|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Alberta | 18e | 2e | Discours du budget | 19 mars 1976 | M. C. Mervin Leitch | Trésorier provincial | PC |

**Mr. Leitch:** Mr. Speaker, in the five preceding budgets of our administration, expenditure has increased at an average rate of approximately 23 per cent per year. That rate of increase in spending was not only justified, but indeed was necessary, as five years ago Alberta's level of government services in many areas lagged behind other parts of Canada. I'm sure all will agree that such a situation was inappropriate for a province so richly endowed with natural resources. Now, five years later, as a direct result of that level of increase in recent provincial budgets, Albertans enjoy the highest or one of the highest levels of government services in all areas.

Over the past four years, our government has provided many new and improved social programs. The increase in support to basic education has been 105 per cent. Expenditures on health increased 126 per cent, and for social services the increase was 158 per cent, with special emphasis on programs for senior citizens. These three areas now comprise approximately 60 per cent of operating expenditures.

It is our judgment, though, that the time has now come to substantially restrain the rate of increase of provincial government spending. I want to stress that this is a reduction in the rate of increase in spending and not a reduction in the amount of expenditure. There are two principal reasons for our having reached that conclusion. Inflation rates to which government spending significantly contributes are at unacceptably high levels, and action has to be taken to prevent the destructive consequences which continued high levels of inflation could bring to the Canadian economy and to our citizens. A reduction in , the rate of increase of spending by all levels of government will not only directly reduce inflationary pressures, but will also help to break the inflationary psychology whereby the belief that inflation will continue leads to actions that ensure its continuance.

Alberta's current prosperity, its high level of government services, and its low tax rates all stem from the large sums of revenue flowing from the sale of non-renewable resources. These resources are finite, and we must plan and prepare for the day when revenue from the sale of non-renewable resources will form a smaller percentage of provincial government revenues. The proposed allocation of 30 per cent of non-renewable resource revenue to the Alberta heritage savings trust fund is a safeguard against the risk of future generations of Albertans having to carry onerous tax burdens to maintain an unrealistically high level of government services which might become established by the excessive expenditure of revenue flowing from the sale of non-renewable assets.

Mr. Speaker, I announced last September 17 the restraints on government spending which I am proposing tonight, and while those restraints have led to difficult choices and hard decisions about priorities, I am confident that the public institutions in Alberta can and will continue to provide a level of services second to none in Canada.

Before describing how we propose to achieve that restraint and what it means for expenditure programs, I would like to review the economic situation generally, the performance of the Alberta economy, and our participation in the federal anti-inflation program.

After experiencing a rather sharp recession, it appears that a recovery in most western industrialized economies is under way. Modest gains in output have been recorded since mid-1975, and employment has been increasing in the United States and Japan. Unemployment, however, remains very high by historical standards in most countries. The inflation rate decelerated significantly over the course of 1975, reflecting in part the end of the 1973-74 commodity price rise. Most national governments have moved fiscal policies to a slightly expansionary stance. Governments' willingness to embark on expansionary policies, however, has been tempered by widespread fears of setting off a new round of price escalation.

Generally, it is expected that output in the member countries of the Organization for Economic Cooperation and Development will show modest growth in 1976, with the strongest growth expected in the United States. Gradual moderation in the rate of price increase is expected to continue, but unemployment rates are likely to remain high. In summary, the western industrialized countries are moving slowly out of the recession, with the United States having the best short-term prospects for recovery.

The performance and prospects for the Canadian economy are not unlike those which I have described for the other western industrialized countries. For 1975 as a whole, there was virtually no real growth in the Canadian economy - the worst performance since 1954. However, the recession bottomed out early in the year, and modest recovery was well under way by the end of the year. Residential construction, and to a lesser extent consumer expenditures, led the recovery. For 1976, the recovery is expected to gain momentum, largely on the basis of renewed growth in exports, continued recovery in housing, and some strength in consumer expenditures. Although exports generally should add strength to the economy this year, the growing deficit in Canada's trade in crude oil, estimated to be of the order of $1.5 billion in 1976, will be a serious source of weakness for the trade balance over the next few years. The Canadian upturn will also be restrained by a slower increase in business investment in machinery and equipment, and in non-residential construction. The modest recovery means that for the rest of Canada unemployment will remain quite high, and the economy will continue to operate considerably below potential in 1976.

Despite the international economic problems and the recession experienced in Canada, the Alberta economy has remained very strong. Preliminary estimates of 1975 gross domestic product at market prices for Alberta indicate an increase over 1974 of the order of 18 per cent, almost double the rate of increase for Canada as a whole.

The basic factor underlying the very favorable performance of the Alberta economy for the past three years has been strong growth in business investment, reflecting the promising and stable investment climate in this province. For 1975, intended new capital investments stood at $4.8 billion, an increase of about 29 per cent from the 1974 level. Although investment in the national economy is expected to be a source of weakness in 1976, investment in Alberta is expected to show continued strength in view of the major projects, such as oil sands development, as well as the encouragement provided to new enterprises to locate in Alberta. Conventional oil and gas exploration budgets are expected to reach the highest levels in over a decade as a result of the Alberta petroleum exploration plan of December 1974.

Investment in housing in Alberta turned in a much better performance in 1975. After three consecutive years of decline, housing starts rebounded, increasing by 30 per cent from 1974 levels, compared to an increase in the rest of Canada of less than 2 per cent. The particularly sharp increase in starts in the latter part of 1975 and early 1976 indicates that a high level of activity in residential construction should continue during this year.

Reflecting the overall expansion of economic activity, a 3 per cent gain in total employment was achieved in 1975. There were 38,000 more people employed in January of this year than a year earlier. Alberta continued to have the highest percentage of its working-age population employed of any province in Canada. The seasonally adjusted unemployment rate declined throughout the latter part of 1975, and in January 1976 was lower than for any other province. Shortage of skilled personnel was evident again in 1975, but there was some improvement in reducing job vacancies.

With this expanded employment and increased wage and salary levels, total wages and salaries in the province increased by approximately 22 per cent in 1975, well above the national rate, and average wage and salary increases were well above the increase in the cost of living. Although farm input costs increased again in 1975, available statistics suggest that net farm incomes, a major component of personal income in Alberta, showed a further significant increase in 1975 from the record 1974 level of $800 million. Net farm incomes have increased threefold since the 1971 level of $276 million.

The 1976 outlook for agriculture shows promise for the livestock sector and relative stability for the grain sector. Production is expected to be about the same levels as the record established in 1975. Further cost increases, however, may mean some reduction in net farm incomes from the record highs in 1975.

On balance, the outlook for the Alberta economy in 1976 is for continued growth at a more rapid pace than is foreseen for the rest of the Canadian economy. Investment in plant and equipment, oil and gas exploration activity, as well as in housing is expected to provide the major stimulus, while consumer expenditures should keep pace with overall economic activity.

The Alberta economy, in common with the rest of Canada, continued to experience a high rate of inflation during 1975. The consumer price indexes for Calgary and Edmonton rose by 11.3 per cent and 10.9 per cent respectively, but some deceleration was evident in the latter part of 1975.

Although the national economic outlook is brighter now than a year ago, Canada's ability to return to levels of full employment will depend in large measure on the success in combating inflation. Clearly, the country had reached the point where the expectations of individuals, businesses, and even governments that inflation would continue and indeed accelerate were, in themselves, a major cause of continued inflation. Before the federal anti-inflation program was announced last October 13, the Alberta government had recognized the need for government initiative, and thus we announced our budget restraint guidelines last September 17.

Although we are concerned about the effects of excessive government interference in the operation of the economy and the length of the federal program, we are making a determined effort to work with the federal government. It is in the interests of all Canadians that Canada return to a period of more stable prices. We have, therefore, entered into an agreement with the Government of Canada providing for the application of the federal anti-inflation act and the national guidelines to the public sector of Alberta until March 31, 1977. For this purpose the public sector includes all government departments and agencies, Crown corporations, municipal governments, school boards, other bodies generally providing public services, and those receiving substantial public funding such as universities, hospitals, and nursing homes. Under the agreement, all collective agreements and other compensation arrangements in the provincial public sector will be subject to the review and monitoring procedures of the federal Anti-Inflation Board in the same manner as in the private sector.

The agreement represents a high degree of cooperation between our government and the federal government. The provisions of the agreement, together with The Temporary Rent Regulation Measures Act now in operation as well as the expenditure restraint reflected by this budget, represent a very substantial and responsible contribution to the overall effort to control inflation.

Mr. Speaker, I now wish to turn to the expenditure program, but before doing so, I want to comment on the new method of presenting the Estimates of Expenditure.

The format for the 1976-77 Estimates of Expenditure differs significantly from that of previous Estimates documents. The 1976-77 Estimates are organized on the basis of departmental programs and subprograms, rather than by appropriation, which tended to reflect organizational units. Budgeting by program more clearly illustrates the relationship between projected expenditures and how the service will be of benefit to the public. This will allow debate on the allocation of funds between broad service areas rather than between specific' organizational units.

Under program budgeting, all costs including capital costs directly associated with the delivery of a particular program are shown together. Members will be requested to vote for these individual program allocations rather than for departmental totals as in the past.

In addition to the Estimates of Expenditure on a program basis, I am tabling, for information purposes, supplementary documents which identify capital expenditures and program elements included in the 1976-77 program estimates.

The expenditure program provides for operating expenditures of $2,560 million and capital expenditures of $401 million for a total budgetary expenditure of $2,961 million. Members of the Assembly are familiar with the fact that an 11 per cent budgetary guideline for 1976-77 was established by this government on September 17, 1975. As stated by the Premier in the Legislature on November 12, 1975, the only new policy commitments which were exempted from this guideline are the high priority areas of reforms ill our system of justice and strengthened law enforcement.

The proposed budgetary expenditures of $2,961 million reflect the application of the 11 per cent guideline to policies and programs to which we were committed as of September 17, 1975. Included in the commitments made prior to September 17, 1975, were the salary adjustments for the public service and some of the hospital employees - both of which were not included in last May's estimates inasmuch as they were not able to be determined by the time of the presentation. The senior citizens' home improvement program, which was referred to in the Speech from the Throne last May, but for which no estimate could be provided as the policy parameters had not yet been established, is also included in the base. However, commitments made since September 17, 1975, have not been included in the base to which the guideline was applied. After reflecting these additional commitments, the base to which the budget guideline was applied amounted to approximately $2,675 million.

The proposed budget represents an increase of 10.7 per cent over these current year commitments, and includes provision of $29 million to meet salary adjustments for the public service consistent with federal anti-inflation guidelines. In determining the base for the 1976 budget guidelines, every effort was made to eliminate non-recurring expenditures, with the result that the estimates represent an increase of less than 8 per cent over forecast expenditures for the current fiscal year.

I would now like to highlight the expenditure program for 1976-77.

To underline the priority our government places on social programs, I would like to draw attention to the fact that of the total proposed $211 million expenditure increase over the 1975-76 forecast, $195 million or 92 per cent of this increase is for social programs, while the net increase for all other programs is only $17 million or 8 per cent of the total. Mr. Speaker, the 1976 expenditure program, while maintaining overall restraint reflects the commitment of our government to ensuring that our social programs and institutions continue to have priority in the expenditure programs of the provincial government.

In education, we are proposing to increase the provincial contribution to the school foundation program fund by $43.7 million, an 11.7 per cent increase. The recent initiatives in new programs as reflected by the learning disabilities fund, the early childhood services program, and the education opportunities fund - will be maintained and increased. A new priority this year will be by way of substantially increased government support for privately operated schools for the trainable mentally retarded, autistic children, and children with severe learning disabilities. Grants for special education teaching positions for the severely handicapped will be increased and expanded. The level of operating support for the school system, above the overall increase given to total government expenditures, will ensure that Albertans continue to have access to an expanded and enriched educational system.

University and college operating grants are proposed to increase by 11 per cent to $155.3 million. Alberta will continue to spend more per person on postsecondary education than any other province in Canada.

To ensure that Albertans have opportunities to participate in the future opportunities in Alberta, our government has substantially increased funds for apprenticeship training. Provision has been made for the training of 13,240 apprentices, 21 per cent more apprentices than last year.

Mr. Speaker, we have expressed serious concern, over the last few years, with the cost increases which have been experienced in the hospital area. Since 1968 the hospital budget for the province has increased from $126 million to $495 million, a fourfold increase in nine years. We are confident that steps are being taken to bring these costs under control. The $494.6 million budget for support of hospitals and other medical care institutions provides an 11 per cent increase over forecast expenditures for the current year. While it is not a budgetary program, I would like to mention that we have approved a $50 million per annum capital program which will be significantly directed to replacing rural and small town hospitals which have become inadequate over the years. This program will assure that rural communities will continue to receive the highest quality of hospital services, as well as to reinforce the basic economic and social structure of rural communities.

The province's program of matching, dollar for dollar, individual Albertan contributions to approved international aid agencies is proposed to increase to $2.4 million, an increase of 22.7 per cent over the forecast of expenditures for 1975-76 and 140 per cent over the estimates for 1975-76.

In recognition of the importance to Albertans of a justice system which will meet the requirements of the province and implement the reforms proposed by the Kirby Board of Review, our government is proposing to increase the Attorney General's budget by 32.9 per cent to a total of $37.3 million. Included in this total is $5.1 million for the improvement and expansion of the provincial court system, including the implementation of the new medical examiner system. It is also proposed to increase the grant provided to the Legal Aid Society by $1 million, to a total of $3 million, to enable the society to provide increased public defence assistance for those not able to afford such assistance from their own means.

Alberta will continue its initiative of 1975 in the provision of substantial fiscal support for municipal police forces. The basic law enforcement grant will increase by 11 per cent to $14.1 million in keeping with the general policy of budget restraint. However, in recognition of the continuing importance of peace and good order, additional support of $2,225,000 will be provided for enhanced law enforcement and for improved crime prevention programs. This supplementary Support will be conditional upon the municipalities having maintained an adequate basic level of policing.

As noted in the Speech from the Throne, adequate housing for all Albertans remains a major priority of this government. We are determined to take dramatic steps to ensure that the disadvantaged, our native people, rural Albertans, and lower income Albertans have adequate housing. Innovative programs have been designed to provide appropriate housing on terms which our citizens can afford. The emphasis is on the provision of new housing units.

The approved capital budget of the Alberta Housing Corporation includes commitment authority for the housing program of $114 million for about 2,900 housing units. Of this, $30 million is for public housing, $40 million for senior citizens' housing, $10 million for rural and native housing, and $24 million for land assembly and development. The commitment budget for the housing programs shows a dramatic 67.5 per cent increase over the estimated commitment level for 1975-76 and provides for an additional 835 units.

Commitment authority of $242 million has been provided for the mortgage lending programs which will be assigned to the Alberta Home Mortgage Corporation. This compares to a provincial commitment in 1971 of $5.2 million. Over one-half of the amount has been allocated to the starter home ownership program and the core housing incentive program. It is expected that the mortgage lending programs will provide financing for 7,775 housing units, a large percentage of which will be new units.

We estimate that the Alberta Housing Corporation will require financing of $96 million in 1976-77 to carry out the vigorous housing program. The grant to cover the corporation's operating deficit will be increased by $8.5 million to a total of $20.6 million. In accordance with our earlier policy statements, it is our intention to finance the estimated $232 million required in 1976-77 for the mortgage lending programs from the Alberta investment division of the proposed Alberta heritage savings trust fund.

Mr. Speaker, in recognition of the importance of worker health and safety to the individual and the important contribution it can make to the productivity of our economy, we are proposing to establish an occupational health and safety division in Alberta Labour. Our estimate for the total 1976-77 cost for this program is $2.8 million. It will employ 136 people, 82 of whom will be transferred from the Workers' Compensation Board to the new division. The increased emphasis in this field follows the recommendations of the Commission on Industrial Health and Safety and the request of the Alberta Federation of Labour.

Although the priorities and emphasis in this budget are on social programs, a few new programs and certain expansions are proposed for stimulating economic activity and restraining costs of operation.

To further strengthen agriculture in Alberta and to continue our policy of decentralization, $7 million is being provided to support the nutritive processing program to encourage the development of agricultural processing facilities outside the major metropolitan areas. The Agricultural Development Corporation will be provided with an additional advance of $20 million to continue its important role of assisting and meeting the financial requirements of further diversification of our agricultural sector.

The farm fuel distribution allowance program, the property tax reduction plan, the expansion of fertilizer production, together with provincial farm credit programs, will combine to ensure that Alberta's farmers continue to have the lowest input costs of any farmers in Canada.

We are proposing to maintain the $70 million of support through the natural gas rebate plan, which assures that Albertans will continue to have by far the lowest costs in Canada to heat their homes. In addition, we are meeting the unprecedented demand for expansion of the rural natural gas program, which has grown from a 1975-76 estimate of $18.7 million to a proposed 1976-77 funding of $33 million. Since the outset of the program, natural gas has been made available to about 25,000 rural homes, benefiting approximately 90,000 rural Albertans.

The Alberta Opportunity Company will be advanced a further $15 million to continue to meet the financial needs of small businesses.

$11.3 million is being proposed for airport construction and improvement. Considerable emphasis will be placed on construction of new industrial and isolated community airports in the north. The program will also provide for the expansion of existing airports and, in some cases, the construction of new airports in established communities throughout the rest of the province as an integral part of our basic strategy of balanced growth throughout the province.

$10.6 million is being proposed for capital projects to improve municipal water supplies. Of this total, $8.5 million is being allocated to the Red Deer regional water system, and $1 million for the Metis water supply program. In addition, $2.2 million will be provided as grants to municipalities under our water supply programs.

Mr. Speaker, I think it is important to emphasize the very favorable tax climate we enjoy in this province and the importance of our non-renewable resource revenues for present and future Albertans.

As shown in the supplementary information, non-renewable resource revenues account for 45 per cent of estimated 1976-77 budgetary revenues. If the 30 per cent allocation to the heritage savings trust fund is added, non-renewable resource revenues account for nearly 55 per cent of total provincial revenues more than double the percentage of only four years ago.

This dramatic increase in depleting non-renewable resource revenue points to the overwhelming need to save and invest a substantial portion of those revenues for the benefit of Albertans in future years. Those who call for increased spending now without increasing taxes on present Albertans should pause to reflect on the legacy such action would leave to our children and grandchildren.

Data for the current fiscal year show that on a per capita basis personal income tax and consumption taxes in Alberta are only about two-thirds the level of the next lowest province. Less than 25 per cent of estimated budgetary revenue for 1976-77 comes from provincial taxes. A substantially lower proportion of provincial revenues in Alberta comes from taxes than in any other province.

Mr. Speaker, Albertans pay the lowest taxes of all Canadians. We have no retail sales tax, estate taxes, or gift taxes. Our personal income tax rate is 15 per cent lower than the next lowest province. Our gasoline tax is the lowest in Canada.

It is also important to note that municipal tax burdens in Alberta compare very favorably with other provinces. Property taxes in Alberta have been reduced substantially as a result of the policies of our government to provide a larger proportion of funding for social programs from provincial revenues. The most dramatic of these policies was the removal of the entire school foundation program fund levy from residential property. This measure alone results in property tax savings for Albertans of nearly $100 million in 1976.

Total property taxes in Alberta have declined from 5.9 per cent of disposable personal income in 1970 to 4.5 per cent in 1974. Real property taxes account for a lower proportion of total local government revenues in Alberta than in any other province where local governments have similar levels of responsibility. On a per capita basis, total property taxes in Alberta including residential, commercial, and industrial compare favorably with other provinces.

Although interprovincial comparisons of residential property tax levels are difficult to make, the evidence available suggests than on equivalent types of accommodation, property tax burdens in Alberta are among the lowest in Canada. As a result of our policies, residential property taxes, as a percentage of disposable income, have dropped substantially. If one looks at individual examples, the effect is dramatic. For example, skilled tradespersons living in modest three-bedroom bungalows located in a major Alberta city paid in 1970 about 7.2 per cent of disposable income in property tax, but in 1975 paid only 3.6 per cent of their disposable income for property tax.

Mr. Speaker, the circumstances I have outlined raise difficult questions. What is the level of government services that ought to be provided? What is the percentage of government expenditures that Albertans ought to pay in taxes? What is the percentage of revenue from the sale of non-renewable resources that ought to be set aside to protect our future? The questions are difficult and the answers, of necessity, are matters of judgment and will change from time to time in the light of changing circumstances. After careful deliberation, it is our judgment the proposals being put before you tonight strike the appropriate balance between the need for government services, the need to protect the future, and the necessity to pay from taxation a substantial portion of government expenditures as they are incurred.

Mr. Speaker, these proposals do not involve any change in this government's taxation policies.

Before turning to the province's financial position and our fiscal plan, I would like to mention that very important federal-provincial fiscal discussions will be held during this year. The existing provisions of the Federal-Provincial Fiscal Arrangements Act expire on March 31, 1977. Many important issues need to be discussed to ensure that over the next five years our basic federal-provincial fiscal relations will meet the changing needs of Canadian Confederation.

Mr. Speaker, the continuing strong financial position of our province is reflected in the accompanying table which summarizes our financial position and plan.

The Estimates of Expenditure which I have tabled propose budgetary expenditures for 1976-77 of $2, 961 million, an increase of 7.7 per cent from the estimated expenditure of $2,750 million for the current fiscal year. Any appreciable price or production increase in crude oil or natural gas will more than offset the estimated budgetary deficit of $31 million.

For 1976-77, I estimate budgetary revenues to be $2,930 million, and the 30 per cent of the non-renewable resource revenues to be allocated to the proposed Alberta heritage savings trust fund to be an additional $570 million. The estimates of crude oil and natural gas related revenues are on the basis of the existing prices for crude oil and natural gas.

The estimated net requirement for loans and advances is $157 million. The $232 million for the direct lending programs for housing and the Syncrude project equity contribution of $65 million will require $297 million for a total non-budgetary requirement of $454 million. As has been indicated, when the Alberta heritage savings trust fund has been established, we anticipate holding the financing for direct lending for housing and the Syncrude related items as investments of the Alberta investment division of the fund.

In conclusion, Mr. Speaker, the budget I am proposing tonight is a direct response to the theme of the Speech from the Throne - a theme of consolidation of existing programs, overall restraint in government and public sector spending in Alberta so as to reduce the inflationary pressures on our society, but with recognition of this government's high priorities in the social areas of housing, education, health, law enforcement, and justice for all.

The highlights of this first full year budget of the second term of our government are, therefore:

- a significant reduction to under 11 per cent in the rate of increase of expenditures;

-of the total $211 million of expenditure increase proposed, over 92 per cent is for   
social programs;

-the three largest areas of public expenditure are basic and advanced education,   
hospitals, and social services and community health which, taken together, require over   
two-thirds of the total operating budget;

-a dramatic 67.5 per cent increase in the approved capital programs for the Alberta   
Housing Corporation to provide funds to build accommodation for low-income   
Albertans;

- a massive commitment of $242 million to provide lower cost financing for home mortgages for Albertans, which compares to a commitment of only $5.2 million in 1971;

-two major exceptions to the 11 per cent guidelines to provide improvements in our provincial system of justice and to strengthen our law enforcement agencies; and

-no increase in taxation, thus maintaining the position of Albertans as the lowest taxed citizens in Canada.

Mr. Speaker, the proposals which I have put before you tonight strike the appropriate balance between the current priority needs for increased government services and the need to set aside funds to protect our future.

This budget assures Albertans that they will continue to have the highest overall level of public services in the nation and that their province will continue to have the strongest economy and the greatest opportunities in Canada.