

BUDGET SPEECH

BUDGET2009

BUILDING ON
OUR STRENGTH

Alberta ■

Alberta has long been a land of promise...and a land of opportunity.

To achieve that promise and realize those opportunities, our ancestors had to overcome obstacles that are unthinkable for most of us today.

They met challenges head on and survived...and emerged stronger than ever before.

Today, Albertans are facing new challenges ...complex problems, many imposed from beyond our borders.

We have watched with trepidation as markets, credit and commodity prices have fallen and the world's economy has plunged into recession.

We have seen major international financial institutions fail. Moreover, we have learned of the impact on too many people - their mortgages, their homes and their livelihoods lost.

Here in Alberta we have been affected – it's true – but far less than others. We are facing the current global recession well positioned to come out of this economic storm stronger and with greater potential for both our people and for our economy.

Mr. Speaker, Alberta is strong because our government has invested in the core services which maintain our quality of life.

Alberta is strong because we introduced measures to ensure the orderly development of our province – with plans for climate change, energy development and homelessness, to name just a few.

Alberta is strong because our government has been investing in infrastructure – some \$26 billion over the past five years to build schools, hospitals, seniors housing and roads.

Alberta is strong because we have been saving money.

We have paid off an accumulated debt of nearly \$23 billion.

We have added about \$25 billion to our savings, including nearly \$17 billion set aside to cope with unexpected drops in government revenue.

Alberta is strong because Alberta's fiscal plan has helped us maintain the lowest taxes in the country.

Alberta is strong. And the job of this government...and of all Albertans...is to Build on our Strength.

This budget...our road map...is about creating a province where people are confident about the future...for their children, for their businesses, and for themselves.

We believe it balances the necessary social investments and fiscal responsibility to ensure that Alberta remains a place with a vibrant and competitive economy.

Our plan reflects the holistic view of the principled leadership and entrepreneurship provided by the people of Alberta.

Allow me to explain:

Building a Budget

Our government faces the same issues that many Albertans and their families are facing.

Our income is lower and our long-term savings have lost value due to falling markets.

To improve our opportunities we look at how a family manages when a steady stream of income is not there.

Like most families, we plan our budgets based on what we earn, what we save and what we need to spend.

We know as our families grow or face new challenges, we have to accommodate their changing needs.

We set short-term goals for saving – putting aside cash in a savings account for emergencies or home renovations.

We set long-term goals, too, and we save for our retirement.

When money is short, we watch our dollars closely and focus our spending on the highest-priority areas.

And when there are difficult times...just as a family would...we access our short-term savings to make ends meet.

We will not spend our long-term savings to get us through these tough times.

A New Fiscal Framework

Mr. Speaker, our government is realistic about the current economic situation.

Alberta's economy is forecast to contract by two per cent in 2009.

We know that commodity prices will be much lower than they were a year ago – resulting in lower energy and tax revenues for government obligations.

In 2009-10 our revenues will decline by almost \$4 billion.

We also know that Alberta grew by more than 91,000 people in 2008.

This growth results in increased demands...

Demands for more teachers, more health care professionals, more police officers, more social workers ... more schools, more health facilities and more roads.

And we know that all of this impacts Alberta's bottom line.

In Budget 2009, operating spending will be limited to a 3.7 per cent increase roughly the equivalent of population growth plus inflation.

We also know that government must maintain its support for the economy. Albertans could experience even more turmoil if we failed to do so.

To that end, we are investing \$23.2 billion on infrastructure over the next three years – \$7.2 billion in 2009-10 alone.

That is about \$2200 per person, more than double the per capita average anywhere else in Canada.

After balancing the growing need for programs and services with the reality of our fiscal situation, we must supplement our revenues with \$4.7 billion from our Sustainability Fund. Fortunately, several years ago, our government created short-term savings accounts and set aside funds to protect programs and services for Albertans in the event of severe economic hardship. Mr. Speaker, that time is here. Now, our government must be able to adjust to these changing circumstances... and we are.

The current fiscal framework met our needs when we had surplus budgets but it lacks the flexibility we need today.

So we have introduced a new framework that increases our ability to meet current budget pressures with rules to ensure responsible spending: Deficits will be permitted only if there are sufficient savings in the Sustainability Fund to offset them; Borrowing will be allowed for capital purposes but not for operating purposes; and Operating expense increases during the year are limited to one per cent of total ministry operating expense.

Mr. Speaker, it is important for Albertans to know that these changes to the fiscal framework do not affect our Heritage Savings Trust Fund.

We will not compromise the hard work and investment of Albertans, nor will we sacrifice the dollars we have saved for our children's future.

We will, however, curb our costs.

Our fiscal austerity starts at the very top. Pay hikes have been suspended for MLAs and political staff this year and the Alberta government will suspend bonuses for senior government staff in 2009-10.

A further \$215 million will be found this year through a value review of government operations. Unless our fiscal situation improves beyond our forecast, we will take further corrective action of \$2 billion in 2010.

When the economy turns around and our revenues improve, we will put surplus money back into the Sustainability Fund with a goal of restoring it to approximately 25 to 30 per cent of our operating budget.

Support for Essential Programs

Mr. Speaker, Albertans work hard. They pay their taxes. And they volunteer in their communities. Many Albertans are also facing the dual task of raising children and caring for elderly parents. These economic times increase the pressures on families. Budget 2009 will not add to their burden.

We will maintain and enhance the services Albertans need...we will keep taxes low...and we will make investments to keep Albertans working.

We will also ensure that we continue to provide for the needs of our most vulnerable.

Our operating increase this year is focused on the highest priorities for families...with more than three-quarters of it directed to children, education, health care and supports for seniors and persons with disabilities.

Budget 2009 provides a 4.2 per cent increase for Children and Youth Services, including funding to increase the number of foster homes, and to support programs for children with disabilities.

We will also follow through on our commitment to create 14,000 child care spaces by 2011.

Our budget provides a 5.8 per cent increase for Persons with Developmental Disabilities and a 10.2 per cent increase for the AISH program.

This includes an increase of \$100 in the maximum monthly benefit to AISH recipients to assist them with their expenses.

With an 11.9 per cent increase for seniors programs, we will raise the maximum monthly Alberta Seniors Benefit by \$40 for singles and \$60 for couples.

Claire Michaud from St. Paul is one of 138,000 seniors in the province who rely on the Alberta Seniors Benefit.

She receives monthly payments that complement what she receives from the federal government, and she has access to optical and dental programs.

The 17 per cent increase she will receive this year in her monthly payments will make it a bit easier for her to pay her bills.

This allows her to focus more on the things that really matter...her grandchildren and the many activities she enjoys.

Mr. Speaker, housing costs remain a significant burden for many Albertans and Budget 2009 will help. We will build an additional 1,200 affordable supportive living units for seniors across the province over the next three years.

We will provide \$468 million over three years as part of our commitment to complete 11,000 affordable housing units.

And we will provide \$400 million over three years to develop 2,700 housing units for the homeless, along with \$41 million for 3,600 spaces in emergency shelters.

Our government recognizes that education is the cornerstone of individual and community success.

For 2009, operating support for K-12 education will be \$5.4 billion – an increase of 3.2 per cent. Most of these funds will go directly to school boards to address growth, reduce class sizes, and operate and maintain our schools.

We will provide \$3.1 billion to our post-secondary education system this year. That includes a promised six per cent increase in base operating grants to our colleges, universities and technical schools.

The Alberta government is committed to maintaining a strong public health care system - one that is accessible, sustainable, and offers high quality care.

In Budget 2009, the government will spend \$12.6 billion to operate the healthcare system – an increase of \$558 million.

That alone represents more than 40 per cent of our total government operating increase this year. And we will be doing this even as we receive fewer dollars on a per capita basis from the federal government than any other province. The demands of our health system are placing increasing pressure on other essential programs. We will engage Albertans in building a more sustainable system to ensure health care will be there when we need it in the future.

The impact of the global recession on our economy has extracted a very human toll.

Our unemployment rate is forecast to average 5.8 per cent this year and could average 6.5 per cent in 2010.

We are providing \$164 million to enhance career and employment training. These programs help Albertans who lose their jobs to upgrade their skills and get them working again.

Budget 2009 also strengthens our commitment to protect our communities.

Our Safe Communities Strategy will be bolstered by 200 more law enforcement officers over the next two years, along with more Crown Prosecutors.

We will enhance addiction prevention and treatment.

Mr. Speaker, Albertans lead the country when it comes to looking out for others through their charitable giving.

That has never been more important than it is right now.

To encourage Albertans to continue to give, we will provide \$20 million again this year to support the Community Spirit Program.

This program provides grants to charities and non-profit organizations based on the amount of dollars donated by Albertans.

This complements the \$80 million government provides in the form of the Charitable Donation Tax Credit – which allows Albertans a 50-cent tax credit for every dollar they donate over \$200.

Mr. Speaker, the issues of energy security, environmental protection and economic recovery are interrelated. Our Premier has provided leadership so that we have addressed these vital issues in a collaborative manner.

Alberta is a resource province and our sustained economic prosperity...indeed our country's economic prosperity...relies on our ability to achieve clean energy production and wise energy use. Our Clean Energy commitment is demonstrated through the \$2 billion we have committed to support research and development of carbon capture and storage. We will provide the first \$100 million this year and a further \$700 million over the two subsequent years.

We will reduce greenhouse gases from vehicles by spending \$520 million through to 2011-12 – increasing use of public transit through Green TRIP initiatives.

A further \$40 million over the next 2 years will complete other conservation and energy initiatives. This includes funding for a consumer rebate program that will encourage Albertans to spend on greener, more energy-efficient products and services.

Our Land Use Framework will receive \$15 million to support the first two of seven regional plans, engaging people with common interests in responsible management of our land and natural resources.

Continuing to invest in Alberta and support its economy

Our government recognizes that building schools, hospitals, roads and other public infrastructure is not only necessary to meet the needs of Albertans ...it is also an effective way to support the economy and create jobs.

Indeed, every \$1 billion spent on public infrastructure supports 11,600 jobs that directly benefit Albertans and Alberta communities.

Mr. Speaker, our \$7.2-billion infrastructure investment in the next year will support more than 80,000 jobs.

These include jobs right across the economy – from construction to manufacturing, finance, retail sales, accommodation and food services.

This investment in infrastructure is a win/win for Albertans - both as workers and as owners of our fiscal resources.

We can take advantage of lower concrete and steel prices, as well as increased availability of labour to keep Albertans working and producing more results.

I mentioned already that we will spend \$23.2 Billion on capital over the next three years...and here is how:

\$2.9 billion of our capital budget is devoted to building, expanding and maintaining health care facilities in communities across Alberta.

\$1.7 billion for 54 new and replacement schools that will benefit over 31,000 students.

\$1.2 billion for new post-secondary facilities to provide spaces for more than 16,000 adult learners.

We will provide municipalities with \$5.6 billion for their own capital expenses.

This includes \$3.2 billion under the Municipal Sustainability Initiative and the Alberta Municipal Infrastructure Program.

Another \$715 million has been identified for water infrastructure, wastewater and irrigation rehabilitation.

Safe and efficient highways are needed to support our crucial industries of agriculture, energy, and forestry, as they produce the goods and services Alberta sells to the world.

\$5.8 billion will be provided for our highways including:

Construction of Calgary and Edmonton ring roads;

Further twinning of Highway 63 to Fort McMurray;

Replacing the Highway 22 bridge over the North Saskatchewan River;

1200 kilometres of paving and rehabilitation across Alberta.

Budget 2009 also includes stimulus initiatives to encourage our oil and gas industry to invest by drilling new wells.

We believe this is a wise investment because in Alberta each new oil or gas well drilled supports 120 jobs.

These are not just statistics, Mr. Speaker. These are real people...people like Darcy McCoy.

Darcy is a rig manager for Stoneham Drilling – a small custom driller contractor from Calgary that currently has 11 of its 19 rigs drilling in Alberta.

Despite the economic slowdown and low energy prices, energy companies continue to invest in exploration in Alberta – and they're hiring companies like Stoneham to do the drilling.

For Darcy and his co-workers, that means continued employment and, in his words, "food on the table" for their families.

Indeed, Mr. Speaker, Stoneham's activity alone in this province means food on the table for hundreds of Alberta families.

Alberta's economy also relies heavily on agriculture, which must compete globally. This year, livestock producers will benefit from a \$55-million investment in the new Alberta Livestock and Meat Agency...which will develop new markets, increase innovation, and improve management of the supply chain.

Mr. Speaker, hundreds of thousands of people come to Alberta to celebrate our arts, enjoy our natural environment, our festivals, our multiculturalism and our hospitality. We will support our tourism industry with the creation of the Travel Alberta Corporation, which will market Alberta to the world with a budget of \$57 million.

So what will Albertans pay?

There will be increases in liquor mark-ups and in tobacco taxes.

However, Mr. Speaker, our government understands the need to keep dollars in the pockets of Alberta families.

Albertans can be assured they will continue to pay the lowest taxes in Canada, by far.

Mr. Speaker, we aim to keep it that way.

Indexing personal, spousal and other tax credits will save Albertans \$115 million in 2009.

Recipients of the Alberta Family Employment Credit will also benefit, receiving increases to offset inflation.

And in 2009-10, Albertans and Alberta businesses will have the benefit of no health care premiums – saving them \$1 billion each year.

We will raise the small business threshold to \$500,000 which encourages small business owners to grow their companies.

Revenues

Earlier Mr. Speaker, I noted our overall revenue would decline nearly \$4 billion in 2009-10.

We believe – as most private sector forecasters do – that we are in a period of a short-term decline.

As energy prices and global demand for natural resources increase, we expect our revenues to begin growing again starting next year.

But it will take time for them to fully recover – and so we are forecasting deficits for the next two years as well.

Mr. Speaker, we do expect a return to a surplus budget by 2012-13.

Global Attraction:

Our government has a strong understanding of business principles and a passion for maintaining and improving our position on the world stage.

We believe that now is the time to promote Alberta.

We are proud of what we have and we want global partners to come here to research, develop and refine new technologies, new industries, new opportunities and new economies.

Conclusion

Budget 2009 reflects our belief in all Albertans, our belief in our province and our belief in the future. With our Premier's leadership, we will seize the opportunity to manage the issues of today – we can and we will.

This budget describes our mission to manage our spending, use our savings wisely, build our capacity and market Alberta to the world.

It keeps Albertans working and provides prudent tax measures.

Alberta will continue to be a place for people of courage and determination to dream big, to embrace diversity – to be strong.

We will keep moving forward with wisdom from the past and confidence for our future.

We have hope.

We are building on a solid foundation.

And we plan to Build on our Strength for an even stronger Alberta – for your families and for mine.

Thank you.