



THE FUTURE

MEETING PRIORITIES SHARING BENEFITS

Budget 2001

Speech

**PRESENTED BY PATRICIA L. NELSON
MINISTER OF FINANCE**

In the Legislative Assembly of Alberta

April 24, 2001

Check Against Delivery



Mr. Speaker, several years ago, Premier Klein stood in this Assembly and said, “Given the choice between the past and the future, Albertans will choose the future every time.”

On March 12, Albertans did just that. They chose a positive future. They chose the proven leadership of our Premier. And they chose a proven team to help lead the way.

By putting their trust and confidence in our government, Albertans sent a clear message ...

- ✓ Stay the course.
- ✓ Get rid of Alberta’s debt.
- ✓ Spend what we can afford on the things that count most.
- ✓ And when the debt is gone, reduce our taxes again and leave more money in our pockets.

We heard the message loud and clear. And all 74 proud members of the Ralph Klein team are here today to make sure the job gets done.

Mr. Speaker, budgets are complex. They’re a mix of plans and ideas, economic forecasts and fiscal realities. Budgets take our dreams for tomorrow and match them with the dollars we have today. This year’s budget is about meeting priorities and sharing benefits. It’s about keeping our eyes firmly focused on the future.

Before I get into the details, Mr. Speaker, I want to answer the simple question most Albertans have ... and that is “what does this budget mean for me and for my family?”

This is what Albertans and Alberta families can expect.

- ✓ To live in the first debt-free province in Canada.
- ✓ And with the lowest taxes in Canada, they can expect more money in their pockets, this year and every year.
- ✓ If they own a small business, the income taxes they pay will be cut in half over the next three years.
- ✓ The combination of lower taxes for businesses, large and small, plus Alberta's well known reputation as a place that's open for business, means they can expect more jobs ... highly skilled, well paying, quality jobs for themselves and for their children.
- ✓ With this budget, Albertans can expect quicker access to essential health services like MRIs, transplants and major surgeries.
- ✓ With new seniors' lodges, there will be more choices and hundreds of more places for Alberta's seniors to live.
- ✓ With Budget 2001, Alberta's children will continue to be at the top of the class. With added funding, their school boards will have more flexibility to meet important priorities like reducing class sizes and providing more support for children with special needs.
- ✓ For young Albertans and people with sons or daughters at college or university, they'll see automatic remissions on student loans, more scholarship opportunities, and no big jumps in tuition fees.
- ✓ Mr. Speaker, the federal government may not be listening to western farmers but we sure are. We'll provide urgently needed support to Alberta's farmers and ranchers and if we face droughts this spring, they can count on us to respond.
- ✓ For people living in smaller communities and rural Alberta, more funding for the RCMP will mean more active policing and safer communities.
- ✓ Thanks to one-time, accelerated investments, Albertans will be able to travel on better roads and highways, older schools in many communities will get the renovations they need, and more money will be spent on leading edge health facilities and equipment.
- ✓ Albertans have our guarantee that we will step in and take action if energy prices soar again in the future.

✓ Finally, Mr. Speaker, Albertans can expect to live in a province that's alive with energy and activity ... a place that's leading the rest of the nation in economic growth. Almost everywhere you turn, there's positive news on the economic front. Alberta is the shining light in Canada's economy, and we're determined to keep that light shining brighter than ever.

Those are just some of the benefits we can share with Albertans ... benefits that are a direct result of this government's careful fiscal plans and our determined agenda to create a positive future for our province.

If all goes as planned, Mr. Speaker, thanks to Alberta's strong economy, we'll take in close to \$22.7 billion in revenues in 2001-02. We'll spend the majority of those revenues where it counts ... on top priorities like health, education and one-time spending on infrastructure. We'll set aside a cushion of \$817 million to protect us in case oil and gas revenues drop. And at the end of the year, at least three quarters of that cushion will go to the bottom line ... paying down Alberta's debt.

Mr. Speaker, Albertans understand that predicting provincial revenues is a Finance Minister's nightmare.

Last year, a combination of strong oil prices and unprecedented increases in natural gas prices put the province in an outstanding financial position. We used that exceptional boost in revenues wisely ... to pay down debt, make one-time payments on improving infrastructure, and to shield Albertans from the full impact of spikes in natural gas and electricity costs.

But the reality is we simply don't know what might happen to oil and gas prices tomorrow let alone three years from now. No one does. Every time the price of oil goes up or down by \$1 a barrel, the province gains or loses \$153 million. And every time natural gas goes up or down by 10 cents an mcf, we gain or lose \$142 million.

Depending on whether you're a wild eyed optimist or hard nosed pessimist, (and we've heard from both) the impact on forecasts for the province's bottom line is huge. If you listen to the

positive forecasts, three years from now, we could take in \$8 billion in resource revenues. If you're more convinced by lower forecasts, we could get half of that.

That's a lot of money, Mr. Speaker. The \$ 4 billion difference between the highest and lowest predictions comes close to what we spend on basic and post-secondary education in a year. And it shows the problems we can get into by pinning all our hopes on forecasts that may or may not come true.

Budgets are not about pinning hopes on forecasts. They're about acting responsibly. Forget the wild-eyed optimists. Take the responsible course. And count on reasonable revenues.

If we're wrong, Mr. Speaker, if oil and gas prices are better than we expect, no one would be happier than this Finance Minister to be able to stand here next year and say to Albertans, "We've got good news. We're taking another giant step to our goal of a debt-free province."

We've taken this tried and true conservative course since 1993.... So what have we got to show for it? Well, we have a fiscal record that's unmatched in Canada ...

- seven consecutive years of balanced budgets,
- debt reduced by nearly two-thirds,
- \$750 million in permanent interest savings to spend on Albertans' priorities.

Mr. Speaker, oil and gas prices may be uncertain. But there is one thing we can say with absolute certainty. If oil and gas prices stay higher than we expect, at least three-quarters of the extra money will go directly to Alberta's debt. That's the law in Alberta. The higher the prices, the quicker we'll fulfill our promise to Albertans – to create Canada's first debt-free province.

This year, we'll also take a careful look at the longer term future for the province's revenue picture. We'll examine our investment and revenue frameworks to give us a better idea of what we can expect in the longer term. And we'll use that information to help guide our budget decisions in the coming years.

Mr. Speaker, let me turn from the big picture to some of the details especially in four key areas: keeping taxes low, continued strong growth in Alberta's economy, spending on Albertans' priorities, and creating a debt-free province.

Let's start with the best news first.

Mr. Speaker, in 2001, Albertans will pay over a billion dollars less in personal income taxes to their provincial government. Over a billion dollars!

Basic and spousal exemptions will be the highest in the country. In every income group, people will pay less. In fact, 200,000 low income earners will be removed from the tax rolls entirely.

On the business tax side, Alberta's taxes may measure up to the rest of Canada, but when you look beyond our country's borders, we simply are not as competitive. In today's world of highly mobile businesses, people and capital, it's simply not good enough to be just among the lowest in Canada.

Thanks to the work of the Business Tax Review Committee, we're taking major strides to put Alberta in a solid competitive position with the rest of the world.

The first cuts began on April 1. Income tax rates for all businesses have been cut. Capital gains taxes were reduced. The railway fuel tax is being reduced. And we're the only province in Canada to eliminate the financial institutions capital tax.

In the next five years, the combined effects of cuts to both personal and business taxes will add \$4.3 billion to Alberta's economy.

Mr. Speaker, when you look around the province, the economic picture is truly breathtaking.

In the last year, Alberta's economy grew by 6.1%, leading the rest of Canada and ranking right up there with leading economies around the world. We're looking at \$31 Billion in major new construction projects on the books and ready to go – a sure sign that Alberta's economy is on the move.

Alberta today is a much different place than it was ten or fifteen years ago. Unlike the past, our economy is no longer tied almost completely to the fortunes of the oil patch.

The oil and gas industry now shares office towers in downtown Calgary with high tech companies, thriving telecommunication industries, and new companies providing business and financial services.

Gone are the days when Edmonton's fortunes were tied to growth in the public sector. Today, people are putting Edmonton and Calgary near the top of the list of cities that will lead the country in economic growth.

On top of growing grain or raising livestock to ship to markets outside the province, Alberta's agriculture industry is increasingly looking at ways to produce new products and add value right here in the province. The same is true for the forestry industry, for petrochemicals, and a whole host of new business ventures that are adding strength and diversity to Alberta's economy.

This new and exciting economy is transforming the traditional image of Alberta from a producer of raw materials to a producer of new ideas, new products and new ways of doing business.

The result is an economy that continues to fire on all cylinders. Spurred by tax cuts, we expect Alberta's economy to grow by 4.8% in 2001, far outpacing the rest of Canada. In the medium term, we're expecting a healthy and sustainable pace of 3.2% per year on average. Perhaps the best news for Albertans is that solid economic performance should translate into over 150,000 new jobs in the province by 2004.

Thanks to a strong and vibrant economy, with more Albertans working than ever before, we're in a good position to target spending where it's needed most.

When we decide how much to spend, it's not much different from a regular Alberta family. We start with how much we're likely to earn, not just this year, but for the next three years.

Right now, our earnings are at a peak, but we expect they will go down over the next few years. So we can't let ourselves get caught with spending more than we can afford. We have to look carefully at where we spend our money ... and make sure it's on top priorities like paying off the mortgage.

We have to assess how much we can spend on big ticket items when we have the cash on hand. Can we afford to buy a new car, fix the roof, or add a garage? In the province's case, it's a question of paying for roads and highways, fixing schools, or building new health centres.

The numbers in the province's budget may be bigger, Mr. Speaker, but two key questions are the same:

First ... How do we take the money we have, pay our bills and build a better life for our family?

And second, are we better off to pay down the mortgage as fast as we can, spend money to meet pressing needs, or do a little of both?

In this year's budget, we're doing a little of both. We'll spend over \$18 billion on priority programs. We'll invest more than \$3 billion in one-time spending to meet pressing needs. And we'll plan to make a major payment on the mortgage at the end of the year.

By far, the biggest proportion of this year's budget goes to Albertans' top two priorities – health and education.

In Health and Wellness, base spending will increase by 13.5% this year and a total of 28% over the next three years. By 2003-04, spending on health will make up 35% of the province's total spending.

Albertans can expect to see direct benefits in the form of ...

- ✓ More funding for province-wide services such as transplants, heart surgeries and kidney dialysis.
- ✓ Better access to MRIs, with the highest per capita rate of MRI scans in the country.
- ✓ A province-wide meningitis immunization program.
- ✓ More funding for drugs used in treating cancer.
- ✓ And an enhanced program for breast cancer screening.

In Learning, spending will increase by 7.7% this year and 19% over the next three years.

With additional funding, Alberta's school boards will have the flexibility they need to meet their students' needs. The achievement of Alberta's students ranks right up there with the best of the world, and our continuing investment in education will make sure it stays that way.

To put the budget increases for basic education in perspective, in 2000-01, the province provided every school board with over \$155,000 in total funding to support the education of a class of 25 students. By 2003, funding for that same class of 25 students will increase to \$180,000. That's an increase of \$1,000 per student.

Mr. Speaker, Alberta's economy and the success of young Albertans depends directly on their ability to get the education and training they need to pursue their career goals and dreams, right here at home.

With Budget 2001, colleges, universities and technical institutes will be able to add 1,200 more spaces each year for the next three years in key areas such as health, business, teacher education, and information and communication technology. We'll also add spaces in apprenticeship programs to meet the need for more skilled workers.

Starting this school year, we will provide targeted funds to attract and retain the best faculty members in critical areas such as medicine, computer science, engineering and business. By next school year, this targeted funding will increase to \$40 million a year.

Mr. Speaker, as a parent, we all know that one of the growing worries about post-secondary education is, “Will we be able to afford it for our children?”

Well, Mr. Speaker, this government will not allow costs to become a barrier to post-secondary education. It’s too important to our province. It’s too important for the future of our young people.

With \$70 million in this year’s budget, steps will be taken to automatically reduce the debt load of student loans for eligible students after they’ve successfully completed their first year and even further when they complete their studies.

On top of that, scholarship programs will be increased by 43% over the next three years. That will provide a direct benefit to about 20,000 Alberta students annually.

I want to quickly mention a couple of other areas where Albertans will see direct benefits from Budget 2001.

- ✓ New funds are being added this year to address problems of children at risk. Albertans will see expanded outreach, treatment and prevention programs for children involved in prostitution, children with Fetal Alcohol Syndrome, and troubled teens.
- ✓ At the other end of the age spectrum, additional funds will be provided for Alberta Seniors Benefit Programs.
- ✓ We’ll increase funding for the AISH program by 18% over the next three years.
- ✓ And we’ll provide targeted funding to address the problem of homelessness.

Mr. Speaker, those commitments are a sign of a government that cares not just about the bottom line, but truly cares about the people of the province, and especially those who need our help.

On top of ongoing funding for key program areas, Budget 2001 continues our commitment to a number of one-time spending programs.

During the recent election campaign, Premier Klein and my colleagues, especially those from rural Alberta, learned first hand about the growing challenges faced by Alberta's farmers and ranchers. Whether it's the threat of disease sweeping through their herds, the very real possibility of droughts, high input costs, or market conditions beyond their control, farmers and ranchers across all of western Canada face uncertain and very trying conditions.

For those of us who spend most of our time in the cities, it's easy to forget how difficult things can be for farmers and ranchers. But, we made a commitment that we would not forget.

With Budget 2001, we will add to the base budget already in place for farm safety net programs. This spring, we will provide support to producers across the province to help meet urgent needs. And we'll continue to pressure the federal government to take the plight of western Canadian farmers to heart.

Mr. Speaker, the government is also taking action to protect Albertans from high energy costs, which includes:

- individual Albertans
- businesses
- farmers
- non-profit organizations
- municipalities
- schools
- post-secondary institutions
- and health facilities.

Our Alberta government will not stand by and let high energy prices cut into the strong Alberta advantage for individuals and businesses.

On April 10, Premier Klein introduced new legislation to protect Albertans from high natural gas prices. Budget 2001 commits \$125 million to cover the costs of this protection program. If prices are higher than our forecast, further assistance will be provided. Each year, we'll reassess the situation and decide if rebates are needed.

The final area of one-time spending is infrastructure.

With the additional revenues available, we will double our regular spending on upgrading Alberta's infrastructure. From 2000 to 2004, we will have spent a total of over 8 billion dollars on ...

- ✓ roads, highways and public transit,
- ✓ new and renovated schools,
- ✓ expanding our post-secondary facilities,
- ✓ building two new health centres of excellence – one for cardiac care, and one for bone and joint care.
- ✓ Support for water and wastewater facilities,
- ✓ and of course on SUPERNET ... the new high speed internet network linking 420 communities across the province and bringing the world literally to our doorsteps.

Mr. Speaker, those are the highlights of our spending plans for Budget 2001.

Let me turn from spending to saving ... specifically to our bold plans to make Alberta the first province in Canada to be debt free.

As the Speech from the Throne pointed out, the dream of a debt-free Alberta was once only a pinpoint of light on the horizon. Now it's in full view. And there is a very real possibility that Alberta's debt will be completely gone sooner rather than later.

However, we're taking a cautious approach. We can't, and we won't, make promises on debt retirement that we might not be able to keep. Not until we have the money in the bank.

But here is a promise. If prices stay high, and many think they will, we won't search out new ways of spending taxpayers' dollars on new spending programs. Instead, every dollar we can spare will go to pay down Alberta's debt.

That's our promise to Albertans. And nothing would make us happier than to burn the mortgage before Alberta celebrates its 100th birthday in 2005. That's my goal. And that's our Premier's goal.

Mr. Speaker, that's an overview of Budget 2001.

It's a budget focused on meeting priorities and sharing benefits.

- ✓ Reducing taxes and leaving more money in Albertans' pockets.
- ✓ Spending what we can afford on priorities.
- ✓ Maintaining our promise to wipe the slate clean ... to eliminate Alberta's debt once and for all.

It's the kind of responsible budget Albertans have come to expect from this government. And we've never let them down.

Mr. Speaker, giving a budget address is a humbling experience and I have a long list of distinguished predecessors to follow.

Each of them put their own stamp on budgets. And I thought, in my first budget address, what would be my stamp? What is it I stand for in presenting budgets to the people of Alberta?

In my personal and family life, I've lived by one motto: "To thine own self be true."

And I've come to realize that this is what Alberta is all about. It's definitely what budgets are about. Telling things like they are ... not beating around the bush. Doing things in our own unique way. Tackling problems head on.

Trying, in spite of all odds, to do the right thing, while building an even stronger future for ourselves, for our children, and for our great province.

Winston Churchill once said, “There is only one duty, only one safe course, and that is to try to be right.”

Mr. Speaker, who am I to disagree with Winston Churchill!

I firmly believe this is the right budget for Alberta. It’s a budget that makes no promises we can’t keep. A budget that keeps us on a steady course to the brightest vision we can imagine ... a debt-free Alberta. A proud and thriving province, with jobs, opportunities, and an undying spirit that says to the rest of the world, “there’s no stopping Alberta.”

Thank you, Mr. Speaker.

