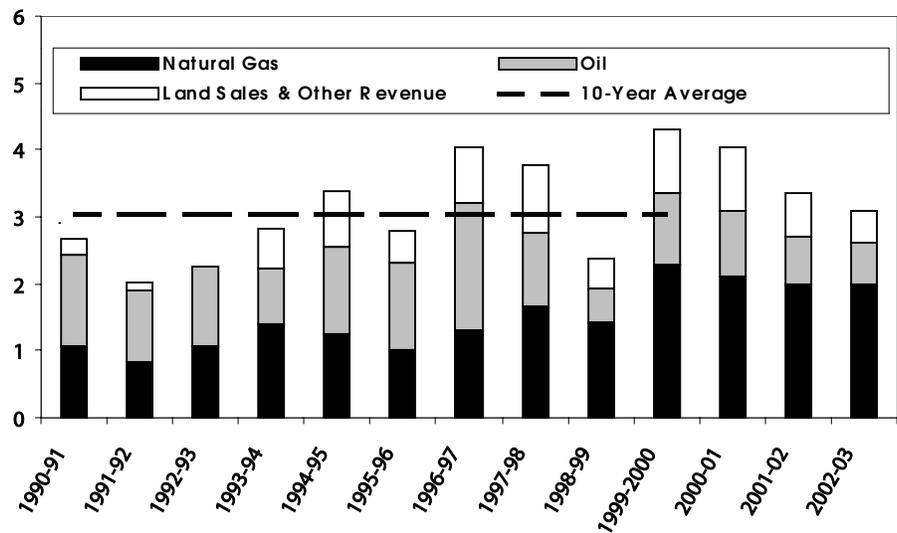
Natural gas prices are expected to average Cdn\$2.58 per thousand cubic feet in 1999-2000. Tight U.S. market conditions are forecast to keep natural gas prices firm at \$2.50 in 2000-01. However, increased natural gas drilling in the United States and rising Canadian exports are expected to put downward pressure on U.S. gas prices in the following two years. Natural gas prices are expected to average \$2.40 in 2001-02 and \$2.35 in 2002-03.

The continued decline in conventional oil production and increase in natural gas production means that natural gas now contributes more provincial revenue than oil. By 2002-03, it is expected that revenue from natural gas royalties will be nearly four times larger than revenue from oil royalties. Increasingly, the natural gas price is becoming the most important barometer of the province's resource revenue outlook.

With the expected return to more sustainable energy prices, resource revenue is forecast to decline by \$1.2 billion over the next three years to \$3.1 billion in 2002-03, about the average for the last ten years.

## Resource Revenue

(billions of dollars)



## TAX REVENUE

Total tax revenue is expected to increase by 1.5% in 2000-01, 1.7% in 2001-02 and 4.7% in 2002-03. The slow revenue growth over the next two years reflects:

*Tax revenue will grow even with significant tax cuts.*

- a cumulative cut of \$852 million in personal income taxes by January 1, 2001, partly offset by the stronger economic growth generated by lower taxes,
- a \$100 million reduction in the 2000-01 personal income tax forecast to provide for the cost of Alberta paralleling possible federal tax changes for 2000, and
- cuts to education property tax rates.

**Personal income tax revenue** – Over the next three years, personal income tax revenue is expected to increase by only 2.2%. This understates the underlying growth in revenue, however, because a \$335 million prior-year adjustment artificially inflates the 1999-2000 base. After adjusting for this, the underlying increase in revenue is 9.6% over the three years, net of the costs of the income tax cuts.

**Corporate income tax revenue** – In 2000-01, corporate income tax revenue is expected to increase by over 21%. Nearly two-thirds of this increase relates to significant 1998 tax refunds paid in 1999-2000 that reduced 1999-2000 revenue by nearly \$200 million. Adjusting for these prior-year tax refunds, the underlying growth in corporate income tax revenue is about 8% in 2000-01. Growth in revenue is expected to slow over the following two years because of the forecast decline in energy prices.

**Other tax revenue** – The reductions in education property tax rates limit growth in revenue from other tax sources to about 5.7% over the next three years.

---

### Tax Revenue

(millions of dollars)

	1999-2000 Forecast	2000-01 Budget	2001-02 Target	2002-03 Target
Personal income tax	4,980	4,713	4,809	5,091
Corporate income tax	1,560	1,896	1,935	2,035
Other taxes	2,349	2,418	2,433	2,483
<b>Total tax revenue</b>	<b>8,889</b>	<b>9,027</b>	<b>9,177</b>	<b>9,609</b>

---

### FEDERAL TRANSFERS

Transfers from the federal government increased by \$193 million in 1999-2000, to over \$1.5 billion. The Canada Health and Social Transfer (CHST) accounts for about \$1.1 billion of this total. In their 1999 budget, the federal government partially restored the cuts to the CHST made since 1994-95.

Federal transfers are expected to decline slightly over the next three years. Because of the federal formula, cash transfers under the CHST decline as provincial income tax revenues rise.

*Federal support for health programs is expected to drop to just 11.6% of Alberta's spending by 2002-03.*

Even including the increase in last year's federal budget that was targeted to health, CHST payments for Alberta's health programs will total only \$639 million in 1999-2000, just 12.1% of Alberta's health spending. Based on announced federal funding plans, the federal funding share will decline to 11.6% by 2002-03. If the federal government wants to be involved in the design of an improved national health system for the 21<sup>st</sup> century, it needs to make a larger financial commitment to the core health services the provinces deliver.

*Any additional federal dollars for the CHST will be spent to improve health services, post-secondary education and social programs.*

There has not been any restoration of the federal cuts to CHST payments for post-secondary education and social programs. Federal funding in 2002-03 is expected to be only 11.9% of Alberta's support for post-secondary education.

If additional dollars are provided in the 2000-01 federal budget for the Canada Health and Social Transfer, Alberta guarantees that every single dollar will be spent to improve health services, post-secondary education and social programs. The government will assess carefully the best uses for any additional federal dollars and announce the allocations by the First Quarter Update.

*Heritage Fund investment income will total \$2.4 billion over the next three years.*

### INVESTMENT INCOME

Investment income is forecast to decline by \$170 million in 2000-01, to about \$1.45 billion, and by a further \$100 million by 2002-03, to \$1.35 billion. The decline in investment income reflects two separate elements:

- Strong equity markets in 1999-2000 helped to increase the investment income of the Heritage Fund. Over the next three years, it is expected that returns from equity investments will be closer to the long-term average, lowering the Fund's income.
- The investment income of the Alberta Municipal Financing Corporation is expected to decline because annual repayments on existing loans by municipalities and school boards exceed the value of new loans being made. New loans also reflect the current lower interest rates.

### Investment Income

(millions of dollars)

	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
Heritage Fund	946	818	809	811
Alberta Municipal Financing Corp.	437	399	332	282
Other	241	237	252	259
<b>Total investment income</b>	<b>1,624</b>	<b>1,454</b>	<b>1,393</b>	<b>1,352</b>

### OTHER REVENUE

Total revenue from other sources is expected to grow by about 5.5% over the next three years. Revenue from premiums, fees and licences is expected to be about flat due to the \$60 million reduction in fees and charges in 2000-01. Net revenue of the Lottery Fund is expected to grow about in line with the growth of Alberta's adult population.

*\$60 million reduction in fees and charges.*

## FORECAST RISKS

Budget 2000 is based on a number of key economic assumptions – energy prices, interest rates, exchange rates, inflation, and economic growth trends in Alberta, Canada and the rest of the world. Private sector forecasts are considered carefully in deciding on budget assumptions. However, no one knows exactly what the future will hold, especially for energy prices.

To ensure that spending plans remain affordable and the government does not incur a deficit, fiscal plans must be based on prudent assumptions. Legislation also requires that a minimum of 3½% of budgeted revenue be set aside as an economic cushion. On a quarterly basis, the government reviews its forecasts and reports to Albertans on significant changes to the fiscal plan for the year.

The 2000-03 fiscal plan is based on relatively strong economic growth in Alberta and realistic but prudent energy price assumptions. There is both downside risk and upside potential to the forecasts.

**Economic outlook** – The economic outlook assumes continued recovery in Asian economies and continued solid growth in the U.S. economy. A downturn in the United States economy and/or a significant stock market correction could weaken the Alberta economy and our revenue. Stronger economic growth than currently expected could increase employment growth and tax revenues.

**Energy prices** – The energy outlook continues to be highly uncertain. Recently, oil prices have been in the US\$30 range. This is significantly higher than most analysts expected. Critical factors influencing the future course of oil prices will be OPEC's ability to manage production quotas, the reaction of non-OPEC producers to high oil prices and the growth in world demand.

Natural gas prices have also been remarkably strong. Natural gas prices will be influenced by such factors as the supply response to current high prices, the new Alliance pipeline, oil prices and economic growth in the United States and Canada.

Each US\$1.00 per barrel change in oil prices affects Alberta's revenue by about \$150 million. A 10 cent swing in natural gas prices affects revenue by about \$154 million.

# BUDGET

New Century. **Bold Plans.**

# 2000

**FISCAL PLAN TABLES 2000-03**

# Consolidated Fiscal Summary<sup>a</sup>

(millions of dollars)

	1998-99 Actual	1999-2000 Budget	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
<b>Revenue</b>	16,882	16,837	19,390	19,071	18,549	18,738
<b>Expense</b>						
Program	14,409	15,097	16,359	16,728	16,577	17,041
Debt Servicing Costs	1,379	1,090	1,040	981	936	930
<b>Total Expense</b>	15,788	16,187	17,399	17,709	17,513	17,971
Net Revenue	1,094	650	1,991	1,362	1,036	767
Less: Net Increase (Decrease) in Capital Assets affecting Operations <sup>b</sup>	68	33	68	149	130	(1)
	1,026	617	1,923	1,213	906	768
Alberta Heritage Science and Engineering Research Endowment Fund	—	—	—	500	—	—
<b>Economic Cushion</b>	1,026	617	1,923	713	906	768
Planned Allocation of Economic Cushion						
Debt Repayment and Increase in Assets <sup>c</sup>	1,026	463	1,923	535	487	492
Contingency Reserve	—	154	—	178	419	276

<sup>a</sup> Subject to the *Fiscal Responsibility Act*.

<sup>b</sup> Converts capital expense to a pay-as-you-go basis.

<sup>c</sup> In 2001-02 and 2002-03, it is assumed that only 75% of the minimum 3.5% cushion required by law will be realized for debt repayment or increases in financial assets, not the 75% of the larger cushions currently projected.

# Accumulated Debt Repayment

(millions of dollars)

	1998-99 Actual	1999-2000 Budget <sup>a</sup>	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
<b>Accumulated debt at the start of the year</b>	14,977	14,106	14,106	12,539	12,007	11,691
Allocation for debt repayment and increase in assets	1,026	463	1,923	535 <sup>b</sup>	487	492
Cash adjustments	127	172	254	112	31	63
Less: Retained income of provincial corporations, agencies and funds	(282)	(155)	(380)	(115)	(202)	(224)
Less: Allocation to Heritage Fund	—	—	(230)	—	—	—
Accumulated debt repayment	871	480	1,567	532	316	331
<b>Accumulated debt at the end of the year</b>	14,106	13,626	12,539	12,007	11,691	11,360

<sup>a</sup> 1999-2000 budget numbers have been restated to reflect 1998-99 actual results.

<sup>b</sup> Excludes the \$500 million allocation for the Alberta Heritage Science and Engineering Research Endowment Fund.

# Net Financial Position

(millions of dollars)

	At March 31				
	1999 Actual	2000 Forecast	2001 Estimate	2002 Target	2003 Target
<b>Liabilities</b>					
Accumulated debt	14,106	12,539	12,007	11,691	11,360
Pension obligations	4,813	4,788	4,807	4,830	4,875
Self-supporting lending organizations <sup>a</sup>	4,990	4,849	4,219	4,064	3,915
Accounts and interest payable and other liabilities	2,505	2,265	1,973	1,817	1,708
Less: Debt held internally by consolidated entities	(976)	(643)	(343)	(180)	(175)
<b>Total Liabilities</b>	<b>25,438</b>	<b>23,798</b>	<b>22,663</b>	<b>22,222</b>	<b>21,683</b>
<b>Financial Assets</b>					
Heritage Fund external investments	11,148	11,668	11,930	12,076	12,081
Endowment Funds <sup>b</sup>	1,163	1,211	1,744	1,776	1,809
Self-supporting lending organizations <sup>a</sup>	5,010	4,957	4,277	4,122	3,973
Other financial assets	3,241	3,034	2,800	2,800	2,819
<b>Total Financial Assets</b>	<b>20,562</b>	<b>20,870</b>	<b>20,751</b>	<b>20,774</b>	<b>20,682</b>
<b>Net Debt</b>	<b>4,876</b>	<b>2,928</b>	<b>1,912</b>	<b>1,448</b>	<b>1,001</b>
Less: Pension obligations	(4,813)	(4,788)	(4,807)	(4,830)	(4,875)
<b>Net Assets (Debt) excluding pension obligations</b>	<b>(63)</b>	<b>1,860</b>	<b>2,895</b>	<b>3,382</b>	<b>3,874</b>

<sup>a</sup> Alberta Municipal Financing Corporation, Agriculture Financial Services Corporation, and Alberta Opportunity Company.

<sup>b</sup> Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund, and Alberta Heritage Science and Engineering Research Endowment Fund.

# Revenue

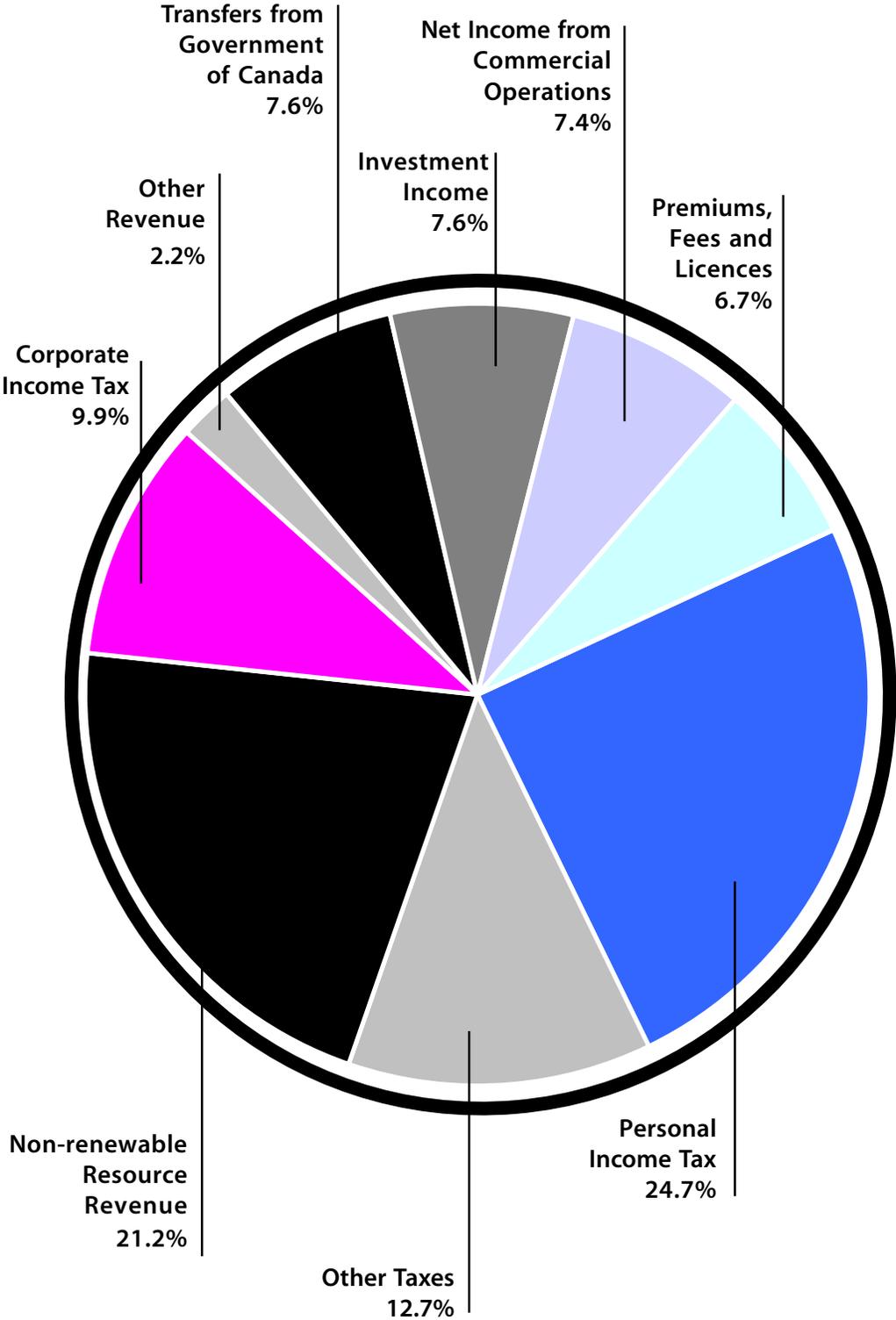
(millions of dollars)

	1998-99 Actual	1999-2000 Budget	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
<b>Income Taxes</b>						
Personal income tax	4,601	4,334	4,980	4,713	4,809	5,091
Corporate income tax	1,659	1,745	1,560	1,896	1,935	2,035
	6,260	6,079	6,540	6,609	6,744	7,126
<b>Other Taxes</b>						
School property tax	1,118	1,145	1,139	1,157	1,164	1,187
Fuel tax	547	570	545	559	569	582
Tobacco tax	341	350	350	355	361	367
Freehold mineral rights tax	112	98	117	135	115	112
Insurance corporations tax	101	119	117	127	135	144
Hotel room tax	45	45	45	47	50	51
Financial institutions capital tax	32	38	36	38	39	40
	2,296	2,365	2,349	2,418	2,433	2,483
<b>Non-Renewable Resource Revenue</b>						
Natural gas and by-products royalty	1,467	1,695	2,419	2,323	2,169	2,046
Crude oil royalty	470	346	941	632	449	358
Synthetic crude oil and bitumen royalty	59	43	384	469	180	155
Coal royalty	17	15	13	14	14	14
Bonuses and sales of Crown leases	463	430	666	650	600	585
Rentals and fees	142	143	149	157	162	163
Royalty tax credit	(250)	(256)	(262)	(197)	(217)	(212)
	2,368	2,416	4,310	4,048	3,357	3,109
<b>Transfers from Government of Canada</b>						
Canada Health and Social Transfer	970	1,086	890	906	915	888
CHST - health supplement	—	192	192	194	246	248
Labour market development	83	126	122	124	120	120
Agriculture support programs	113	98	142	53	54	55
Other	169	155	182	168	155	155
	1,335	1,657	1,528	1,445	1,490	1,466
<b>Investment Income</b>						
Alberta Heritage Savings Trust Fund	853	730	946	818	809	811
Endowment Funds:						
Medical Research	119	67	80	74	75	76
Scholarship	39	21	25	21	22	23
Science and Engineering Research	—	—	—	12	26	30
Alberta Municipal Financing Corporation	464	439	437	399	332	282
Agriculture Financial Services Corporation	70	69	73	77	81	85
Other	59	57	63	53	48	45
	1,604	1,383	1,624	1,454	1,393	1,352
<b>Net Income from Commercial Operations</b>						
Alberta Gaming and Liquor Commission:						
Lottery revenue	776	770	820	838	853	869
Liquor operations	485	462	456	458	459	461
Alberta Treasury Branches	111	95	161	114	135	167
Other	14	3	14	4	4	4
	1,386	1,330	1,451	1,414	1,451	1,501
<b>Premiums, Fees and Licences</b>						
Health care insurance premiums	640	639	648	660	671	682
Motor vehicle licences	196	189	203	196	200	198
Timber rentals and fees	81	73	87	89	97	98
Crop and hail insurance premiums	75	76	71	77	79	80
Land titles	62	67	62	28	28	28
Other	237	222	241	230	234	239
	1,291	1,266	1,312	1,280	1,309	1,325
<b>Other</b>						
Sale of capital assets	15	65	(39)	62	46	41
Alberta Dairy Control Board	59	48	59	59	59	59
Fines and penalties	39	34	38	40	40	40
Miscellaneous	229	194	218	242	227	236
	342	341	276	403	372	376
<b>Total Revenue</b>	<b>16,882</b>	<b>16,837</b>	<b>19,390</b>	<b>19,071</b>	<b>18,549</b>	<b>18,738</b>

# Revenue – WHERE THE MONEY COMES FROM

Total Revenue \$19.1 billion

2000-01 ESTIMATE



# Expense<sup>a</sup>

(millions of dollars)

	1998-99 Actual	1999-2000 Budget	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
<b>Program</b>						
Legislative Assembly	36	41	40	56	52	48
Agriculture, Food and Rural Development	483	556	645	642	636	642
Children's Services	454	468	505	537	562	587
Community Development	321	348	354	370	369	354
Economic Development	36	51	49	51	51	51
Environment	491	317	459	328	337	319
Executive Council	12	13	13	13	14	14
Gaming	170	179	179	183	183	184
Government Services	51	46	46	48	49	50
Health and Wellness	4,809	5,167	5,491	5,653	5,942	6,259
Human Resources and Employment	903	989	991	1,031	1,054	1,060
Infrastructure	1,242	1,306	1,857	1,766	1,197	1,167
Innovation and Science	158	163	167	186	181	186
International and Intergovernmental Relations	35	34	38	34	34	34
Justice	400	406	413	457	447	452
Learning	3,817	4,079	4,196	4,456	4,606	4,811
Municipal Affairs	137	132	139	142	134	134
Resource Development	125	140	135	150	153	157
Treasury	729	662	642	625	576	532
<b>Total Program Expense</b>	14,409	15,097	16,359	16,728	16,577	17,041
Debt Servicing Costs	1,379	1,090	1,040	981	936	930
<b>Total Expense</b>	15,788	16,187	17,399	17,709	17,513	17,971

<sup>a</sup> Net of internal government transactions.

## Net Increase in Capital Assets Affecting Operations

(millions of dollars)

	1998-99 Actual	1999-2000 Budget	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
Capital Investment	296	275	305	429	417	292
Less: Capital Amortization	228	242	237	280	287	293
<b>Net Increase (Decrease) in Capital Assets affecting Operations</b>	68	33	68	149	130	(1)

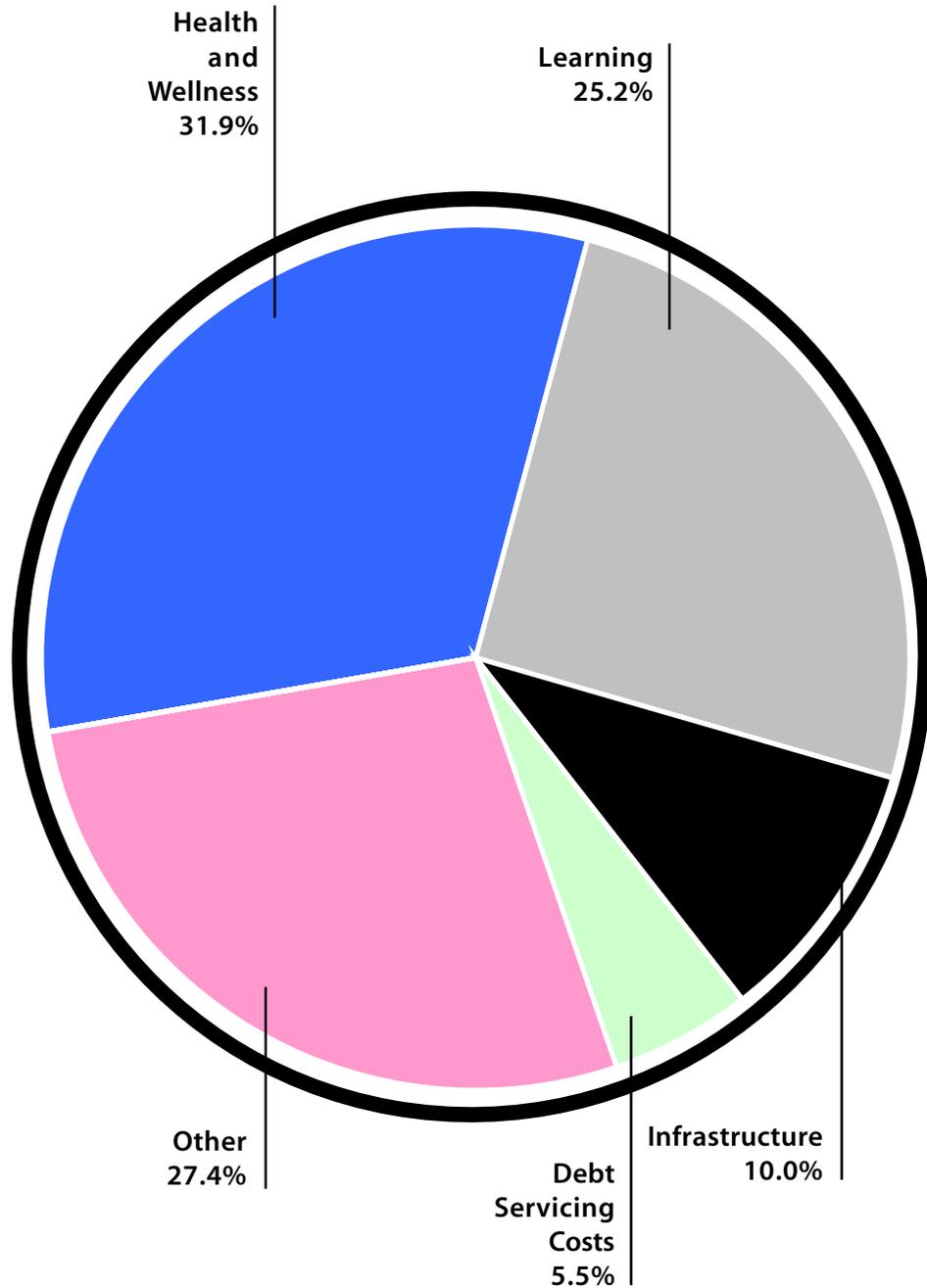
# Expense – WHERE THE MONEY GOES TO

---

**Total Expense \$17.7 billion**

---

**2000-01 ESTIMATE**



# Capital Investment

(millions of dollars)

	1998-99 Actual	1999-2000 Budget	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
Legislative Assembly	—	—	—	—	—	—
Agriculture, Food and Rural Development	10	5	9	6	6	5
Children's Services	—	—	—	—	—	—
Community Development	2	2	1	2	1	1
Economic Development	—	—	—	—	—	—
Environment	7	8	14	12	7	7
Executive Council	—	—	—	—	—	—
Gaming	—	—	—	—	—	—
Government Services	1	2	2	2	2	2
Health and Wellness	1	1	1	2	2	2
Human Resources and Employment	3	7	3	5	4	4
Infrastructure	247	220	237	371	368	246
Innovation and Science	12	11	19	11	11	12
International and Intergovernmental Relations	—	—	—	—	—	—
Justice	2	3	3	1	—	—
Learning	1	4	1	3	4	3
Municipal Affairs	1	—	2	1	1	—
Resource Development	5	4	6	7	7	7
Treasury	4	8	7	6	4	3
<b>Total Capital Investment</b>	<b>296</b>	<b>275</b>	<b>305</b>	<b>429</b>	<b>417</b>	<b>292</b>

# Capital Amortization

(millions of dollars)

	1998-99 Actual	1999-2000 Budget	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
Legislative Assembly	—	—	—	—	—	—
Agriculture, Food and Rural Development	5	7	8	7	7	7
Children's Services	1	1	1	1	1	1
Community Development	25	25	24	25	25	25
Economic Development	—	—	—	—	—	—
Environment	24	26	26	27	27	27
Executive Council	—	—	—	—	—	—
Gaming	—	—	—	—	—	—
Government Services	3	3	2	2	3	3
Health and Wellness	2	1	1	1	1	1
Human Resources and Employment	1	2	2	3	3	3
Infrastructure	146	152	152	186	191	196
Innovation and Science	10	13	10	13	13	13
International and Intergovernmental Relations	—	—	—	—	—	—
Justice	1	1	1	2	1	1
Learning	1	1	1	1	2	2
Municipal Affairs	1	1	1	1	1	1
Resource Development	5	6	6	7	7	8
Treasury	3	3	2	4	5	5
<b>Total Capital Amortization</b>	<b>228</b>	<b>242</b>	<b>237</b>	<b>280</b>	<b>287</b>	<b>293</b>

# Support for Infrastructure<sup>a</sup>

(millions of dollars)

	1998-99 Actual	1999-2000 Budget	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
Agriculture, Food and Rural Development	30	23	25	29	19	19
Community Development	29	32	32	33	31	32
Environment	4	9	9	9	9	8
Gaming	35	34	34	25	25	25
Health and Wellness	21	60	69	56	22	34
Infrastructure	810	860	1,405	1,287	703	666
International and Intergovernmental Relations	2	2	2	—	—	—
Learning	19	20	20	60	—	—
Municipal Affairs	10	—	—	—	—	—
<b>Total Support for Infrastructure</b>	<b>960</b>	<b>1,040</b>	<b>1,596</b>	<b>1,499</b>	<b>809</b>	<b>784</b>

<sup>a</sup> Included in consolidated program expense.

# Debt Servicing Costs

(millions of dollars)

	1998-99 Actual	1999-2000 Budget	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
<b>Agriculture, Food and Rural Development</b>						
Agriculture Financial Services Corporation	51	55	48	60	58	55
Alberta Opportunity Company	5	5	5	5	5	5
<b>Community Development</b>						
Alberta Social Housing Corporation	74	60	60	55	50	46
<b>Environment</b>						
Environmental Protection and Enhancement Fund	—	—	3	—	—	—
<b>Learning</b>						
Alberta School Foundation Fund	1	1	4	8	8	8
<b>Treasury</b>						
Ministry	1,248	969	920	853	815	816
<b>Total Debt Servicing Costs</b>	<b>1,379</b>	<b>1,090</b>	<b>1,040</b>	<b>981</b>	<b>936</b>	<b>930</b>

# Valuation Adjustments and Other Provisions

(millions of dollars)

	1998-99 Actual	1999-2000 Budget	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
<b>Agriculture, Food and Rural Development</b>						
Agriculture Financial Services Corporation	—	2	3	4	3	2
Alberta Opportunity Company	1	4	3	4	4	4
Other provisions	1	—	—	—	—	—
<b>Community Development</b>						
Alberta Social Housing Corporation	1	2	2	2	2	2
Other provisions	1	—	—	—	—	—
<b>Environment</b>						
Provision for doubtful accounts	8	—	—	1	1	1
<b>Health and Wellness</b>						
Provision for Health Care Insurance Premium revenue write-offs	29	24	30	29	29	29
Other provisions	2	—	—	1	1	1
<b>Human Resources and Employment</b>						
Provision for doubtful accounts	1	1	1	1	1	1
<b>Justice</b>						
Provision for doubtful accounts	5	1	1	1	1	1
<b>Learning</b>						
Provision for student loans	66	68	65	77	87	98
Other provisions	1	—	—	—	—	—
<b>Treasury</b>						
Provision for loans, guarantees and indemnities	2	13	11	2	2	2
Provision for employee benefits other than pensions	(8)	—	—	—	—	—
<b>Total</b>	110	115	116	122	131	141

# 2000-01 Allocation of Lottery Fund Revenue

(millions of dollars)

<b>Lottery Revenue</b>	838
Less: Administration costs	(55)
<b>Net Lottery Revenue</b>	<b>783</b>
<b>Agriculture, Food and Rural Development</b>	
Agricultural initiatives	12
<b>Children's Services</b>	
Fetal alcohol initiative	1
<b>Community Development</b>	
Foundation for the Arts	21
Alberta Sport, Recreation, Parks and Wildlife Foundation	15
2001 World Championships in Athletics	10
Wild Rose Foundation	7
Historical Resources Foundation	6
Human Rights, Citizenship and Multiculturalism Education Fund	1
Trans Canada Trail Project	1
<b>Gaming</b>	
Community Lottery Board grants	53
Community facility enhancement program	25
Calgary Exhibition and Stampede	7
Edmonton Northlands	7
Major fairs and exhibitions	3
Gaming Research Institute	2
Other initiatives	12
<b>Health and Wellness</b>	
Health authorities supplemental capital equipment funding	38
Alberta Alcohol and Drug Abuse Commission	33
Alberta <i>wellnet</i>	15
Advanced medical equipment	10
Health Innovation Fund	10
Alternate compensation strategies	10
Alberta wellness initiative	5
Other initiatives	6
<b>Infrastructure</b>	
Health care facilities	120
School facilities	100
Post-secondary facilities	30
Water management infrastructure	20
Seniors' lodges	10
<b>Innovation and Science</b>	
Strategic research initiatives	17
University research investments	15
Alberta Agricultural Research Institute	9
<b>Learning</b>	
School technology upgrading	60
School transportation support	20
Learning television	8
Achievement scholarships in athletics	2
<b>Municipal Affairs</b>	
Municipal 2000 Sponsorship	12
<b>Treasury</b>	
Debt Repayment / Contingency Reserve	50
<b>Lottery Revenue Allocation<sup>a</sup></b>	<b>783</b>

<sup>a</sup> Included in program expense and capital investment except for the \$50 million for Debt Repayment / Contingency Reserve.

# Expense by Function

(millions of dollars)

	1998-99 Actual	1999-2000 Budget <sup>a</sup>	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
Health	4,593	4,975	5,284	5,463	5,646	5,940
Education	4,175	4,500	4,663	4,888	5,017	5,206
Social Services	1,560	1,583	1,675	1,744	1,800	1,852
Agriculture and Economic Development	718	867	972	987	984	993
Regional Planning and Development	587	552	561	517	452	401
Transportation and Utilities	648	633	1,065	1,015	558	540
Protection of Persons and Property	487	495	502	561	545	552
Environment and Resource Conservation	551	391	528	408	420	404
Recreation and Culture	272	269	268	279	274	260
Housing	101	90	98	93	93	93
General Government	607	627	627	651	657	659
Valuation Adjustments and Other Provisions	110	115	116	122	131	141
Debt Servicing Costs	1,379	1,090	1,040	981	936	930
<b>Total Expense by Function</b>	<b>15,788</b>	<b>16,187</b>	<b>17,399</b>	<b>17,709</b>	<b>17,513</b>	<b>17,971</b>

<sup>a</sup> Government reorganization has resulted in changes to the 1999-2000 budget numbers.

# 2000-01 Expense by Function

(millions of dollars)

	Health	Education	Social Services	Agriculture and Economic Development	Regional Planning and Development	Transportation and Utilities	Protection of Persons and Property	Environment and Resource Conservation	Recreation and Culture	Housing	General Government	Valuation Adjustments and Other Provisions	Debt Servicing Costs	Consolidated Ministry Expenses
Legislative Assembly	—	—	—	—	—	—	2	—	—	—	54	—	—	56
Agriculture, Food and Rural Development	—	—	—	634	—	—	—	—	—	—	—	8	65	707
Children's Services	—	—	537	—	—	—	—	—	—	—	—	—	—	537
Community Development	—	—	176	—	—	—	5	—	111	76	—	2	55	425
Economic Development	—	—	—	51	—	—	—	—	—	—	—	—	—	51
Environment	—	—	—	—	—	—	—	337	—	—	—	1	—	338
Executive Council	—	—	—	—	—	—	—	—	—	—	15	—	—	15
Gaming	248	219	1	89	12	—	1	—	227	10	50	—	—	857
Government Services	—	—	—	—	—	—	48	—	—	—	—	—	—	48
Health and Wellness	5,295	—	328	—	—	—	—	—	—	—	—	30	—	5,653
Human Resources and Employment	—	281	701	—	—	—	17	—	—	—	31	1	—	1,031
Infrastructure	168	209	1	31	—	1,015	1	1	1	17	338	—	—	1,782
Innovation and Science	—	19	—	123	—	—	—	—	—	—	80	—	—	222
International and Intergovernmental Relations	—	—	—	—	27	—	—	—	—	—	7	—	—	34
Justice	—	—	—	—	—	—	456	—	—	—	—	1	—	457
Learning	—	4,379	—	—	—	—	—	—	—	—	—	77	8	4,464
Municipal Affairs	—	—	—	2	91	—	17	—	—	—	32	—	—	142
Resource Development	—	—	—	70	—	—	—	80	—	—	—	—	—	150
Treasury	—	18	—	59	399	—	15	—	—	—	156	2	972	1,621
Inter-Ministry Consolidation Adjustments	(248)	(237)	—	(72)	(12)	—	(1)	(10)	(60)	(10)	(112)	—	(119)	(881)
<b>Total Expense</b>	<b>5,463</b>	<b>4,888</b>	<b>1,744</b>	<b>987</b>	<b>517</b>	<b>1,015</b>	<b>561</b>	<b>408</b>	<b>279</b>	<b>93</b>	<b>651</b>	<b>122</b>	<b>981</b>	<b>17,709</b>

# 2000-01 Expense by Object

(millions of dollars)

	Salaries Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers <sup>a</sup>	Financial Transactions and Other	Amortization of Capital Assets	Intra Ministry Consolidation Adjustments	Ministry Consolidated Expense	Inter Ministry Consolidation Adjustments	Total Consolidated Expense
Legislative Assembly	23	24	—	—	9	—	—	56	—	56
Agriculture, Food and Rural Development	105	44	86	257	465	7	(257)	707	—	707
Children's Services	103	328	104	426	1	1	(426)	537	—	537
Community Development	36	29	279	63	57	24	(63)	425	—	425
Economic Development	15	35	1	—	—	—	—	51	—	51
Environment	151	132	27	1	1	27	(1)	338	(10)	328
Executive Council	12	3	—	—	—	—	—	15	(2)	13
Gaming	2	2	179	838	—	—	(164)	857	(674)	183
Government Services	20	24	—	—	1	3	—	48	—	48
Health and Wellness	127	231	5,264	664	30	1	(664)	5,653	—	5,653
Human Resources and Employment	117	123	787	—	1	3	—	1,031	—	1,031
Infrastructure	97	608	891	—	—	186	—	1,782	(16)	1,766
Innovation and Science International and Intergovernmental Relations	59	82	70	102	—	13	(104)	222	(36)	186
Justice	6	6	22	—	—	—	—	34	—	34
Learning	239	152	26	—	38	2	—	457	—	457
Municipal Affairs	50	72	4,333	—	8	1	—	4,464	—	4,464
Resource Development	20	14	107	—	—	1	—	142	—	142
Treasury	87	50	7	16	—	7	(17)	150	—	150
	45	36	136	896	1,928	4	(1,424)	1,621	(143)	1,478
<b>Total Expense</b>	<b>1,314</b>	<b>1,995</b>	<b>12,319</b>	<b>3,263</b>	<b>2,539</b>	<b>280</b>	<b>(3,120)</b>	<b>18,590</b>	<b>(881)</b>	<b>17,709</b>

<sup>a</sup> Excluding payments for services.

# Full-Time Equivalent Employment

	1999-2000 Budget	2000-01 Estimate	Change	
			Number	Per Cent
Legislative Assembly	405	432	27	6.7
Agriculture, Food and Rural Development	1,909	1,937	28	1.5
Children's Services	1,941	2,160	219	11.3
Community Development	697	710	13	1.9
Economic Development	197	205	8	4.1
Environment	2,947	3,005	58	2.0
Executive Council	178	189	11	6.2
Gaming <sup>a</sup>	29	29	—	—
Government Services	351	354	3	0.9
Health and Wellness	2,590	2,625	35	1.4
Human Resources and Employment	1,986	1,985	(1)	(0.1)
Infrastructure	1,759	1,668	(91)	(5.2)
Innovation and Science	829	827	(2)	(0.2)
International and Intergovernmental Relations	89	100	11	12.4
Justice	4,083	4,193	110	2.7
Learning	997	1,003	6	0.6
Municipal Affairs	342	367	25	7.3
Resource Development	1,258	1,312	54	4.3
Treasury	682	741	59	8.7
<b>Total Full-Time Equivalent Employment</b>	<b>23,269</b>	<b>23,842</b>	<b>573</b>	<b>2.5</b>

<sup>a</sup> Full-time equivalent employment for 1999-2000 budget has been restated to show the functional transfer of 17 FTEs transferred into Ministry of Gaming from Alberta Gaming and Liquor Commission.

# Details of Net Financial Position

(millions of dollars)

	At March 31				
	1999 Actual	2000 Forecast	2001 Estimate	2002 Target	2003 Target
<b>Liabilities</b>					
General Revenue Fund	13,064	11,833	11,728	11,699	11,496
School construction loans	994	892	793	698	608
Alberta Social Housing Corporation	759	681	583	524	503
Less: General Revenue Fund holdings of provincial corporation debt	(711)	(867)	(1,097)	(1,230)	(1,247)
<b>Accumulated debt</b>	<b>14,106</b>	<b>12,539</b>	<b>12,007</b>	<b>11,691</b>	<b>11,360</b>
Pension obligations	4,813	4,788	4,807	4,830	4,875
Alberta Municipal Financing Corporation debt	3,949	3,774	3,127	2,920	2,721
Equity in Alberta Municipal Financing Corporation	308	280	234	245	263
Agriculture Financial Services Corporation debt	647	707	766	805	835
Alberta Opportunity Company debt	86	88	92	94	96
Accounts and interest payable	2,104	1,874	1,592	1,446	1,347
Guarantees, indemnities and remissions	260	250	240	230	220
Other accrued liabilities	141	141	141	141	141
Less: Debt internally held by consolidated entities	(976)	(643)	(343)	(180)	(175)
<b>Total Liabilities</b>	<b>25,438</b>	<b>23,798</b>	<b>22,663</b>	<b>22,222</b>	<b>21,683</b>
<b>Financial Assets</b>					
Total Heritage Fund equity	12,026	12,256	12,256	12,256	12,256
Less: Internal holdings of debt	(878)	(588)	(326)	(180)	(175)
<b>Heritage Fund external investments</b>	<b>11,148</b>	<b>11,668</b>	<b>11,930</b>	<b>12,076</b>	<b>12,081</b>
Alberta Heritage Foundation for Medical Research Endowment Fund	887	927	956	984	1,009
Alberta Heritage Scholarship Fund	276	284	288	292	296
Alberta Heritage Science and Engineering Research Endowment Fund	—	—	500	500	504
Alberta Municipal Financing Corporation loans	3,669	3,562	3,354	3,136	2,945
Other Alberta Municipal Financing Corporation assets	608	600	65	87	97
Agriculture Financial Services Corporations loans	647	707	766	805	835
Alberta Opportunity Company loans	86	88	92	94	96
Equity in commercial enterprises	331	487	487	625	796
Farm Credit Stability deposits	290	189	117	69	45
Other cash, marketable securities and accounts receivable	2,620	2,358	2,196	2,106	1,978
<b>Total Financial Assets</b>	<b>20,562</b>	<b>20,870</b>	<b>20,751</b>	<b>20,774</b>	<b>20,682</b>
<b>Net Debt</b>	<b>4,876</b>	<b>2,928</b>	<b>1,912</b>	<b>1,448</b>	<b>1,001</b>
Less: Pension obligations	(4,813)	(4,788)	(4,807)	(4,830)	(4,875)
<b>Net Assets (Debt) excluding pension obligations</b>	<b>(63)</b>	<b>1,860</b>	<b>2,895</b>	<b>3,382</b>	<b>3,874</b>

# Accumulated Debt Retirement Schedule

(Minimum Debt Payment Required by the *Fiscal Responsibility Act*)

	Required Accumulated Debt Retired (per cent)	Five-Year Milestones for Accumulated Debt Repayment (\$ millions)	Five-Year Principal Payment <sup>a</sup> (\$ millions)	Average Annual Principal Payment (\$ millions)
<b>1999-2000</b>		<b>12,539<sup>b</sup></b>		
2000-01				
2001-02				
2002-03				
2003-04				
<b>2004-05</b>	<b>13%</b>	<b>10,909</b>	<b>1,630</b>	<b>326</b>
2005-06				
2006-07				
2007-08				
2008-09				
<b>2009-10</b>	<b>30%</b>	<b>8,779</b>	<b>2,130</b>	<b>426</b>
2010-11				
2011-12				
2012-13				
2013-14				
<b>2014-15</b>	<b>50%</b>	<b>6,269</b>	<b>2,510</b>	<b>502</b>
2015-16				
2016-17				
2017-18				
2018-19				
<b>2019-20</b>	<b>75%</b>	<b>3,134</b>	<b>3,135</b>	<b>627</b>
2020-21				
2021-22				
2022-23				
2023-24				
<b>2024-25</b>	<b>100%</b>	<b>0</b>	<b>3,134</b>	<b>627</b>

<sup>a</sup> Principal payments increase over time because they are based on a percentage of revenue.

<sup>b</sup> Forecast starting accumulated debt.

# Details of Accumulated Debt Repayment

(millions of dollars)

	1998-99 Actual	1999-2000 Budget <sup>a</sup>	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
<b>Accumulated debt at the start of the year</b>	14,977	14,106	14,106	12,539	12,007	11,691
Allocation for debt repayment/increase in assets	1,026	463	1,923	535 <sup>b</sup>	487	492
Cash adjustments	127	172	254	112	31	63
Cash available	1,153	635	2,177	647	518	555
Less: Retained income of:						
Heritage Fund	—	—	230	—	—	—
Alberta Treasury Branches	111	95	161	114	135	167
Agriculture Financial Services Corporation	62	10	98	23	24	24
Environmental Protection and Enhancement Fund	—	20	72	60	11	—
Foundation for Medical Research Endowment Fund	82	27	40	29	28	25
Heritage Scholarship Fund	27	3	9	4	4	4
Science and Engineering Research Endowment Fund	—	—	—	—	—	4
Other	—	—	—	(115)	—	—
Total retained income	282	155	610	115	202	224
Accumulated Debt Repayment	871	480	1,567	532	316	331
<b>Accumulated debt at the end of the year</b>	14,106	13,626	12,539	12,007	11,691	11,360

<sup>a</sup> 1999-2000 budget numbers have been restated to reflect 1998-99 actual results.

<sup>b</sup> Excludes the \$500 million allocation for the Alberta Heritage Science and Engineering Research Endowment Fund.

# Net Refinancing Requirements

(millions of dollars)

	1998-99 Actual	1999-2000 Budget	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
Refinancing of term debt maturities and redemptions	3,422	2,480	2,289	2,760	1,437	1,436
Accumulated Debt Repayment	(871)	(480)	(1,567)	(532)	(316)	(331)
General Revenue Fund cash requirements (sources)						
Decrease (Increase) in accrued foreign exchange provisions	(302)	(80)	(45)	5	45	50
Repayment of school board loans	116	102	102	99	95	90
Financing of provincial corporations' borrowing	441	225	231	248	286	178
<b>Net Refinancing Requirements</b>	2,806	2,247	1,010	2,580	1,547	1,423

## 2000-01 Term Debt Maturities<sup>a</sup>

	Par Amount in Cdn. dollars (\$ millions)	Par Amount in U.S. dollars (\$ millions)	Coupon Rate (%)	Maturity Date
Term Debt Issues:				
1990 Yankee Notes <sup>b</sup>	737	500	9.25	April 2000
1995 Canadian and Euro Medium Term Notes	30		varied	April and November 2000
1995 Alberta Capital Bonds	159		4.65	June 2000
1997 Alberta Saving Certificates <sup>c</sup>	181		5.13	June 2000
1991 Euro U.S. Dollar Notes <sup>b</sup>	441	300	6.25	October 2000
1996 Canadian Debenture	600		6.25	March 2001
<b>Total Term Debt Issues</b>	<b>2,148</b>	<b>800</b>		
Callable notes <sup>d</sup> :				
1995-99 Canadian and Euro Medium Term Notes <sup>b</sup>	612	64	varied	April 2000 to March 2001
<b>Total Term Debt Maturities</b>	<b>2,760</b>	<b>864</b>		

<sup>a</sup> Excludes \$33.6 million principal repayment on notes supported by provincial corporations.

<sup>b</sup> U.S. dollar debt converted to Canadian dollars at a forecast foreign exchange rate of 68 cents U.S. at March 31, 2000.

<sup>c</sup> Assumes \$9 million early redemption of Alberta Savings Certificates.

<sup>d</sup> Assumes callable notes with a call date in 2000-01 will be called in that year.

## Pension Obligations

(millions of dollars)

	1998-99 Actual	1999-2000 Forecast	2000-01 Estimate	2001-02 Target	2002-03 Target
<b>Obligations for employees of organizations outside the government reporting entity</b>					
Teachers' Pension Plan	3,783	3,879	3,920	3,965	4,019
Universities Academic Pension Plan	106	121	126	131	136
Special Forces Pension Plan	8	55	52	49	46
	3,897	4,055	4,098	4,145	4,201
<b>Obligations for current and former government employees and MLAs</b>					
Public Service Management Pension Plan <sup>a</sup>	657	652	643	634	624
Management Employees Pension Plan	32	32	17	2	—
Public Service Pension Plan	178	—	—	—	—
Members of the Legislative Assembly Pension Plan <sup>a</sup>	49	49	49	49	50
	916	733	709	685	674
<b>Pension Obligations</b>	<b>4,813</b>	<b>4,788</b>	<b>4,807</b>	<b>4,830</b>	<b>4,875</b>

<sup>a</sup> Membership closed and pensionable service no longer being accrued.

# Loans and Advances<sup>a</sup>

(millions of dollars)

	At March 31	
	1999 Actual	2000 Forecast
<b>Loans and Advances</b>		
Agriculture Financial Services Act	672	760
Farm Credit Stability Act	290	200
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	136	148
Vencap Acquisition Corporation	14	5
Alberta Opportunity Fund Act	117	121
Alberta Housing Act	47	32
Financial Administration Act		
Accountable advances	26	26
Centennial Food Corp.	14	13
Pratt & Whitney Canada Inc.	4	4
Board of Governors, University of Alberta	3	3
University of Calgary Students' Union	1	1
University of Lethbridge Students' Union	1	1
Implemented guarantees and indemnities	2	1
	1,327	1,315
<b>Allowance for doubtful loans, advances, implemented guarantees and indemnities:</b>		
Ridley Grain Ltd.	(43)	(55)
Other	(44)	(42)
	(87)	(97)
<b>Total Loans and Advances</b>	1,240	1,218

<sup>a</sup> When a loan is considered to be impaired, accrued interest is no longer included in income. This does not alter the borrower's obligation to pay all accrued interest.

# Guarantees

(millions of dollars)

	At March 31	
	1999 Actual	2000 Forecast
<b>Guarantees</b>		
Farm Credit Stability Act	298	209
Alberta Housing Act	153	123
Student Loan Act	74	61
Agriculture Financial Services Act	65	59
Feeder associations	46	49
Alberta Opportunity Fund Act	3	4
Agricultural Societies Act	5	3
Rural utilities loans	4	3
Centre for Engineering Research Inc.	3	3
Securities Act	2	2
University of Calgary	1	1
Banff Centre for Continuing Education	1	—
	655	517
<b>Estimated Liability</b>		
Loan guarantees	(22)	(21)
Remissions for student loans	(12)	(12)
	(34)	(33)
<b>Total Guarantees</b>	621	484

# Province of Alberta

## Key Energy and Economic Assumptions<sup>a</sup>

<b>Fiscal Year Assumptions</b>	<b>1997-98 Actual</b>	<b>1998-99 Actual</b>	<b>1999-2000</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>
<b>Prices</b>						
Oil price						
WTI (US\$/bbl)	18.93	13.73	22.00	19.00	18.00	18.00
Alberta wellhead (Cdn\$/bbl)	22.25	16.92	28.91	23.59	21.44	20.80
Natural gas price						
Alberta wellhead (Cdn\$/mcf)	1.86	1.98	2.58	2.50	2.40	2.35
Exchange rate (US\$/Cdn\$)	72.1	66.5	67.8	68.5	70.0	71.5
<b>Production</b>						
Crude oil and equivalent (000's barrels/day)	1,554	1,526	1,509	1,543	1,607	1,771
Natural gas (billions of cubic feet)	5,216	5,283	5,462	5,661	5,933	6,053
<b>Interest rates<sup>b</sup></b>						
3-month Canada treasury bills (per cent)	3.50	4.80	4.80	5.65	5.25	5.25
10-year Canada bonds (per cent)	6.00	5.20	5.90	6.75	6.25	6.25
<b>Calendar Year Assumptions</b>						
	<b>1998 Actual</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Gross Domestic Product</b>						
Nominal (millions of dollars)	104,293	113,855	121,218	125,456	131,754	138,194
per cent change	-1.2	9.2	6.5	3.5	5.0	4.9
Real (millions of 1992 dollars)	99,009	101,465	105,995	110,101	113,929	117,862
per cent change	1.8	2.5	4.5	3.9	3.5	3.5
<b>Other Indicators</b>						
Employment (thousands)	1,514	1,557 <sup>c</sup>	1,605	1,648	1,684	1,720
per cent change	3.9	2.8 <sup>c</sup>	3.1	2.7	2.2	2.2
Unemployment rate (per cent)	5.7	5.8 <sup>c</sup>	5.3	5.0	5.0	4.9
Housing starts (number of units)	27,122	25,536 <sup>c</sup>	26,500	28,000	28,100	26,800
Alberta Consumer Price Index						
per cent change	1.1	2.4 <sup>c</sup>	2.1	1.8	1.7	1.7
Population (thousands)	2,907	2,965 <sup>c</sup>	3,018	3,067	3,117	3,164
per cent change	2.5	2.0 <sup>c</sup>	1.8	1.6	1.6	1.5

<sup>a</sup> As required by the *Government Accountability Act*.

<sup>b</sup> For debt servicing calculations, appropriate Alberta spreads are applied to Government of Canada yields.

<sup>c</sup> Actual.

# Sensitivities to Fiscal Year Assumptions, 2000-01<sup>a</sup>

	Sensitivities(\$ millions)			
	Change	Revenue	Spending	NetChange
Oil Price (WTI US\$/bbl)	-\$1.00	-150	—	-150
Natural Gas Price (Cdn\$/mcf)	-10¢	-154	—	-154
Exchange Rate (US¢/Cdn\$)	+1¢	-82	-30	-52
Interest Rates	+1%	+5	+40	-35
Real Gross Domestic Product	-1%	-76 <sup>b</sup>	—	-76

<sup>a</sup> Sensitivities are based on current assumptions of prices and rates and show the impact for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The interest rate sensitivity is also affected by the timing of changes during the fiscal year.

<sup>b</sup> Net change in income taxes and the Canada Health and Social Transfer.

## Risks to the Forecast

### UPSIDE RISKS

- Economic growth in the United States and the rest of Canada may be stronger than expected as economists may yet again be underestimating the strength of the U.S. economy. While this would raise short-term growth prospects for the Alberta economy, it would also raise the possibility of a boom-and-bust cycle.
- OPEC could manage production so that strengthening global demand would lead to a smaller decline in oil prices than currently expected. Alberta would benefit through increased energy industry activity and higher resource and taxation revenue.

### DOWNSIDE RISKS

- If the United States continues to grow at its current unsustainable pace, the U.S. Federal Reserve may be forced to increase interest rates more than expected to dampen inflationary pressures. This could trigger a sharp slowdown in both the United States and Canada, which would dampen economic activity in Alberta, although the main effects would not likely be felt until 2001. Lower economic activity in Alberta would reduce provincial revenues, while higher interest rates would raise debt servicing costs for the province. Alberta's economic cushion, however, helps protect against these risks.
- A larger than expected decline in energy prices would dampen Alberta's medium-term investment outlook as projects are either delayed or suspended, and drilling activity weakens. Again, the economic cushion should help protect Alberta's fiscal position.
- Rising inflation is another potential concern for a booming Alberta economy. In December 1999, Alberta's inflation rate stood at 3.3%, compared to the national average of 2.6%. While the current rise is primarily due to the run-up in energy prices in recent months and rising shelter costs, shortages of skilled labour could lead to entrenched wages pressures over the medium term. These trends could become a restraint on growth as higher costs become embedded in the economy in the form of higher prices and wages.

# Major Provincial Tax Rates, 2000

		AB	BC	SK	MN	ON	QC	NB	NS	PE	NF
<b>Personal Income Tax<sup>a</sup></b>											
Basic Rate	(%)	44.0	49.5	48.0	47.0	38.5	n.a.	60.0	57.5	58.5	62.0
Surtax	(%)	—	30/45	10/25	2.0	20/56	n.a.	8.0	10.0	10.0	6/16
Flat Tax	(%)	0.5	—	2.0	2.0	—	n.a.	—	—	—	—
<b>Corporate Income Tax</b>											
Small Business Rate	(%)	6.0	5.5	8.0	7.0	8.0	8.9	6.0	5.0	7.5	5.0
M&P Rate	(%)	14.5	—	10/17 <sup>b</sup>	—	13.5	—	—	—	7.5	5.0
General Rate	(%)	15.5	16.5	17.0	17.0	15.5	8.9	17.0	16.0	16.0	14.0
<b>Capital Tax</b>											
General	(max. %)	—	0.30	0.60	0.50	0.30	0.64	0.30	0.25	—	—
Financial Institutions	(max. %)	1.00	3.00	3.25	3.00	0.90	1.28	3.00	3.00	3.00	4.00
<b>Retail Sales Tax</b>											
	(%)	—	7.0	6.0	7.0	8.0	7.5 <sup>c</sup>	8.0 <sup>c</sup>	8.0 <sup>c</sup>	10.0	8.0 <sup>c</sup>
<b>Gasoline Tax</b>											
	(¢/litre)	9.0	11.0 <sup>d</sup>	15.0	11.5	14.7	15.2 <sup>d,e</sup>	10.7 <sup>e</sup>	13.5 <sup>e</sup>	13.0	16.5 <sup>e</sup>
<b>Tobacco Tax</b>											
	(\$/carton)	14.00	22.00	17.20 <sup>e</sup>	16.00 <sup>e</sup>	5.30 <sup>e</sup>	8.60	8.30 <sup>e</sup>	9.64 <sup>e</sup>	13.25	22.00 <sup>e</sup>
<b>Payroll Tax</b>											
	(max. %)	—	—	—	2.15	1.95	4.26	—	—	—	2.00

Rates for other provinces known as at February 1, 2000.

- <sup>a</sup> The basic rate is a percentage of basic federal tax. The surtax is applied above certain thresholds which vary among provinces and is based on: net income in Manitoba, the sum of basic tax and flat tax in Saskatchewan and basic tax in the other provinces. Provinces with two surtaxes have the lower rate and combined rates shown. The flat tax is a percentage of taxable income in Alberta and net income in Saskatchewan and Manitoba. All provinces except PEI and Newfoundland provide tax reductions for low income taxpayers. Quebec's personal income tax system is not directly comparable to those in other provinces.
- <sup>b</sup> The general corporate tax rate is reduced by up to 7 percentage points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.
- <sup>c</sup> These provinces' sales taxes are harmonized with the federal GST and apply to a broader base than other provincial sales taxes.
- <sup>d</sup> An additional 4 cents/litre is imposed in the greater Vancouver area, 2.5 cents/litre in Victoria and 1.5 cents/litre in Montreal.
- <sup>e</sup> These provinces apply their retail sales taxes on top of this tax.

# Historical Consolidated Fiscal Summary<sup>a</sup>, 1983-84 to 2002-03

(millions of dollars)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00 Forecast	2000-01 Budget	2001-02 Target	2002-03 Target
<b>Revenue</b>																				
1 Personal income tax	1,510	1,457	1,521	1,768	2,236	2,039	2,536	2,796	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	4,980	4,713	4,809	5,091
2 Corporate income tax	782	828	780	396	595	697	700	803	731	637	854	1,073	1,332	1,407	1,848	1,659	1,560	1,896	1,935	2,035
3 School property tax	610	637	660	686	729	769	824	915	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,139	1,157	1,164	1,187
4 Other tax revenue	309	334	341	262	553	679	683	878	1,029	1,055	1,053	1,126	1,112	1,157	1,219	1,178	1,210	1,261	1,269	1,296
5 Natural resource revenue	4,779	5,229	4,932	1,892	2,626	2,085	2,240	2,688	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,310	4,048	3,357	3,109
6 Investment income	1,498	1,606	1,706	1,483	1,338	1,301	1,346	1,589	1,547	1,059	1,269	1,004	1,182	1,094	1,237	1,146	1,187	1,055	1,061	1,070
7 Alberta Municipal Financing Corporation	354	407	455	482	509	533	545	536	608	652	568	563	542	522	510	464	437	399	332	282
8 Other own-source revenue	803	1,099	1,111	959	1,407	1,662	2,022	1,615	1,566	2,319	2,710	2,832	2,506	2,540	2,951	3,013	3,039	3,097	3,132	3,202
9 Total own-source revenue	10,645	11,597	11,506	7,928	9,993	9,765	10,896	11,820	11,587	11,814	13,316	14,235	13,842	15,368	16,632	15,547	17,862	17,626	17,059	17,272
10 Federal transfers	1,308	1,686	1,788	1,689	1,912	2,135	1,943	2,365	2,150	2,457	2,090	1,929	1,748	1,351	1,183	1,335	1,528	1,445	1,490	1,466
11 Total Revenue	11,953	13,283	13,294	9,617	11,905	11,900	12,839	14,185	13,737	14,271	15,406	16,164	15,590	16,719	17,815	16,882	19,390	19,071	18,549	18,738
<b>Expense by Function</b>																				
12 Health	2,724	2,731	2,958	3,191	3,056	3,338	3,602	3,864	4,103	4,325	4,169	3,905	3,747	3,951	4,341	4,593	5,284	5,463	5,646	5,940
13 Basic and advanced education	2,627	2,783	2,961	3,114	3,118	3,227	3,379	3,532	3,676	3,904	4,036	3,692	3,656	3,682	4,029	4,175	4,663	4,888	5,017	5,206
14 Social services	985	1,051	1,156	1,270	1,329	1,434	1,502	1,567	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,675	1,744	1,800	1,852
15 Other program expense	5,317	5,245	6,798	5,778	5,195	5,111	5,357	5,772	5,527	6,058	5,197	4,388	3,897	3,624	3,900	4,081	4,737	4,633	4,114	4,043
16 Total program expense	11,653	11,810	13,873	13,353	12,698	13,110	13,840	14,735	15,052	16,176	15,123	13,480	12,756	12,768	13,834	14,409	16,359	16,728	16,577	17,041
17 Debt servicing costs	171	228	182	297	572	797	1,115	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	1,040	981	936	930
18 Total Expense	11,824	12,038	14,055	13,650	13,270	13,907	14,955	16,017	16,366	17,595	16,777	15,226	14,439	14,230	15,156	15,788	17,399	17,709	17,513	17,971
<b>Net Change in Capital Assets<sup>b</sup></b>																				
19 Capital investment	—	—	—	—	—	—	—	—	—	363	305	265	261	196	252	296	305	429	417	292
20 Capital amortization	—	—	—	—	—	—	—	—	—	(272)	(292)	(285)	(242)	(234)	(232)	(228)	(237)	(280)	(287)	(293)
21 Net increase (decrease) in capital assets	—	—	—	—	—	—	—	—	—	91	13	(20)	19	(38)	20	68	68	149	130	(1)
22 Alberta Heritage Science and Engineering Research Endowment Fund	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	500	—	—
23 Surplus (Deficit)/Economic Cushion	129	1,245	(761)	(4,033)	(1,365)	(2,007)	(2,116)	(1,832)	(2,629)	(3,415)	(1,384)	958	1,132	2,527	2,639	1,026	1,923	713	906	768
<b>Financial Assets (Debt)</b>																				
24 Net assets (debt) <sup>c, d</sup>	11,332	12,578	11,817	7,784	6,419	4,412	2,296	464	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	1,860	2,895	3,382	3,874
25 Pension obligations	(4,103)	(5,359)	(5,500)	(6,625)	(7,946)	(8,004)	(8,243)	(6,156)	(5,774)	(4,770)	(5,066)	(5,352)	(5,352)	(4,981)	(4,890)	(4,813)	(4,788)	(4,807)	(4,830)	(4,875)
26 Total net assets (net debt)	7,229	7,219	6,317	1,159	(1,527)	(3,592)	(5,947)	(5,692)	(7,939)	(11,824)	(13,379)	(12,707)	(11,607)	(8,709)	(5,979)	(4,876)	(2,928)	(1,912)	(1,448)	(1,001)

<sup>a</sup> Numbers have been restated on a 2000-01 basis except as noted.

<sup>b</sup> Prior to 1992-93 capital investment is included in total expense.

<sup>c</sup> Excludes pension obligations. Net debt was increased by \$1,474 million in 1992-93 primarily for a provision for school construction debt; reduced by \$125 million in 1993-94 to record personal income tax and established programs financing entitlements on an accrual basis, and increased by \$32 million in 1995-96 to report some other revenues on accrual basis.

<sup>d</sup> Assumes debt payment and increase in financial assets of: \$535 million plus \$500 million for Alberta Heritage Science and Engineering Research Endowment Fund in 2000-01, \$487 million in 2001-02 and \$492 million in 2002-03.



# BUDGET

New Century. **Bold Plans.**

# 2000

## ECONOMIC OUTLOOK

# Table of Contents

Economic Outlook .....	65
------------------------	----

## LIST OF TABLES AND CHARTS

World Growth Strengthens .....	68
Commodity Prices Rebound .....	68
Oil Prices to Stabilize .....	69
Natural Gas Prices Strong .....	69
Livestock Prices Rebound .....	70
Grain Prices Remain Soft .....	70
Inflation Edging Up .....	71
Interest Rates Rising.....	71
Canadian Dollar Recovers .....	72
Economic Activity in Alberta Rebounds.....	72
Rig Activity Up Sharply .....	73
Gas Sales Expand With Pipeline Capacity .....	73
Non-Conventional Oil Production Surges.....	74
Investment Strengthens .....	74
Alberta Manufacturing Exports Growing .....	75
Job Growth Continues .....	75
Declining Unemployment Rate.....	76
People Still Moving to Alberta .....	76
Real Wage Growth in Alberta .....	77
Alberta Retail Sales Recovering .....	77
Housing Strong .....	78
Diversification Strengthens Alberta.....	78
Key Energy and Economic Assumptions .....	79
Sensitivities to Fiscal Year Assumptions, 2000-01 .....	80
Risks to the Forecast .....	80
Oil Price Forecast Benchmark .....	81
Natural Gas Price Forecast Benchmark .....	81
Canadian Short-Term Interest Rate Forecast Benchmark .....	82
Canadian Long-Term Interest Rate Forecast Benchmark .....	82
Alberta Real Gross Domestic Product Forecast Benchmark .....	83
Canada/United States Exchange Rate Forecast Benchmark.....	83
Tracking the Forecasts of Oil Prices .....	84
Tracking the Forecasts of Alberta Real GDP .....	84
Announced Major Projects Over \$100 Million .....	85

# Economic Outlook

Alberta's increased economic diversity resulted in a strong labour market and helped the economy grow by an estimated 2.5% in 1999, despite weakness in the resource sector early in the year. In the last half of 1999, Alberta's economy rebounded strongly and has built up considerable momentum going into 2000.

Due to a surge in energy investment and cuts to personal income taxes, economic growth in Alberta is expected to rebound to 4.5% in 2000. Economic growth is expected to be 3.9% in 2001 and average a robust 3.5% per year in 2002 and 2003, even though oil prices are expected to fall from recent highs to more sustainable levels of around US\$18 per barrel.

## 1999 IN REVIEW

*Although the overall weakness in commodity prices slowed economic activity in Alberta in 1998 and early 1999, OPEC's disciplined supply management initiatives dramatically boosted oil prices in spring 1999 and into 2000.*

*"For the first time ever, Alberta's economy has prospered despite a broad, deep downturn in raw material prices."*

Alberta Report  
April 12, 1999

- World oil prices rose from an average of US\$12.49 per barrel in January 1999 to an average of US\$27.06 per barrel in January 2000. Prices averaged US\$19.30 per barrel for 1999 as a whole. Natural gas prices strengthened throughout the year, and by November had risen to their highest level since deregulation in the mid-1980s.

*Economic activity in Alberta strengthened in the second half of 1999.*

- Rig activity was up over 50% in the last 5 months of the year compared to the same period in 1998. Total energy sector investment rose an estimated 3.0% for 1999 as a whole because of strong growth in oil sands investment.
- Retail sales bounced back and were up 3.7% through November, ensuring that Alberta maintained the highest level of retail sales per capita among provinces.
- Housing starts began to rally in the summer, but were still down 5.8% for the year overall.
- The value of manufacturing shipments was up 4.2% through November.
- Low grain and oilseeds prices reduced total farm cash receipts for crops by an estimated 6.5%. The overall impact on farm incomes was more than offset by an 8.0% increase in livestock and livestock product receipts. As a result, total farm cash receipts, including government assistance, rose by 2.1%.

*Increased economic diversity kept economic growth healthy and the labour market strong in 1999 despite the early weakness in oil prices.*

- Alberta's real Gross Domestic Product (GDP) is estimated to have increased by 2.5% in 1999. Higher world oil prices helped raise the nominal value of Alberta's GDP by an estimated 9.2%.
- Our unemployment rate averaged 5.8% for 1999, the second lowest among the provinces after Manitoba (5.6%) and 1.8 percentage points below the national average of 7.6%.
- Total employment rose by 2.8%, or 42,800 jobs in 1999. Broad-based gains came from wholesale trade; finance, insurance and leasing; management, administrative and other support; transportation and warehousing; and manufacturing.

*A robust labour market and low taxes kept people moving to Alberta.*

- In the 12 months ended on June 30, 1999, a net total of 31,064 people moved to Alberta from other provinces. Although this is down from the preceding year when 43,089 people moved to Alberta from other provinces, it is 83% more than second place Ontario. As a result, Alberta's population grew by 2.0% in 1999, the fastest growth among provinces.

## **GLOBAL ECONOMIC OUTLOOK**

*Stronger global economic growth is expected to sustain the recovery in commodity prices.*

- Stronger growth in Europe, Asia, and Latin America is expected to strengthen the world economy this year as robust growth continues in the United States and Canada.
- World oil prices are expected to average US\$19 per barrel for the 2000-01 fiscal year. In the medium term, prices are expected to average US\$18 per barrel as OPEC continues to manage oil supplies effectively.
- Tight U.S. natural gas markets and high oil prices are expected to keep gas prices high at \$2.50 per thousand cubic feet (mcf) in the 2000-01 fiscal year. Increased Canadian exports and higher U.S. gas supplies are expected to reduce prices to \$2.40 per mcf in 2001-02 and \$2.35 per mcf in 2002-03.
- The outlook for agricultural prices is mixed, with livestock prices improving modestly and grain and oilseed prices remaining weak.

*However, inflation worries are leading to higher interest rates around the world.*

- The combination of rising commodity prices, strong economic growth and unemployment rates at 30-year lows have raised inflation worries in the United States. The U.S. Federal Reserve has already raised short-term interest rates by 100 basis points since last summer in an effort to slow growth to a more sustainable pace, and further increases are expected. Interest rates are also rising in Europe and Canada.

*"... there could be more upward momentum of demand in Canada than we thought because of greater strength both in the world economy, especially in the United States, and in global commodity markets."*

Governor, Bank of Canada  
January 27, 2000

- The Bank of Canada is expected to match U.S. interest rate increases this year because of the strong domestic economy and an unemployment rate at its lowest level in almost 20 years.
- Despite higher interest rates in 2000, Canada is expected to outperform the U.S. economy because of the continued strength in commodity prices and stronger growth in the overseas economies. Economic growth in Canada is expected to be 3.8% in 2000, compared to 3.5% in the United States.
- Over the subsequent three years, interest rates are expected to ease as growth in Canada and the United States falls back to more sustainable levels. Canadian growth is expected to average 2.8% per year.

## ALBERTA ECONOMIC OUTLOOK

*A surge in energy investment is expected to lead to a rebound in Alberta's economic growth to 4.5% in 2000.*

- Energy investment is expected to rise 18% in 2000, due to a strong increase in conventional oil and gas drilling and continued high levels of oil sands investment. Non-energy investment is expected to remain strong.
- Rising exports of oil, natural gas, and value-added products such as advanced technology products, processed food, forest products, petrochemicals and services are also expected to contribute to growth.
- Continued strong employment growth of 3.1%, or 48,000 jobs, along with the elimination of Alberta's 8% surtax, are expected to help boost after-tax personal income. This will sustain the recovery in consumer spending and housing despite higher interest rates.

*Diversification and tax cuts will continue to strengthen Alberta's economic growth over the medium term.*

- Although the energy sector is expected to drive economic growth this year, oil prices are expected to fall to more sustainable levels in the medium term as world oil supplies rise. Interest rates are also expected to ease as growth slows and concerns about inflation pressures abate.
- Increasing economic diversification, personal tax cuts and lower interest rates are expected to keep the Alberta economy growing at a robust 3.6% per year on average over the 2001 to 2003 period. Exports and investment are expected to lead growth.
- Employment growth is expected to average 2.4% per year over the medium term, and the unemployment rate to fall to 4.9% by 2003. Employment growth is expected to outpace labour force growth in the medium term, as improved job prospects in the rest of Canada reduce net interprovincial migration.

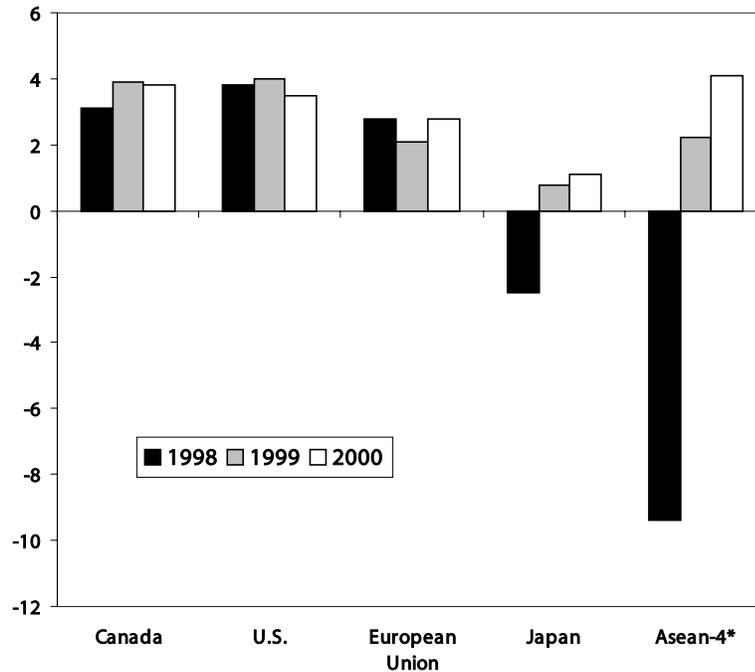
*"The oil and gas sector is obviously still critical to the province's economy, but economic activity continues to broaden further into petrochemicals, agrifood, high-tech and services."*

CIBC Observations  
September-October 1999

## WORLD GROWTH STRENGTHENS

Real Gross Domestic Product (per cent change)

- The global economy fared better than expected in 1999 because of the recovery in Asia and more stable world financial markets.
- Global economic growth is expected to strengthen in 2000, with Asia (outside of Japan) taking the lead. Growth prospects for Europe and Latin America are also expected to improve.
- The U.S. economy, entering a record-breaking 10th year of continuous expansion, is expected to grow 3.5% in 2000, down slightly from 4.0% in 1999.
- As a result of stronger global demand and improved commodity prices, Canada is expected to lead G-7 countries in 2000 with growth of 3.8%, about the same as the estimated 3.9% growth in 1999.



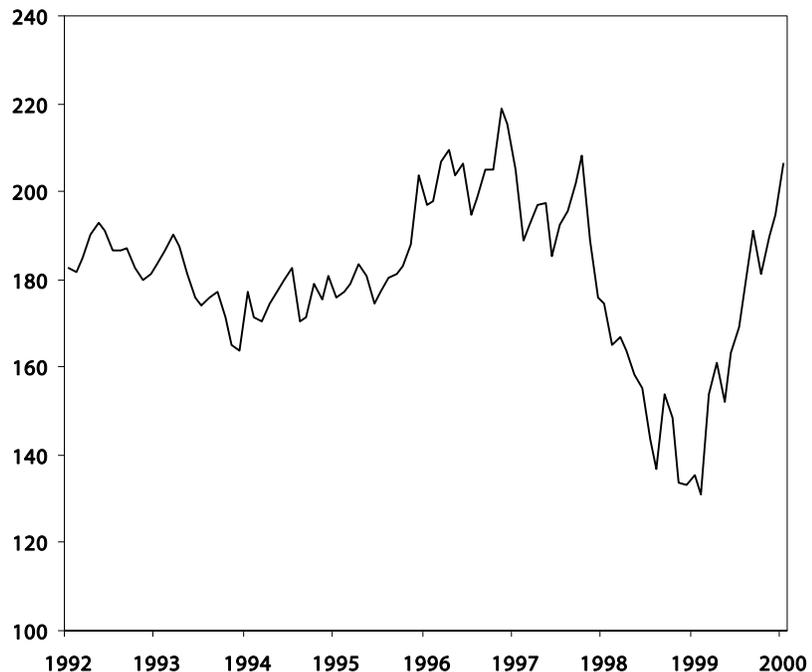
\* Includes Malaysia, Thailand, Indonesia and the Philippines.

Source: IMF and Alberta Treasury

## COMMODITY PRICES REBOUND

Goldman Sachs Commodity Index (1969 = 100)

- World commodity prices generally improved sharply in 1999, reflecting stronger economic growth. Crude oil production cutbacks by OPEC contributed to the particularly strong rise in oil prices.
- Commodity prices are expected to continue strengthening through 2000 because of stronger world economic growth.



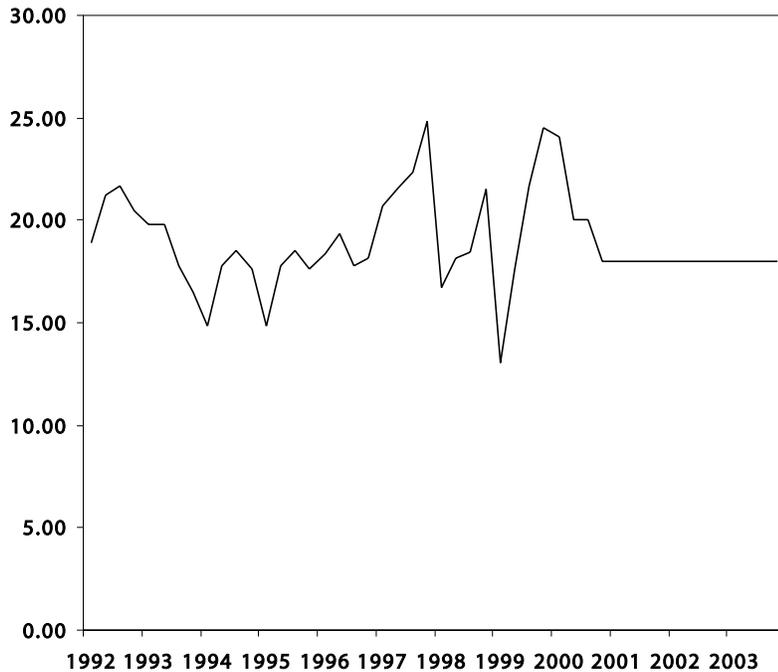
Source: Goldman Sachs

---

## OIL PRICES TO STABILIZE

WTI Price (US\$/barrel, quarterly)

- Oil prices hit a 12-year low of US\$10.72 per barrel on December 10, 1998. Since then, OPEC's success in adhering to production cuts agreed to in March 1999 and stronger global demand have boosted oil prices to an average of US\$27.06 per barrel in January 2000. Oil prices are expected to average US\$22 per barrel in the 1999-2000 fiscal year.
- In the 2000-01 fiscal year, world oil prices are expected to fall to US\$19 per barrel as more supply from OPEC and non-OPEC sources is brought into the market.
- Over the medium term, OPEC is expected to manage world supplies so that oil prices average US\$18 per barrel, although they will almost certainly fluctuate around this level.



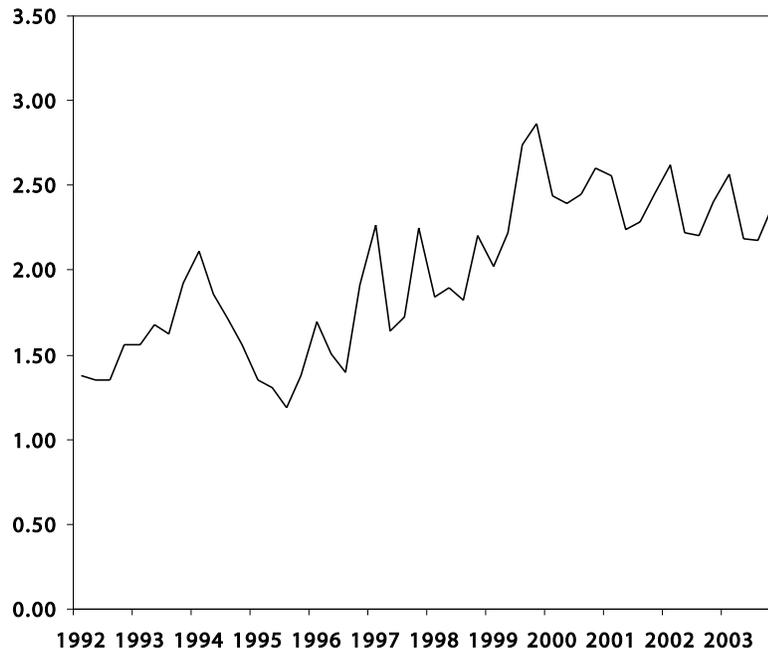
Source: Alberta Resource Development

- Natural gas prices peaked at \$3.23 per mcf in November 1999, the highest since deregulation in the mid-1980s. Increased pipeline capacity eliminated shut-in gas and allowed Alberta prices to converge with U.S. prices. The Alberta natural gas reference price is expected to average \$2.58 per mcf in 1999-2000.
- In 2000-01, tight U.S. market conditions and high oil prices are expected to keep natural gas prices firm at \$2.50 per mcf. In the longer run, oil prices tend to act as a ceiling on gas prices since many large industrial users have dual fuel capability.
- Increased natural gas drilling in Canada and the United States and rising exports to the United States are expected to put downward pressure on U.S. gas prices in the medium term. As a result, the Alberta reference price is expected to average \$2.40 per mcf in 2001-02 and \$2.35 per mcf in 2002-03.

---

## NATURAL GAS PRICES STRONG

Alberta Reference Price (Cdn\$/mcf, quarterly)



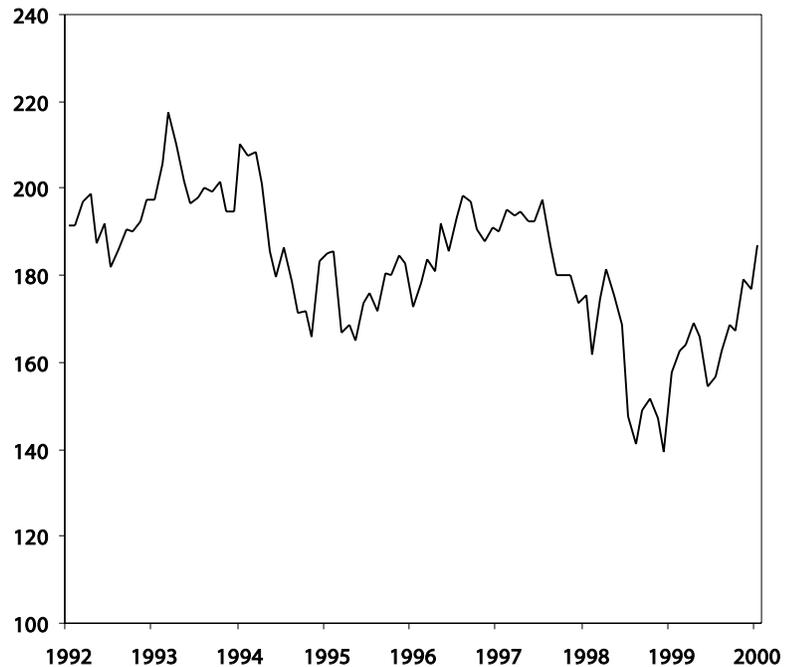
Source: Alberta Resource Development

---

## LIVESTOCK PRICES REBOUND

Goldman Sachs Livestock Subindex (1969 = 100)

- Alberta hog prices bottomed at the end of 1998. Although current hog prices are up 142% from their lows, they are only just approaching 5-year average levels.
- Cattle prices remained high throughout 1999 and are substantially above their 5-year average.
- Farm cash receipts for Alberta's livestock sector rose by an estimated 8.0% in 1999, and are expected to grow by a further 5.5% in 2000.



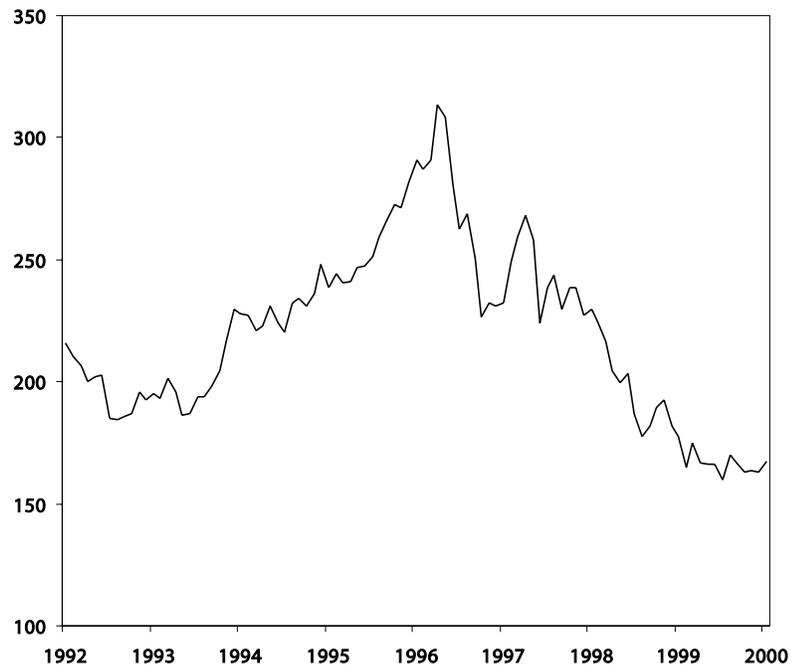
Source: Goldman Sachs

---

## GRAIN PRICES REMAIN SOFT

Goldman Sachs Agriculture Subindex (1969 = 100)

- Unlike most commodities, grain and oilseeds prices have shown few signs of recovery. They have declined significantly since their peak in mid-1996 and are currently over 20% below their 5-year average. Little improvement is expected this year.
- Low prices for grains and oilseeds led to an estimated decline of 6.5% in total Alberta crop receipts in 1999. Northern areas of the province were particularly hard hit because of abnormal weather conditions.
- However, the increased livestock receipts and government aid boosted total farm cash receipts by 2.1% in 1999 to \$6.5 billion. Although crop receipts are expected to decline by 2.7% in 2000, total farm cash receipts are expected to increase by 5.9% in 2000, because of higher livestock receipts and a near-doubling in government aid.

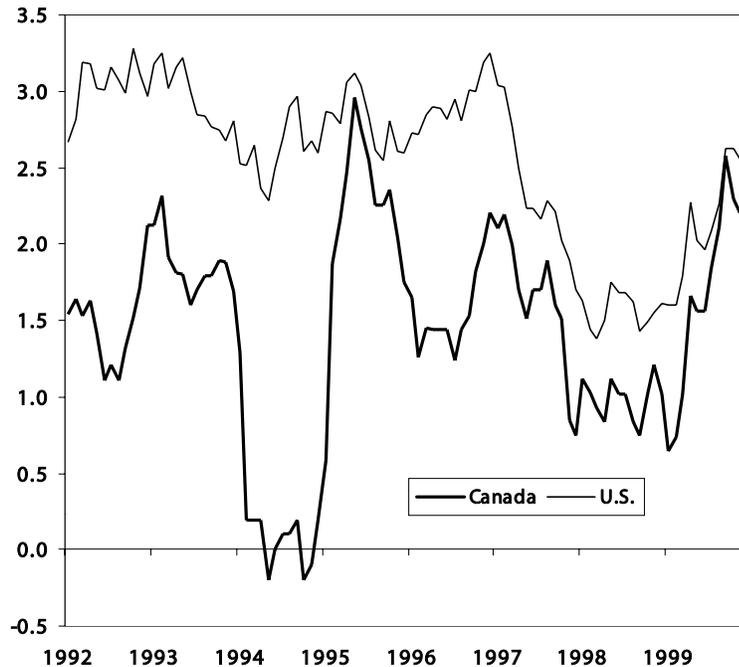


Note: Two thirds of the Goldman Sachs Agriculture Subindex is composed of grains.  
Source: Goldman Sachs

## INFLATION EDGING UP

Consumer Price Index (12-month per cent change)

- Inflation has risen in both Canada and the United States over the past year because of higher commodity and import prices. The CPI inflation rate averaged 2.2% in the United States and 1.7% in Canada in 1999.
- Inflation concerns are rising. Strong growth in both economies has brought unemployment rates to long-term lows. The current U.S. unemployment rate of 4.0% is the lowest since January 1970, while the current Canadian unemployment rate of 6.8% is the lowest since April 1976. There is a risk that tight labour markets are about to begin putting upward pressure on wages and prices.

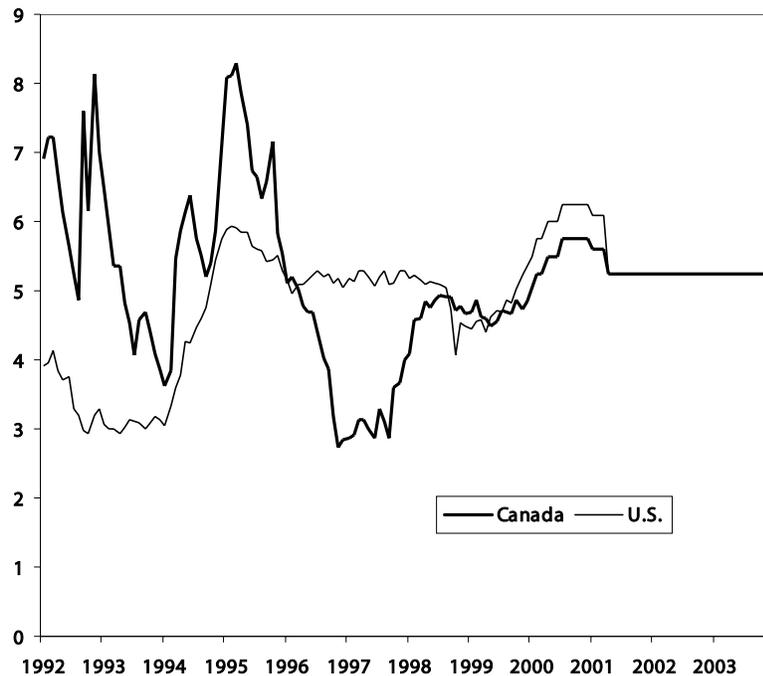


Source: Statistics Canada and U.S. Department of Labor

## INTEREST RATES RISING

3-month Treasury Bills (per cent)

- With concerns over inflation rising, the U.S. Federal Reserve has raised U.S. short-term interest rates 100 basis points since last summer. Major central banks in Europe have also raised rates. Further rate increases are likely, particularly in the United States.
- The Bank of Canada has matched the last two increases in U.S. interest rates, as strong economic growth in Canada and a sharp fall in the unemployment rate raised inflation concerns. The Bank is expected to match further U.S. rate increases in 2000.
- Canadian short-term interest rates are expected to rise from 4.8% in 1999-2000 to 5.65% in 2000-01, and then fall to 5.25% as growth slows to a more sustainable pace.

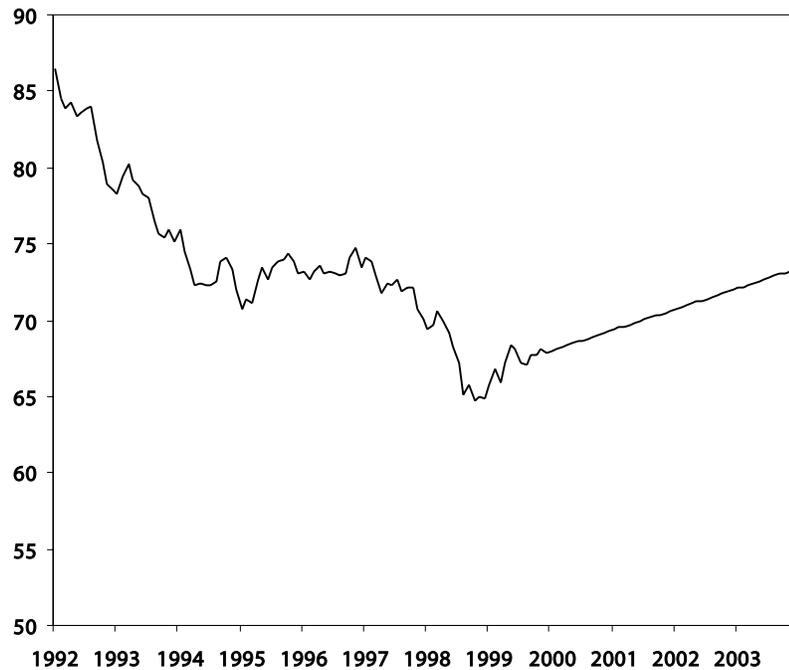


Source: Alberta Treasury, Bank of Canada and Federal Reserve Bank of St. Louis

## CANADIAN DOLLAR RECOVERS

(US cents/Cdn\$)

- The Canadian dollar reached an all-time low of 63.4 cents in August 1998. Rising energy prices and a return to stability in world financial markets allowed the Canadian dollar to strengthen in 1999, even though the Bank of Canada cut interest rates in the spring.
- Strong fundamentals, such as the low inflation environment, a declining debt burden, strong exports and reasonably stable commodity prices, are expected to result in the dollar appreciating over the medium term.

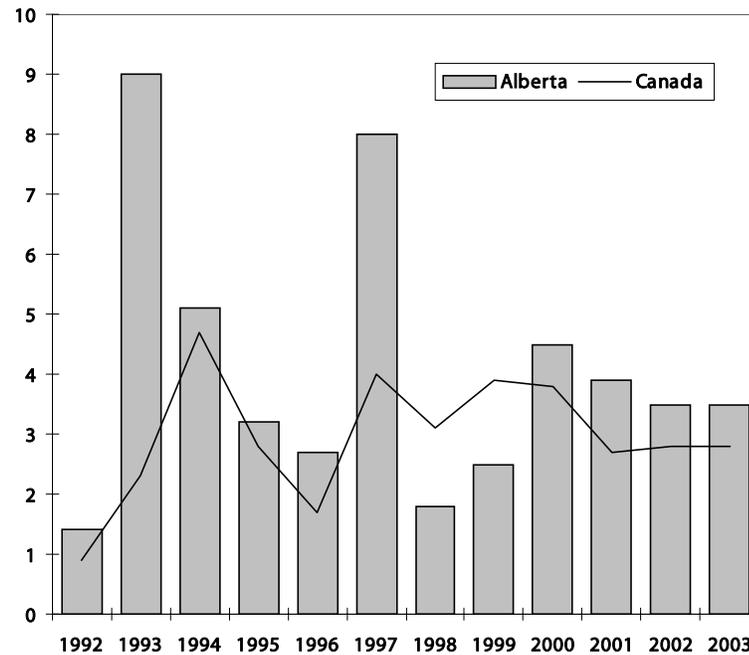


Source: Bank of Canada and Alberta Treasury

## ECONOMIC ACTIVITY IN ALBERTA REBOUNDS

Real Gross Domestic Product (per cent change)

- After growing by an estimated 2.5% in 1999, the Alberta economy is expected to rebound in 2000 with 4.5% growth, led by a surge in energy sector investment. Canada as a whole is expected to grow by 3.8%.
- The private sector consensus expects Alberta to grow by 4.0% in 2000, ranging from a low of 3.2% to a high of 5.0%.
- Although energy prices are expected to fall back to more sustainable levels in the medium term, Alberta's diversified economy is expected to expand at a healthy 3.6% annual average growth rate, led by exports and investment.



Source: Statistics Canada and Alberta Treasury

## RIG ACTIVITY UP SHARPLY

(number of rigs drilling)

- A strong rebound in energy sector activity is already underway. In the first half of 1999, rig activity was weak as cash-constrained producers suspended exploration and drilling activity. As energy prices rose, however, activity began to strengthen. In the last five months of 1999, the number of rigs drilling was 51% higher than the same period in 1998. Even so, the average number of rigs drilling in Alberta declined 4.1% to 209 rigs for 1999 as a whole.
- Rig activity is expected to continue rising in 2000 as energy prices remain firm. The Canadian Association of Oilwell Drilling Contractors is projecting a 35% increase in wells drilled in Alberta this year.

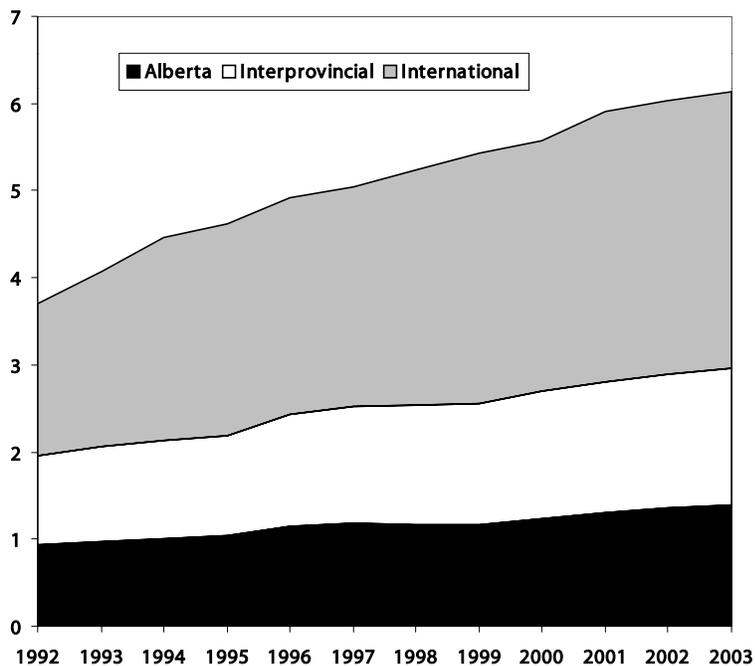


Source: Alberta Resource Development

## GAS SALES EXPAND WITH PIPELINE CAPACITY

(trillions of cubic feet)

- Rising natural gas pipeline capacity to the United States and eastern Canada explain part of the increased drilling activity in Alberta. In 1999, Alberta natural gas sales rose an estimated 3.6%, led by a 6.5% increase in exports to the United States. Sales within Alberta rose an estimated 0.9% and sales to other provinces were virtually unchanged.
- In 2000, total gas sales are expected to increase by about 3%, led by sales within the province due to increased demand for electricity generation and industrial uses.
- With the completion of the Alliance Pipeline in late 2000, Alberta gas exports to the United States are expected to rise by over 7% in 2001.

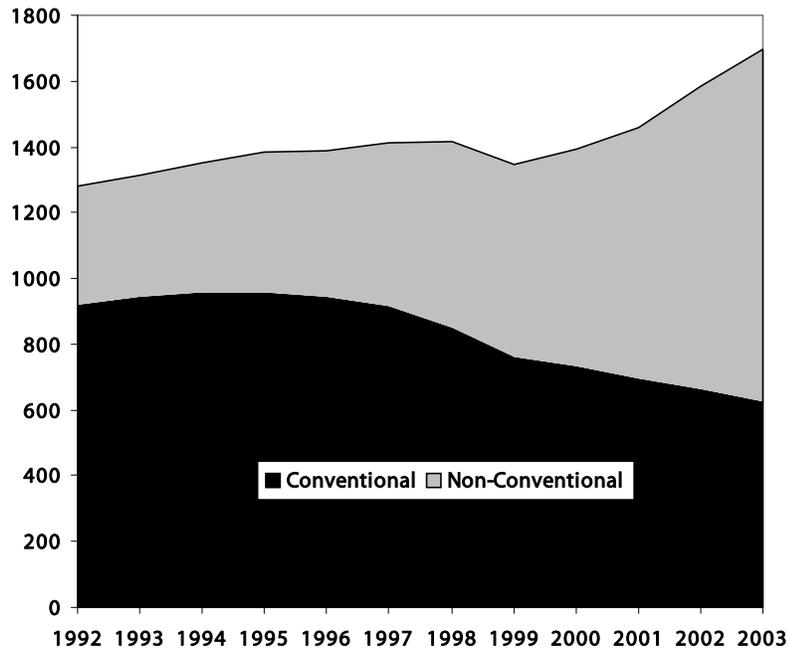


Source: Alberta Resource Development

## NON-CONVENTIONAL OIL PRODUCTION SURGES

(thousands of barrels per day)

- A major structural change is taking place in Alberta's oil sector, as companies shift their investment plans to oil sands from conventional oil properties. Production of conventional oil is projected to decline by 18% by 2003 from current levels.
- Non-conventional oil production is forecast to rise 81% from current levels by 2003. It is expected to account for over 60% of Alberta's oil production in 2003, compared to an estimated 44% in 1999.
- The increase is led by Suncor's Project Millennium (due to come on stream in 2002), Syncrude's Aurora mine project, Imperial Oil's Cold Lake expansion and Shell's Muskeg River Project (all due to start production in 2003).

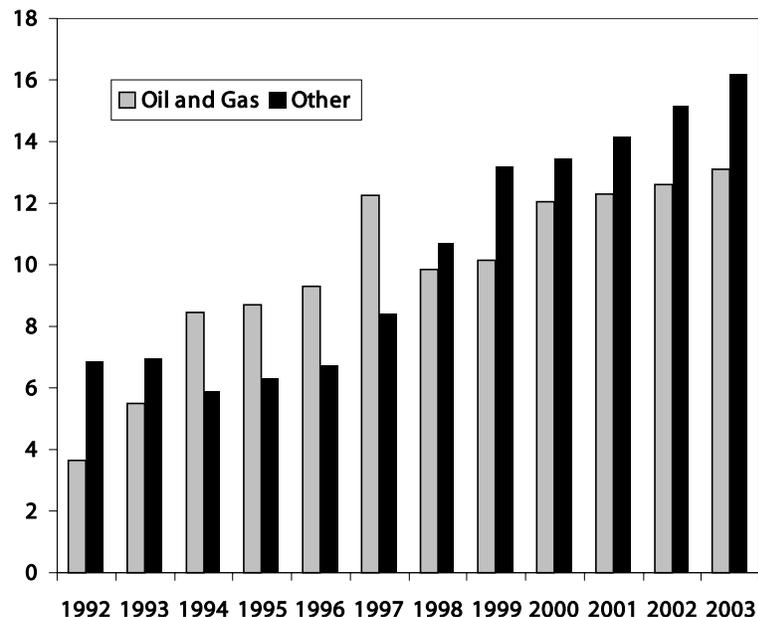


Source: Alberta Resource Development

## INVESTMENT STRENGTHENS

Alberta Real Business Investment (1992\$ billions)

- In 1999, real business investment grew by an estimated 13.6%, led by non-energy investment activity. Energy investment rose by an estimated 3%, due to strong oilsands investment.
- An 18% increase in energy investment is expected to lead economic growth in Alberta this year.
- Over the medium term, non-energy investment is expected to grow more rapidly (6.3% per year on average) than energy investment (2.9% per year on average). This is because of large projects in petrochemicals (\$2.8 billion), forestry (\$1.2 billion), and pipelines (\$5.5 billion) and Alberta's increasingly diversified economy. High levels of oilsands investment will keep energy investment high, despite an expected decline in conventional spending.

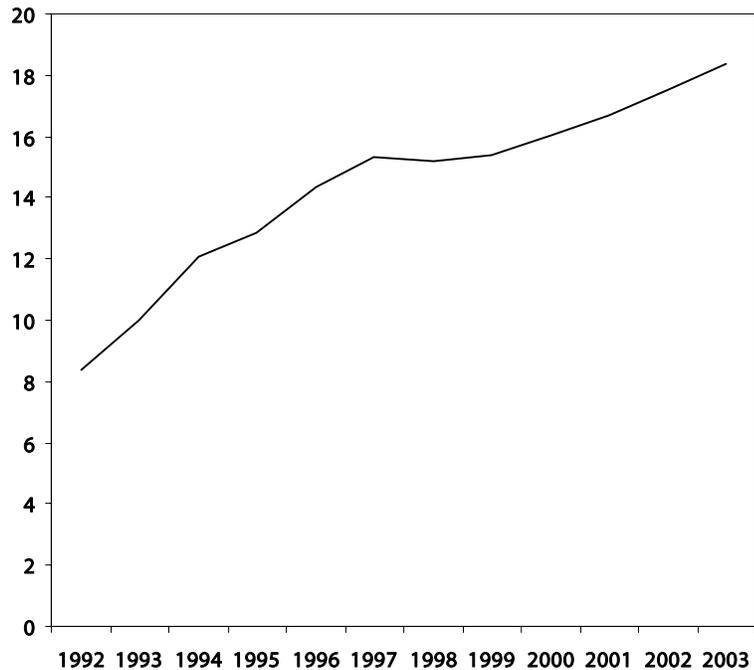


Source: Statistics Canada and Alberta Treasury

## ALBERTA MANUFACTURING EXPORTS GROWING

Alberta Real Manufacturing Exports (1992\$ billions)

- Real manufacturing exports showed a modest recovery in 1999, rising by an estimated 1.6%. Growth was led by the petroleum and coal products, and pulp and paper products sectors.
- Manufacturing exports are expected to grow by 4.5% per year over the forecast period, reflecting continued strong demand for petrochemicals and major petrochemical projects coming on stream. Strong growth is also expected from advanced technology products, food processing, and forest products.

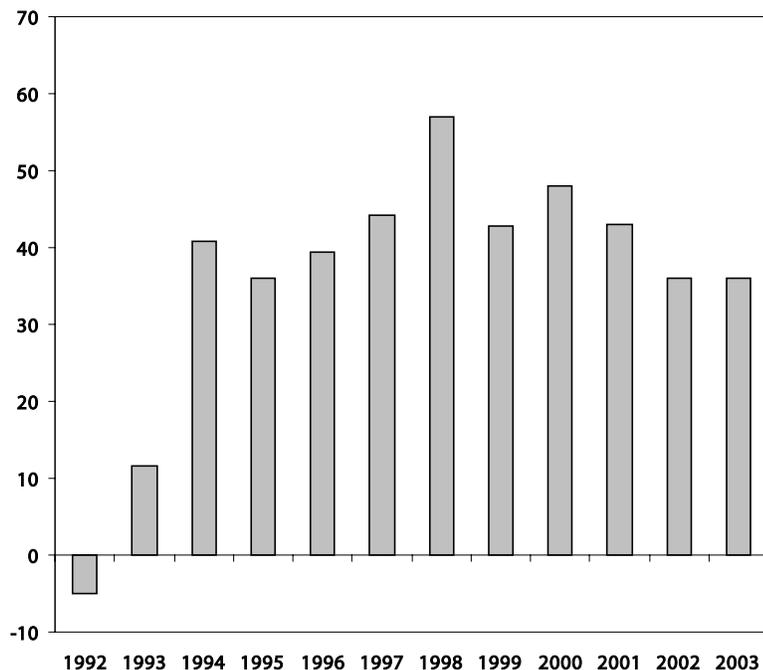


Source: Statistics Canada and Alberta Treasury

## JOB GROWTH CONTINUES

(change in employment, thousands)

- A record 1,556,800 Albertans were employed in 1999. Over 80% of these jobs were full time. Employment in 1999 rose by 42,800 jobs or 2.8%.
- The Alberta economy is expected to create 48,000 jobs in 2000, led by broad-based gains in construction and business services.
- Over the medium term, employment in Alberta is expected to grow at an average rate of 2.4% per year.
- Approximately 163,000 new jobs are forecast to be created by 2003.

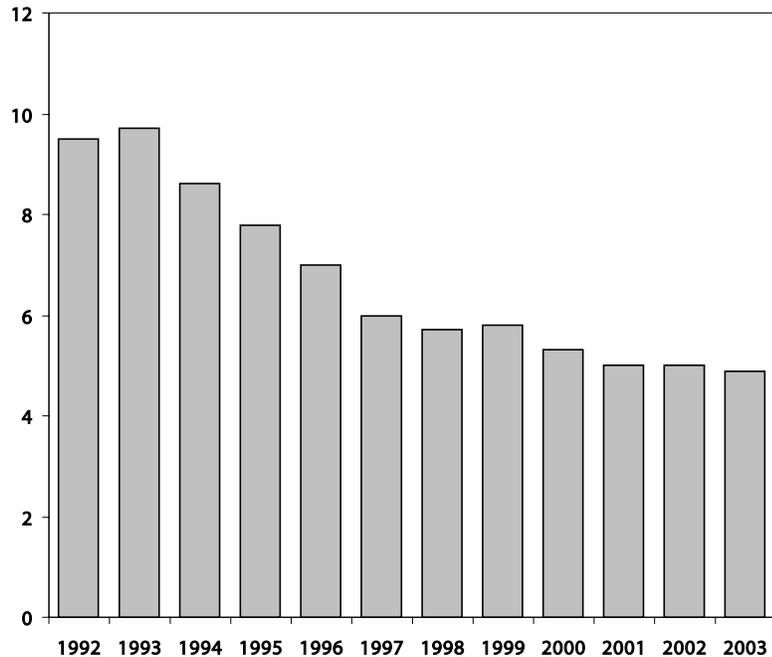


Source: Statistics Canada and Alberta Treasury

## DECLINING UNEMPLOYMENT RATE

(per cent)

- Alberta's strong net in-migration pushed up our unemployment rate slightly to 5.8% in 1999. This was the second lowest among provinces, behind Manitoba (5.6%). The national unemployment rate averaged 7.6% in 1999.
- In January, Alberta's unemployment rate was 5.2%. During 2000, the unemployment rate is expected to hover around current levels.
- Over the forecast period, Alberta's unemployment rate is expected to decline steadily to 4.9% by 2003, a very low level by historical standards.

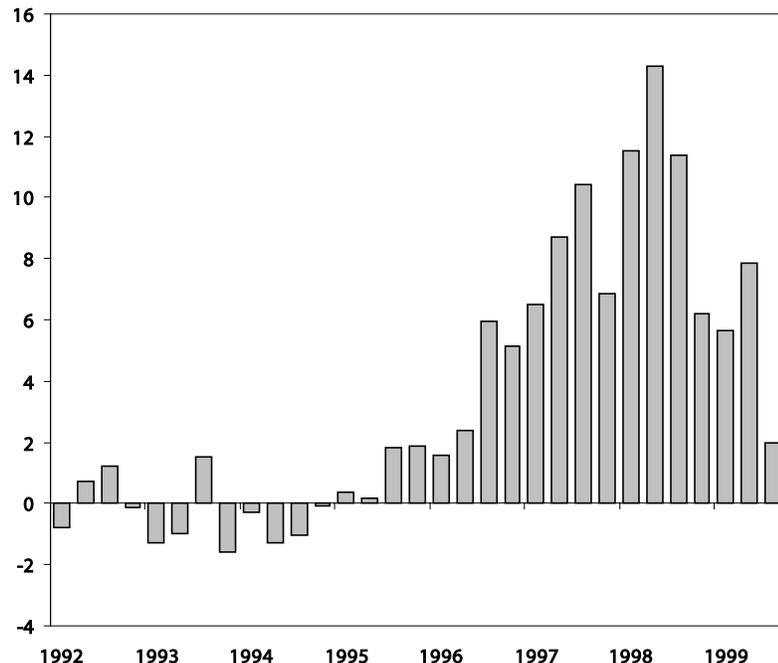


Source: Statistics Canada and Alberta Treasury

## PEOPLE STILL MOVING TO ALBERTA

Alberta Net Interprovincial Migration (thousands, quarterly)

- Good employment prospects, low taxes and a dynamic economy continue to attract people from other provinces, particularly British Columbia.
- In the 12 months ended June 30, 1999, Alberta's net interprovincial migration reached 31,064, the highest among provinces and 83% higher than second place Ontario.
- A booming Ontario economy has reduced net interprovincial migration to Alberta in recent months, raising concerns about possible shortages of skilled labour.

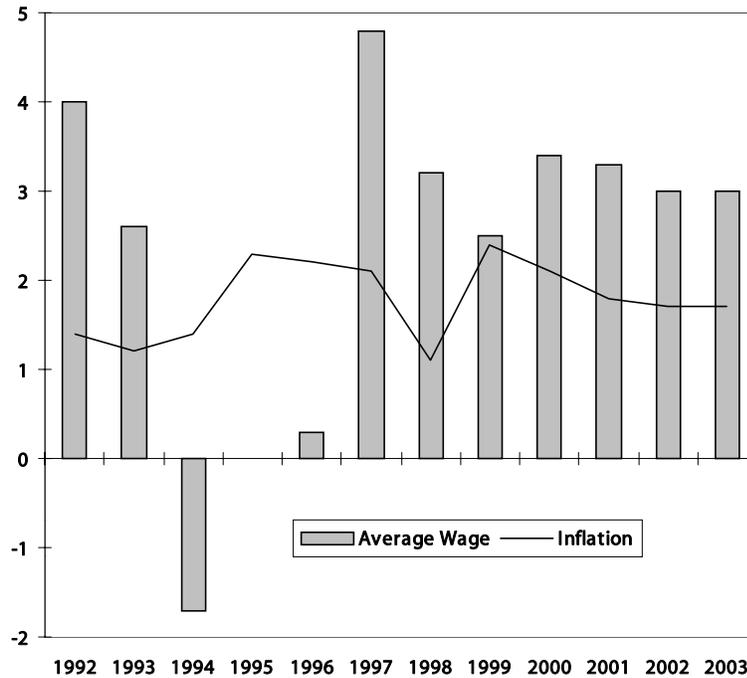


Source: Statistics Canada

## REAL WAGE GROWTH IN ALBERTA

(per cent change)

- Alberta has experienced real wage gains since 1997. This trend is expected to continue through 2003, with wage growth expected to average 3.2% per year. This is about 1.4 percentage points above the average CPI inflation rate.
- Strong labour market fundamentals, including broad-based employment growth and continued low inflation account for this trend.
- After-tax personal income is expected to grow by an average of 5.5% over the 2000-2003 period, due to healthy wage gains and implementation of the Alberta Tax Plan.

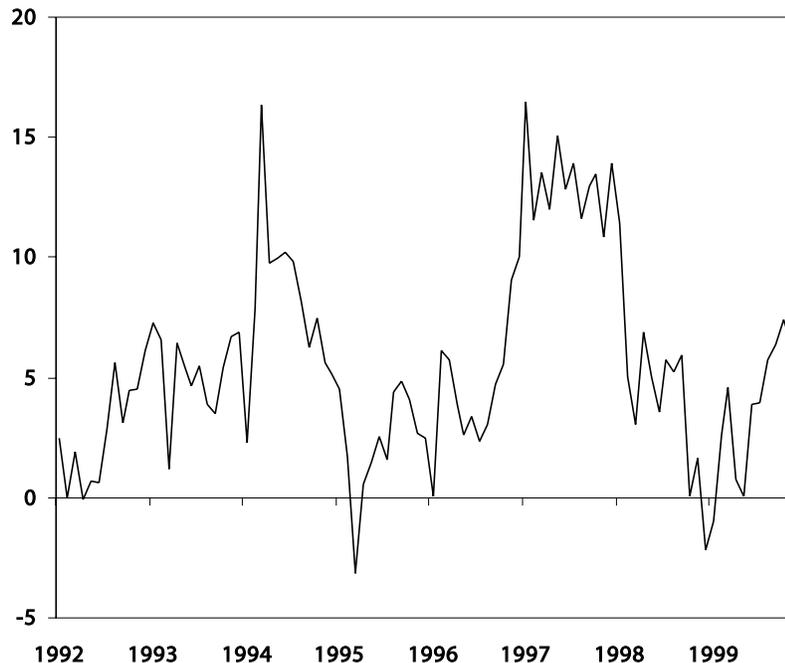


Source: Statistics Canada and Alberta Treasury

## ALBERTA RETAIL SALES RECOVERING

(12-month per cent change)

- Retail sales in Alberta are recovering after a weak start in the first half of 1999. Retail sales rose by 3.7% through November, while national sales rose by 5.4%.
- Growth in retail sales is expected to be over 5% in 2000. Strong growth in employment and wages are expected to maintain strong consumer confidence and retail sales.
- Alberta continues to lead the country in retail sales per capita.

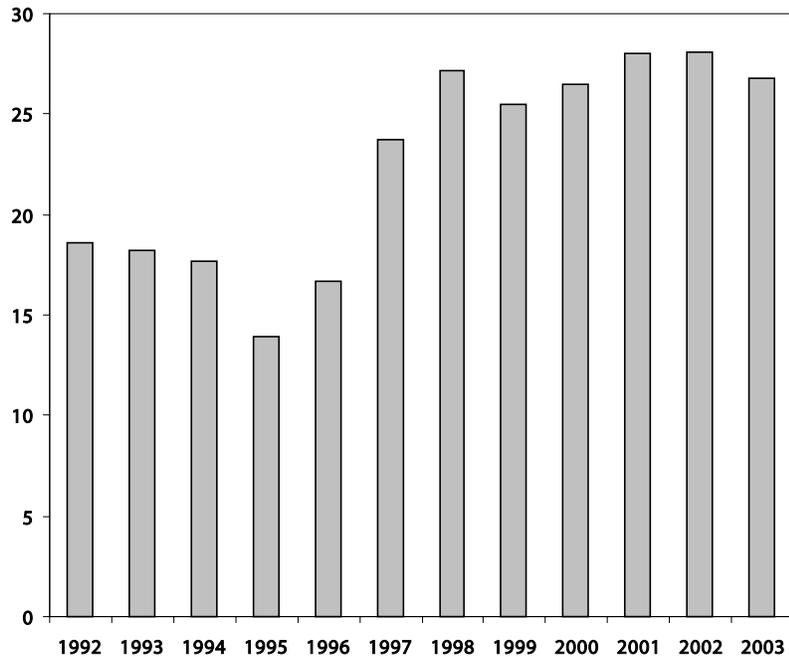


Source: Statistics Canada

## HOUSING STRONG

Alberta Housing Starts (thousands of units)

- Housing starts in Alberta were weak in the first half of 1999, before picking up in the second half. For the year as a whole, housing starts were 25,536 units. This is down 5.8% from 1998, but still high compared to the late 1980s and early 1990s. By comparison, national housing starts rose by 9.1%.
- Stronger economic activity in Alberta in 2000 is expected to lead to 26,500 housing starts, a 3.8% rise.
- Over the medium term, total housing starts in Alberta are expected to average about 27,600 per year, as continued growth in population, disposable income and employment growth maintain strong demand for housing in Alberta.

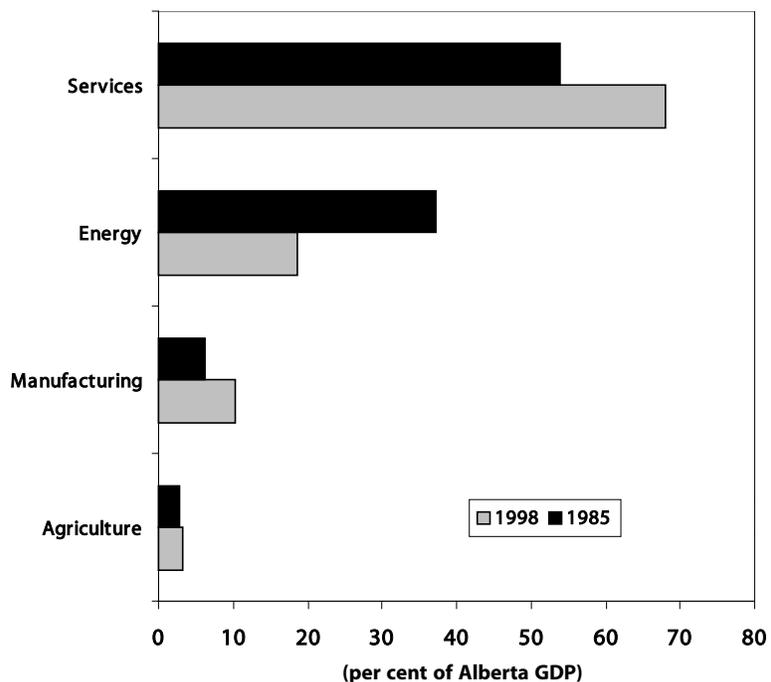


Source: Canada Mortgage and Housing Corporation and Alberta Treasury

## DIVERSIFICATION STRENGTHENS ALBERTA

Nominal GDP by Industry

- Alberta's economy is now more diversified and less susceptible to volatile commodity price fluctuations than it was in the 1970s and early 1980s.
- Alberta's manufacturing sector has grown from 6.3% of GDP in 1985 to 10.3% in 1998. The services sector is up from 53.8% to 67.9%.
- In contrast, the energy sector has declined from 37.2% of GDP to 18.5%. This decline in the energy sector has been mirrored in Alberta's corporate income tax (CIT) receipts. In 1985-86, the energy sector contributed 60.5% of CIT revenues. By 1998-99, this had fallen to 9.6%.
- The agriculture sector's share of the economy has remained virtually unchanged since the mid 1980's.



Source: Alberta Treasury

# Province of Alberta

## Key Energy and Economic Assumptions<sup>a</sup>

<b>Fiscal Year Assumptions</b>	<b>1997-98 Actual</b>	<b>1998-99 Actual</b>	<b>1999-2000</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>
<b>Prices</b>						
Oil price						
WTI ( <i>US\$/bbl</i> )	18.93	13.73	22.00	19.00	18.00	18.00
Alberta wellhead ( <i>Cdn\$/bbl</i> )	22.25	16.92	28.91	23.59	21.44	20.80
Natural gas price						
Alberta wellhead ( <i>Cdn\$/mcf</i> )	1.86	1.98	2.58	2.50	2.40	2.35
Exchange rate ( <i>US\$/Cdn\$</i> )	72.1	66.5	67.8	68.5	70.0	71.5
<b>Production</b>						
Crude oil and equivalent ( <i>000's barrels/day</i> )	1,554	1,526	1,509	1,543	1,607	1,771
Natural gas ( <i>billions of cubic feet</i> )	5,216	5,283	5,462	5,661	5,933	6,053
<b>Interest rates<sup>b</sup></b>						
3-month Canada treasury bills ( <i>per cent</i> )	3.50	4.80	4.80	5.65	5.25	5.25
10-year Canada bonds ( <i>per cent</i> )	6.00	5.20	5.90	6.75	6.25	6.25
	<b>1998 Actual</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Calendar Year Assumptions</b>						
<b>Gross Domestic Product</b>						
Nominal ( <i>millions of dollars</i> )	104,293	113,855	121,218	125,456	131,754	138,194
per cent change	-1.2	9.2	6.5	3.5	5.0	4.9
Real ( <i>millions of 1992 dollars</i> )	99,009	101,465	105,995	110,101	113,929	117,862
per cent change	1.8	2.5	4.5	3.9	3.5	3.5
<b>Other Indicators</b>						
Employment ( <i>thousands</i> )	1,514	1,557 <sup>c</sup>	1,605	1,648	1,684	1,720
per cent change	3.9	2.8 <sup>c</sup>	3.1	2.7	2.2	2.1
Unemployment rate ( <i>per cent</i> )	5.7	5.8 <sup>c</sup>	5.3	5.0	5.0	4.9
Housing starts ( <i>number of units</i> )	27,122	25,536 <sup>c</sup>	26,500	28,000	28,100	26,800
Alberta Consumer Price Index						
per cent change	1.1	2.4 <sup>c</sup>	2.1	1.8	1.7	1.7
Population ( <i>thousands</i> )	2,907	2,965 <sup>c</sup>	3,018	3,067	3,117	3,164
per cent change	2.5	2.0 <sup>c</sup>	1.8	1.6	1.6	1.5

<sup>a</sup> As required by the Government Accountability Act.

<sup>b</sup> For debt servicing calculations, appropriate Alberta spreads are applied to Government of Canada yields.

<sup>c</sup> Actual

# Sensitivities to Fiscal Year Assumptions, 2000-01

	Sensitivities <sup>a</sup> (\$ millions)			
	Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-150	—	-150
Natural Gas Price (Cdn\$/mcf)	-10¢	-154	—	-154
Exchange Rate (US¢/Cdn\$)	+1¢	-82	-30	-52
Interest Rates	+1%	+5	+40	-35
Real Gross Domestic Product	-1%	-76 <sup>b</sup>	—	-76

<sup>a</sup> Sensitivities are based on current assumptions of prices and rates and show the impact for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The interest rate sensitivity is also affected by the timing of changes during the fiscal year.

<sup>b</sup> Net change in income taxes and the Canada Health and Social Transfer.

## Risks to the Forecast

### UPSIDE RISKS

- Economic growth in the United States and the rest of Canada may be stronger than expected as economists may yet again be underestimating the strength of the U.S. economy. While this would raise short-term growth prospects for the Alberta economy, it would also raise the possibility of a boom-and-bust cycle.
- OPEC could manage production so that strengthening global demand would lead a smaller decline in oil prices than currently expected. Alberta would benefit through increased energy industry activity and higher resource and taxation revenue.

### DOWNSIDE RISKS

- If the United States continues to grow at its current rapid pace, the U.S. Federal Reserve may be forced to increase interest rates more than expected to dampen inflationary pressures. This could trigger a sharp slowdown in both the United States and Canada, which would dampen economic activity in Alberta, although the main effects would not likely be felt until 2001. Lower economic activity in Alberta would reduce provincial revenues, while higher interest rates would raise debt servicing costs for the province. Alberta's economic cushion, however, helps protect against these risks.
- A larger than expected decline in energy prices would dampen Alberta's medium-term investment outlook as projects are either delayed or suspended, and drilling activity weakens. Again, the economic cushion should help protect Alberta's fiscal position.
- Rising inflation is another potential concern for the Alberta economy. In December 1999, Alberta's inflation rate stood at 3.3%, compared to the national average of 2.6%. While the rise over the last year was primarily due to the run-up in energy prices in recent months and rising shelter costs, shortages of skilled labour could lead to entrenched wages pressures over the medium term. These trends could become a restraint on growth as higher costs become embedded in the economy in the form of higher prices and wages.

# Oil Price Forecast Benchmark

West Texas Intermediate (US\$/bbl)

Organization	2000	2001	2002	2003
<b>National Forecasting Agencies</b>				
Conference Board of Canada (Jan/00)	21.23	18.71	18.68	19.02
Standard and Poor's DRI (Dec/99)	19.89	19.07	19.17	19.27
The WEFA Group (Jan/00)	23.53	21.07	21.95	22.34
<b>Investment Houses</b>				
BT Bank <sup>a</sup> (Jan/00)	24.25	20.30	19.10	18.95
CS First Boston (Jan/00)	20.50	19.50	18.50	n/a
Goldman Sachs (Jan/00)	19.00	19.50	18.50	n/a
JP Morgan (Jan/00)	23.00	20.00	n/a	n/a
Lehman Brothers (Jan/00)	20.00	19.00	19.25	n/a
RBC Dominion Securities (Jan/00)	23.00	21.00	n/a	n/a
<b>Industry Analysts</b>				
ARC Financial Corporation (Jan/00)	21.50	20.00	21.00	22.00
Peters & Co. Limited (Jan/00)	20.00	20.00	n/a	n/a
High	24.25	21.07	21.95	22.34
Low	19.00	18.71	18.50	18.95
Average	21.45	19.83	19.52	20.32
<b>Alberta Government (calendar year)</b>	<b>20.53</b>	<b>18.00</b>	<b>18.00</b>	<b>18.00</b>

<sup>a</sup> Forward prices as of January 24, 2000.

# Natural Gas Price Forecast Benchmark

Alberta Average Wellhead Gas Price (Cdn\$/mcf)

Organization	2000	2001	2002	2003
ARC Financial Corporation (Jan/00)	3.00	2.85	2.70	2.60
Gilbert Lausten Jung Associates (Jan/00)	2.80	2.65	2.55	2.55
Levesque Beaubien Geoffrion (Jan/00)	2.75	2.95	n/a	n/a
Merrill Lynch (Jan/00)	2.30	2.45	n/a	n/a
Peters & Co. Limited (Jan/00)	2.75	2.75	n/a	n/a
RBC Dominion Securities (Jan/00)	2.85	3.00	n/a	n/a
High	3.00	3.00	2.70	2.60
Low	2.30	2.45	2.55	2.55
Average	2.74	2.78	2.63	2.58
<b>Alberta Government (calendar year)</b>	<b>2.45<sup>a</sup></b>	<b>2.37</b>	<b>2.34</b>	<b>2.27</b>

<sup>a</sup> This translates into a price of Cdn\$2.50/mcf for the 2000-01 fiscal year.

# Canadian Short-Term Interest Rate Forecast Benchmark

3-month Canadian Treasury Bills (per cent)

Organization	2000	2001	2002	2003
<b>National Forecasting Agencies</b>				
Conference Board of Canada (Dec/99)	5.15	5.21	5.22	4.97
Standard and Poor's DRI (Jan/00)	5.42	5.60	5.04	5.08
The WEFA Group (Dec/99)	4.98	5.39	5.46	5.47
<b>Banks</b>				
Bank of Montreal (Jan/00)	5.48	5.38	n/a	n/a
Canadian Imperial Bank of Commerce (Jan/00)	5.49	n/a	n/a	n/a
Royal Bank (Jan/00)	5.10	4.40	4.20	n/a
Scotiabank (Jan/00)	5.68	5.20	n/a	n/a
Toronto Dominion Bank (Jan/00)	5.25	5.25	n/a	n/a
<b>Investment Dealers</b>				
CIBC Wood Gundy (Jan/00)	5.19	5.48	n/a	n/a
Nesbitt Burns (Jan/00)	5.59	5.31	n/a	n/a
High	5.68	5.60	5.46	5.47
Low	4.98	4.40	4.20	4.97
Average	5.33	5.25	4.98	5.17
<b>Alberta Government (calendar year)</b>	<b>5.56</b>	<b>5.34</b>	<b>5.25</b>	<b>5.25</b>

# Canadian Long-Term Interest Rate Forecast Benchmark

10-Year Government of Canada Bond Yield (per cent)

Organization	2000	2001	2002	2003
<b>National Forecasting Agencies</b>				
Conference Board of Canada (Dec/99)	6.43	6.35	6.50	6.52
Standard and Poor's DRI (Jan/00)	6.28	6.03	5.80	5.86
The WEFA Group (Dec/99)	6.13	6.42	6.54	6.50
<b>Banks</b>				
Bank of Montreal (Jan/00)	6.70	6.23	n/a	n/a
Canadian Imperial Bank of Commerce (Jan/00)	6.30	n/a	n/a	n/a
Royal Bank (Jan/00)	6.10	5.50	5.40	n/a
Scotiabank (Jan/00)	6.64	5.89	n/a	n/a
Toronto Dominion Bank (Jan/00)	6.40	6.15	n/a	n/a
<b>Investment Dealers</b>				
CIBC Wood Gundy (Jan/00)	6.58	6.68	n/a	n/a
Nesbitt Burns (Jan/00)	6.43	5.78	n/a	n/a
High	6.70	6.68	6.54	6.52
Low	6.10	5.50	5.40	5.86
Average	6.40	6.11	6.06	6.29
<b>Alberta Government (calendar year)</b>	<b>6.69</b>	<b>6.38</b>	<b>6.25</b>	<b>6.25</b>

# Alberta Real Gross Domestic Product Forecast Benchmark

(per cent change)

Organization	1999	2000	2001	2002	2003
<b>National Forecasting Agencies</b>					
Conference Board of Canada (Nov/99)	0.9	4.0	3.0	3.6	2.9
Standard and Poor's DRI (Jan/00)	1.6	4.6	4.1	3.6	3.8
The WEFA Group (Jan/00)	3.1	3.8	3.8	3.0	3.2
<b>Banks</b>					
Bank of Montreal (Oct/99)	3.0	3.9	2.7	n/a	n/a
Canadian Imperial Bank of Commerce (Dec/99)	3.5	4.0	n/a	n/a	n/a
Royal Bank (Nov/99)	3.0	3.2	2.9	n/a	n/a
Scotiabank (Jan/00)	3.0	4.8	4.0	n/a	n/a
Toronto Dominion Bank (Jan/00)	1.5	3.8	4.0	n/a	n/a
<b>Other</b>					
Canada Mortgage and Housing Corporation (Nov/99)	2.2	3.2	n/a	n/a	n/a
Nesbitt Burns (Nov/99)	4.0	5.0	n/a	n/a	n/a
High	4.0	5.0	4.1	3.6	3.8
Low	0.9	3.2	2.7	3.6	2.9
Average	2.6	4.0	3.5	3.4	3.3
<b>Alberta Government (calendar year)</b>	<b>2.5</b>	<b>4.5</b>	<b>3.9</b>	<b>3.5</b>	<b>3.5</b>

# Canada/United States Exchange Rate Forecast Benchmark

(US\$/Cdn\$)

Organization	2000	2001	2002	2003
<b>National Forecasting Agencies</b>				
Conference Board of Canada (Dec/99)	69.2	70.6	72.2	72.9
Standard and Poor's DRI (Jan/00)	68.9	71.1	73.3	74.6
The WEFA Group (Dec/99)	68.8	70.4	71.8	72.6
<b>Banks</b>				
Bank of Montreal (Dec/99)	70.1	71.4	n/a	n/a
Canadian Imperial Bank of Commerce (Jan/00)	69.9	n/a	n/a	n/a
Royal Bank (Jan/00)	69.9	71.0	71.4	n/a
Scotiabank (Jan/00)	70.5	72.4	n/a	n/a
Toronto Dominion Bank (Jan/00)	70.0	72.9	n/a	n/a
<b>Investment Dealers</b>				
CIBC Wood Gundy (Jan/00)	68.5	69.7	n/a	n/a
Nesbitt Burns (Jan/00)	70.7	71.0	n/a	n/a
High	70.7	72.9	73.3	74.6
Low	68.5	69.7	71.4	72.6
Average	69.7	71.2	72.2	73.4
<b>Alberta Government (calendar year)</b>	<b>68.3</b>	<b>69.6</b>	<b>71.2</b>	<b>72.3</b>

# Tracking the Forecasts of Oil Prices

West Texas Intermediate (US\$bbbl)

Organization	How Did They Do 1999 <sup>a</sup>	What They Were Saying About 2000 in Budget '99 <sup>b</sup>	What They Are Saying About 2000 in Budget 2000 <sup>b</sup>
<b>Actual</b>	<b>19.30</b>		
ARC Financial Corporation	-4.80	17.00	21.50
BT Bank	-7.82	14.04	24.25
Conference Board of Canada	-8.13	12.86	21.23
CS First Boston	-3.55	17.50	20.50
Goldman Sachs	-4.80	16.50	19.00
JP Morgan	-4.80	17.50	23.00
Lehman Brothers	-5.30	16.00	20.00
Peters & Co. Limited	-6.80	16.00	20.00
RBC Dominion Securities	-4.30	17.00	23.00
Standard and Poor's DRI	-4.87	15.53	19.89
The WEFA Group	-5.68	15.43	23.53
Average	-5.53	15.94	21.45
<b>Alberta Government</b>	<b>-6.30</b>	<b>14.84</b>	<b>20.53</b>

<sup>a</sup> This compares an organization's forecast for 1999 at the time of Budget '99 to what actually happened. A minus sign indicates underestimation; a plus sign indicates overestimation.

<sup>b</sup> This shows how the forecast for 2000 has changed over the last year.

# Tracking the Forecasts of Alberta Real GDP

(per cent change)

Organization	How Did They Do 1998 <sup>a,b</sup>	What They Were Saying About 1999 in Budget '99 <sup>c</sup>	What They Are Saying About 1999 in Budget 2000 <sup>c</sup>
<b>Actual</b>	<b>1.8</b>		
Bank of Montreal	+2.7	2.8	3.0
Canada Mortgage and Housing Corporation	+1.7	2.4	2.2
Canadian Imperial Bank of Commerce	+1.4	2.7	3.5
Conference Board of Canada	+0.3	1.5	0.9
Nesbitt Burns	+0.7	1.9	4.0
Royal Bank	+2.4	2.5	3.0
Scotiabank	+1.7	2.5	3.0
Standard and Poor's DRI	+1.4	1.2	1.6
Toronto Dominion Bank	+1.8	1.7	1.5
The WEFA Group	+2.0	2.2	3.1
Average	+1.6	2.1	2.6
<b>Alberta Government (calendar year)</b>	<b>+1.3</b>	<b>2.4</b>	<b>2.5</b>

<sup>a</sup> This compares an organization's forecast for 1998 at the time of Budget '99 to what actually happened. A minus sign indicates underestimates and a plus sign indicates overestimates.

<sup>b</sup> 1998 is the latest year for actual real GDP data.

<sup>c</sup> This shows how the forecast for 1999 has changed over the last year.

# Announced Major Projects Over \$100 Million

*Proposed or Under Construction*

<b>CompanyName</b>	<b>Location</b>	<b>Type of Project</b>	<b>Cost (\$millions)</b>	<b>Timing</b>
<b>OIL AND GAS</b>				
Alberta Energy Company	Foster Creek	Steam Assisted Gravity Drainage (SAGD) Bitumen Project - Phase 1	240	2000-2002
Black Rock Ventures	Cold Lake	Heavy Oil Commercial Facility	313	2000-2010
Canadian Natural Resources	Beartrap and Charlotte Lakes	In situ Bitumen Project	800	1997-2002
	Brintell/Pelican Lake	In situ Bitumen Project	200	1996-2000
	Primrose/Wolf Lake	In situ Bitumen Project	130	2000
Centurian Gas Liquids Inc.	Empress to Fort Saskatchewan	Straddle Plant and Pipeline Project	170	2000-2001
Gulf Canada Resources/ Fina Resources	Surmont	SAGD Bitumen Project - Phase 2	280	2001-2002
	Surmont	SAGD Bitumen Project - Phase 3	280	2003-2010
Husky Oil	Lloydminster	Upgrader Expansion/Debottlenecking	500	1998-2003
Imperial Oil	Cold Lake	Heavy Oil Plant Expansion Phases 11-13	650	1999-2001
	Cold Lake	Heavy Oil Plant Expansion Phases 14 and 15	470	2001-2003
	Sundre area	WestAlta Straddle Plant	250	2000-2001
Japan Canada Oil Sands	Hangingstone	SAGD Bitumen Project - Phase 3	129	2002
Koch Exploration/United Tri-Star Energy	Fort Hills	Oilsands Mining and Extraction Project	1,300	2002-2004
Mobil Oil Canada	Kearl Lake	Oilsands Mining and Extraction Project	1,700	2002-2005
	undetermined	Bitumen Upgrader	1,400	2002-2005
	Cold Lake	In situ Bitumen Project	100	1997-2005
Norcen Energy Resources	Provost/Lindberg	In situ Bitumen Project	400	1996-2000+
Nova Pipeline Ventures	Fort McMurray	Pipeline and By-Product Plant	164	1999-2000
Pan Canadian Petroleum	Christina Lake	SAGD Bitumen Project	590	2000-2002
Petro Canada	Mackay River	SAGD Bitumen Project	250	1998-2007

# Announced Major Projects Over \$100 Million

*Proposed or Under Construction*

<b>CompanyName</b>	<b>Location</b>	<b>Type of Project</b>	<b>Cost (\$millions)</b>	<b>Timing</b>
<b>OIL AND GAS (continued)</b>				
Petrovera Resources	Lindbergh/Elk Point/Frog Lake/Marwayne	In situ Bitumen Projects	1,200	2000-2010
Ranger Oil Limited	Lindbergh/Wolf Lake/Elk Point/Cold Lake	SAGD Bitumen Projects	225	1996-2003
Shell Canada	Muskeg River	New Bitumen Mine	3,500	1999-2010
	Strathcona County	Bitumen Upgrader and Scotford Refinery Modifications	2,400	1999-2010
Suncor	Fort McMurray	Production Enhancement	190	1999-2001
	Fort McMurray	Project Millennium - Oilsands Plant Expansion	2,000	1999-2002
Syn crude Canada	Fort McMurray	Aurora Mine - Debottleneck 2	1,000	1999-2000
	Fort McMurray	Continuous Improvement Program	1,500	1997-2007
	Fort McMurray	Upgrader Expansion - Phase 1/ Aurora Mine Train 2	3,000	2000-2003
	Fort McMurray	Upgrader Expansion - Phase 2/ Aurora Mine Train 3	2,300	2004-2007
Union Pacific Resources Group	Cold Lake/Provost/Lindbergh	In situ Bitumen Projects	400	2001-2003
<b>PIPELINES</b>				
Alberta Energy Company	Fort McMurray to Edmonton	Alberta Oil Sands Pipeline	220	1999-2000
Alliance Pipeline Ltd Partnership	Fort St. John to Chicago	Natural Gas Pipeline	2,400	1999-2000
Enbridge Pipelines Inc.	Alberta to Chicago	Terrace Expansion Pipeline Project	650	1998-2002
	Fort McMurray to Hardisty	Wildrose Pipeline - Phase 2	237	2000-2001
Koch Oil/Imperial Oil/Amoco Canada	Cold Lake to Hardisty	ThickSilver Pipeline	250	2000-2002
Nova Gas Transmission	Throughout Alberta	Pipeline Capacity Additions	1,000	1999-2003
Trans Mountain Pipeline	Muskeg River to Strathcona County	"Corridor" Bitumen Pipeline	580	2000-2002

# Announced Major Projects Over \$100 Million

*Proposed or Under Construction*

<b>CompanyName</b>	<b>Location</b>	<b>Type of Project</b>	<b>Cost (\$millions)</b>	<b>Timing</b>
<b>PETROCHEMICALS</b>				
BP/Amoco Chemicals	Joffre	Linear Alpha Olefins Plant	400	1999-2001
Nova Chemicals	Joffre	Polyethylene Plant	395	1998-2000
Nova Chemicals/Union Carbide Canada	Joffre	Ethylene Plant	1,100	1998-2000
Shell Chemicals Canada	Strathcona County	Ethylene Glycol Plant	375	1998-2000
TransCanada Midstream/Suncor Energy	Redwater	Hydrocarbon Liquids Conservation Project	220	2001-2002
Union Carbide	Prentiss	Polyethylene Plant	316	1998-2000
<b>FORESTRY</b>				
Ainsworth Lumber Company	South of Grande Prairie	Mill Expansion	133	2000-2001
Footner Forest Products	High Level	Oriented Strandboard Plant	200	1999-2000
Grande Alberta Paper	Grande Prairie	Lightweight Coated Paper Mill	900	2002-2004
<b>COMMERCIAL AND RETAIL CONSTRUCTION</b>				
Camrose Development Ltd.	Edmonton	Retail Complex	250	1997-2002
Delcon Development Group Ltd.	Edmonton	Shopping Centre/Motel Namao Centre	115	1998-2000
Genesis Land Development	Kananaskis Country	Spray Lakes All-Season Recreation Complex	400	2001-2003
Heartland Development Corp.	Airdrie	Heartland Business Centre	500	1998-2010
OMERS Realty Corp./Oxford Properties Group Inc.	Calgary	Ernst & Young Tower	100	1998-2000
ONTREA	Calgary	Chinook Centre Expansion/Renovation	150	1997-2000
Stone Creek Properties	Canmore	Hotel/Resort Complex - Silvertip	270	1995-2015
Three Sisters Golf Resort/Dong Ah Construction	Canmore	Hotel/Housing Complex Phase 2	200	1998-2000
TransCanada Pipelines	Calgary	Office Tower	260	1998-2001
TrizecHahn Office Properties	Calgary	Bankers Hall, West Tower	170	1998-2000
Resortport Development Corp.	Calgary	Horse Racing Facility, Hotel and Golf Course	110	1999-2001

# Announced Major Projects Over \$100 Million

*Proposed or Under Construction*

<b>CompanyName</b>	<b>Location</b>	<b>Type of Project</b>	<b>Cost (\$millions)</b>	<b>Timing</b>
<b>OTHER</b>				
Alberta Infrastructure	Alberta	Highway Twinning Project	1,000	1998-2007
Baconsfield Farms Ltd.	Edmonton area	Hog Breeding Farm & Processing Facility	130	1999-2005
Calgary Regional Airport Authority	Calgary	Airport Improvements	650	1998-2005
Cardinal River Coals	Hinton	Cheviot Open-Pit Coal Mine	250	2000-2002
City of Calgary	Calgary	Extension of South LRT Leg	175	1999-2001
City of Calgary	Calgary	Deerfoot Trail Extension	134	2000-2002
City of Calgary	Calgary	Northwest LRT Extension	131	1999-2003
Edmonton Regional Airport Authority	Leduc County	International Airport Terminal Improvements	300	1998-2002
Fieldboard International	Killam	Strawboard Plant	140	Proposed
Harvest Board International	County of Thorhild	Strawboard Plant	150	2000-2001
Union Carbide	Prentiss	Railyard	150	1999-2000
Valiant Country Place	Okotoks	Western Entertainment and Destination Facility	130	1997-2000
Various Irrigation Districts	Southern Alberta	Irrigation Systems	600	1997-2006
<b>POWER PLANTS</b>				
Air Liquide Canada	FortSaskatchewan	Cogeneration Power Plant	150	1999-2000
CU Power Canada Ltd.	Near Fort McMurray	Cogeneration Plant at Muskeg River Mine	200	2001-2002
EPCOR	Edmonton	Rossdale Generating Plant Upgrade	115	2000-2001
Nova Chemicals/EPCOR/ Atco Power Canada	Joffre	Cogeneration Power Plant	380	1998-2000
Shell Canada/Air Products Canada	Strathcona County	Cogeneration Power Plant	120	2000-2002
TransAlta Utilities	Poplar Creek	Cogeneration Power Plant	315	1999-2001
<b>TOTAL</b>			<b>45,152</b>	

# BUDGET

New Century. **Bold Plans.**

# 2000

**ALBERTA ADVANTAGE**

# Table of Contents

Alberta Advantage .....	92
-------------------------	----

## LIST OF TABLES AND CHARTS

Real Economic Growth .....	93
Real GDP Per Capita .....	93
Investment Per Capita .....	94
Unemployment Rate .....	94
Personal Income .....	94
Personal Disposable Income .....	94
Retail Sales Per Capita .....	95
Business Growth .....	95
Corporate Headquarters .....	95
Population .....	96
Net Interprovincial Migration .....	96
Share of Population Under 40 .....	97
Population Aged 25-54 With Post-Secondary Education .....	97
Grade 12 Student Performance .....	97
Participation Rate .....	97
Employment to Population Ratio .....	98
Labour Productivity .....	98
Labour Record .....	98
Research & Development Employment .....	98
Total Provincial & Municipal Tax Load .....	99
Retail Sales Tax Rates .....	99
Combined Top Marginal Personal Income Tax Rates .....	100
Family Earning \$30,000 .....	100
Family Earning \$55,000 .....	100
Family Earning \$100,000 .....	100
Gasoline Tax Rates .....	101
Provincial Corporate Income Tax Rates .....	101
Provincial Small Business Corporate Income Tax Rates .....	101
Workers' Compensation Premiums .....	101
Alberta's Tax Advantage .....	102
Annual Location-Sensitive Costs .....	103
Initial Investment Costs .....	103
Industrial Electricity Rates .....	104
Natural Gas Rates .....	104
Gasoline Prices .....	104
Office Rental Rates .....	104
Airport Convenience .....	105
Daily Living Price Index .....	105
Housing Affordability .....	105

# Table of Contents (cont'd)

## LIST OF TABLES AND CHARTS (CONT'D)

Net Home Property Taxes..... 105  
Car Ownership Costs ..... 106  
Life Expectancy ..... 107  
Preference of Residence ..... 107  
Support for Performing Arts ..... 108  
Government Surpluses (Deficits) ..... 109  
Government Net Assets (Debt) ..... 109  
Alberta's Accumulated Debt ..... 110  
Credit Rating..... 110  
Borrowing Costs ..... 110  
Fiscal Performance Index ..... 110

# Alberta Advantage

*The Alberta Advantage means greater opportunities for families and businesses ...*

- a strong and vibrant economy
- a young, skilled and productive workforce
- a strong science and technology culture
- a highly entrepreneurial and competitive business community
- the lowest overall tax level of any province in Canada, and no sales tax
- an efficient and modern infrastructure
- an abundance of high quality natural resources
- clean air and water, breathtaking scenery and culturally diverse communities with a quality of life second to none
- a government committed to less regulation
- a fiscally responsible government, which is paying down debt and reducing taxes

The appeal of low taxes, high employment, and a growing economy continues to attract thousands of people to Alberta. The rest of this document is a detailed look at why “Alberta is the place to be.”

Highlighted are some key elements of the Alberta Advantage: the economy, the people, taxes, operating costs, quality of life, and the Alberta government. Where possible, comparisons of the most recent five-year averages are shown to demonstrate that Alberta has, over time, maintained a consistent advantage.

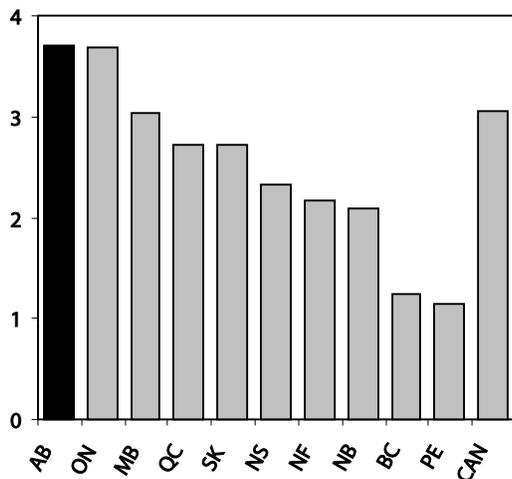
# The Economy

## STRONG AND VIBRANT

Alberta has had the fastest growing economy in Canada over the past five years, and experts believe our strong performance will continue in the future. An abundance of natural advantages has been the foundation of our flourishing economy. Our positive investment climate has allowed Alberta businesses to compete successfully around the world. As well, our increasingly diversified economy has translated into a healthy job performance, even when commodity prices have been unfavourable.

### REAL ECONOMIC GROWTH

1995-99 Average Annual Growth in GDP (per cent)\*



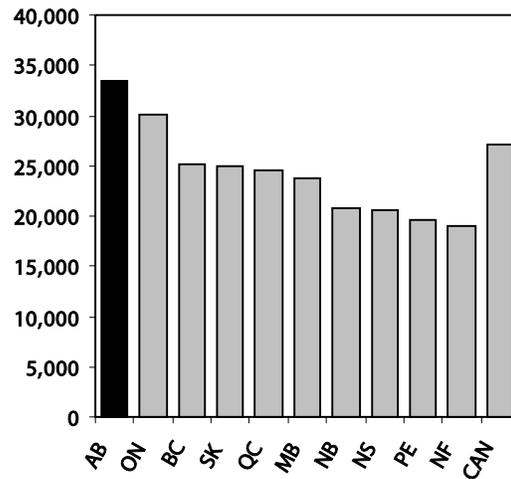
\* 1999 estimated

Source: Statistics Canada, Alberta Treasury and CIBC

- Alberta's economic growth rate was the highest in Canada over the past five years.
- In 1999, Alberta's real output grew by an estimated 2.5%.

### REAL GDP PER CAPITA

1995-99 Annual Average (dollars per capita)\*



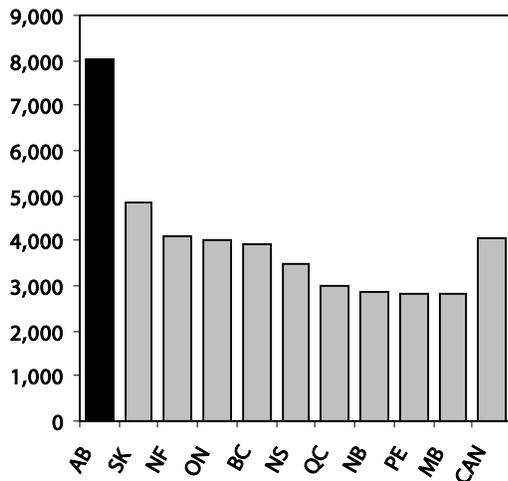
\* 1999 estimated

Source: Statistics Canada, Alberta Treasury and CIBC

- Alberta has the highest real gross domestic product per capita among the provinces.
- Since 1995, Alberta's real gross domestic product per capita has averaged 11% higher than second place Ontario.

## INVESTMENT PER CAPITA

1995-99 Annual Average (dollars per capita)\*

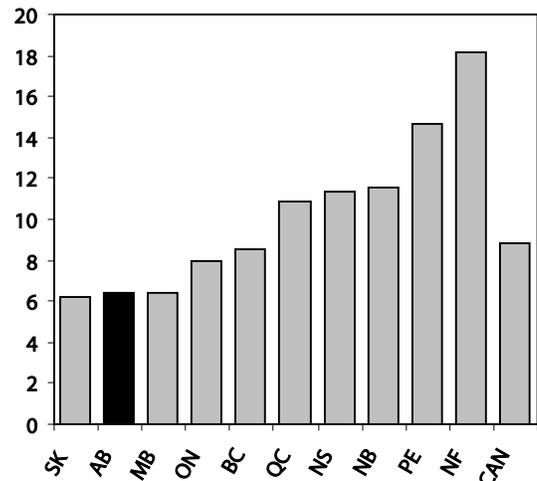


\* 1999 preliminary estimate  
Source: Statistics Canada

- For decades, Alberta has led all provinces in total private sector investment per person.

## UNEMPLOYMENT RATE

1995-99 Annual Average (per cent)

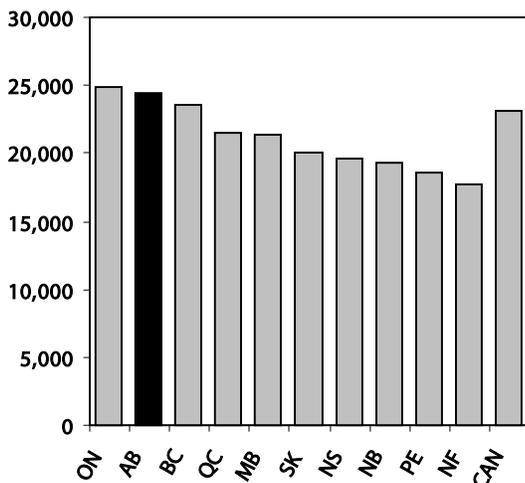


Source: Statistics Canada

- Over the past five years, Alberta's average unemployment rate of 6.4% was the second lowest among the provinces and well below the national average.
- Alberta's 1999 unemployment rate of 5.7% was second lowest among the provinces, after Manitoba.

## PERSONAL INCOME

1994-98 Annual Average (dollars per capita)

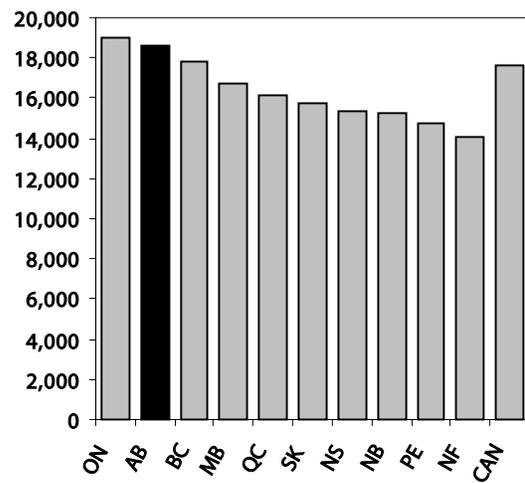


Source: Statistics Canada

- Over the past five years, Albertans have enjoyed the second highest personal income per capita, behind only Ontario.
- In 1998, Alberta had the highest personal income per capita among provinces, \$73 above second place Ontario.

## PERSONAL DISPOSABLE INCOME

1994-98 Annual Average (dollars per capita)\*

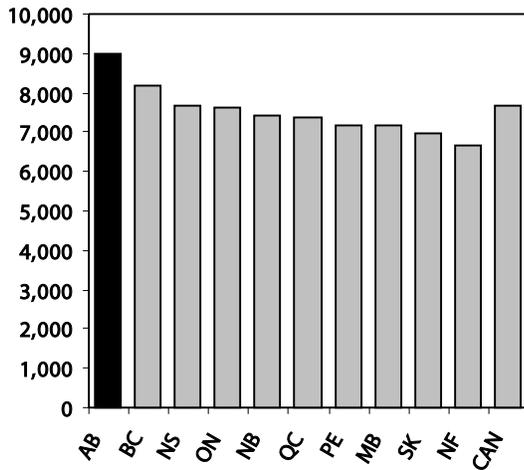


\* Personal income less direct taxes.  
Source: Statistics Canada

- Over the past five years, Alberta has ranked second highest in personal disposable income per capita.
- In 1998, Alberta had the highest personal disposable income per capita among provinces, \$199 above second place Ontario.

## RETAIL SALES PER CAPITA

1995-99 Annual Average (dollars per capita)\*

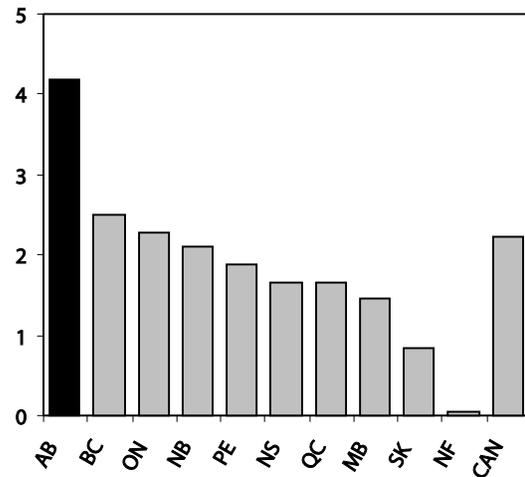


\* 1999 includes January to November only.  
**Source:** Statistics Canada

- Alberta has the highest retail sales per capita of any province.

## BUSINESS GROWTH

1995-99 Annual Average (per cent growth in # of firms)\*

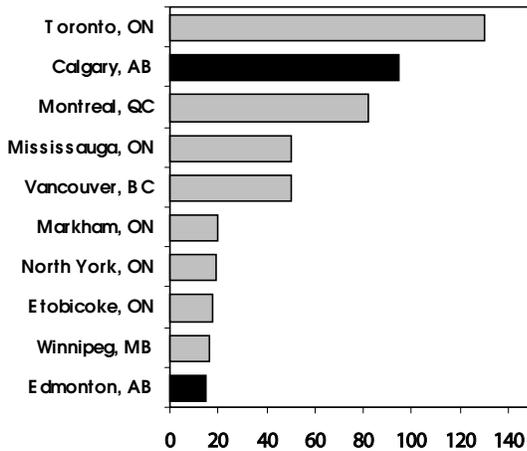


\* Businesses includes all incorporated and unincorporated firms, except self-employed and single person firms.  
**Source:** Statistics Canada

- Since 1995, the growth in the number of businesses in Alberta (net change in the number of incorporated and unincorporated firms) has been the fastest of any province in Canada.
- In 1999, the number of businesses in Alberta increased by 4.1%, by far the strongest among provinces.

## CORPORATE HEADQUARTERS

Top Ten Head Office Cities, 1998 (number of head offices)



**Source:** Financial Post Top 500 and Next 300, and Calgary Business Information Centre.

- Calgary has the second highest number of head offices of any city in Canada.
- Toronto has approximately 5 times the population of Calgary, so on a per capita basis, Calgary exceeds any other city by far.

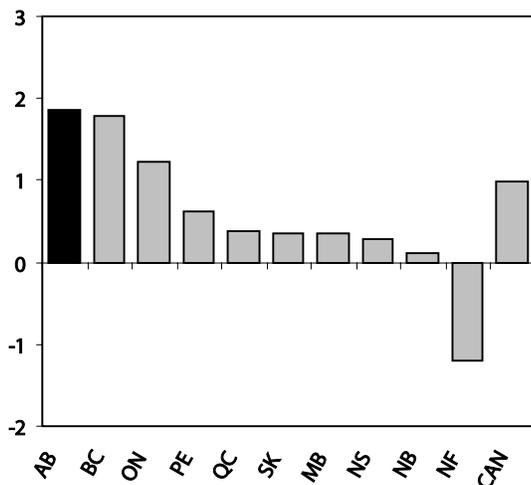
# The People

## YOUNG, HIGHLY TRAINED AND PRODUCTIVE

Albertans are among the most highly educated in the world. As a result, Alberta's employment and productivity thrive. As thousands of people migrate to Alberta each year from the rest of Canada, the province gains a variety of skilled and talented people to add value to our diverse economy and society.

### POPULATION

1995-99 Average Annual Growth (per cent)

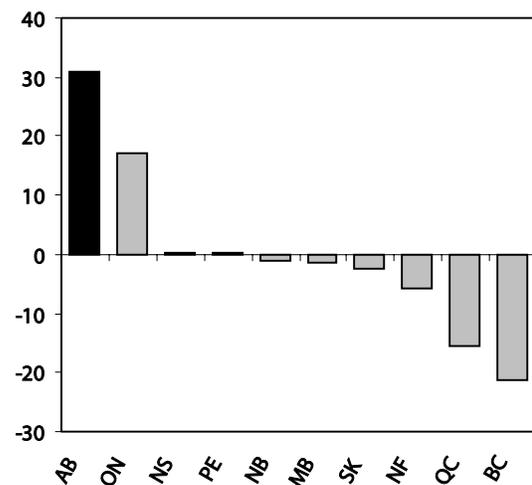


Source: Statistics Canada

- Over the past five years, Alberta has had the fastest growing population among the provinces.
- In 1999, Alberta's population grew by 2%, the largest increase among the provinces.

### NET INTERPROVINCIAL MIGRATION

1998-99\* (thousands)



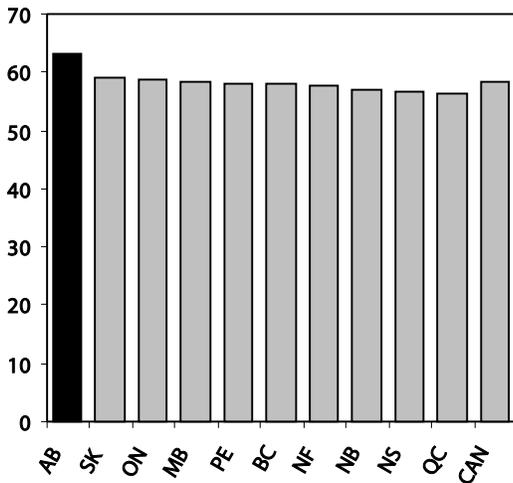
\* July 1, 1998 to June 30, 1999

Source: Statistics Canada

- From July 1998 to June 1999, a net of 31,064 migrants came into Alberta from other provinces. A majority of the people moving to Alberta came from British Columbia.
- For the past three years, Alberta has had the highest net gain of interprovincial migrants of all provinces.

## SHARE OF POPULATION UNDER 40

1995-99 Annual Average (per cent of total population)

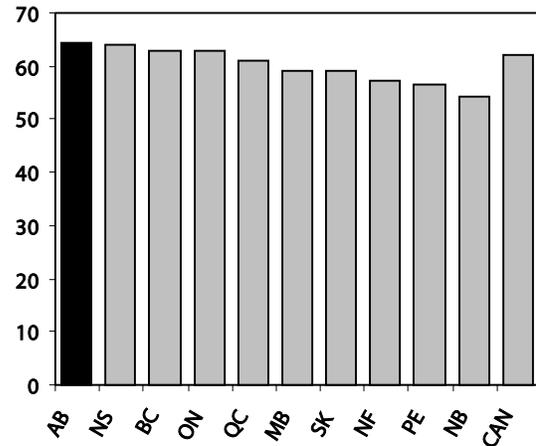


Source: Statistics Canada

- Alberta has the youngest population among the provinces.
- About 63% of Albertans are under the age of 40.

## POPULATION AGED 25-54 WITH POST-SECONDARY EDUCATION

1999 (per cent of total population)\*



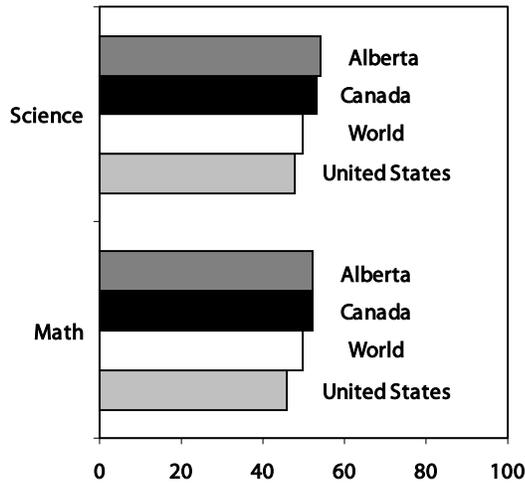
\* Includes some post-secondary, post secondary certificates, diplomas, and university degrees.

Source: Statistics Canada

- Alberta has the best educated workforce.
- In 1999, approximately 64% of Alberta's population aged 25 to 54 had post-secondary education.

## GRADE 12 STUDENT PERFORMANCE

(Achievement Results - Scaled to Average of 50)



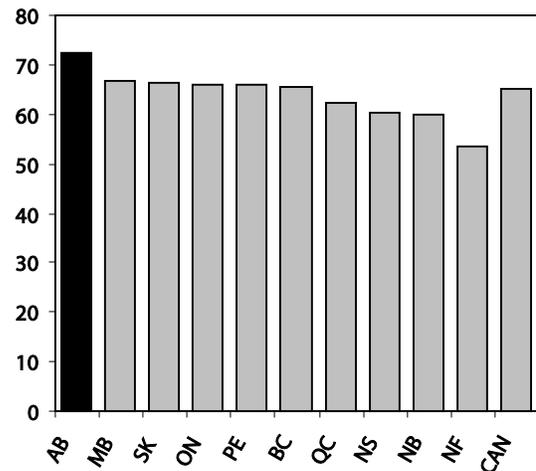
Note: Grade 12 equivalencies included from other countries and provinces.

Source: International Association for the Evaluation of Educational Achievement

- Alberta students in grade 12 (released 1998), grade 4 (released 1997), and grade 8 (released 1996) performed better than the international average in the Third International Mathematics and Science Study.

## PARTICIPATION RATE

1995-99 Annual Average (per cent)\*



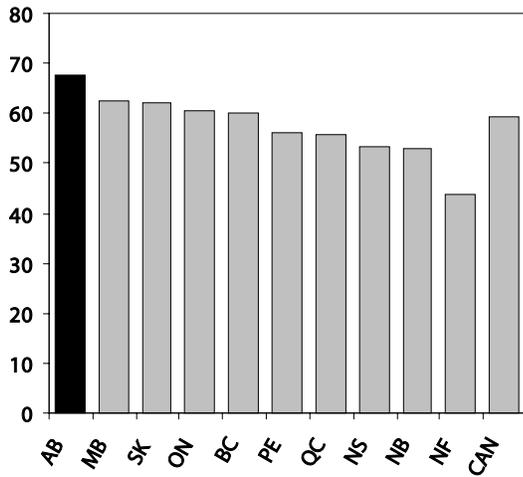
\* The participation rate is the total of those employed and looking for work aged 15 and over, divided by the population aged 15 and over.

Source: Statistics Canada

- Alberta has the highest labour force participation rate, 5.5 percentage points higher than second place Manitoba.

## EMPLOYMENT TO POPULATION RATIO

1995-99 Annual Average (per cent)\*



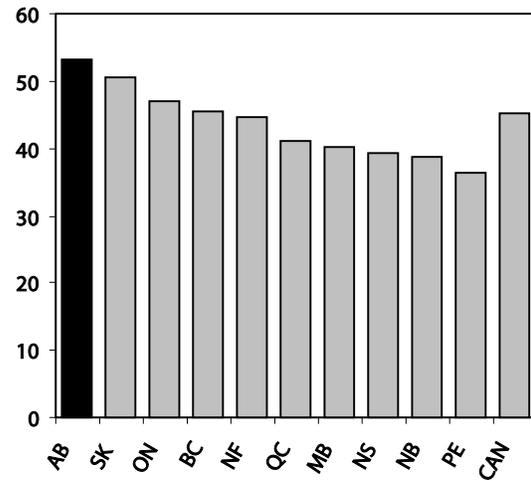
\* The employment/population ratio is the total of those employed divided by the population aged 15 and over.

Source: Statistics Canada

- Compared to other provinces, more Albertans are working relative to the size of our working age population, 5 percentage points above the second place province, Manitoba.

## LABOUR PRODUCTIVITY

1995-99 Annual Average (\$ real GDP per hr. worked)\*



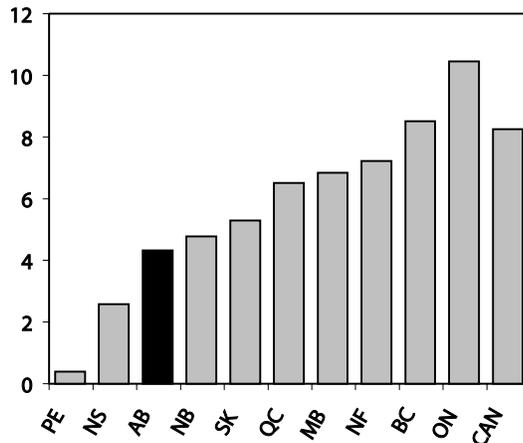
\* January to November 1999 projected rates.

Source: Statistics Canada, Alberta Treasury and CIBC

- Compared with the other provinces, Albertans are the most productive, as measured by real GDP dollars produced per hour worked.

## LABOUR RECORD

1995-99 Annual Average (person days lost/10,000 person days worked)\*



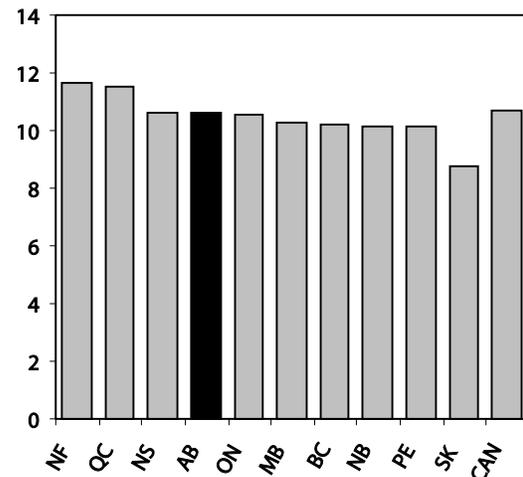
\* January to September 1999 preliminary rates.

Source: Statistics Canada and Human Resources Development Canada

- Alberta has one of the best labour records in Canada in terms of person days lost due to labour disputes.

## RESEARCH & DEVELOPMENT EMPLOYMENT

1995-99 Annual Average (per cent of employed labour force)\*



\* Occupations in natural and applied sciences, health, and related occupations predominately involved in R&D activities.

Source: Statistics Canada

- Overall, the percentage of Alberta's labour force employed in R&D sectors ranks fourth among the provinces.
- Alberta has the highest percentage of the workforce dedicated to R&D sector activities in Western Canada.

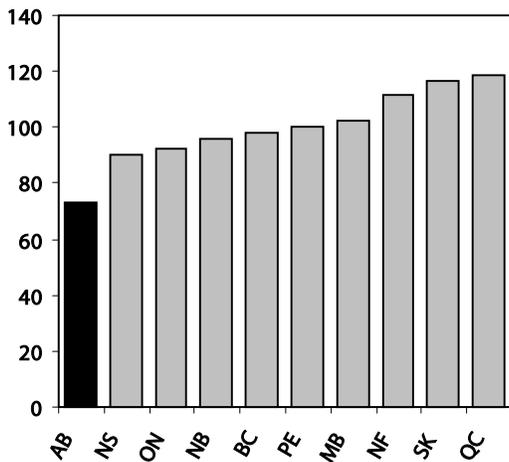
# The Lowest Tax Load

## LEAVING MORE DOLLARS IN THE POCKETS OF ALBERTANS

Alberta leads the way with the lowest overall taxes in Canada. We are the only province that does not have a provincial retail sales tax. In addition, the province does not have any general capital or payroll taxes. This leaves more money in the pockets of Albertans and Alberta businesses.

### TOTAL PROVINCIAL & MUNICIPAL TAX LOAD

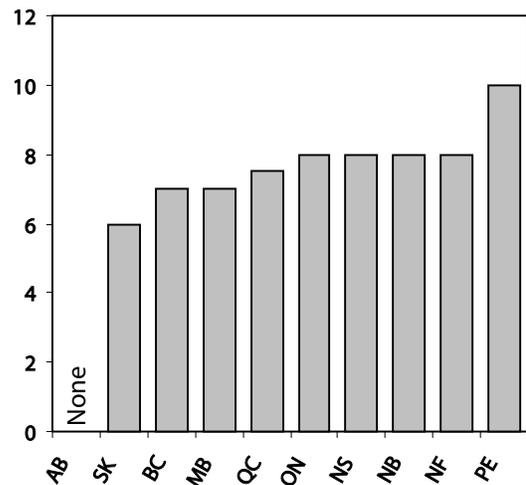
1999-2000 (per cent of the Canadian average)



Source: Federal Department of Finance

### RETAIL SALES TAX RATES

As of February 1, 2000 (per cent)



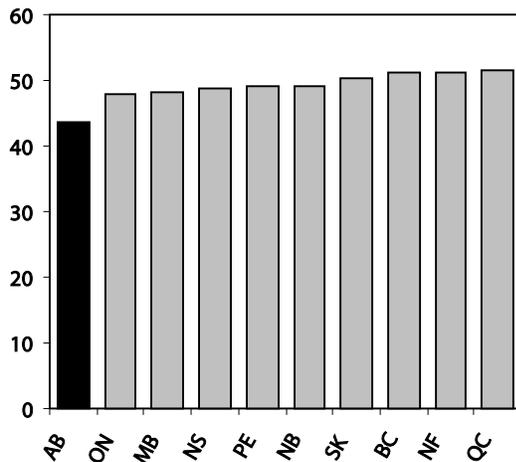
Source: Alberta Treasury

- Alberta has by far the lowest combined provincial and municipal tax burden among the provinces.
- The Alberta government is committed to strengthening Alberta's tax advantage.
- Alberta's Tax Plan will reduce the tax load on Albertans significantly.

- Alberta has no retail sales tax.

## COMBINED TOP MARGINAL PERSONAL INCOME TAX RATES

As of February 1, 2000 (per cent)



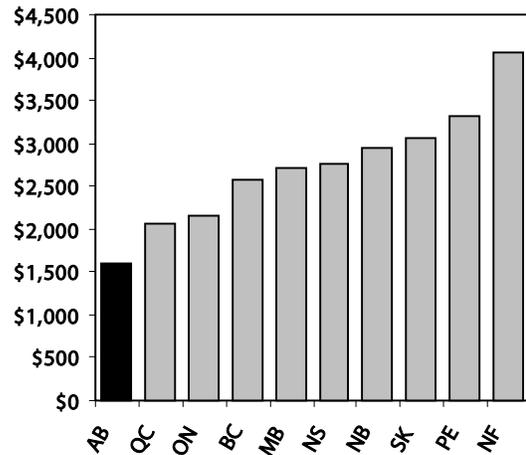
Source: Alberta Treasury

- Alberta has the lowest top marginal personal income tax rate among the provinces.
- In Alberta, top income earners keep more than 56% of their last dollar earned.
- In 2001, Alberta's Tax Plan will bring the combined federal/provincial top marginal rate down to 41.45%, so top income earners will keep over 58% of their last dollar earned.

## FAMILY EARNING \$30,000

Taxes and Health Care Insurance Premiums

(One-income family with two children)



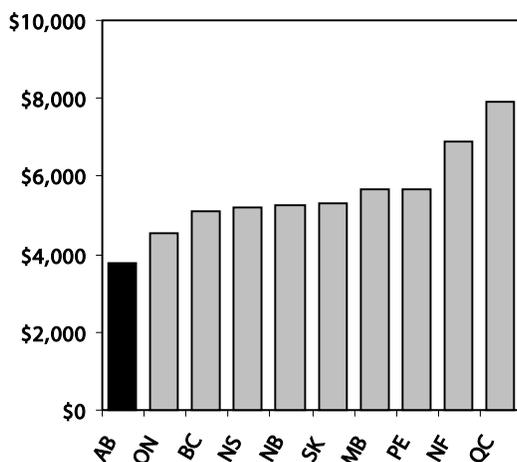
Source: Alberta Treasury

- This graph and following two compare provincial income, sales, payroll, fuel and tobacco taxes, and health care insurance premiums payable by a family as of February 1, 2000.
- In Alberta, a typical one-income family earning \$30,000 pays approximately 44% less in combined taxes and health care insurance premiums than the average of the other provinces.

## FAMILY EARNING \$55,000

Taxes and Health Care Insurance Premiums

(Two-income family with two children)



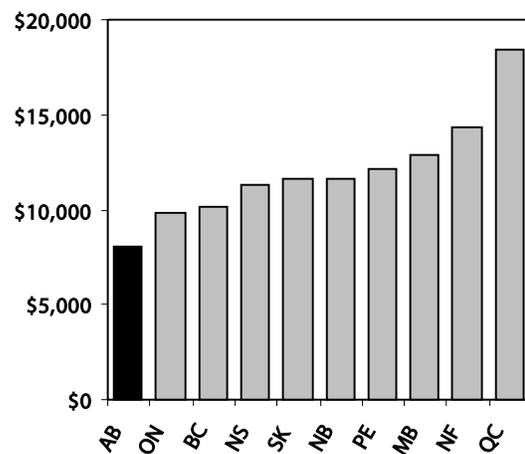
Source: Alberta Treasury

- In Alberta, a typical two-income family earning \$55,000 pays approximately 34% less in combined taxes and health care insurance premiums than the average of the other provinces.

## FAMILY EARNING \$100,000

Taxes and Health Care Insurance Premiums

(Two-income family with two children)

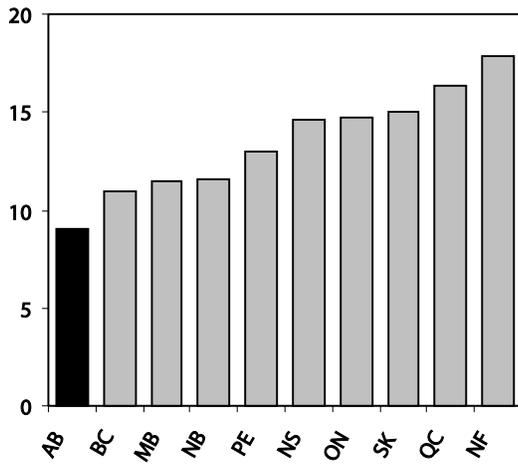


Source: Alberta Treasury

- In Alberta, a typical two-income family earning \$100,000 pays approximately 35% less in combined taxes and health care insurance premiums than the average of the other provinces.

## GASOLINE TAX RATES

As of February 1, 2000 (cents per litre)\*

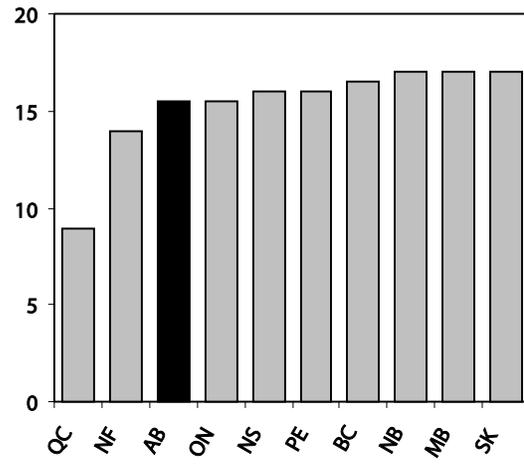


\* For NB, NS, QC and NF, provincial sales tax is levied on top of fuel tax.  
**Source:** Alberta Treasury

- Alberta has the lowest gasoline tax rate among the provinces, 2 cents per litre below British Columbia, the second lowest province, and 8.8 cents per litre below Newfoundland.

## PROVINCIAL CORPORATE INCOME TAX RATES

As of February 1, 2000 (per cent)\*

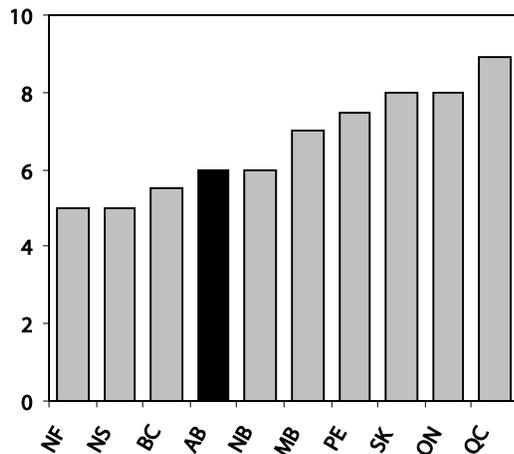


\* AB, SK, ON, PE, NF have lower corporate income tax rates for manufacturing and processing industries.  
**Source:** Alberta Treasury

- Alberta has a competitive general corporate income tax rate.
- Alberta businesses also benefit because Alberta has no retail sales tax, no general capital tax and no payroll tax.

## PROVINCIAL SMALL BUSINESS CORPORATE INCOME TAX RATES

As of February 1, 2000 (per cent)

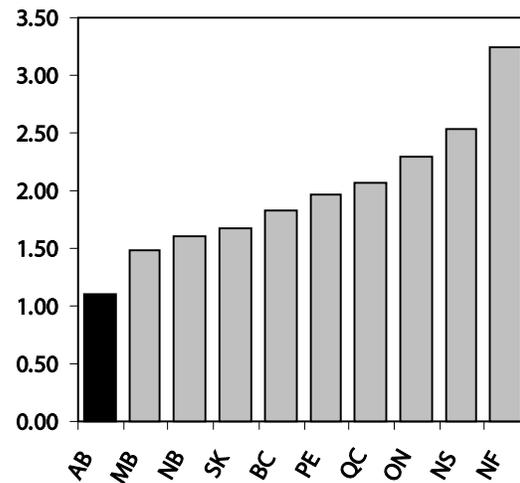


**Source:** Alberta Treasury

- Alberta's small business corporate income tax rate is competitive, 25% lower than Ontario.

## WORKERS' COMPENSATION PREMIUMS

2000 (dollars per \$100 of gross payroll)\*



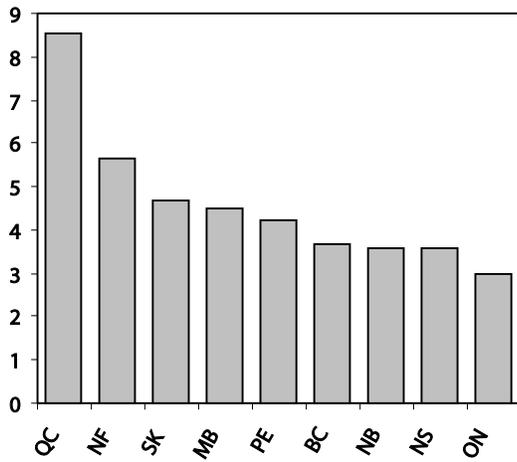
\* Provisional rates  
**Source:** Association of Workers' Compensation Boards of Canada

- Alberta's WCB premium rate is the lowest among the provinces, 26% lower than second place Manitoba.
- Alberta, along with British Columbia, Saskatchewan, Manitoba and New Brunswick, has no unfunded WCB liability.

---

## ALBERTA'S TAX ADVANTAGE

As of February 1, 2000 (billions of dollars)



Source: Alberta Treasury

- This graph shows the total additional provincial taxes that individuals and businesses would pay if Alberta had the same personal and corporate taxes as in other provinces.
- Albertans would pay almost \$3 billion more if we had Ontario's taxes, and \$8.5 billion more if we had to pay Quebec's taxes.

# Low Operating Costs

## FOR BUSINESSES AND HOUSEHOLDS

When it comes to cost of living, the province of Alberta is the place to be. Whether it be prices of goods, services or utilities, Alberta is an attractive place to live and do business. Costs are more than competitive with the rest of Canada and the United States. In addition, our combination of low taxes, a skilled workforce and a well-established infrastructure, provides a further advantage for Alberta industries.

### ANNUAL LOCATION-SENSITIVE COSTS

1999

Largest Cities	Rank*
Quebec City, QC	1
<b>Edmonton, AB</b>	<b>2</b>
Montreal, QC	3
<b>Calgary, AB</b>	<b>4</b>
Winnipeg, MB	5
Toronto, ON	6
Vancouver, BC	7
Jacksonville, FL	8
Dallas-Fort Worth, TX	9
San Diego, CA	10

\* Top 10 rankings for the largest North American cities by population.  
Source: KPMG, March 1999

- Based on KPMG's comparison study of business costs, Edmonton and Calgary are ranked in the top five for having the lowest overall location-sensitive costs in North America.
- Location-sensitive costs include labour, lease, electricity, transport and telecommunications costs, interest, depreciation, and taxes.

### INITIAL INVESTMENT COSTS

1999

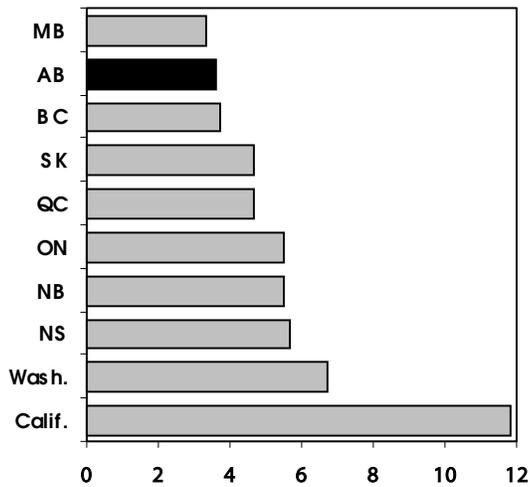
Largest Cities	Rank*
Quebec City, QC	1
<b>Edmonton, AB</b>	<b>2</b>
Montreal, QC	3
Winnipeg, MB	4
Dallas-Fort Worth, TX	5
Toronto, ON	6
<b>Calgary, AB</b>	<b>7</b>
Jacksonville, FL	8
Vancouver, BC	9
San Diego, CA	10

\* Top 10 rankings for the largest North American cities by population.  
Source: KPMG, March 1999

- Edmonton ranks second among large North American cities with respect to initial investment costs, which consist of land acquisition and building construction costs.

## INDUSTRIAL ELECTRICITY RATES

1999 (cents/kWh)\*



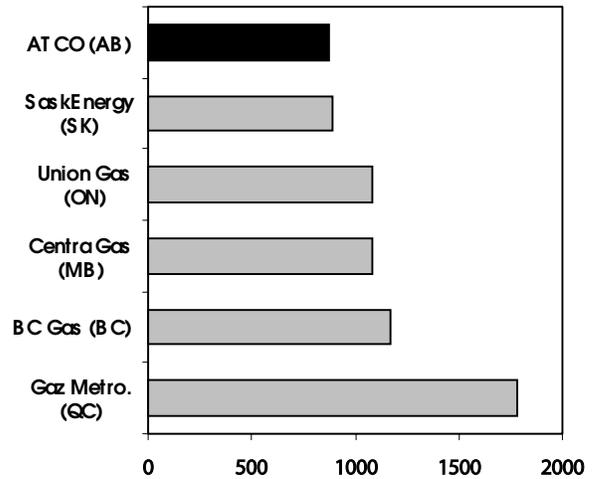
\* Based on 10,000 KW demand, 80% load factor.

Source: ATCO Electric and Electricity Association Services

- Alberta electricity prices are second lowest in Canada and well below most industrial locations in the United States.

## NATURAL GAS RATES

1999 (dollars per year)\*



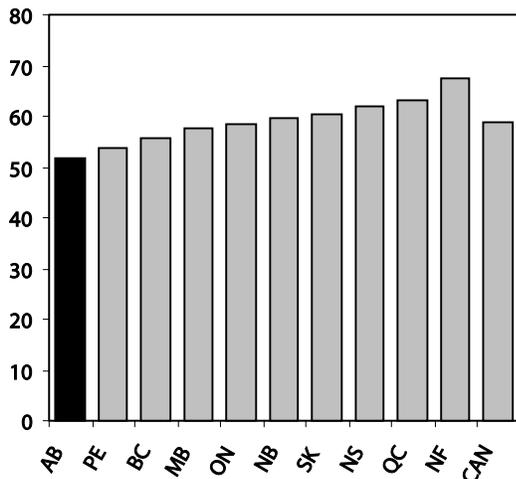
\* Average residential cost for consumption of 150 gigajoules/year.

Source: Natural gas companies

- Alberta's residential natural gas rates are the lowest in Canada.

## GASOLINE PRICES

1999 (cents per litre)\*



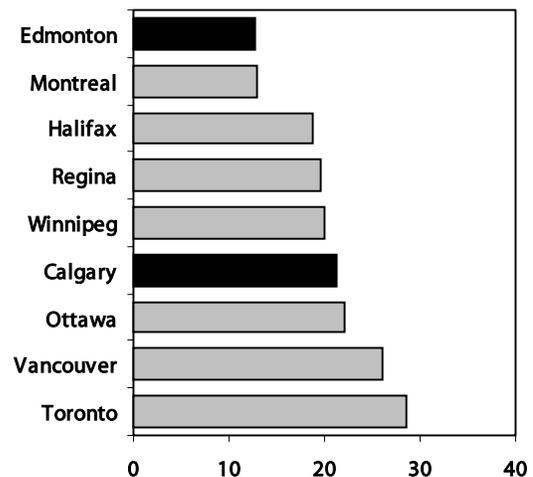
\* Regular unleaded gasoline, January to November.

Source: Statistics Canada

- Alberta continues to have the lowest gasoline prices in Canada, ranging from 4% to 30% below the other provinces.

## OFFICE RENTAL RATES

1999 Projected (dollars per square foot)\*



\* Average gross rental rates, including average taxes, operating costs and tenant inducements for all classes of space.

Source: Royal LePage

- Edmonton has the lowest overall office rents among major Canadian cities.
- Calgary's rates are down \$8.97 from last year.

## AIRPORT CONVENIENCE

1998

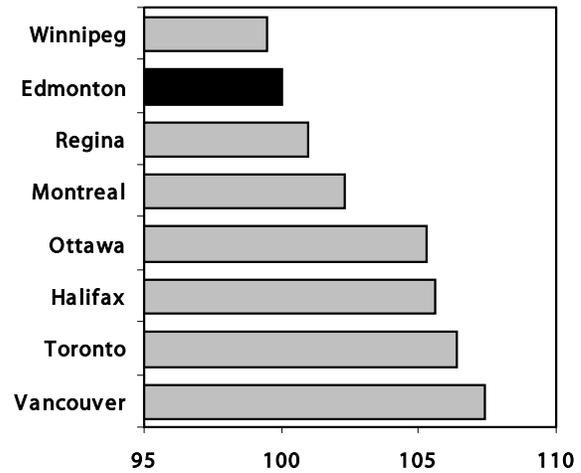
Airports	Rank
Orlando, FL	1
Vancouver, BC	2
Cincinnati, OH	3
<b>Calgary, AB</b>	<b>4</b>
Atlanta (Hartsfield), GA	5
Dallas-Fort Worth, TX	6
Raleigh-Durham, NC	7
Minneapolis, MN	8
Chicago (O'Hare), IL	9
Houston, TX	10

Source: 1998 International Air Transportation Association (IATA) Airport Monitor

- In 1998, Calgary moved up to fourth place in the International Air Transport Association Air Monitor's ranking of North American airports.

## DAILY LIVING PRICE INDEX

December 1999\*



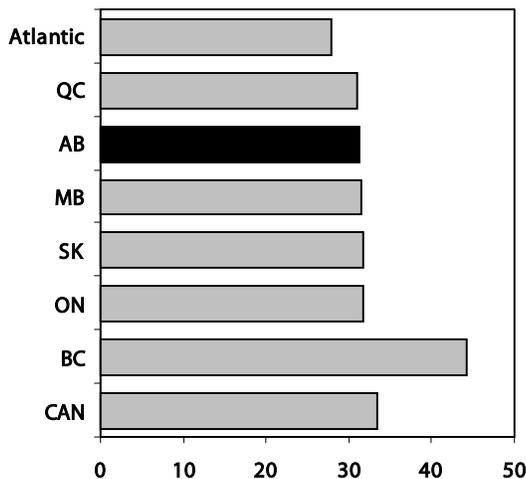
\* Converted to index of Edmonton = 100

Source: Statistics Canada

- Residents in Edmonton pay one of the lowest costs for daily living goods compared to other major Canadian cities. A basket of daily living goods that costs \$100 in Edmonton would cost \$107 in Vancouver.
- Daily living items include food, transportation, household operations and furnishings, health/personal care, recreation and tobacco/alcohol products.

## HOUSING AFFORDABILITY

1999 (home ownership costs as a % of household income)

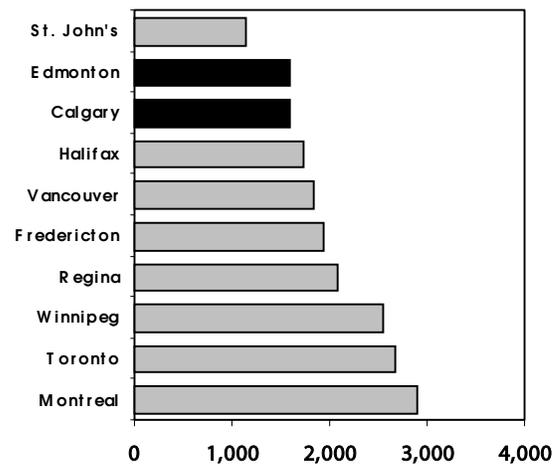


Source: Royal Bank

- Home ownership costs in Alberta are the third lowest in Canada.
- This reflects both high and rising household incomes and still reasonable house prices.

## NET HOME PROPERTY TAXES

1999 (dollars)\*



\* Includes municipal, regional and school tax, net of homeowner grants or credits for a single family house.

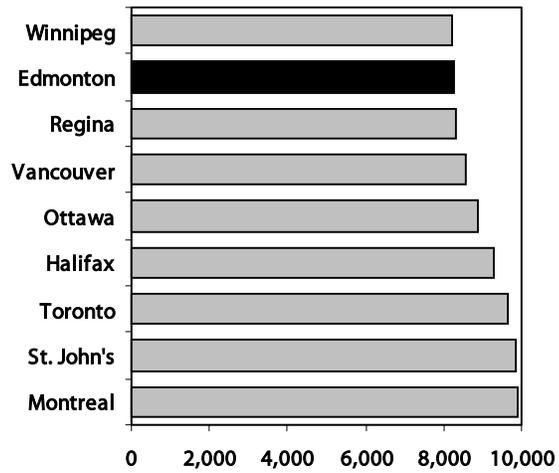
Source: The City of Edmonton, Planning and Development

- Edmonton's and Calgary's property taxes on a typical house are among the lowest in Canada.

---

## CAR OWNERSHIP COSTS

1999 Annual (dollars)\*



\* Based on 4-year/96,000 km retention cycle of a 1998 Ford Taurus. Costs include general operating, insurance, depreciation, taxes and licence fees.

**Source:** Runzheimer Canada Inc.

- According to a national auto-owner survey, Edmonton is the second least expensive place in Canada to own and operate a car.

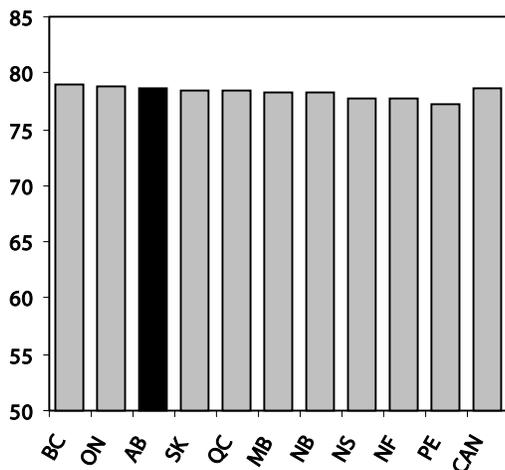
# Quality of Life

## OUTSTANDING

Each year, thousands of people from the rest of Canada are drawn to this province, well known for its exceptional standard of living. Alberta is a prosperous region, where residents share a rich natural environment, and enjoy our arts, culture and recreation opportunities. The success of Albertans in the long-term is directly affected by the ability to maintain a high quality of life.

### LIFE EXPECTANCY

1996 (years)\*

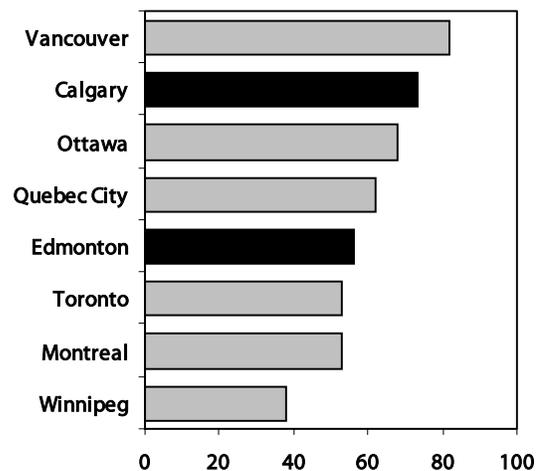


\* Average life-span at birth.  
Source: Statistics Canada

- In 1996, Alberta had the third highest life expectancy at birth among provinces.
- Albertans can expect to enjoy a longer life than the average Canadian.

### PREFERENCE OF RESIDENCE

1998 (per cent of residents "attached" to own city)\*



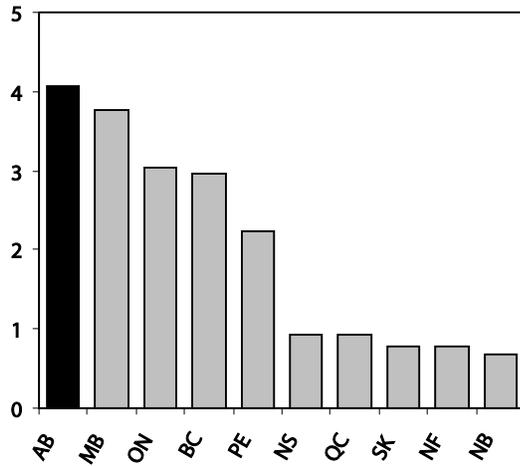
\* If residents are able to maintain current standard of living.  
Source: Angus Reid Choice of City Poll

- According to a 1998 Angus Reid poll 'Canadians Choice of City To Live In', Calgary ranked second among those wishing to remain in their own city of residence.
- More than half of Edmontonians have a similar "attachment" to their own city.

---

## SUPPORT FOR PERFORMING ARTS

1997-98 Private Sector Donations (dollars per capita)\*



\* Includes fundraising and donations. Survey based only on professional performing arts companies with budgets of \$100,000 or more.

**Source:** The Council for Business and The Arts in Canada (CBAC)

- Alberta continues to stay at the top for private sector support of the performing arts, according to the most recent data.

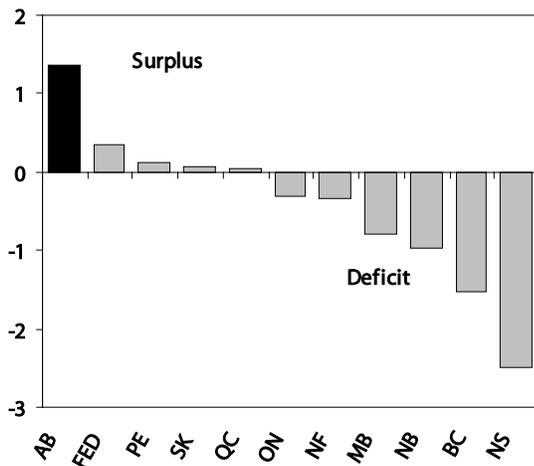
# The Alberta Government

## STREAMLINED, ACCOUNTABLE, AND FISCALLY RESPONSIBLE

The Alberta government is committed to responding to the needs of its citizens. Its aim is to work with Albertans to target priorities while ensuring a balanced budget. Alberta continues to attract international attention as the most fiscally responsible government in North America. With the net provincial debt paid off, the Alberta Government has introduced a new debt repayment plan to eliminate its remaining accumulated debt in the new millennium.

### GOVERNMENT SURPLUSES (DEFICITS)

1999-2000 (per cent of GDP)\*

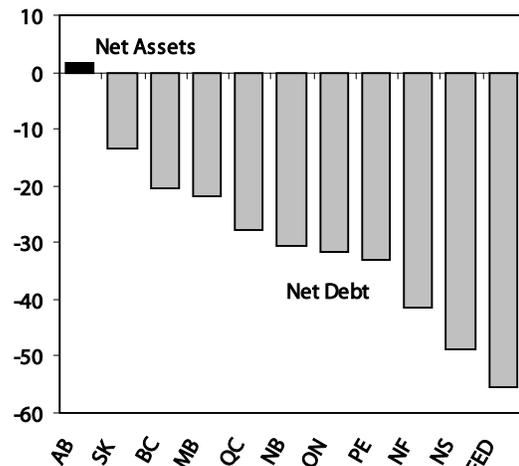


\* Alberta Treasury estimates as of February 1, 2000.

- The Alberta government is committed to living within its means.
- Among the provinces, Alberta has gone from having the highest annual deficit as a percentage of GDP in 1992-93 to the highest surplus as a percentage of GDP in 1999-2000.

### GOVERNMENT NET ASSETS (DEBT)

As of March 31, 2000 (per cent of GDP)\*

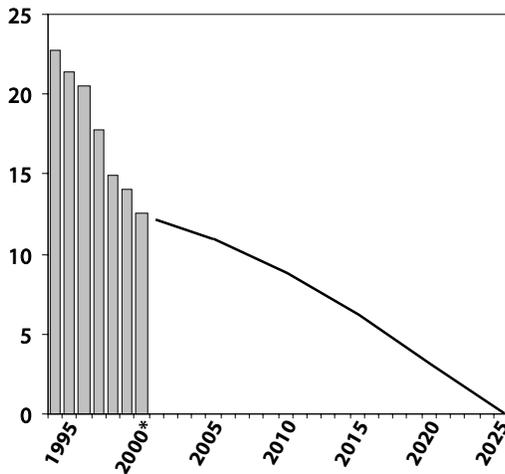


\* Alberta Treasury estimate based on latest available data. On a consolidated basis where possible. Excludes pension liabilities.

- Alberta's net debt has been eliminated, with total financial assets exceeding total liabilities.
- At March 31, 2000, Alberta's financial assets are forecast to be \$20.9 billion. Total liabilities (excluding pension obligations) are forecast to be \$19.0 billion, resulting in net assets of about \$1.9 billion.

## ALBERTA'S ACCUMULATED DEBT

As of March 31 (billions of dollars)

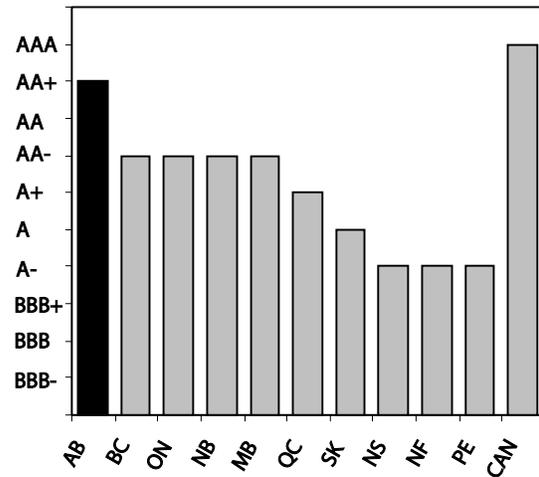


\* Forecast accumulated debt at March 31, 2000.  
**Source:** Alberta Treasury

- The province's accumulated debt is expected to be \$12.5 billion at March 31, 2000.
- Alberta has a 25-year plan to eliminate its remaining accumulated debt, starting in 2000-01.

## CREDIT RATING

As of February 1, 2000\*

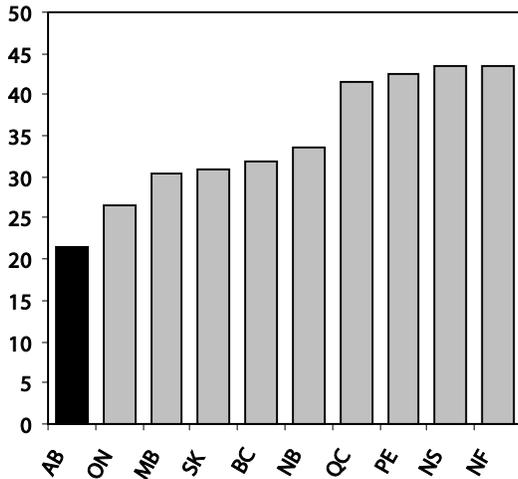


\* Standard and Poor's Canadian domestic dollar debt ratings.  
**Note:** PE is not rated by S&P. Moody's rating of PE has been converted to S&P's scale.  
**Source:** Standard and Poor's, and Moody's

- All four major rating agencies (Standard and Poor's, Moody's, Dominion Bond Rating Service, and Canadian Bond Rating Service) rank Alberta as the top province in Canada for credit worthiness on Canadian dollar debt.
- While for domestic issues Canada has a slightly higher credit rating, Alberta has the same credit rating as Canada for international issues.

## BORROWING COSTS

As of February 1, 2000 (basis points)\*

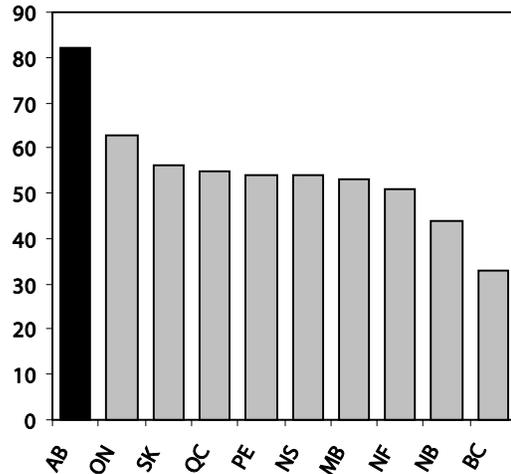


\* Interest rates spread relative to 10-year Government of Canada bond rate. A basis point is one-hundredth of a percentage point.  
**Source:** CIBC Wood Gundy

- Alberta has the lowest interest rate spread relative to the ten-year Government of Canada bond of any province in Canada.
- Alberta's strong fiscal performance and top credit rating have led to lower borrowing costs for the province.

## FISCAL PERFORMANCE INDEX

March 23, 1999 (scale from 0 to 100)\*



\* Component ratings include changes in spending, government revenue, and in the structure of taxation.  
**Source:** Fraser Institute.

- Based on the Fraser Institute's measure of fiscal performance, Alberta out-performed all provinces and 46 states in the United States as the most fiscally responsible jurisdiction for the third consecutive time.
- According to the index, which is based upon the tax and expenditure behaviour of governments, Alberta surpassed Ontario by 30%.

# BUDGET

New Century. **Bold Plans.**

# 2000

## ALBERTA TAX ADVANTAGE

# Table of Contents

Bold New Tax System .....	113
Business Tax Review .....	120
Education Property Tax Cuts .....	122
Tax Cuts Since 1994 .....	123

## **LIST OF TABLES**

Comparison of Alberta Tax - Old and New Systems .....	118
Tax Plan Savings for Albertans .....	119
Tax Revenue by Source .....	126
2000-01 Revenue from Tax Sources .....	127
Interprovincial Tax and Health Care Insurance Premium Comparison, 2000 .....	128
Major Provincial Tax Rates, 2000 .....	129
Top Marginal Personal Income Tax Rates, 2000 .....	129

# Alberta Tax Advantage

*"It's not our money. It's yours. Like all governments, we have your permission to collect what we need to provide you with services. But it is then our obligation to give back what we don't need."*

**Premier Ralph Klein,**  
January 31, 2000

*Eliminating the 8% surtax in 2000 leaves \$144 million more in Albertans' pockets.*

*"... the Alberta Treasurer's recent budget is of major economic and political significance for the rest of us. In one move, it has pushed tax reform – radical, root-and-branch reform – squarely onto the national agenda."*

**Andrew Coyne,**  
National Post,  
March 15, 1999

## **BOLD NEW TAX SYSTEM**

In 1999, Alberta introduced a bold new tax plan that will not only reduce Albertans' personal income taxes substantially, but will also fundamentally change the province's personal income tax system, making it more simple and fair. The plan will culminate in a new single rate tax system, unhooked from the federal one. We will remove low income taxfilers from the tax rolls, restore indexation, address the difference in tax burdens between one and two income families, and encourage economic growth.

Last year we said that the plan would proceed on a step-by-step basis, with each step being taken only if it were affordable and would not endanger debt repayment or essential government programs. We indicated that we would move the tax plan forward if revenues were much better than expected.

Alberta's buoyant economy has led to higher-than-budgeted revenues. As announced last fall, we've accelerated the tax plan. On January 1, 2000, we eliminated the 8% surtax imposed in 1987 when we were battling the deficit. Albertans will have \$144 million more in their pockets as a result. Further, we will match any federal tax cuts for 2000, pending introduction of our new tax system.

## **ALBERTA'S NEW SINGLE RATE TAX SYSTEM**

On January 1, 2001, we will abolish the other deficit elimination tax, the 0.5% flat tax, and move to the new single rate system. The key components of Alberta's new tax system are:

- the province will unhook from the federal system by levying provincial income tax on taxable income;
- a single rate of 11% will apply on taxable income;
- the basic exemption will be increased significantly, from \$7,131 to \$11,620 and the spousal exemption from \$6,055 to \$11,620;
- all other non-refundable credits will still apply, and
- the basic and spousal exemptions will be fully indexed to inflation, eliminating bracket creep.

Some may ask why we're not moving to the new tax system in 2000, given Alberta's strong revenue picture. The federal government has indicated that it can't administer the move to the single rate tax system until 2001. Provinces can move to tax on income in 2000, but only if they parallel their current tax on tax structure. This adds complexity without any real benefit. Therefore, we won't make the move until 2001.

*“It [single rate tax] helps to mitigate the perverse incentives at both the top and bottom ends of the tax system that discourage people from making the most of their economic opportunities because taxes simply take too big a share of the rewards of their efforts.”*

Globe and Mail,  
March 12, 1999

*The tax plan returns \$852 million to Albertans, removing 132,000 low income Albertans from the tax rolls.*

*“As the storm settles on the debate over tax reductions, a consistent pattern rises like morning light through the dissipating fog – lower taxes invigorate the economy, increasing opportunities and quality of life.”*

Stockwell Day,  
Provincial Treasurer,  
February 1, 2000

## TAX SAVINGS

The healthy economy has led to strong population and employment growth, higher wages and salaries and more investment income. The combination of more Albertans working and earning higher incomes has resulted in more personal income tax revenue. The size of a tax cut increases with higher revenue, so the cost of the tax plan has been revised upward to \$852 million in 2001. Even with the acceleration of the tax plan, government revenues will be significantly higher than forecast in Budget '99.

The number of Albertans removed from the tax rolls also increases. Last year we indicated that 78,000 would be removed from the tax rolls as a result of the new system. This number has been revised upward to 132,000.

### Annual Savings from Tax Plan (Calendar Year)

(millions of dollars)

	1999	2000	2001
<b>1999 Tax Savings</b>			
Match federal increase to basic and spousal exemptions	55	92	94
<b>New Tax Savings</b>			
Eliminate 8% surtax on January 1, 2000	—	144	162
Eliminate 0.5% flat tax and move to new single rate system on January 1, 2001	—	—	596
<b>TOTAL</b>	<b>55</b>	<b>236</b>	<b>852</b>

## BENEFITS OF THE NEW SYSTEM

The new system is simple. In 2001, there will be only one bracket. The 0.5% flat tax will be eliminated, and the current low income reduction will be replaced by higher personal and spousal exemptions.

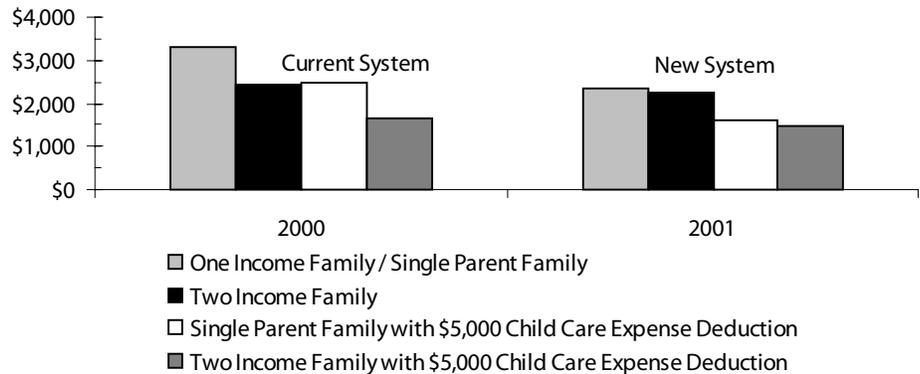
The new system is fair. Low income Albertans will be better off – 132,000 will be taken off the provincial tax rolls as a result of the new system and the rest will see their taxes reduced. In 2001, families with two children who earn less than \$31,000 will pay no provincial income tax. For these families, the refundable Alberta Family Employment Tax Credit will exceed Alberta tax payable.

Under the current system, one income families pay more in taxes than their two income counterparts because spouses in two income families both receive the basic exemption. In comparison, the taxpayer in the one income family claims the basic exemption and the smaller spousal exemption. Another reason one income families pay more is that their incomes get pushed into higher tax brackets sooner, so more of their incomes are taxed at higher rates.

*The new system reduces the difference in income taxes paid by one and two income families.*

The new tax system reduces the difference in income taxes paid by one and two income families. Both the basic and spousal exemptions will be increased, but they will also be made equal. Single parent families will benefit from the larger equivalent-to-spousal exemption they can claim for one child. As well, with a single rate system, there is no higher bracket at which income is taxed.

**Comparison of Alberta Income Taxes Payable by Families with \$55,000 Income and Two Children**



*“Alberta is blazing the trail for tax reform ...”*

National Post,  
March 12, 1999

Alberta will be the first jurisdiction in Canada to eliminate bracket creep from its provincial personal income tax system. Under the federal system, non-refundable credits and bracket thresholds are only increased by the amount that the Consumer Price Index exceeds 3% in a given year. As Canada’s inflation rate has been lower than 3% since 1992, there has been no indexing since that time. As a result, taxpayers are paying more and more tax over time without a corresponding increase in spending power.

*“The single tax rate completely eliminates the effect of bracket creep inherent in the many marginal tax rates of the ... federal tax system. Since there is only one rate, inflation is powerless to push you into a higher bracket.”*

Globe and Mail,  
March 12, 1999

This hidden tax increase will be eliminated in Alberta. The basic and spousal exemptions will be fully indexed to the Alberta Consumer Price Index. This will benefit all taxpayers, but is particularly helpful for low and middle income Albertans because the exemptions represent a larger portion of their incomes. Those Albertans who initially see modest tax cuts under the plan will see their benefits grow over time as a result of indexing.

About two thirds of Albertans' personal income taxes go to the federal government. Albertans pay the federal government \$1 billion annually as a result of bracket creep. We encourage the federal government to follow our example and eliminate bracket creep.

Our new tax system rewards initiative and strengthens the Alberta Advantage by leaving more money in taxpayers’ pockets. It encourages economic growth. The analysis in Budget ’99 indicates that by 2006, five years after full implementation of the tax plan, Alberta’s real GDP is expected to be about 1%, or \$1.3 billion, larger than it would have been without the tax changes, and employment about 20,000 higher. By 2006, the increase in economic activity will offset about 40% of the direct costs of the tax cut.

*“... Day's announcement of a plan for meaningful tax reform – aiding single- and low-income families, a flat tax and the elimination of bracket creep – confirms Alberta's position on the leading edge of innovative public policy ...”*

Calgary Herald,  
March 12, 1999

## UNHOOKING FROM THE FEDERAL SYSTEM

All provinces and territories, except Quebec, have tax collection agreements with the federal government. Under the current agreements, provinces set their own tax rates as a percentage of basic federal tax, but are tied to federal deductions, brackets, and support levels for non-refundable credits.

Under new arrangements, Alberta will unhook from the federal system by levying provincial tax on taxable income rather than on basic federal tax. The federal government will continue to collect taxes for Alberta under the tax collection agreement so there won't be additional costs for a separate administration. Albertans will continue to file only one return, the federal form with an Alberta attachment.

Unhooking means that we will no longer be tied to the federal bracket and rate structure, and we won't be limited to providing the federal level of credit support. By unhooking, we can reduce the number of provincial brackets from three to one, increase the personal and spousal exemptions and index those exemptions. We can build a made-in-Alberta tax system that is fair and simple.

The province will continue to provide the same non-refundable tax credits, including the age amount, the charitable donation amount and the tuition and education amounts. Provincial support for our credits will increase from about 7.5% of the credit amounts – the lowest federal tax rate of 17% multiplied by the current provincial rate of 44% – to 11%.

For charitable donations, the credit will increase from 7.5% to 11% on the first \$200 of donations. The credit for donations over \$200 will remain at the current rate of 12.75%. In addition, the province will continue to provide a provincial dividend tax credit, overseas employment tax credit, foreign tax credit and political contributions tax credit.

Credits that can be transferred or carried forward under the federal system will continue to receive the same treatment under the Alberta system. Low and middle income working Alberta families will continue to receive the Alberta Family Employment Tax Credit.

## Alberta Non-Refundable Tax Credit Block, 2001

(all figures in dollars unless otherwise indicated)

	Maximum Amount (A)	TaxRate (B)	Deduction from Alberta Tax (A) x (B)
Basic personal amount (exemption)	11,620	11%	1,278
Spousal amount	11,620	11%	1,278
Equivalent-to-spousal amount	11,620	11%	1,278
Age amount	3,482	11%	383
Dependent amount	2,353	11%	259
CPP contributions <sup>a</sup>	1,488	11%	164
EI contributions <sup>b</sup>	936	11%	103
Pension income amount	1,000	11%	110
Disability amount	4,233	11%	466
Tuition and education amounts	variable	11%	variable
Medical expenses	variable	11%	variable
Caregiver amount	2,353	11%	259
Interest on student loans	variable	11%	variable
Donations and gifts			
- first \$200	200	11%	22
- over \$200	75% of income	12.75%	variable

<sup>a</sup> estimated using \$38,100 as the maximum pensionable earnings

<sup>b</sup> estimated using \$39,000 as the maximum insurable earnings

*"We are the envy and trend-setters of Canada. The tax reforms ... will undoubtedly change the way every province in Canada ends up collecting its taxes in the future."*

Calgary Sun,  
March 12, 1999

*"Day ... believes a single-rate tax is a more fair and efficient way to collect income tax. Surely he's right, and we really hope that this model is adopted across Canada."*

Lloydminster Daily Times,  
December 6, 1999

In 2001, when the tax plan is fully implemented, Albertans at all income levels will pay lower taxes than in 1996, the year before we started cutting personal income taxes.

Matching the federal increase to the basic and spousal exemptions, effective July 1, 1999, and paralleling any reductions the federal government introduces in 2000, provide Albertans with significant tax cuts in 1999 and 2000. We don't want to charge Albertans more taxes than necessary this year simply so we can show that taxes for everybody are lower in 2001. We're sure that no one will object to an extra tax break in 1999 and 2000.

# Comparison of Alberta Tax - Old and New Systems

Single Income Family Earning \$50,000 with Two Children

(dollars)

## CALCULATION OF TAXABLE INCOME AND BASIC FEDERAL TAX IN 2001

<b>Total Income</b>	<b>50,000</b>
Minus RRSP deduction	5,000
<b>Taxable Income</b>	<b>45,000</b>
<b>Preliminary Federal Tax</b>	
Bracket 1 Tax:	5,030
Lesser of Taxable Income and \$29,590 x 17%	
Plus Bracket 2 Tax:	4,007
Taxable Income over \$29,590, but not over \$59,180 x 26%	
Plus Bracket 3 Tax:	-
Taxable income over \$59,180 x 29%	
<b>Preliminary Federal Tax</b>	<b>9,037</b>
<b>Federal Non-Refundable Tax Credits</b>	
Basic	7,131
Spousal	6,055
Employment Insurance Premiums	936
Canada Pension Plan Premiums	1,488
Other Amounts	-
Total Amounts	15,610
<b>Total Credits (Total Amounts x 17%)</b>	<b>2,654</b>
<b>Basic Federal Tax</b>	
Preliminary Federal Tax	9,037
Minus Total Credits	2,654
<b>Basic Federal Tax</b>	<b>6,383</b>

## NEW SINGLE RATE SYSTEM

<b>ALBERTA TAX PAYABLE IN 2001</b>	
<b>Taxable Income x 11%</b>	<b>4,950</b>
Minus Alberta Non-Refundable Tax Credits:	
Basic	11,620
Spousal	11,620
Other Federal Amounts	2,424
Alberta Amounts	25,664
<b>Total Credits (\$25,664 x 11%)</b>	<b>2,823</b>
Minus Alberta Family Employment Tax Credit	200
<b>Total Alberta Tax</b>	<b>1,927</b>

**SAVINGS IN 2001: \$907**

## OLD TAX ON TAX SYSTEM

<b>ALBERTA TAX PAYABLE IN 2001</b>	
<b>Basic Federal Tax (BFT)</b>	<b>6,383</b>
Basic Alberta Tax (BFT x 44%)	2,809
Plus Alberta Flat Tax (Taxable Income x 0.5%)	225
<b>Total Taxes before Reduction and Refundable Credits</b>	<b>3,034</b>
Minus Alberta Selective Tax Reduction	-
Minus Alberta Family Employment Tax Credit	200
<b>Total Alberta Tax</b>	<b>2,834</b>

# Tax Plan Savings for Albertans<sup>a</sup>

(dollars)

Income	Alberta Taxes Paid				Savings 1996 to 2001
	1996	1999	2001	2003 <sup>b</sup>	
<b>Single</b>					
20,000	1,066	1,007	791	734	275
30,000	1,763	1,679	1,707	1,643	56
40,000	2,570	2,455	2,415	2,340	155
55,000	4,047	3,874	3,713	3,638	334
75,000	6,417	6,168	5,605	5,530	812
100,000	9,662	9,310	8,025	7,950	1,637
<b>One Income Family or Single Parent Family with Two Children</b>					
20,000	545	(604)	(1,000)	(1,000)	1,545
30,000	1,347	397	(411)	(520)	1,758
40,000	2,153	1,463	577	457	1,576
55,000	3,608	3,349	2,347	2,227	1,261
75,000	5,967	5,706	4,327	4,207	1,640
100,000	9,212	8,848	6,747	6,627	2,465
<b>Two Income Family with Two Children</b>					
20,000	235	(840)	(1,000)	(1,000)	1,235
30,000	1,145	210	(214)	(273)	1,359
40,000	1,697	994	582	468	1,115
55,000	2,708	2,479	2,241	2,117	467
75,000	4,455	4,254	4,122	3,983	333
100,000	7,131	6,827	6,546	6,396	585
<b>Single Senior</b>					
20,000	771	699	429	384	342
30,000	1,689	1,613	1,596	1,551	93
40,000	3,038	2,919	2,861	2,816	177
55,000	5,090	4,895	4,662	4,617	428
75,000	7,979	7,692	6,862	6,817	1,117
100,000	11,667	11,262	9,612	9,567	2,055
<b>Senior Couple<sup>c</sup></b>					
25,000	—	—	—	—	—
30,000	232	156	—	—	232
40,000	1,448	1,326	858	767	590
55,000	3,007	2,866	2,607	2,517	400
75,000	5,401	5,184	5,090	4,999	311
100,000	8,794	8,459	8,090	8,001	704

<sup>a</sup> Calculations include RRSP/RPP contributions, except for seniors, and the Alberta Family Employment Tax Credit where applicable.

<sup>b</sup> Assumes inflation for Alberta of 1.8% in 2001 and 1.7% in 2002.

<sup>c</sup> Blank lines indicate the senior couple pays no Alberta income tax and receives the Alberta Seniors Benefit.

## BUSINESS TAX REVIEW

In 2001, a bold new personal income tax system will be implemented, as recommended by the Alberta Tax Review Committee. It is now time to review the taxes paid by Alberta businesses.

*“The widening differential between Canadian and American tax regimes, especially for personal and corporate income taxes, is raising serious concerns about Canada's competitiveness over the longer term.”*

Standard & Poor's,  
Canadian Focus,  
Special Report: The Provinces,  
December 1999

It is important to re-examine the level and mix of Alberta business taxes on a regular basis to ensure the tax system is competitive while still providing an appropriate level of government revenue to help support Alberta's priority programs. The government has therefore appointed a committee to investigate the competitiveness of Alberta's business tax regime, seek the views of Albertans, and make recommendations on improving our current business tax environment.

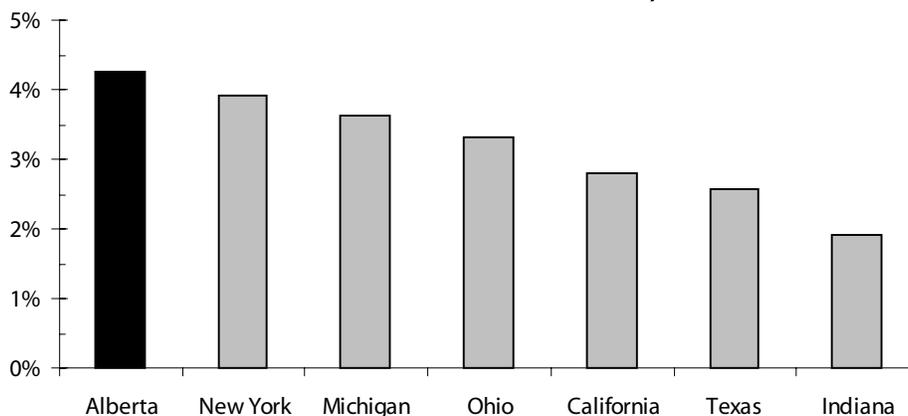
Having the lowest overall business taxes in Canada is not sufficient in a global economy. Our tax regime must be internationally competitive as well.

The North American Free Trade Agreement (NAFTA) and our proximity to the United States provide Alberta with many advantages, including access to large markets and a growing pool of technology. However, our relationship with the United States also creates challenges. American business taxes are significantly lower than those in Canada. Our firms must compete with those in the United States not only to sell goods and services, but also to attract skilled labor. The cost of doing business in Alberta, which includes Alberta taxes, must not put our businesses at a competitive disadvantage with our nearest neighbour and largest trade partner.

*“Alberta has focused on personal income tax as the most urgent need for reform. However, the Alberta government recognizes that it also has to be vigilant with respect to business taxes ...”*

Stockwell Day,  
Standard & Poor's,  
Canadian Focus,  
December 1999

**Corporate Income Tax as a Percentage of GDP  
Alberta versus Selected U.S. States, 1997**

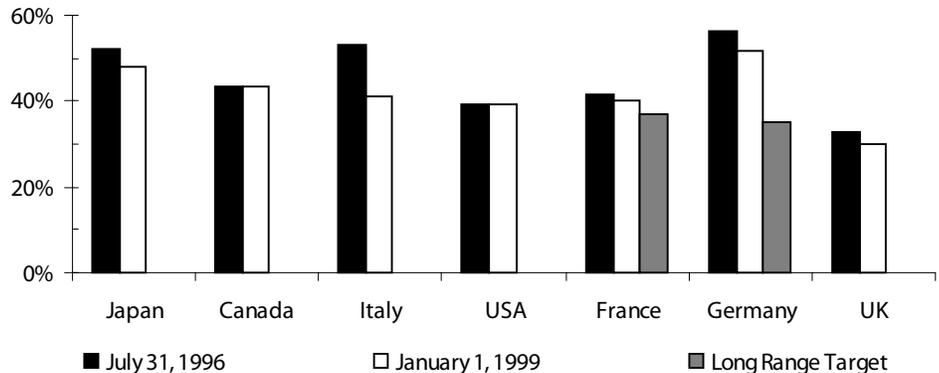


*“Only Canada and the United States are failing to reform business taxes in a substantial way at this time. But Canada’s fiercest competitor, the United States, is now looking at its taxation measures, which could result in substantial tax cuts, perhaps for businesses as well as individuals in the future.”*

**“Why Canada Must Undertake Business Tax Reform Soon”,**  
**Jack M. Mintz,**  
**C.D. Howe Institute,**  
**November 1999**

Other nations have recognized the benefits of a competitive tax regime and have accordingly taken steps to reduce their tax burden. Since 1996, all nations in the G-7, except Canada and the United States, have reduced, or announced future reductions to, business taxes. The trend toward lower business taxes in the rest of the world could result in Alberta losing ground. Businesses could choose not to locate here. Alberta corporations could relocate if opportunities arose.

**Statutory Corporate Income Tax Rates  
 1996, 1999, and Long Range Targets**



Source: "Why Canada Must Undertake Business Tax Reform Soon", Jack M. Mintz, C. D. Howe Institute, November 1999.

Even a jurisdiction with a low level of taxation does not necessarily have the optimum mix of taxes. Some taxes are more damaging to the economy than other taxes. Different taxes affect industrial sectors differently. In some cases, competitiveness can be enhanced by reducing the revenue generated from one tax, while increasing the revenue generated from another tax. The Committee will consider whether Alberta has the appropriate mix, as well as level, of business taxes.

Alberta must remain competitive to keep our existing businesses, attract new industries, maintain our skilled Alberta labour force, increase our real wages, increase savings and investment, and provide the best standard of living possible. The appointment of the Alberta Business Tax Review Committee is an important step to ensure we remain competitive.

## ALBERTA BUSINESS TAX REVIEW COMMITTEE TERMS OF REFERENCE

*“Canadian firms must understand that competing in Canada alone will eventually destroy them. They must decide to compete globally and compete on the basis of unique products and processes. This road will be profoundly worrisome, even frightening, but it is necessary for Canada to prosper and not continue to slowly decline relative to other leading nations.”*

Michael Porter,  
quoted in the National Post,  
January 22, 2000

In 2001, the province will move to a new personal income tax system in response to the 1998 recommendations of the Alberta Tax Review Committee. These changes will result in lower personal income taxes for all Albertans, encourage economic growth and enhance our competitive position.

The government recognizes that business taxes also affect the economy and our competitiveness. The Provincial Treasurer is therefore appointing the Alberta Business Tax Review Committee to examine the level and mix of provincial business taxes including the following:

- corporate income tax (general, manufacturing and processing and small business rates and tax credits);
- capital tax on financial institutions;
- insurance premiums tax;
- hotel room tax;
- fuel tax; and
- provincial portion of non-residential property tax (having regard to the work of any provincially appointed property tax committees).

The review will examine the impact of business taxes on Alberta's economic and business climate, our international competitiveness, the impact of technology on business and commerce, and will include recommendations promoting Alberta's well-being.

The Committee will submit a report to the Provincial Treasurer by September 1, 2000.

### EDUCATION PROPERTY TAX CUTS

In 1994, the province assumed responsibility for ensuring that education property taxes are collected and distributed on an equitable basis. We wanted to make certain that all children have access to high quality education, regardless of the property tax base in their community.

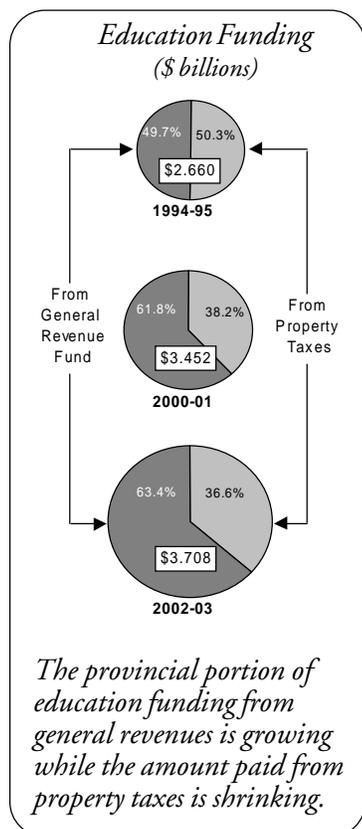
In 1999, the government established the MLA Committee on Education Property Tax to make recommendations to improve fairness and equity in the education property tax system. The Committee's interim recommendations have been implemented and the review of education property taxes is continuing.

In 2000, we are reducing the provincial education property tax mill rates by 2.6%. The rate for residential and farm property will be reduced from \$6.95 to \$6.77 per \$1,000 of equalized assessment while the rate for business will be lowered from \$10.20 to \$9.94. In addition, averaging and a cap of 5% are being applied on the growth of each municipality's equalized assessment base.

These education property tax measures will offset average inflation in property values across the province. Total education property tax revenue will grow, but only because new homes and businesses are being built and added to the tax base.

For some homeowners and businesses, education property taxes may rise because their property increased in value more than average. For others, these taxes may fall because the market value of their property declined, or rose less than average.

The proportion of basic K-12 education funding coming from property taxes has been reduced significantly. In 1994-95, 50% of education funding came from education property taxes. In 2000-01, property taxes will contribute about 38% of basic education funding. This is expected to decline to less than 37% by 2002-03.



## TAX CUTS SINCE 1994

By 2001, annual savings from tax cuts introduced since 1994 will reach \$1.44 billion, with 81% of the savings going to individuals and 19% to business.

### Annual Savings from Tax Reductions, 1994 to 2001<sup>a</sup>

(millions of dollars)

#### Savings for Individuals

Personal Income Taxes	1,004
Alberta Family Employment Tax Credit	78
Provincial Education Property Tax on Residential and Farm Properties	87
<b>Savings for Individuals</b>	<b>1,169</b>

#### Savings for Business

Provincial Education Property Tax on Business	50
Provincial Machinery and Equipment Property Tax	178
Aviation Fuel Tax	29
Railway Fuel Tax	13
<b>Savings for Business</b>	<b>270</b>

#### Total Savings for Individuals and Business

**1,439**

<sup>a</sup> The difference in tax that would be paid in 2001 under the 1994 tax system and the amount that will be paid under the 2001 system.

We have cut personal income taxes every year since 1997 on an affordable and sustainable basis. In 1997, the first tax reductions were directed towards low and middle income families through the Alberta Family Employment Tax Credit. In 1998, we doubled the Alberta Family Employment Tax Credit and lowered taxes for all Albertans by reducing the basic rate from 45.5% to 44%. In 1999, we matched federal increases to the basic and spousal exemptions. We eliminated the 8% surtax, effective January 1, 2000, and in 2001, we will move to the new income tax system.

*“... he [Stockwell Day] has put into play a competitive dynamic that will help to bring down taxes across the country.”*

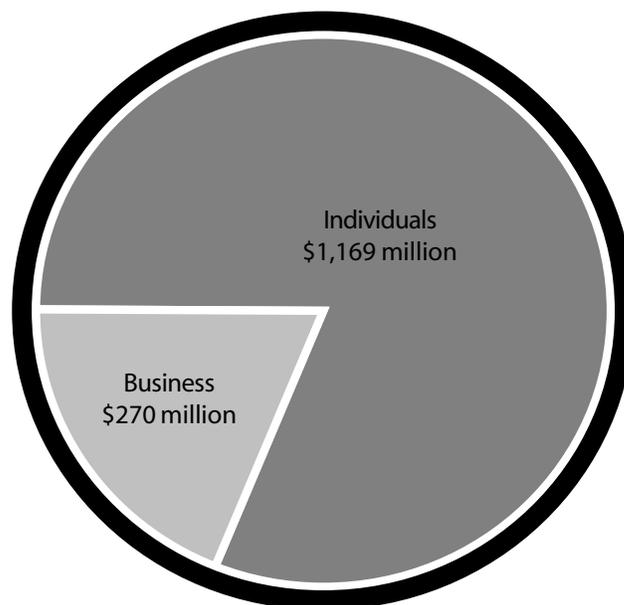
Globe and Mail,  
March 12, 1999

We have also reduced provincial education property taxes. Since 1994, the uniform mill rate for residential and farm property has been reduced from \$7.52 to \$6.77 per \$1,000 of equalized assessment, while the rate for business has dropped from \$10.75 to \$9.94 per \$1,000 of equalized assessment.

We phased out the provincial education property tax on machinery and equipment between 1996 and 1998, saving manufacturing and processing businesses \$178 million annually. Investment was stimulated and jobs in value-added and processing industries created without shifting the cost to other property taxpayers. This was accomplished by tying the elimination of the tax to increased investment in the manufacturing and non-conventional oil sectors. This ensured that the loss from machinery and equipment tax revenue was offset through increases in other tax revenue generated by the additional investment.

The province has also lowered aviation and railway fuel taxes. In 1997, we cut the aviation fuel tax from 5 cents per litre to 1.5 cents per litre. In 1998 and 1999 we dropped the railway fuel tax in two stages, from 9 cents per litre to 3 cents per litre.

1994 to 2001 Savings – \$1.439 billion



## Tax Charts and Tables

# Tax Revenue by Source

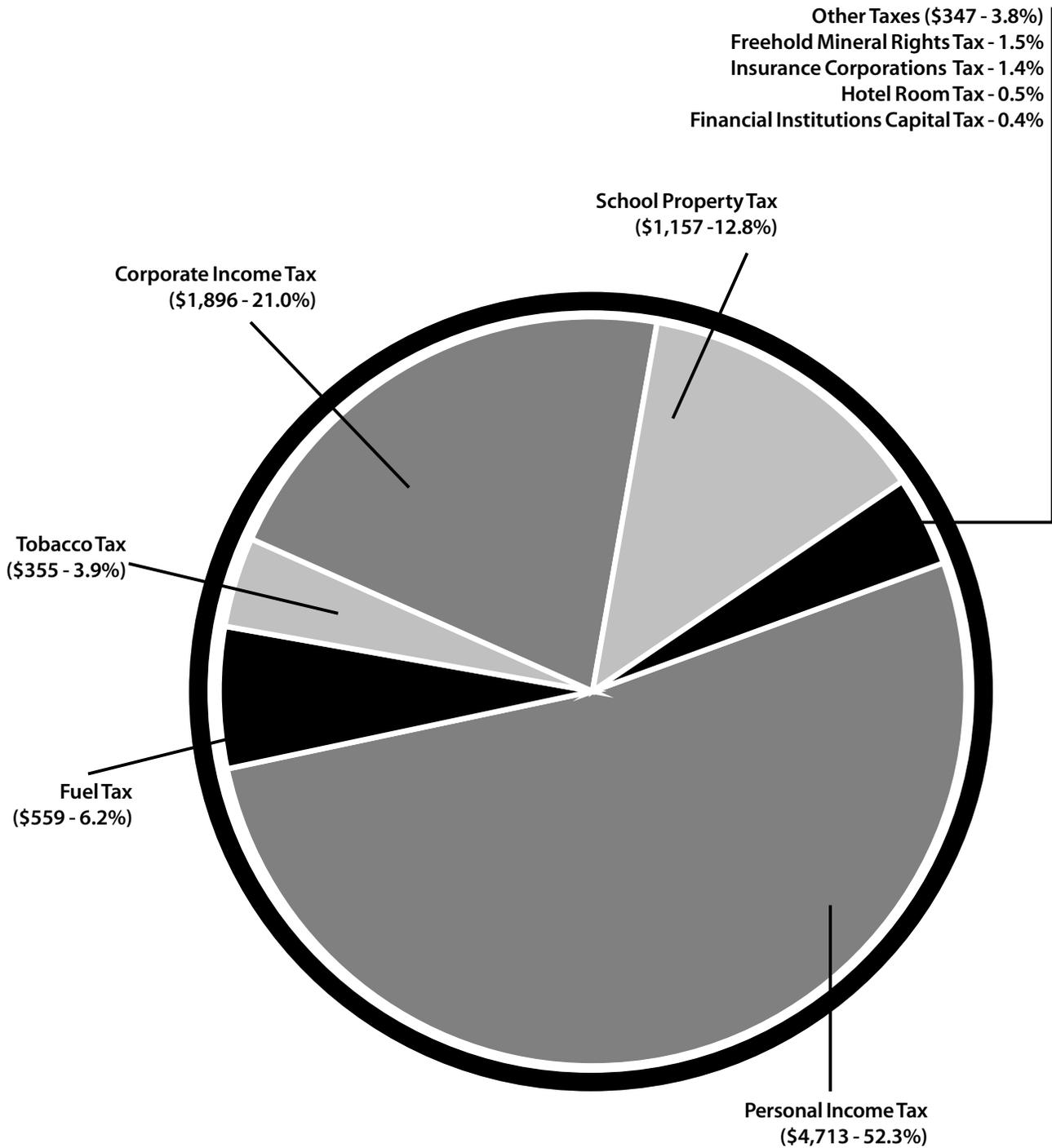
(millions of dollars)

2000-01 ESTIMATE

---

**Total Tax Revenue \$9.027 billion**

---



# 2000-01 Revenue from Tax Sources

(millions of dollars)

Tax	Total Revenue	2000 Tax Rate <sup>a</sup>	Annual Revenue per Unit of Tax
<b>1. Personal Income Tax<sup>b</sup></b>	<b>4,713</b>		
<b>Apr. 2000 - Dec. 2000</b>			
Basic Rate	3,348	44.0%	101.5 per point
Flat Tax	244	0.5%	325.5 per half point
Selective Tax Reduction	(64)		(difficult to express in per unit terms)
<b>Jan. 2001 - Mar. 2001</b>			
Single Rate on Taxable Income	1,185	11.0%	431.0 per point
<b>2. Corporate Income Tax</b>	<b>1,896</b>		
General Rate	1,340	15.5%	86.5 per point
M&P Rate	351	14.5%	24.0 per point
Small Business Rate	205	6.0%	34.0 per point
<b>3. Fuel Tax</b>	<b>559</b>		
Gasoline and Diesel	526	9¢/litre	58.5 per ¢/litre
Railway	7	3¢/litre	2.5 per ¢/litre
Aviation	12	1.5¢/litre	8.0 per ¢/litre
Propane	14	6.5¢/litre	2.0 per ¢/litre
<b>4. Tobacco Tax</b>	<b>355</b>	\$14/carton	25.5 per \$/carton
<b>5. School Property Tax</b>	<b>1,157</b>		
Residential/Farm Property	649	\$6.77/\$1,000 of assessment	96.0 per \$/\$1,000 of assessment
Non-Residential	508	\$9.94/\$1,000 of assessment	51.0 per \$/\$1,000 of assessment
<b>6. Freehold Mineral Rights Tax</b>	<b>135</b>		(difficult to express in per unit terms)
<b>7. Insurance Corporations Tax</b>	<b>127</b>		
Life, Accident, Sickness	34	2% of premium	17.0 per point
Other	93	3% of premium	31.0 per point
<b>8. Financial Institutions Capital Tax</b>	<b>38</b>		
First \$400 million of Taxable Capital	5	0.7%	7.0 per point
Over \$400 million of Taxable Capital	33	1.0%	33.0 per point
<b>9. Hotel Room Tax</b>	<b>47</b>	5.0%	9.5 per point

<sup>a</sup> Except for personal income tax which shows both the 2000 rate on basic federal tax and the 2001 rate on taxable income.

<sup>b</sup> The basic rate is a percentage of basic federal tax. The flat tax is 0.5% of taxable income.

# Interprovincial Tax and Health Care Insurance Premium Comparison, 2000

(dollars)

	AB	BC	SK	MN	ON	QC	NB	NS	PE	NF
<b>Employment Income of \$30,000 – One Income Family with Two Children</b>										
Provincial Income Tax	357	423	1,700	843	221	(767)	1,384	1,144	1,398	1,556
Provincial Sales Tax	—	616	482	775	979	1,105	1,031	966	1,200	1,141
Health Care Premium	612	648	—	—	—	—	—	—	—	—
Payroll Tax	—	—	—	362	373	1,054	—	—	—	308
Fuel Tax	270	330	450	345	441	456	321	405	390	495
Tobacco Tax	350	550	430	400	133	215	208	241	331	550
	1,589	2,567	3,062	2,725	2,147	2,063	2,944	2,756	3,319	4,050
<b>Alberta Advantage</b>		<b>978</b>	<b>1,473</b>	<b>1,136</b>	<b>558</b>	<b>474</b>	<b>1,355</b>	<b>1,167</b>	<b>1,730</b>	<b>2,461</b>
<b>Employment Income of \$55,000 – Two Income Family with Two Children</b>										
Provincial Income Tax	2,421	2,554	3,501	2,977	1,657	3,604	3,095	2,966	3,018	3,360
Provincial Sales Tax	—	879	698	1,101	1,405	1,454	1,490	1,388	1,738	1,648
Health Care Premium	612	648	—	—	—	—	—	—	—	—
Payroll Tax	—	—	—	664	684	1,932	—	—	—	565
Fuel Tax	405	495	675	518	661	684	481	608	585	743
Tobacco Tax	350	550	430	400	133	215	208	241	331	550
	3,788	5,126	5,304	5,660	4,540	7,889	5,274	5,203	5,672	6,866
<b>Alberta Advantage</b>		<b>1,338</b>	<b>1,516</b>	<b>1,872</b>	<b>752</b>	<b>4,101</b>	<b>1,486</b>	<b>1,415</b>	<b>1,884</b>	<b>3,078</b>
<b>Employment Income of \$100,000 – Two Income Family with Two Children</b>										
Provincial Income Tax	6,710	7,056	9,389	8,954	5,488	11,757	8,553	8,197	8,370	9,338
Provincial Sales Tax	—	1,448	1,124	1,761	2,298	2,255	2,407	2,248	2,811	2,646
Health Care Premium	612	648	—	—	—	—	—	—	—	—
Payroll Tax	—	—	—	1,207	1,243	3,513	—	—	—	1,027
Fuel Tax	405	495	675	518	661	684	481	608	585	743
Tobacco Tax	350	550	430	400	133	215	208	241	331	550
	8,077	10,197	11,618	12,840	9,823	18,424	11,649	11,294	12,097	14,304
<b>Alberta Advantage</b>		<b>2,120</b>	<b>3,541</b>	<b>4,763</b>	<b>1,746</b>	<b>10,347</b>	<b>3,572</b>	<b>3,217</b>	<b>4,020</b>	<b>6,227</b>

Calculations based on tax rates known at February 1, 2000.

#### Assumptions:

- In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for health care insurance premiums.
- Fuel tax is based on estimated consumption of 3,000 litres per year for one income families and 4,500 litres for two income families.
- Tobacco tax is based on estimated consumption of 100 packs per adult per year.
- Income is split 60/40 for the \$55,000 and \$100,000 comparisons.
- Business bears between 25% and 50% of sales tax, dependent upon the provincial tax regime.
- RRSP/RPP contributions included in calculation of personal income tax.

# Major Provincial Tax Rates, 2000

		AB	BC	SK	MN	ON	QC	NB	NS	PE	NF
<b>Personal Income Tax<sup>a</sup></b>											
Basic Rate	(%)	44.0	49.5	48.0	47.0	38.5	n.a.	60.0	57.5	58.5	62.0
Surtax	(%)	—	30/45	10/25	2.0	20/56	n.a.	8.0	10.0	10.0	6/16
Flat Tax	(%)	0.5	—	2.0	2.0	—	n.a.	—	—	—	—
<b>Corporate Income Tax</b>											
Small Business Rate	(%)	6.0	5.5	8.0	7.0	8.0	8.9	6.0	5.0	7.5	5.0
M&P Rate	(%)	14.5	—	10/17 <sup>b</sup>	—	13.5	—	—	—	7.5	5.0
General Rate	(%)	15.5	16.5	17.0	17.0	15.5	8.9	17.0	16.0	16.0	14.0
<b>Capital Tax</b>											
General	(max.%)	—	0.30	0.60	0.50	0.30	0.64	0.30	0.25	—	—
Financial Institutions	(max.%)	1.00	3.00	3.25	3.00	0.90	1.28	3.00	3.00	3.00	4.00
<b>Retail Sales Tax</b>											
	(%)	—	7.0	6.0	7.0	8.0	7.5 <sup>c</sup>	8.0 <sup>c</sup>	8.0 <sup>c</sup>	10.0	8.0 <sup>c</sup>
<b>Gasoline Tax</b>											
	(¢/litre)	9.0	11.0 <sup>d</sup>	15.0	11.5	14.7	15.2 <sup>de</sup>	10.7 <sup>e</sup>	13.5 <sup>e</sup>	13.0	16.5 <sup>e</sup>
<b>Tobacco Tax</b>											
	(\$/carton)	14.00	22.00	17.20 <sup>e</sup>	16.00 <sup>e</sup>	5.30 <sup>e</sup>	8.60	8.30 <sup>e</sup>	9.64 <sup>e</sup>	13.25	22.00 <sup>e</sup>
<b>Payroll Tax</b>											
	(max.%)	—	—	—	2.15	1.95	4.26	—	—	—	2.00

Rates for other provinces known as at February 1, 2000.

<sup>a</sup> The basic rate is a percentage of basic federal tax. The surtax is applied above certain thresholds which vary among provinces and is based on: net income in Manitoba, the sum of basic tax and flat tax in Saskatchewan and basic tax in the other provinces. Provinces with two surtaxes have the lower rate and combined rates shown. The flat tax is a percentage of taxable income in Alberta and net income in Saskatchewan and Manitoba. All provinces except PEI and Newfoundland provide tax reductions for low income taxpayers. Quebec's personal income tax system is not directly comparable to those in other provinces.

<sup>b</sup> The general corporate tax rate is reduced by up to 7 percentage points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

<sup>c</sup> These provinces' sales taxes are harmonized with the federal GST and apply to a broader base than other provincial sales taxes.

<sup>d</sup> An additional 4 cents/litre is imposed in the greater Vancouver area, 2.5 cents/litre in Victoria and 1.5 cents/litre in Montreal.

<sup>e</sup> These provinces apply their retail sales taxes on top of this tax.

# Top Marginal Personal Income Tax Rates, 2000

(percent)

	AB	BC	SK	MN	ON	QC	NB	NS	PE	NF
Federal	30.45	30.45	30.45	30.45	30.45	30.45	30.45	30.45	30.45	30.45
Provincial	13.26	20.81	19.90	17.63	17.42	26.00	18.79	18.34	18.66	20.86
Federal Abatement <sup>a</sup>	—	—	—	—	—	(4.79)	—	—	—	—
Total	43.71	51.26	50.35	48.08	47.87	51.66	49.24	48.79	49.11	51.31

Rates for other provinces known as at February 1, 2000.

<sup>a</sup> Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs. This reduces the top basic federal rate of 29% by 16.5%, or 4.79% of taxable income.



# BUDGET

New Century. **Bold Plans.**

# 2000

## FEES AND CHARGES REVIEW



# Fees and Charges Review

*“Like taxes, the only way fees are going in this province are down.”*

Premier Ralph Klein,  
April 21, 1999

*“We are the only government in Canada that is analysing ... fees and charges to see if we can ... bring them down.”*

Stockwell Day,  
Provincial Treasurer,  
December 2, 1999

Effective February 25, 2000, more than 100 government fees are being reduced or eliminated. The reductions are part of the government’s comprehensive review of its fees and charges. In total, Albertans will pay about \$60 million less for a range of government services.

## BACKGROUND

In October 1998, in the case of *Eurig Estate*, the Supreme Court of Canada declared that the probate fees charged in Ontario, which had been established by regulation, were unconstitutional. The Court ruled that if the revenue collected was much greater than the cost of providing a compulsory service, the fee should be considered a tax and, as such, must be established in legislation. Taxes must be established in legislation to ensure that they have been voted on by our elected representatives. This upholds the principle of no taxation without representation.

Ontario and most other provinces reacted to the *Eurig Estate* decision by placing their probate fees in legislation in order to protect the revenue generated. Alberta, however, established the Fees and Charges Review Committee. The Committee is chaired by Mary O’Neill, MLA, St. Albert. It also includes Paul Langevin, MLA, Lac La Biche-St. Paul, Ron Stevens, MLA, Calgary-Glenmore, Norma Mitchell, and Russ Mann.

The Committee’s mandate is to review all government fees and charges, other than taxes established in legislation, to determine if the amounts charged are appropriate. The Committee is also authorized to review the government’s general policy on fees and charges, and to comment on fees and charges levied by other government entities. Alberta was the only province that chose to undertake a formal review of its policy on fees and charges.

To give the Committee time to do its work, the *Government Fees and Charges Review Act* was passed. Essentially, the *Act* protected the government’s fees and charges from legal challenges and prevented the government from increasing fees while the review was in progress. The *Act* has an expiry date of July 1, 2000.

The Committee’s first priority was to identify government fees and charges where the level of revenue collected was greater than the cost of providing the service, and to provide recommendations on those fees by the fall of 1999.

A comprehensive final report will be provided to the Provincial Treasurer by the spring of 2000. The report will provide details of the Committee’s review as well as make recommendations on the government’s general fees

and charges policy. This report will be the foundation for any subsequent changes to government policy on fees and charges and any proposed changes to fees and charges in future years.

## STEPS OF ANALYSIS

To guide its analysis and subsequent recommendations, the Committee established the following general principle, which was drawn from the *Eurig Estate* decision:

*Where a compulsory charge is a genuine fee for service, the fee should reflect the cost of providing the service.*

Once this principle was established, the Committee identified all charges where revenue was greater than cost. Using the principles established in the *Eurig Estate* decision and other legal cases, each charge was then classified as one of the following types.

- **Fee for service** – a charge levied to raise revenue for the cost of providing a specific government service.
- **Fee in support of a valid regulatory system** – a charge levied to offset the cost of operating a regulatory system. An example of a regulatory system is land titles registration. Alberta's Land Titles Offices provide land registration and information services and have custody of all original land titles and source documents.
- **Proprietary charge** – a charge levied for the sale or use of provincially owned natural resources or products. Royalties are an example of this type of charge.
- **Business licence charge** – a charge levied for granting a licence to operate a business that is regulated. The province is authorized under section 92(9) of the *Constitution Act* to raise revenue through this type of charge.
- **Deterrent** – a charge established to discourage conduct that would be detrimental to the proper functioning of a government service or plan.
- **Penalty** – a charge levied as punishment for failing to meet a legal requirement.

Since the *Eurig Estate* decision did not comment on proprietary charges, business licence charges, deterrents, and penalties, only fees for service and fees in support of valid regulatory systems were included in this stage of the Committee's review.

The Committee examined the selected fees to determine if the appropriate costs were included. The Committee noted that the treatment of indirect costs and future capital requirements was different in many ministry submissions. The Committee worked with the ministries to ensure that only appropriate costs were included.

## FINDINGS AND RECOMMENDATIONS

In general, the Committee found that the majority of government fees did not recover the cost of providing the services.

The Committee did recommend that the province reduce the following groups of fees in light of the principles established in the *Eurig Estate* decision:

- Surrogate Court fees for letters of probate and administration,
- Land Titles Registry fees,
- Land Related Information System fees,
- Corporate Registry fees, and
- Personal Property Registry fees.

## SAVINGS TO ALBERTANS

The government agreed with the Committee's recommendations to reduce those fees. The reductions will take effect February 25, 2000. As a result, consumers collectively will pay around \$60 million less per year for these services.

Individual savings will be substantial. For instance, under the old fee schedule, individuals paid \$365 in land title fees when purchasing a \$150,000 house with a \$140,000 mortgage. Under the new fee schedule, this charge has been reduced to \$133.

---

### Example of Land Title Fee Reductions

(dollars)

Service	Old Fee	New Fee
Transfer of Title (\$150,000)	185	65
Registration of Caveat	15	15
Registration of Mortgage (\$140,000)	155	43
Discharge of Caveat	5	5
Discharge of Mortgage	5	5
<b>Total</b>	<b>365</b>	<b>133</b>

---

The province has also significantly reduced the cost of obtaining most letters of probate. When a person dies, a letter of probate helps to settle the estate by certifying that the will is valid and verifying the executor of the will. For an estate worth \$150,000, the cost of the letter will decrease from \$600 to \$300.

Albertans will see similar reductions in many other fees charged by the Land Titles, Corporate and Personal Property Registries. A detailed list of the fee reductions follows.

# Fee Changes

1999-2000

2000-2001

## JUSTICE

### Court Services

Grants of probate or letters of administration:		
For estates under \$10,000	\$25	\$25
For estates between \$10,000 and \$24,999	\$100	\$100
For estates between \$25,000 and \$124,999	\$200-600	\$200
For estates between \$125,000 and \$249,999	\$600	\$300
For estates \$250,000 and over	\$1,500 - 6,000	\$400

## GOVERNMENT SERVICES

### Land Titles

Notification, Transfer, Vesting Order, Leasehold Certificate of Title, Correction, and Reversal	\$35+\$1/\$1,000	\$35+\$1/\$5,000
Mortgage, Encumbrance and Amendments	\$15+\$1/\$1,000	\$15+\$1/\$5,000
Writ of Enforcement	\$15+\$1/\$1,000	\$15+\$1/\$5,000

### Business Corporation Act

Certificate of Incorporation	\$300	\$100
Certificate of Revival	\$300	\$100
Certificate of Continuance under Section 181	\$300	\$100
Certificate of Amalgamation	\$300	\$100
Certificate of Amendment (articles of amendment)	\$75	\$25
Certificate of Restated Articles of Incorporation	\$75	\$25
Filing an Annual Return	\$10	no charge
Certificate of Revocation of Intent to Dissolve	\$50	no charge
Certificate of Dissolution	\$50	no charge
Appointment of Receiver	\$20	no charge
Certificate of Registration (Extra-provincial)	\$300	\$100
Certificate of Amendment (Extra-provincial)	\$75	\$25
Certificate of Amalgamation (Extra-provincial)	\$300	\$100
Certificate of Amendment (articles of reorganization)	\$75	\$25
Certificate of English/French Names Equivalency	\$50	\$25
Certificate of Continuance under Section 261	\$300	\$100
Certificate of Status	\$25	\$5
Search for each corporation (microfiche only)	\$10	\$5
Certification of each file	\$25	\$5
Issuing a Corrected Certificate	\$75	\$50
Printed search, each corporation	\$10	\$1

### Alberta Companies Regulation

Certificate of Incorporation	\$125	\$75
Filing an Annual Return	\$8	no charge
Certificate of Change of Corporate Name	\$50	\$25
Certificate of Amendment	\$50	\$25
Certificate of Restoration	\$125	\$75
Certificate of Status	\$25	\$5
Search for each corporation (microfiche only)	\$10	\$5
Certification of each file	\$25	\$5
Appointment of Receiver	\$20	no charge
Printed search, each corporation	\$10	\$1

# Fee Changes

1999-2000      2000-2001

## Societies Act

Filing an Annual Return	\$8	no charge
Certificate of Status	\$25	\$5
Certificate of Amendment	\$50	\$25
Certificate of Amending Objects	\$50	\$25
Search for each corporation	\$10	\$5
Certification of each file	\$25	\$5
Appointment of a Receiver	\$20	no charge
Printed Search, each corporation (microfiche only)	\$10	\$1

## Partnership Act

Declaration under Section 81, 84 or 85	\$30	\$10
Certificate of Limited Partnership	\$150	\$50
Certificate of Limited Partnership Amendment	\$50	\$15
Certificate of Limited Liability Partnership Registration	\$150	\$50
Limited Liability Partnership Annual Return	\$10	no charge
Computer printed search, each trade name, partnership and limited partnership	\$10	\$1
Search of each trade name, partnership and limited partnership (microfiche only)	\$10	\$5
Certification of each file	\$25	\$5
Uncertified copy of any document or part of a document	\$10/file	\$5/file

## Cemetary Companies Act

Certificate of Incorporation	\$50	\$10
------------------------------	------	------

## Co-operative Associations Act

Certificate of Incorporation	\$300	\$100
Certificate of Amendment	\$75	\$25
Certificate of Amalgamation	\$300	\$100
Certificate of Revival	\$300	\$100
Certificate of Dissolution	50	no charge
Certificate of Status	\$25	\$5
Filing an Annual Return	\$20	no charge
Certificate of change of association name	\$75	\$25
Search for each corporation (microfiche only)	\$10	\$5
Certification of each file	\$25	\$5
Appointment of Receiver	\$20	no charge
Printed search, each corporation	\$10	\$1

## Personal Property Security Act

Security Agreement or Registration under <i>Sale of Goods Act</i> or <i>Factors Act</i>	\$4-400	\$2-400
Any other registration in the Personal Property Registry:		
Attachment Order	\$15	\$5
Garageman's Lien (6 months)	\$15	\$5
Receiver's Report	\$15	\$5
Railway Rolling Stock	\$15	\$5
Matrimonial Property Order	\$15	\$5
Court or Statutory Order	\$15	\$5

# Fee Changes

	1999-2000	2000-2001
Crown Charge	\$15	\$5
Land Charge	\$15	\$5
Writ of Enforcement under the <i>Civil Enforcement Act</i>	\$25	\$10
Civil enforcement agency report in respect of seizure	\$25	\$5
Maintenance Enforcement Order	\$25	\$5
<b>Personal Property Registry Amendments</b>		
Security Agreement or Registration under <i>Sale of Goods Act</i> or <i>Factors Act</i>	\$15	no charge
Attachment Order	\$15	no charge
Statutory Change	\$15	no charge
Garageman's Lien	\$15	no charge
Receiver's Report	\$15	no charge
Railway Rolling Stock	\$15	no charge
Matrimonial Property Order	\$15	no charge
Court or Statutory Order	\$15	no charge
Crown Charge	\$15	no charge
Land Charge	\$15	no charge
Global Financing Change Statement - per Registration	\$15-300	no charge
<b>Personal Property Registry Renewals</b>		
Security Agreement or Registration under <i>Sale of Goods Act</i> or <i>Factors Act</i>	\$4-400	\$2-400
Status Report to Renew Writ of Enforcement	\$15	\$5
Garageman's Lien	\$15	\$5
<b>Personal Property Registry Search Requests</b>		
Related writ search	\$5	\$1
Distribution seizure search	\$5	\$1
Any other search result	\$5	\$1
<b>Land Related Information System (now Alberta On-line)</b>		
Basic account/licence	\$400	\$165

# BUDGET

New Century. **Bold Plans.**

# 2000

## CANADA PENSION PLAN REFORM

# Table of Contents

Background .....	141
Alberta's Next Steps to CPP Reform .....	141
A Two-Track Approach to CPP Reform .....	142
Track One: Improving the CPP for all Canadians .....	142
Track Two: Investigating a Separate Pension Plan for Alberta .....	144
Conclusion .....	145

# Canada Pension Plan Reform

*Policy changes to the Canada Pension Plan require approval of the Parliament of Canada and the governments of at least two-thirds of the provinces having two-thirds of Canada's population.*

*"The importance of the CPP to Canadians cannot be overstated. This issue must stay on our agenda until the right solution is found."*

Honourable Stockwell Day  
June 16, 1998

## BACKGROUND

In December 1997, major decisions to amend the Canada Pension Plan (CPP) were made by Canada's Finance Ministers following public consultations and federal-provincial negotiations. During these negotiations, Alberta called for meaningful changes that would fix the real problems facing the CPP.

The new legislation took steps in the right direction:

- A new investment policy aimed at getting market rates of return on the CPP fund.
- The creation of an arm's-length, non-government investment board appointed through a rigorous selection process with input from the provinces.
- An actuarial review of the CPP every three years instead of every five years.
- Strengthened accountability and public disclosure.
- Better funding by increasing the combined employer-employee contribution rate to 9.9% of pensionable earnings by 2003.
- A small reduction of some benefits to keep rates from being even higher.
- A mechanism to prevent future benefit improvements without proper funding.

Alberta remains concerned that, despite the positive changes, more needs to be done to make the CPP sustainable for future generations of Canadians. The need for continued work on CPP issues led Alberta's Provincial Treasurer, Stockwell Day, to present a paper entitled *Next Steps to CPP Reform* to the other Finance Ministers on June 15, 1998. The paper outlined Alberta's proposals for further CPP reform. At that meeting, Finance Ministers agreed to continue efforts to improve the CPP by examining Alberta's proposals.

## ALBERTA'S NEXT STEPS TO CPP REFORM

Alberta's 1998 *Next Steps to CPP Reform* paper listed the following principles to guide further reforms:

- The plan's universality and full portability features should be preserved.
- The funding basis must be credible and reliable, and must minimize the intergenerational transfer of debt.
- There must be a readily discernible relationship between what people pay and what they get. Contributors should be demonstrably better off by being members of the plan, as a retirement and insurance scheme.

- Contribution rates must leave room for individual/private initiatives for retirement savings.
- Where possible and appropriate, individuals and employers should be given the flexibility to design equivalent or better benefits.
- All generations should, in some way, share in the cost of dealing with the CPP's problems.
- Plan governance must be cohesive and accountable.

These principles reflect Alberta's desire to improve the governance of the CPP, tighten the links between contributions and benefits, contain contribution rates, reduce intergenerational inequities and enhance accountability to Canadians.

The 1998 *Next Steps to CPP Reform* paper suggested the following strategies for future reform:

1. Greater consultation with Canadians.
2. Better governance and management structures based on best practices.
3. Recognize the accumulated debt under the CPP.
4. Develop options to address the intergenerational transfer of debt.
5. Separate the cost of paying for the past underfunding of the plan and the cost of paying for benefits now being earned.
6. Treat the components of the CPP — retirement, disability, and life insurance — separately to enhance transparency and accountability.
7. Investigate delegating responsibility for the disability component of the CPP to the provinces.
8. Modernize the CPP's benefits to meet the evolving needs of Canadians.
9. Develop ways to provide greater flexibility to employees and employers.

## **A TWO-TRACK APPROACH TO CPP REFORM**

Alberta is taking a two-track approach to CPP reform. The first track involves working together with our federal and provincial partners to make improvements to the CPP as proposed in the *Next Steps to CPP Reform* paper. The second track involves examining the possibility of establishing an Alberta Pension Plan. It is Alberta's preference to improve the CPP for all Canadians. However, Albertans continue to urge their government to examine whether it would be advantageous to withdraw from the national plan and establish a made-in-Alberta plan.

### **TRACK ONE: IMPROVING THE CPP FOR ALL CANADIANS**

Since the changes made to the CPP in 1998 and the presentation of the *Next Steps to CPP Reform* paper, the following improvements have taken place:

- An arm's-length CPP Investment Board, composed of twelve qualified Canadians with financial and pension-related experience, is now managing the CPP investment fund. The Board provides quarterly and annual reports to keep Canadians informed about investment returns on the fund.

- The 17th CPP actuarial report, released in December 1998, showed that the 9.9% contribution rate which will be reached in 2003 is expected to be sufficient to sustain the plan in the face of an aging population. An external peer review of the actuarial report supported the CPP Chief Actuary's conclusions.
- In December 1999, Finance Ministers completed the first formal review of the financial state of the CPP since the changes were made in 1998. While Ministers agreed that current evidence indicates that the changes put in place will be sufficient to sustain the CPP, they agreed to continue to work together to review further enhancements to the security and stability of the plan.
- Finance Ministers have endorsed plans to establish regular peer reviews of future actuarial reports on the CPP, and to consult regularly with experts on the assumptions to be used in actuarial reports.
- In December 1999, Finance Ministers agreed to allow the CPP Investment Board to invest actively up to 50% of its domestic equity portfolio. The remaining domestic equity investments will be passively managed in a portfolio mimicking broad market indexes.
- The federal government and the provinces have signed a Memorandum of Understanding that guarantees to provincial governments equal and unimpeded access to the services of the CPP Chief Actuary.

At the December 1999 Finance Ministers' meeting, Alberta Provincial Treasurer Stockwell Day presented the following items for review by the federal government and the provinces.

*"Mr. Martin and the other Finance Ministers agreed to Alberta's request to actively review a series of specific recommendations put forward by Alberta. The proof will be in the pudding. We are convinced there are a number of steps that could be taken, and we want these recommendations to be pursued aggressively."*

Honourable Stockwell Day  
December 10, 1999

1. *A Governance Framework for the Canada Pension Plan* is a follow-up to Alberta's June 1998 paper on *Next Steps to CPP Reform*. The governance principles outlined in the paper follow those being used to develop new governance models for Alberta's public sector pension plans. The paper recommends that a trustee board be established to oversee and be accountable for all administrative functions of the CPP. It also recommends investigating the possibility of separating the disability component from the CPP.
2. *Reducing the Intergenerational Transfer in the CPP by Relaxing the Foreign Property Rule* recommends phasing out the 20% limit on foreign investments for the CPP Investment Board and Canadians' tax-sheltered retirement savings. This would let the CPP Investment Board determine what level of foreign content would maximize investment returns. Over the long term, better investment returns should drive down contribution rates.
3. *CPP Contributions – Reporting by Component* recommends that statements sent to CPP contributors provide a breakdown of the percentage of their contributions that goes toward (a) their retirement benefits, (b) their disability and life insurance benefits, and (c) paying for the past

underfunding. It also recommends that CPP actuarial reports provide a breakdown of the steady-state contribution rate by component.

4. Investigate whether cost savings from improved governance, increasing investment returns, and better administration could be directed towards individual retirement accounts.

Federal and provincial Ministers of Finance agreed to review the proposals put forward by Alberta and report back on the progress of this review in six months. Since agreement of the other governments is necessary to enact any reform to CPP, Alberta is committed to working with its provincial and federal partners to make the CPP sustainable.

## **TRACK TWO: INVESTIGATING A SEPARATE PENSION PLAN FOR ALBERTA**

In January 1999, the Institute of Public Economics at the University of Alberta, with assistance from the Government of Alberta, organized a one-day conference on *A Separate Pension Plan for Alberta?* The following papers were presented at that conference:

William Robson, *Precarious Pyramid: The Politics and Economics of the Canada Pension Plan*

Dr. François Vaillancourt, *The Quebec Pension Plan: Institutional Arrangements and Lessons for Alberta*

Dr. Herb Emery and Dr. Ken McKenzie, *Checking out of the Hotel California: The Desirability of an Alberta Pension Plan*

Dr. Robert Brown, *Alberta: Opting out of the CPP – Can It? Should It?*

On December 1, 1999 Alberta Provincial Treasurer Stockwell Day met with a group of policy analysts, academics and practitioners to discuss an Alberta Pension Plan. Attendees agreed that, as a result of Alberta's younger population and high employment rates, it likely could deliver a pension plan identical to the CPP with somewhat lower contribution rates.

Work by Emery and McKenzie suggested that Alberta could deliver the same benefits as the CPP with a contribution rate of 8.15% rather than the 9.9% under the CPP. William Robson estimated that depending on the persistence of Alberta's demographic and employment rate advantages, and its experience with managing administrative costs and disability claims, contribution rates for an Alberta Pension Plan could range from 7.80% to 9.11%.

However, this potential advantage of an Alberta Pension Plan would have to be weighed against a number of complex and difficult issues. These include the portability of benefits for Canadians moving in and out of Alberta's open economy, the initial setup and ongoing administration costs of an Alberta Pension Plan, and the determination of, and an agreement on, the liabilities and assets for the Alberta portion of the CPP.

Participants in the December 1999 meeting also commented on Alberta's effective management of disability claims. They wondered if greater efficiencies could be obtained by transferring the disability component of the CPP to the provinces, to be managed with other provincial disability and social programs.

Alberta will continue to explore these issues in the coming months.

*"I'm encouraged by the progress we've made, but parallel to CPP reform, we'll continue to look at an Alberta Pension Plan as an option."*

**Honourable Stockwell Day  
December 10, 1999**

## **CONCLUSION**

The Alberta government remains committed to working with the federal and provincial governments to bring about further needed changes to the CPP. However, to meet the desires of Albertans, the government will continue to study the feasibility of an Alberta Pension Plan.



# BUDGET

New Century. **Bold Plans.**

# 2000

**ALBERTA HERITAGE SAVINGS TRUST FUND  
BUSINESS PLAN 2000-03**

# Table of Contents

Background .....	149
Introduction .....	149
Fiscal Context .....	149
Purpose .....	150
2000-03 Business Plan .....	150
Heritage Fund Structure .....	151
Goals, Strategies and Outputs, Outcomes and Performance Measures .....	153
Management and Accountability .....	159
Income and Expenses .....	159

## **ATTACHMENTS**

A: Heritage Fund Allocation of Responsibilities .....	162
B: Description of Benchmark Indices for the Endowment Fund .....	164
C: Glossary .....	165

The business plan was reviewed and approved by the Legislature's Standing Committee on the Alberta Heritage Savings Trust Fund on January 19, 2000.

# Background

## INTRODUCTION

- The Alberta Heritage Savings Trust Fund (the Heritage Fund) was created in 1976 as a means to provide savings of non-renewable resource revenue. The Fund grew from a portion of Alberta's oil and gas revenue being deposited into the Fund since inception in 1976 and until 1987. As well, prior to 1982, the Fund kept its investment income. The size of the Heritage Fund peaked in 1987 at \$12.7 billion (at cost) and since then has declined by the amount of the annual Capital Projects Division expenditures (the last year of spending by the Capital Projects Division was 1994-95).
- On January 1, 1997 the Heritage Fund was restructured in response to a public review of the Fund. The restructuring includes a new governance structure as well as the establishment of clearer investment objectives and performance measures. The Fund's first business plan was implemented in January 1997.

## FISCAL CONTEXT

- Assets and income of the Heritage Fund are fully consolidated with the assets and revenue of the province. As a result, for fiscal planning purposes and under the *Balanced Budget and Debt Retirement Act* of 1995: (i) consolidated Heritage Fund income is included in the determination of the province's budget surplus, and (ii) Heritage Fund assets are netted off gross liabilities in determining the net debt position of the Province.
- The *Balanced Budget and Debt Retirement Act* requires that the province reduce its net debt to zero by March 31, 2010 beginning in the 1996-97 fiscal year. The net debt can be reduced by applying budget surpluses to either (i) pay down gross debt or (ii) increase assets (for example, by inflation proofing the Heritage Fund). As a result of stronger than anticipated revenue growth over the last few years, Alberta's net debt was eliminated in 1999.
- In March 1999, a new *Fiscal Responsibility Act* (FRA) was passed. The FRA sets out a legislative schedule to eliminate the Province's accumulated debt in no more than 25 years. The FRA also grants the Provincial Treasurer the discretion to retain such income in the Heritage Fund as he considers advisable.
- Subsequent to the approval of the business plan by the Standing Committee on the Alberta Heritage Savings Trust Fund, the Provincial Treasurer decided to retain in the Heritage Fund \$230 million of the Fund's 1999-2000 income.

## PURPOSE

- This is the fourth business plan for the Heritage Fund, which amends the previous business plans and incorporates updated financial information and income forecasts. This plan sets out the broad objectives of the Fund as expressed in the legislation, more specific investment objectives, other goals and strategies to achieve the Fund's objectives, and performance measures.

# 2000-03 Business Plan

The business plan incorporates the following changes:

1. Establish a range for the transfer of assets from the Transition Portfolio to the Endowment Portfolio. Previously, \$1.2 billion was transferred annually or \$100 million monthly. A range of \$1.2 billion to \$2.4 billion is now established for the annual transfer. This allows flexibility to take advantage of market conditions or opportunities without compromising the discipline of "dollar-averaging" (the systematic investing of funds over time), used in the transition.
2. Amend the performance benchmarks. The mid-way point of the transition should be reached by the end of the 2000-01 fiscal year. The impact of the Transition Portfolio will diminish over time while the Endowment Portfolio will begin to dominate performance. While comparing the performance of the total Heritage Fund to the Province's borrowing cost will continue to be an important benchmark, it will be less useful to limit the comparison to just the Transition Portfolio due to its declining size and liquidity requirements to fund transfers. The total Fund will be compared to the Province's borrowing costs and a new benchmark is established for the Transition Portfolio that more closely matches the term and quality structure of the portfolio.
3. In addition, the return of the real estate component of the Endowment Portfolio will be adjusted such that a more direct comparison to the Russell Commercial Property Index can be made. Unlike the real estate component of the Endowment Portfolio, the Russell Commercial Property Index is calculated using Net Operating Income which omits major expenses such as acquisition and disposal costs, capital expenditures, tenant improvements, leasing costs, depreciation, audit fees and asset administration fees. This difference understates the performance of the Fund's real estate component.
4. The investment limit in the Transition Portfolio for Province of Alberta bond holdings is reduced to 15% from 17%.

## HERITAGE FUND STRUCTURE

The mission of the Heritage Fund is as follows:

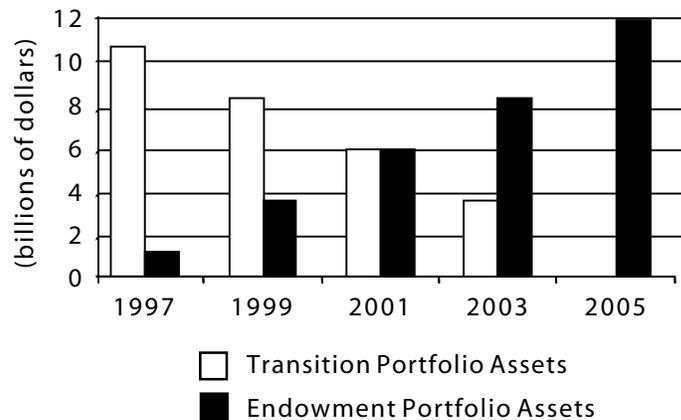
*"To provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial returns for current and future generations of Albertans".*

- The government's fiscal plan, published in Budget '99 included unconsolidated annual income from the Heritage Fund of \$794.6 million. In the 1998-99 fiscal year, the Heritage Fund generated \$932.0 million in income on an unconsolidated basis. The government keeps its books on a consolidated basis and therefore Heritage Fund income is included in consolidated income for the province. Consequently, the level and variability of Heritage Fund income is important to the government's fiscal plan.
- If the Fund were invested solely with the objective of optimizing long-term financial returns, it is unlikely that it would generate the level of income experienced in previous years. Income will vary significantly from year to year for the following reasons:
  1. An investment policy to maximize long-term returns implies a significantly higher weighting towards investments in equities in comparison to the equity holdings at the time the Fund was restructured. While equities have historically provided investors with higher total returns (dividends and capital gains) than fixed income investments, dividend rates in general are lower than interest rates thereby providing lower current income. The timing of realizing capital gains is also uncertain.
  2. The well-established capital market principle that increased returns, as provided by equity investments, are accompanied with increased risk or return volatility means that the Fund's income will be more variable.
- In order to provide for an orderly transition between the need for current income and long-term investment goals, the Heritage Fund has been divided into two separate portfolios: a Transition Portfolio and an Endowment Portfolio.
- Each portfolio is managed independently of the other to meet its own specific investment objective and measured against its corresponding benchmarks. The overall performance of the Fund is compared to the Province's borrowing cost.
- The Transition Portfolio is invested primarily in interest bearing securities with an emphasis on generating current income to support the Province's fiscal plan.
- The Endowment Portfolio is invested in a diversified portfolio including interest bearing securities, Canadian equities, international equities, and real estate.

- The Transition Portfolio will support current income needs in the first few years and then see its role diminish as it is reduced in size and the Endowment Portfolio grows over the transition period.
- Over a maximum ten-year transition period starting in 1996-97, a minimum of \$1.2 billion (at cost) in assets will be transferred annually from the Transition Portfolio to the Endowment Portfolio. By December 31, 2005, all Heritage Fund assets will be invested in the Endowment Portfolio if \$1.2 billion continues to be transferred on an annual basis. \$1.2 billion to \$2.4 billion will be transferred in 2000-01 and subsequent years.

---

### SCHEDULE OF TRANSITION\*



\* based on an annual transfer of \$1.2 billion.

---

- Heritage Fund assets that are consistent with its long term investment objective, or that can readily be disposed of to permit acquisition of appropriate assets have been allocated to the Endowment Portfolio, with the remainder residing in the Transition Portfolio. Since the initial allocation of \$1.2 billion on January 1, 1997, an additional \$3.6 billion has been transferred from the Transition Portfolio to the Endowment Portfolio as per the transition plan. Below is a breakdown of assets as at December 31, 1999.

---

## HERITAGE FUND ASSETS BREAKDOWN AS AT DECEMBER 31, 1999

(thousands of dollars)

Heritage Fund Investments	At Cost*	Fair Value
<b>Endowment Portfolio</b>		
Cash	235,683	235,317
Fixed-income Securities	1,948,162	1,825,266
Canadian Equities	809,224	1,378,825
Foreign Equities	1,630,023	1,752,376
Real Estate	345,822	357,138
<b>Total Investments - Endowment Portfolio</b>	<b>4,968,914</b>	<b>5,548,922</b>
<b>Transition Portfolio</b>		
Cash	45,352	45,352
Fixed-income Securities	6,264,763	6,159,021
Provincial Corporation Debentures	611,200	695,215
<b>Subtotal</b>	<b>6,921,315</b>	<b>6,899,588</b>
Canadian Equities (Trans Canada Pipelines)	53,966	41,436
Loans		
Ridley Grain Ltd.	93,500	93,500
Vencap Acquisition Corporation	5,093	13,012
<b>Sub-total Equities and Loans</b>	<b>152,559</b>	<b>147,948</b>
<b>Total Investments-Transition Portfolio</b>	<b>7,073,874</b>	<b>7,047,536</b>
<b>Total Heritage Fund Investments</b> (excludes accrued interest)	<b>12,042,788</b>	<b>12,596,458</b>

\* Cost includes amortization of purchase price discount or premium.

---

## GOALS, STRATEGIES AND OUTPUTS, OUTCOMES, AND PERFORMANCE MEASURES

The legislated investment objective of the Transition Portfolio is:

Investments shall be made with the objective of supporting the government's short-term to medium-term income needs as reflected in the government's consolidated fiscal plan.

*What is the best approach in achieving this objective?*

- To support the Province's revenue needs the Transition Portfolio is required to generate a stable source of income. Consequently, it is important the assets be revenue generating, and not exposed to significant credit risk. Additionally, due to the transfer program, assets need to be liquid (easily traded) so as to facilitate the monthly transfers to the Endowment Portfolio. This is accomplished by having a high quality portfolio of bonds.

- In the past, the Transition Portfolio has been compared to the cost of the Province's debt. As the Transition Portfolio declines in size and the liquidity needs increase, due to the transfer program, this comparison becomes less and less meaningful.
- The total Heritage Fund represents the Province's asset that is compared against the province's liabilities. Hence, the performance of the Heritage Fund will be compared against the cost of the Province's debt while the Transition Portfolio will be compared against a benchmark that is consistent with the term structure of the Portfolio.

The legislated investment objective of the **Endowment Portfolio** is:

**Investments shall be made with the objective of maximizing long-term financial returns.**

- Given a long-term investment horizon, investment practice suggests that a mix of equities (including real estate) and interest-bearing securities best achieves the objective of optimizing financial returns as it provides enhanced returns and diversifies risk. A long-term investment horizon generally means 10 years, however, for investment performance comparisons a minimum period of four years will be examined. Emphasis on "long-term" in the investment objective is designed to help the investment manager continue to plan and execute strategies in a long-term context at times when short-term pressures exist.

## GOAL 1: EARN INCOME TO SUPPORT THE GOVERNMENT'S CONSOLIDATED FISCAL PLAN

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/ BENCHMARKS																				
<ul style="list-style-type: none"> <li>Invest Transition Portfolio assets in accordance with the investment industry standard "Prudent Person Rule" which assigns the investment manager responsibility to restrict investment to assets that would be approved by a prudent investor.</li> <li>Invest in interest bearing securities (Canadian dollar issues; non-Canadian dollar issues would be swapped into Canadian dollars) that are rated at time of purchase a minimum of investment grade (BBB or equivalent) by a recognized rating agency or in the absence thereof by Alberta Treasury.</li> <li>Maintain an average term to maturity for the Transition Portfolio between one year and four years. (The province's Canadian dollar liability portfolio is managed within the same range)<sup>1</sup>.</li> <li>Limit investments to the various categories of interest-bearing securities (% of market value): <table border="0" data-bbox="168 919 683 1247"> <thead> <tr> <th></th> <th style="text-align: right;">Maximum (%)</th> </tr> </thead> <tbody> <tr> <td>Canada &amp; Guaranteed .....</td> <td style="text-align: right;">No Limit</td> </tr> <tr> <td>Alberta .....</td> <td style="text-align: right;">15</td> </tr> <tr> <td>Other Provincial Debt .....</td> <td style="text-align: right;">53</td> </tr> <tr> <td>Municipal .....</td> <td style="text-align: right;">5</td> </tr> <tr> <td>Asset-backed .....</td> <td style="text-align: right;">10</td> </tr> <tr> <td>Private Corporate .....</td> <td style="text-align: right;">10</td> </tr> <tr> <td>Public Corporate .....</td> <td style="text-align: right;">25</td> </tr> <tr> <td>Mortgages .....</td> <td style="text-align: right;">5</td> </tr> <tr> <td>Other Sovereign<sup>2</sup> .....</td> <td style="text-align: right;">5</td> </tr> </tbody> </table> </li> </ul>		Maximum (%)	Canada & Guaranteed .....	No Limit	Alberta .....	15	Other Provincial Debt .....	53	Municipal .....	5	Asset-backed .....	10	Private Corporate .....	10	Public Corporate .....	25	Mortgages .....	5	Other Sovereign <sup>2</sup> .....	5	<ul style="list-style-type: none"> <li>A high level of income to the government's fiscal plan without undue variation to the province's bottom line.</li> <li>Investments consistent with the objectives of the Transition Portfolio.</li> </ul>	<p><b>Primary Performance Measures</b></p> <ul style="list-style-type: none"> <li>The market value rate of return on the Transition Portfolio.</li> </ul> <p><b>Benchmark</b></p> <ul style="list-style-type: none"> <li>A customized benchmark based on 50% ScotiaCapital 91-Day T-Bill Index and 50% ScotiaCapital Short-term Bond Index.</li> <li>Measuring performance on a market value basis is the accepted standard in the investment industry because it should lead to the best long-term investment and liability management decisions. However, because Heritage Fund income and debt servicing costs are accounted for on a cost basis, a comparison of returns on a cost basis will also be reported and explained in relation to the market value results.</li> </ul> <p style="text-align: right;"><i>(Continued...)</i></p>
	Maximum (%)																					
Canada & Guaranteed .....	No Limit																					
Alberta .....	15																					
Other Provincial Debt .....	53																					
Municipal .....	5																					
Asset-backed .....	10																					
Private Corporate .....	10																					
Public Corporate .....	25																					
Mortgages .....	5																					
Other Sovereign <sup>2</sup> .....	5																					

<sup>1</sup> Estimated term. In practice, the investment industry manages investment portfolios by looking at their duration as opposed to the average term to maturity since a bond portfolio's duration better reflects its sensitivity to interest rate changes (see Glossary for an explanation of duration).

<sup>2</sup> Would be swapped into Canadian dollars to eliminate currency risk.

**GOAL 1: EARN INCOME TO SUPPORT THE GOVERNMENT'S CONSOLIDATED FISCAL PLAN (CONTINUED)**

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/ BENCHMARKS
<ul style="list-style-type: none"> <li>• Transfer cash, short-term fixed income securities or other appropriate securities to the Endowment Portfolio to meet the requirement of transferring at least \$1.2 billion (at cost) annually. Transfer for 2000-01 will be set at \$1.2 billion to \$2.4 billion. Cash forecasting is done to ensure that the appropriate type and amount of securities are available for transfer on a monthly basis (averages \$100 million per month).</li> <li>• Reduce the Fund's investment in Alberta provincial corporations, subject to liability management considerations.</li> <li>• Reduce investment limit for Alberta once investment in Alberta provincial corporation debt is reduced.</li> <li>• Reduce the Fund's investment in project loans. Remaining project loans include Vencap and Ridley Grain Ltd. with a total cost value of \$98.6 million.</li> </ul>	<ul style="list-style-type: none"> <li>• Orderly transfer of assets from the Transition Portfolio to the Endowment Portfolio.</li> <li>• The holdings of Alberta Social Housing Corporation (ASHC) debentures and Agriculture Financial Services Corporation (AFSC) debentures will be significantly reduced by 2001-02. Debentures will be paid out on interest rate re-set dates and the proceeds will be re-deployed within the Transition Portfolio<sup>3</sup>.</li> <li>• Gradual decrease in limit with a reduction from 17% to 15% in 2000-2001.</li> </ul>	

<sup>3</sup> To reduce the Fund's investment in debentures of these two provincial corporations, the General Revenue Fund (GRF) will borrow funds in the market and lend the funds to AFSC and lend, or grant, funds to ASHC. The Corporations will use the funds to repay the debentures held by the Heritage Fund Transition Portfolio generally on the dates when the interest rates on these debentures are re-set (every five years). In turn, the Fund will use this cash to invest in external assets.

## GOAL 2: MAKE INVESTMENTS IN THE ENDOWMENT PORTFOLIO TO MAXIMIZE LONG-TERM FINANCIAL RETURNS

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/ BENCHMARKS																																
<ul style="list-style-type: none"> <li>Invest Endowment Portfolio assets in accordance with the investment industry standard "Prudent Person Rule" which assigns the investment manager responsibility to restrict investment to assets that would be approved by a prudent investor.</li> <li>Diversify risk and enhance expected returns by allocating the Endowment Portfolio assets among the following asset classes and within the noted ranges (expressed as a % of the Endowment Portfolio's market value): <table border="1" data-bbox="168 793 526 919"> <thead> <tr> <th>Asset Class</th> <th>Holdings (%)</th> </tr> </thead> <tbody> <tr> <td>Interest-Bearing Securities<sup>4</sup></td> <td>30% to 50%</td> </tr> <tr> <td>Equity<sup>5</sup></td> <td>70% to 50%</td> </tr> </tbody> </table> </li> <li>Diversify investments within each subcategory of the asset classes set out above.</li> <li>The Investment Operations Committee (see Attachment A) will recommend minimum and maximum holdings for the asset classes and review periodically the benchmarks to be used in measuring performance.</li> <li>The Investment Management Division of Alberta Treasury will vary the allocation of assets within the above policy ranges based on the outlook for financial markets.</li> <li>The Investment Operations Committee will determine the extent of use of external investment managers to manage portions of the Endowment Portfolio, and the criteria for their selection.</li> </ul> <p><sup>4</sup> Includes money market instruments, bonds and mortgages.</p> <p><sup>5</sup> Includes Canadian public and private equities, foreign equities and Canadian real estate. Foreign investments will be limited to 35% of market value.</p>	Asset Class	Holdings (%)	Interest-Bearing Securities <sup>4</sup>	30% to 50%	Equity <sup>5</sup>	70% to 50%	<ul style="list-style-type: none"> <li>The market rate of return on the Endowment Portfolio is expected to exceed the cost of the Province's debt.</li> <li>The Portfolio is expected to generate a real rate of return of 5% at an acceptable level of risk over a moving four-year period.</li> <li>Market rate of return is expected to be greater than a passively invested benchmark portfolio.</li> </ul>	<p><b>Performance Measures</b></p> <ul style="list-style-type: none"> <li>The market value rate of return will be compared against the borrowing cost of the province on a moving four-year basis.</li> <li>The market value rate of return will be compared against the level of inflation to determine whether the long term capital market assumptions on which the investment policy is based are achieving the returns relative to expectations.</li> <li>The market value rate of return will be compared against a "policy benchmark return" to determine the impact of fund management on performance.</li> </ul> <table border="1" data-bbox="1073 1073 1482 1415"> <thead> <tr> <th rowspan="2">Asset Class</th> <th colspan="2">Benchmark</th> </tr> <tr> <th>Policy Allocation</th> <th>Return Index</th> </tr> </thead> <tbody> <tr> <td>Money market</td> <td>3%</td> <td>SC 91-day T-Bill</td> </tr> <tr> <td>Bonds</td> <td>37%</td> <td>SC Universe</td> </tr> <tr> <td>Total</td> <td>40%</td> <td></td> </tr> <tr> <td>Canadian Equity</td> <td>23%</td> <td>TSE 300</td> </tr> <tr> <td>Foreign Equity</td> <td>30%</td> <td>MSCI World (ex. Canada)</td> </tr> <tr> <td>Real Estate</td> <td>7%</td> <td>RCPI</td> </tr> <tr> <td>Total</td> <td>60%</td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>The market value rate of return will be compared against a sample of other large pension and endowment funds to measure whether the investment policy is resulting in competitive fund returns.</li> <li>The returns on the real estate component will be adjusted to reflect a comparable calculation base as the RCPI.</li> <li>Each external manager mandate is tied to an appropriate market index as a benchmark.</li> </ul>	Asset Class	Benchmark		Policy Allocation	Return Index	Money market	3%	SC 91-day T-Bill	Bonds	37%	SC Universe	Total	40%		Canadian Equity	23%	TSE 300	Foreign Equity	30%	MSCI World (ex. Canada)	Real Estate	7%	RCPI	Total	60%	
Asset Class	Holdings (%)																																	
Interest-Bearing Securities <sup>4</sup>	30% to 50%																																	
Equity <sup>5</sup>	70% to 50%																																	
Asset Class	Benchmark																																	
	Policy Allocation	Return Index																																
Money market	3%	SC 91-day T-Bill																																
Bonds	37%	SC Universe																																
Total	40%																																	
Canadian Equity	23%	TSE 300																																
Foreign Equity	30%	MSCI World (ex. Canada)																																
Real Estate	7%	RCPI																																
Total	60%																																	

**GOAL 3: TO IMPROVE ALBERTANS' UNDERSTANDING AND THE TRANSPARENCY OF THE ALBERTA HERITAGE SAVINGS TRUST FUND**

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/ BENCHMARKS
<ul style="list-style-type: none"> <li>• Release quarterly and annual reports on a timely basis.</li> <li>• Release summary reports of the Heritage Fund's investment activities and results to Albertans on a timely basis.</li> <li>• Publish the Heritage Fund business plan annually.</li> <li>• The Legislature's Standing Committee of MLA's will hold annual public accountability meetings around Alberta to report on the Fund's results and to answer questions on the Fund's performance.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved understanding by Albertans of the management, operations and performance of the Heritage Fund.</li> </ul>	<p><b>Performance Measures</b></p> <ul style="list-style-type: none"> <li>• Timeliness of reports and public accountability meetings.</li> <li>• Satisfaction of Albertans regarding information provided about the Fund.</li> </ul> <p><b>Benchmark</b></p> <ul style="list-style-type: none"> <li>• Annual report will be released by June 30 of each year.</li> <li>• Quarterly reports will be released within two months after the conclusion of the quarter.</li> <li>• The Standing Committee will hold public accountability meetings around the province in the fall of each year.</li> </ul>

## MANAGEMENT AND ACCOUNTABILITY

- A clear mission statement and new investment objectives for the Heritage Fund have been established in legislation.
- A Standing Committee of the Legislature has been established to provide overall direction and evaluate the performance of the Fund and report regularly to Albertans.
- The Investment Operations Committee reviews and approves the business plan, quarterly and annual reports, and the investment policies for the Fund. The Committee includes a majority of private sector members with relevant financial and business expertise.
- Ongoing investment decisions will be made within Alberta Treasury consistent with the allocation of responsibilities set out in Attachment A.
- For each component of the Fund that is externally managed, an investment management mandate describing its purpose, goals and constraints will be established.
- The investment management mandates of external managers will be consistent with this Business Plan.
- The Auditor General is the auditor of the Fund.
- There are restrictions on the kind of investments that can be made. Fund assets are to be invested prudently and cannot be used directly for economic development or social investment purposes.

## INCOME AND EXPENSES

- The rates of return on, and the income from, the Fund likely will become more volatile as the Endowment Portfolio grows and as equity investments increase. While equity investments have historically, over long periods of time, provided higher rates of return than fixed income investments they are also significantly more volatile. Capital gains on traditional equity investments are not recognized as income until the investment is sold, so strong performance reflected in rates of return may not be reflected in income for some time. Unlike traditional equity instruments, income and expenses on equity index swaps are accrued as earned, as a result, market value gains and losses are realized as they occur.
- Following are current projections of Heritage Fund income based on the assumptions noted. Actual results will vary from projected income depending on the extent to which actual interest rates and equity market returns vary from the assumptions used. Forecast gross investment income decreases over the fiscal plan period due to the lower interest rate environment and the increasing investment in equities in the Endowment Portfolio, which contribute lower "current income".
  - The income projections include interest income, dividend income, capital gains or losses only when they are realized, such as when an investment is sold, and income and expense on index swaps and interest rate swaps accrued as earned.
  - The income projections do not include unrealized capital gains.

## HERITAGE FUND INCOME FORECASTS AND UNDERLYING ASSUMPTIONS

	1999-2000	2000-01	2001-02	2002-03
<b>Forecast Income</b>				
Investment Income (\$millions) <sup>1</sup>	945.5	807.2	794.9	795.7
<b>Assumptions (%)</b>				
1. Interest Rates (nominal) <sup>1</sup>				
Transition Portfolio				
Money Market (3 months)	4.80%	5.65%	5.25%	5.25%
Bonds (2-3 year rate)	5.75%	6.29%	5.60%	5.60%
Endowment Portfolio				
Money Market (3 months)	4.80%	5.65%	5.25%	5.25%
Bonds (5 year rate)	5.80%	6.46%	6.00%	6.00%
2. Equities				
Estimated Income Rates <sup>2</sup>	4.9%	6.8%	6.5%	6.4%
3. Rates of Return on Equities <sup>3</sup>				
Canadian	8%	8%	8%	8%
US	9%	9%	9%	9%
International	9%	9%	9%	9%
4. Endowment Portfolio Asset Mix				
Money Market	3%	3%	3%	3%
Bonds	37%	37%	37%	37%
Equities	60%	60%	60%	60%
<b>Sensitivity Analysis (\$ millions)</b>				
1% change in interest rates <sup>4</sup>		5.0	8.7	13.1
1% change in equity returns		12.3	27.3	32.5

<sup>1</sup> Based on January 2000 forecast interest rates and anticipated capital gains and losses.

<sup>2</sup> Estimated equity income consists of estimated dividends and realized capital gains.

<sup>3</sup> Includes an assumed 2% dividend yield, and reflects year to date market change. For the remaining years, the annual returns move to the long-term assumed rate of return.

<sup>4</sup> Impact of a 1% change over the three years on interest income only.

- Investment income is in part dependent on prevailing market conditions that are subject to occasional volatile movements. A significant portion of the current portfolio is invested in bonds, and has a predictable income stream. As these holdings mature, future income will be increasingly dependent on the prevailing market conditions at the time of re-investment.

- The above income projections for the Heritage Fund are net of estimated investment expenses as outlined below:

---

**HERITAGE FUND INVESTMENT EXPENSES**

	1999-2000	2000-01	2001-02	2002-03
	(\$ millions)			
Direct	2.0	2.0	2.1	2.2
External/Internal Managed Pools	4.1	5.0	5.9	7.1
<b>TOTAL</b>	<b>6.1</b>	<b>7.0</b>	<b>8.0</b>	<b>9.3</b>
As a % of Assets	0.05%	0.06%	0.07%	0.08%

---

- The administrative expenses above include both direct and indirect administrative expenses, which include staff time, supplies and services and investment transaction and advisory services.

## **ATTACHMENT A**

### **HERITAGE FUND ALLOCATION OF RESPONSIBILITIES**

- The *Alberta Heritage Savings Fund Act* sets out the governance structure for the Heritage Fund. The general division of responsibilities is described below.

#### **Standing Committee on the Alberta Heritage Savings Trust Fund**

(A Committee of the Legislative Assembly)

1. Review and approve annually the Business Plan for the Heritage Fund.
2. Receive and review quarterly reports from the Provincial Treasurer on the operation and results of the operation of the Heritage Fund and make them public.
3. Approve and release the Heritage Fund Annual Report on, or before, June 30 following the conclusion of the fiscal year for which the annual report was made.
4. Review after each fiscal year end the investment activities and the performance of the Heritage Fund and report to the Legislative Assembly as to whether the mission of the Heritage Fund is being fulfilled.
5. Hold public meetings with Albertans on the Heritage Fund's investment activities and results.

#### **Treasury Board**

1. Annually review and approve the Business Plan of the Heritage Fund.

#### **Provincial Treasurer**

1. Approve the Statements of Investment Policy for each portfolio, including any proposed changes thereto.
2. Approve and present the annual Business Plan of the Heritage Fund to Treasury Board and to the Standing Committee.

#### **Investment Operations Committee**

1. Review and recommend the Business Plan to the Provincial Treasurer for transmittal to Treasury Board and the Standing Committee.
2. Review and recommend the investment policy statements for the Endowment Portfolio and the Transition Portfolio to the Provincial Treasurer.
3. Review and approve the financial statements and recommend the annual report.
4. Approve the quarterly reports for transmittal to the Standing Committee.

5. Advise on the extent of use of external managers and the criteria for selection.

#### **Alberta Treasury**

1. Serve as investment manager of the assets of the Heritage Fund.
2. Prepare and recommend a Business Plan to the Investment Operations Committee and the Provincial Treasurer.
3. Prepare, and recommend to the Investment Operations Committee and the Provincial Treasurer, Statements of Investment Policy for each portfolio and any proposed changes to the investment policies.
4. Prepare a quarterly report on the investment activities and results of the Heritage Fund, including income forecasts.
5. Prepare financial statements for the Heritage Fund.
6. Prepare the annual report of the Heritage Fund.

## **ATTACHMENT B**

### **DESCRIPTION OF BENCHMARK INDICES FOR THE ENDOWMENT FUND**

#### **Scotia Capital 91-day T-Bills Index (SC T-Bills Index)**

Reflects the performance of the Canadian money market as measured by investments in 91-day Treasury Bills.

#### **Scotia Capital Universe Bond Index (SC Universe Index)**

Covers all marketable Canadian bonds with terms to maturity of more than one year. The purpose of this index is to reflect performance of the broad Canadian bond market in a manner similar to the way the TSE 300 represents the Canadian equity market.

#### **Toronto Stock Exchange 300 Total Return Index (TSE 300 Index)**

An index of 300 stocks, in 14 subgroups, listed on the Toronto Stock Exchange, designed to represent the Canadian equity market. It is a capitalization-weighted index calculated on a total return basis.

#### **Morgan Stanley Capital International World (excluding Canada) (MSCI World)**

An index of over 1,470 stocks on 23 stock exchanges around the world, designed to represent an international equity market (excluding Canada). The index is calculated on a total return basis, which includes investment of gross dividends before deduction of withholding taxes. The index covers about 60% of the issues listed on the exchanges of the countries included.

#### **Russell Canadian Property Index (RCPI)**

An index comprised of institutionally held real estate investments consisting of over 1,100 properties distributed across Canada.

## ATTACHMENT C

### GLOSSARY

#### **asset (or investment) class**

Refers to a broad category of investments with similar characteristics (the typical asset classes are cash, stocks, bonds and real estate).

#### **benchmark index**

A statistical yardstick tracking the ups and downs of a particular market by monitoring a representative group of securities over time. For example, the Scotia Capital Markets Universe Bond Index is a Benchmark Index that is designed to reflect the changes in the Canadian bond market.

#### **bond**

A financial instrument representing a debt where the issuer (corporation or government) promises to pay to the holder a specific rate of interest over the life of the bond. On the bond's maturity date, the principal is repaid in full to the holder.

#### **capital gain (or capital loss)**

The market value received on the sale of an asset, which is higher (lower) than its purchase price (also called cost). If an asset is bought for \$50 and sold for \$75, the realized capital gain or profit is \$25.

#### **diversification**

The allocation of investment assets within an Asset Class and among asset classes. In general, the greater the number of holdings within an asset class and among asset classes, the greater the diversification, which reduces risk.

#### **dividends**

Earnings distributed to shareholders of a company proportionate to their ownership interest.

#### **duration (or modified duration)**

Modified duration is a measure of price volatility and is the weighted average term to maturity of the security's cash flows (i.e., interest and principal), with weights proportional to the present value of the cash flows. Bonds with a longer duration are more price sensitive to interest rate changes than bonds with short durations.

#### **equities**

Equities are synonymously called stocks or shares and represent an ownership interest in a company (could be either a public or private firm). The shareholder normally has voting rights and may receive dividends based on their proportionate ownership.

#### **inflation**

Increases in the general price level of goods and services. Inflation is one of the major risks to investors over the long-term as savings may actually buy less in the future.

#### **interest-bearing securities**

An investment which is required to pay a fixed interest rate at periodic intervals such as bonds, mortgages and debentures.

#### **investment grade**

An investment grade bond is rated a minimum of BBB (or equivalent) by a rating agency, with AAA being the highest grade. Bonds rated below BBB are generally classified as being speculative grade and carry higher levels of credit risk than investment grade bonds (i.e., they have a higher probability of default on interest or principal payments).

#### **long-term**

A long-term investment horizon in the context of the Endowment Portfolio means a period of time that would include two business cycles, which would generally mean about 10 years.

#### **market value rate of return**

An annual percentage, which measures the total proceeds, returned to the investor per dollar invested. Total proceeds for market value rates of return = "money in the bank" plus paper profits or losses (paper profits or losses are also called Unrealized Capital Gains or Losses). "Money in the bank" means cash interest and dividends and realized capital gains or losses from selling the investment.

#### **median return**

The median return of a group of investment managers reflects the return associated with the manager ranked at the 50th percentile (the 50th percentile is that point where half the managers had a higher return, and half the managers had a lower return).

**money market instruments**

Debt instruments such as Treasury Bills or corporate paper with a maturity of less than one year.

**Mortgage-Backed Securities (MBS)**

A debt instrument that has an ownership claim in a pool of mortgages or an obligation that is secured by such a pool.

**mortgage investment**

A debt instrument collateralized by real assets (e.g., a building) and requiring periodic payments consisting of interest and principal.

**nominal rate of return**

A measure of the earnings performance of a fund measured in current dollars.

**passive management**

Buying or investing in a portfolio that represents a market index without attempting to search out mispriced sectors or securities. The opposite of Active Management.

**portfolio**

A collection of investments owned by an investor.

**real rate of return**

The nominal rate of return minus the rate of inflation.

**realized/unrealized**

Terms generally used to describe Capital Gains or losses. A gain or loss is generally realized when an asset is sold; prior to sale the gain or loss is unrealized and it is only a potential or "paper" gain or loss.

# BUDGET

New Century. **Bold Plans.**

# 2000

## RESPONSE TO THE AUDITOR GENERAL



# Response to the Auditor General

Every year the Auditor General prepares an annual report on the scope and findings of the work carried out by the Office of the Auditor General. Following are the numbered recommendations in the Auditor General's 1998-99 Annual Report and the government's response to each of them.

These recommendations are addressed by the Auditor General to existing ministries, but are organized in his Annual Report based on the previous ministry structure in effect at March 31, 1999.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p><b>Introductory Comments</b></p> <p>“The government has done a commendable job in implementing the <i>Government Accountability Act</i>. The number of my recommendations should not be construed as an indictment of performance; rather the number is evidence that the “devil is in the detail”.”</p> <p>“The scope for improvement is never ending ... government managers must now show that they are using results information ...”</p> <p>“planning is the key to the management of capital assets ...”</p> <p>“My Office has long advocated the full accrual accounting for capital assets ...”</p>	<p>The government's accountability framework was established several years ago under Premier Klein's leadership. The government has worked hard implementing this framework and is committed to continuing to improve the ways in which we hold ourselves accountable to Albertans. The Auditor General's support in developing and implementing the accountability framework is appreciated. As we work through the “detail”, there will be ongoing opportunities to consider the Auditor General's suggestions and other possibilities on the best ways to achieve increased accountability.</p> <p>The government agrees that good planning is important for effective management of capital assets and is already working on this through the cross-government Capital Planning Initiative outlined in the government's business plan.</p> <p>Although the Auditor General's preference is to use full accrual for capital assets, the government believes following generally accepted accounting principles for governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, remains the most appropriate way to report capital assets.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p><b>Cross Government</b></p>	
<p><b>1</b> It is recommended that Ministries collaborate with Treasury to articulate best practices in business planning.</p>	<p>Accepted in principle. The “art” of ministry business planning continues to evolve. Best practices typically emerge from an internal culture of continuous improvement. Treasury will continue to encourage ongoing refinements to the business planning process and provide assistance to ministries on request.</p>
<p><b>2</b> It is recommended that Ministries work with Treasury to develop a strategy to improve the definitions of the components of business plans.</p>	<p>Accepted. A common set of business plan components has already been established and communicated to ministries. Treasury will continue to work on clarifying definitions with ministries.</p>
<p><b>3</b> It is recommended that Ministries, together with Treasury, develop a strategy to combine Ministry core businesses and programs so that Ministry income statements clearly present the cost of implementing core businesses.</p>	<p>Under review. Accountability is enhanced if plans, results and financial information are linked in a meaningful manner. Whether a ministry uses core businesses and programs or some other presentation needs further consideration.</p>
<p><b>4</b> It is recommended that Ministries, in conjunction with Treasury, develop a strategy to improve the quality of performance measures in business plans.</p>	<p>Accepted in principle. Each ministry has ongoing responsibility to improve the quality of their performance measures. Treasury will continue to provide leadership in this regard.</p>
<p><b>5</b> It is recommended that Ministries, supported by the Treasury Department, provide guidance to accountable organizations on best practices for annual report presentation.</p>	<p>Accepted. Under the <i>Government Accountability Act</i>, each ministry may provide guidance to accountable organizations on the form of annual reports, as considered necessary. Given the diversity of accountable organizations in terms of size, resources, mandate and stakeholder needs, a single standard for all accountable organizations is not appropriate. Upon request, Treasury will provide advice to a ministry on developing guidelines that could be provided to its accountable organizations.</p>
<p><b>6</b> It is recommended that the Treasury Department develop guidelines for Ministries and accountable organizations regarding the use and content of summary financial information.</p>	<p>Under review. As noted by the Auditor General, summary financial information can meet only the most general information needs of any user. Since summary financial information is currently provided in several different forms for different purposes, whether there would be value added by developing guidelines needs to be considered further.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>7 It is recommended that PAO, in conjunction with Deputy Ministers, enhance the Corporate Human Resource Plan.</p> <p>8 It is recommended that each Deputy Minister, in conjunction with PAO, ensure that employee performance management systems clearly support the achievement of government and department objectives.</p> <p>9 It is recommended that the Deputy Minister of Executive Council work with other Ministries to set out governance principles for all agencies, boards and commissions.</p> <p>10 It is recommended that the Deputy Minister responsible for the shared services initiative develop guidelines for shared services that mitigate identified risks and provide for the assessment of the cost effectiveness of each arrangement.</p>	<p>Accepted. Many of the recommended enhancements are being developed and will be reflected in the 2000-01 Corporate Human Resource Plan.</p> <p>Accepted in principle. This recommendation is consistent with direction provided by the performance management policy framework. It is important, however, for departments to retain the flexibility to develop practical approaches to performance management and competency development tailored to the needs of their organizations.</p> <p>Accepted in principle. Governance principles for all agencies, boards and commissions (ABCs) are being considered as part of the Government Reorganization Secretariat's review of ABCs.</p> <p>Accepted in principle. The Alberta Corporate Services Centre (ACSC) will implement service level agreements to establish the quality and levels of service provided to its clients, along with an appropriate mechanism to address any client concerns. Risks will be mitigated through the development, implementation and administration of these service agreements. The ACSC will also collect data to determine and assess the cost effectiveness of implemented service level agreements.</p>
<p><b>Advanced Education and Career Development</b></p>	
<p>11 It is recommended that the Department of Learning work with the public post-secondary education institutions to improve the reliability of KPIs for credit full load equivalent student, graduate employment rate and graduate satisfaction.</p>	<p>Accepted. The Ministry will continue to work with institutions to improve the reliability of their Key Performance Indicators (KPIs). However, it is an institution's responsibility to ensure proper procedures and internal controls are in place for the collection, compilation, processing and inputting of data.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p><b>12</b> It is recommended that the Department of Learning and the public post-secondary education institutions continue to improve the system to manage the infrastructure by evaluating the overall progress made towards addressing the critical health and safety risks relating to deferred maintenance.</p>	<p>Accepted. The Ministry will work with institutions to identify accountability processes appropriate for monitoring progress in addressing critical health and safety risks.</p>
<p><b>13</b> It is recommended that the Department of Learning, working with the public post-secondary education institutions, continue to develop a long-range capital planning system for Ministry infrastructure.</p>	<p>Accepted. As autonomous board-governed institutions, public post-secondary education institutions are responsible for their own infrastructure planning. The Ministry will continue to work with the institutions and, through the cross-government Capital Planning Initiative, develop a Corporate Capital Overview.</p>
<p><b>14</b> It is recommended that the Department of Learning improve the processes used to collect and verify conditional grant information from the public post-secondary education institutions to facilitate the monitoring and evaluation of each conditional grant program.</p>	<p>Accepted. As these programs are relatively new, the Ministry will continue to seek improvements in the collection and verification of information from institutions.</p>
<p><b>15</b> It is recommended that the University of Alberta strengthen its contract project management systems by:</p> <ul style="list-style-type: none"> <li>· ensuring contracts are executed in advance of the commencement of all construction projects,</li> <li>· ensuring its competitive bidding policies are being followed and change orders are processed only when warranted, and</li> <li>· improving the process to evaluate contractor performance.</li> </ul>	<p>Accepted. The University of Alberta has initiated improvements to the management of construction contracts, including the outsourcing of contract project management to a third party. Appropriate accountability mechanisms will be established.</p>
<p><b>16</b> It is recommended that the University of Calgary's approved budget be prepared on an accrual basis reflecting all transactions that will be reported in its consolidated financial statements.</p>	<p>Accepted. The University of Calgary is working toward developing processes to report its budget both by function and in accordance with generally accepted accounting principles.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p><b>17</b> It is recommended that the University of Calgary review its budgeting process to determine whether its current definition of a balanced budget is adequate to ensure programs and facilities are supported and will continue to be supported.</p> <p><b>18</b> It is recommended that the full scope and magnitude of academic health activities and the consequences for accountability of the academic health centres be acknowledged by those responsible for managing and funding those activities.</p> <p><b>19</b> It is recommended that the entity or entities responsible for academic health and their mandates, roles, and accountabilities be clearly defined and, on this basis, the appropriate organization and governance structure be established.</p>	<p>Accepted. The University of Calgary will review the appropriateness of its budget process and reconsider its definition of a balanced budget. The University is also creating capital reserves in its budget.</p> <p>Accepted. The Council of Academic Health Centres will continue to review their governance and accountability structure.</p> <p>Accepted. The Council of Academic Health Centres will continue to review their governance and accountability structure.</p>
<p><b>Agriculture, Food and Rural Development</b></p>	
<p><b>20</b> It is recommended that the Department of Agriculture, Food and Rural Development evaluate the performance of the Farm Income Disaster Program on a regular basis, and at least annually.</p>	<p>Accepted. A detailed evaluation of the program was completed in October 1998. The Ministry will complete similar evaluations of this program on a regular basis. Applications for program benefits include information respecting the location of applicants and the commodities that they produce. Over the past few years, this information has been used to analyze and monitor the flow of program payments to affected regions and producers. In future, statistics compiled from this information will be used to evaluate the program on an annual basis. Targets will also be set annually and compared against program results.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p><b>Community Development</b></p>	
<p><b>21</b> It is recommended that the Alberta Sport, Recreation, Parks and Wildlife Foundation comply with the <i>Income Tax Act</i> (Canada) when issuing official receipts for income tax purposes.</p>	<p>Accepted. The Foundation currently ensures that all official donation receipts comply with the <i>Income Tax Act</i> (Canada). By December 31, 1999, the Foundation will further improve its procedures for issuing official receipts for income tax purposes for qualifying gifts.</p>
<p><b>Education</b></p>	
<p><b>22</b> It is recommended that the Department of Learning conduct a comprehensive review of all significant legislative, business and financial risks to improve the effectiveness of its monitoring of school jurisdictions.</p>	<p>Accepted. The Ministry will develop a monitoring and planning mechanism that takes into account ministry-wide priorities.</p>
<p><b>23</b> It is recommended that the Department of Learning ensure that each charter school's charter contain measurable outcomes so that there is a base from which to measure and evaluate the charter school's results against its mandate.</p>	<p>Accepted. The Ministry is reviewing an existing regulation that calls for charter schools to be explicit in their written charter description about the goals of the charter school and about measurable outcomes intended. At present, charter renewal is contingent upon a school's successful achievement of its goals, in accordance with its education plan and its charter. The Ministry will work with charter schools, through reviews of their Annual Education Results Reports and monitoring reports, to ensure charter school success is measured on an ongoing basis.</p>
<p><b>24</b> It is again recommended that the Department of Learning work with school jurisdictions to improve the accuracy of the financial reporting of special needs expenses by school jurisdictions.</p>	<p>Accepted. The Ministry requires school authorities to annually report costs for special education in the areas of mild/moderate and severe disabilities. The Ministry will be enhancing the financial reporting guidelines for the 2000-01 school year so school authorities are better able to identify and report all costs associated with special needs programs.</p>
<p><b>25</b> It is recommended that the Department of Learning work with school jurisdictions to ensure that school jurisdictions set local targets for academic achievement on Provincially administered examinations that strive for improved academic results.</p>	<p>Accepted. In 1998-99, school jurisdictions were required to set and report local targets for achievement as part of their Three-Year Plans and Annual Education Results Reports (AERR). The Ministry will analyze target achievement reported in the AERR and assist school jurisdictions with implementing effective target-setting procedures based on this analysis.</p>

**AUDITOR GENERAL'S OBSERVATIONS****GOVERNMENT'S RESPONSE****Energy**

**26** It is recommended that, once the scope of the Volumetric Infrastructure Petroleum Information Registry project is determined, the Alberta Energy and Utilities Board develop a strategic information systems plan to support the business needs now served by its well and production systems.

Accepted. The Volumetric Infrastructure Petroleum Information Registry (VIPIR) project is currently preparing a business case proposal for ratification by senior ministry and industry personnel. If VIPIR is considered viable, the Alberta Energy and Utilities Board (EUB) will be in a position to determine which system improvements can be incorporated in VIPIR and consequently what changes to the EUB's present systems would be required outside of VIPIR. Strategic plans will then be developed to provide for the transition to accommodate the EUB's continuing business needs in these areas.

**Environmental Protection**

**27** It is recommended that the Department of Environment budget for the expected annual fire fighting costs based on the most current information. Further, it is recommended that the fire fighting budget be subject to legislative approval, including approval for any supplemental estimates required during the year.

Accepted. There are ongoing discussions between the Ministry and Treasury on alternate budgeting and funding methods that would better serve the unpredictability of natural resource emergencies and ensure accountability to the Legislative Assembly and general public.

**28** It is recommended that the Land and Forest Service of the Department of Environment ensure that its strategies, goals, and processes are effectively implemented through regional business plans and operations.

Accepted. Training sessions on business planning, operations planning and performance management agreements have already been offered around the province for all Land and Forest Service staff. Further training in business planning will be available.

**29** It is recommended that the Land and Forest Service of the Department of Environment refine its contract management processes.

Accepted. Pre-tendering procedures were implemented in the spring of 1999 and will continue to be improved. Cost-benefit analyses and improved documentation have been implemented so that more informed decisions are made about contracting and alternatives.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p><b>30</b> It is recommended that the Financial Security Risk Assessment Model be implemented and that the Department of Environment ensure that it has the resources to assess the documentation that governs the calculation of the security.</p>	<p>Accepted. The Ministry will finalize a new policy and procedure for reviewing the security risk estimates provided by operators by the end of January 2000. Consideration is being given to the establishment of a financial review team and a technical review team to evaluate each security submission. The Ministry will also amend the Conservation and Reclamation Regulation to allow the Director to consider risk as a factor in setting security.</p>
<p><b>Family and Social Services</b></p>	
<p><b>31</b> It is recommended that the Department of Human Resources and Employment prepare a plan and agreement for the delivery of shared services for community boards and children's authorities which will support the management of their operations.</p>	<p>Accepted. The Ministry will be discussing shared service requirements with the Ministry of Health and Wellness, Ministry of Children's Services, Persons with Developmental Disabilities Community Boards, and Child and Family Services Authorities. The issues identified in the Auditor General's report will be taken into consideration in preparing service agreements.</p>
<p><b>32</b> It is recommended that the Department of Health and Wellness ensure that services to children with developmental disabilities continue to be provided in accordance with existing legislative authority and that such services should not be provided under the <i>Persons With Developmental Disabilities Community Governance Act</i> unless and until the Act is amended to extend its provisions to children.</p>	<p>Accepted in principle. In order to meet the ongoing needs of the children, services will continue to be provided by the Persons with Developmental Disabilities Community Boards until a seamless transfer of responsibilities can occur. Discussions on the operational aspects of this transfer are underway between the Ministry and the Child and Family Services Authorities so that children are served by the appropriate body by March 2000.</p>
<p><b>33</b> It is recommended that the Ministry of Human Resources and Employment improve the quality of performance measures in its annual reports.</p>	<p>Accepted. The Ministry intends to identify performance measures for all goals, a description of how the measures are derived or calculated, and the data sources used. Existing guidance on measuring performance will be used in preparing future business plans and annual reports.</p>

**AUDITOR GENERAL'S OBSERVATIONS**

**34** It is recommended that the Department of Children's Services require the business plans of Child and Family Services Authorities (CFSAs) to incorporate relevant measures and strategies to improve the overall accountability and effectiveness of CFSAs.

**35** It is recommended that the Calgary Rocky View Child and Family Services Authority and the Department of Children's Services maintain accounting systems that can be relied upon for the preparation of accurate financial control information.

**Health**

**36** It is again recommended that the Department of Health and Wellness and health authorities implement a joint strategy for improving the timely implementation of authorized business plans.

**37** It is again recommended that the Department of Health and Wellness and health authorities implement a plan to improve performance measurement and reporting, including better reporting of results achieved compared to plan.

**38** It is recommended that the Department of Health and Wellness assess the impact of new requirements for managing equipment and determine whether they have sufficiently diminished the risk of health authorities not meeting equipment needs.

**GOVERNMENT'S RESPONSE**

Accepted. The Ministry will be developing guidelines and requirements that focus on accountability and strategic direction for the 2000-03 business plans of Child and Family Services Authorities. Future business plans will incorporate strategies for implementing the foundations of the redesign of services for children and families (the "four pillars") and measures that determine the overall effectiveness of the Child and Family Services Authorities in achieving improved outcomes for children and families.

Accepted. Existing systems have been improved for fiscal year 1999-2000. The eighteen Children and Family Services Authorities have agreed that the costs for children who are the responsibility of an Authority will be allocated to that Authority, regardless of where services were provided. An inter-authority billing system has been implemented to track these costs so that they can be transferred to the appropriate Authority.

Accepted. The Ministry and the health authorities have established a task group to examine options that can promote timely preparation and approval of business plans.

Accepted. In recent years, the Ministry has created a firm foundation for performance measurement and reporting of results by health authorities. The Ministry will continue to build on this foundation to improve performance reporting.

Accepted. There is now a requirement that health authorities provide the Ministry with their capital equipment investment plans as part of the three-year business plan submission. The Ministry will monitor the level of capital equipment investment compared to consumption on an annual basis.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>39 It is recommended that the Department of Health and Wellness, in cooperation with health authorities and other departments, further develop systems for planning health facilities and obtain better information to support decisions.</p>	<p>Accepted. As part of the cross-government Capital Planning Initiative, the Ministry will be an active participant in the development of a government-wide physical infrastructure management system framework and the related performance measures to assist in capital planning priority setting and funding decisions.</p>
<p>40 It is recommended that the Department of Health and Wellness improve control over health registration to reduce vulnerability of the health system to potential loss of revenue.</p>	<p>Accepted. Steps are being taken, through the Business Policy Review and through new systems development, to improve the registration process and enhance control mechanisms of registration information. The implementation of these changes will result in improved services to the public and the health system while protecting the Ministry's information and resources.</p>
<p>41 It is recommended that the Department of Health and Wellness establish methods for measuring how much of a medical service budget variance should be attributed to each of the various factors included in the agreement with the Alberta Medical Association (AMA).</p>	<p>Accepted. The Ministry is working with the AMA to formalize joint reporting on the financial and non-financial aspects of the agreement. This will improve the accountability of both parties for the provision of physician services in Alberta.</p>
<p>42 It is again recommended that the Department of Health and Wellness establish a process for assessing the benefits and cost of issuing clinical practice guidelines as part of accounting for performance under the new agreement with physicians.</p>	<p>Accepted. Working in partnership with the AMA, the Ministry will explore ways of assessing the monetary and non-monetary benefits of clinical practice guidelines.</p>
<p>43 It is again recommended that the <i>Wellnet</i> Project Office continue to improve systems of accountability in order to manage risks, maximize the prospect of meeting expectations within budget, and to render accountability for results achieved for costs incurred.</p>	<p>Accepted. A number of action steps are underway to improve accountability. These include clarifying the role of the <i>Wellnet</i> project office and stakeholders, preparing multi-year <i>Wellnet</i> business plans, periodic status reporting, and annual reporting of results and performance measures.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p><b>Justice</b></p> <p>44 It is recommended that the Public Trustee determine and plan for the level of funding required to meet the legislative purposes of the Special Reserve Fund.</p> <p>45 It is again recommended that the Department of Justice report the results and costs of its fines collection activities.</p>	<p>Accepted. Independent consultants have been engaged to provide advice on the management of the special reserve and common funds.</p> <p>Accepted. The Ministry, in consultation with the Auditor General, will define the reporting requirements for fines collection activities. Cost-effective enhancements to the system will be carried out to produce the necessary reports.</p>
<p><b>Transportation and Utilities</b></p> <p>46 It is recommended that the Department of Infrastructure improve processes for reporting on the status of the Infrastructure Management System in order to ensure that the objectives of the system are achieved.</p>	<p>Accepted. The Ministry has gathered the information related to licensing and support costs and will be updating the original Infrastructure Management System (IMS) cost/benefit report. A bi-monthly project status report will be implemented prior to the end of 1999-2000. The Ministry will also initiate an independent review of the IMS project to assist in further strengthening the project management process.</p>
<p><b>Treasury</b></p> <p>47 It is again recommended that the Treasury Department management initiate changes to the corporate government accounting policies in order to improve accountability.</p>	<p>Accepted in principle. The government sets corporate accounting policies that are considered appropriate and that increase accountability. In setting corporate accounting policies, the government follows the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate. There is an ongoing review of the government's corporate accounting policies,</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>48 It is again recommended that the Department of Treasury develop a methodology to allocate all significant costs to the entities responsible for delivering outputs.</p> <p>49 It is recommended that the Department of Treasury facilitate obtaining the legislative amendments required to formalize an arm's length relationship between the Departments of Community Development and Health for seniors' health insurance premiums.</p> <p>50 It is recommended that the Province's bank accounts be reconciled promptly.</p>	<p>involving ministries and the Office of the Auditor General, that has refined our corporate accounting policies in recent years, and in some cases, addressed audit reservations. Government's corporate accounting policies will continue to be reviewed and refined where Treasury Board considers accountability can be improved further.</p> <p>The Auditor General has suggested certain accounting policies that the government does not accept. For example, the government does not agree with expanding the consolidated reporting entity, as explained in prior years' replies to the Auditor General's annual report, nor with full accrual accounting for capital assets, as noted in the introductory comments section.</p> <p>Under review. The business case, value added, and practicality of implementation of cost allocation to the extent suggested by the Auditor General needs to be reviewed. In the interim, the government continues to provide note disclosure on services provided by one ministry to another without charge. The government believes its policy of providing note disclosure for such costs is in accordance with generally accepted accounting principles.</p> <p>Accepted. [Since accepting this recommendation in November 1999, the practice of the Department of Community Development of paying for seniors' health premiums has been discontinued. Therefore, legislative amendments are no longer appropriate.]</p> <p>Accepted.</p>

The 1998-99 Auditor General's Report comments on the progress being made to implement previous recommendations. The Auditor General has indicated that 22 recommendations above relate to recommendations since 1994-95 that have not been fully implemented. This represents the complex nature of some of these recommendations. The government continues to work towards addressing the Auditor General's recommendations.

# BUDGET

New Century. **Bold Plans.**

# 2000

## INDEX OF CHARTS AND TABLES

# Index of Charts & Tables

Government Business Plan	
Government Business Plan 2000-03 –	
Goals, Performance Measures and Targets .....	19
Cross-Government Initiatives .....	20
Ministry Business Plan Consolidated Income Statements	
Agriculture, Food and Rural Development .....	43
Children’s Services .....	59
Community Development .....	75
Economic Development .....	90
Environment .....	104
Executive Council .....	113
Gaming .....	121
Government Services .....	136
Health and Wellness .....	151
Human Resources and Employment .....	161
Infrastructure .....	182
Innovation and Science .....	197
International and Intergovernmental Relations .....	208
Justice .....	225
Learning .....	240
Municipal Affairs .....	251
Resource Development .....	267
Treasury .....	281