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| Alberta | 18e  | 3e  | Discours du budget | 11 mars 1977 | M. C. Mervin Leitch | Trésorier provincial | PC |

**Mr. Leitch:** Mr. Speaker, it is my pleasure to present this evening the seventh budget of our administration. This budget reflects our continuing efforts to strike a responsible fiscal balance in order to maintain this province's current strong financial position during the transition from a resource-based economy to a more permanent self-sustaining diversified structure.

As I announced on November 17, 1976, an integral part of our budget plan for the next fiscal year is the continuation of a general attitude of restraint in the growth of provincial government expenditure. I would like to stress that our policy is one of controlling the growth of expenditure while maintaining and in some instances increasing the high level of government services Albertans are now receiving.

With the reduction that has occurred in the inflation rate over the past year, it is our belief the guidelines adopted for 1977-78 are well within our capacity to achieve, while still providing for improvement in the quality of government service to people.

In our judgment there are two compelling reasons why it is necessary to continue the restraint policy. Foremost, we must continue to guard against the danger of building in unrealistically high levels of government expenditure based on our depleting resource revenues. Mr. Speaker, I think it is instructive to here reflect on some of the history of government spending in Canada. Slightly more than 10 years ago, in 1965, all levels of government in Canada combined collected and spent an equivalent of about 26 per cent of the total economic output of the country. By 1975 this figure had surpassed 42 per cent. While much of this increase was due to programs which redistributed income among individuals, the growing presence of government is all too apparent.

In Alberta we have not experienced this same relative expansion of the government sector. By 1975 the equivalent of about 33 per cent of total output was spent by all three levels of government, compared to 29 per cent 10 years earlier. In part, the lower proportion of Alberta output collected and spent by governments is a reflection of the much more rapid growth of the Alberta economy than had been achieved by the national economy.

Mr. Speaker, we believe the lessons to be learned from the examples around us are clear. The major source of Alberta's past rapid growth - our conventional crude oil and natural gas - is depleting. As this process occurs we will experience an inevitable shift in government revenues toward those sources such as personal and corporate income tax, which future Albertans will be called upon to provide. If we do not take the longer view and maintain expenditures at a realistic level, then the future tax burden on Albertans will be extremely onerous.

As well as this government's direct responsibility to Albertans, we have a broader responsibility, which is fulfilled by our commitment to expenditure restraint.

In our view the partial success in reducing the inflation rate over the past year has been aided considerably by controlling government expenditure growth.

Full co-operation of all governments in Canada is necessary for a further reduction in the inflation rate.

Alberta has a vital interest in achieving this goal. If we are to diversify our economic base, we must be able to compete in both national and international markets. In large measure our ability to compete will be determined by our success in reducing inflation.

Mr. Speaker, major changes in the financing of health care, hospitals, and postsecondary education have been negotiated recently by the federal and provincial governments. I will be outlining the new arrangements in more detail later in this address, but I would now like to highlight their significance.

In essence, the new agreement involves the change from a 50-50 sharing of the costs of these programs between the provincial and federal governments to one where the province is responsible for financing a much higher proportion of the total cost. The major advantage to the province of this new arrangement is a greatly expanded ability to determine its own priorities. The shift to greater provincial financial responsibility will be accompanied without extra burden on Alberta taxpayers by a change in the share of total personal income tax revenue collected by Alberta and the federal government.

I am satisfied that we will now be able to respond more effectively to the needs of Albertans in the areas of hospital care, medical care, and postsecondary education, without the artificial financial constraints imposed under the previous system. Our government has been seeking this type of change for some time, and I am pleased to be able to outline the contents of the new arrangements this evening.

Mr. Speaker, before reporting on the financial plans of the government for 1977-78, I would like to provide a brief review of the economic situation.

Economic activity in the major western industrialized countries has been strengthening since the trough of the world recession in late 1974 and early 1975. The recovery has been slow by historical standards, however, and there is a significant possibility that the modest growth of 1976 will weaken in 1977. The United States, Japan, and West Germany have been leading the recovery, but there is some concern that the momentum built up in 1976 in these countries will not be sufficient to propel the rest of the world economy on a sustained growth path. While inflation has moderated significantly through-out the world, unemployment remains high. There is little likelihood of a resurgence of rapid inflation at this time, but current conditions suggest that without some form of stimulus unemployment rates may rise in 1977. A common problem of many countries is a lack of business confidence, reflected in the slow response of investment to the improving economic situation.

While the Canadian economic situation parallels that of the international economy in many respects, it is deeply disturbing to see the majority of economic forecasts for 1977 point to a worsening economic future. During 1976 real growth in Canadian output was 4.6 per cent. While this was certainly an improvement over 1975, it was a disappointment relative to previous recoveries from recessions.

Since relatively few new job opportunities were provided at this rate of growth, the unemployment rate in Canada rose to 7.2 per cent. With growth next year forecast at only 3 to 4 per cent, it is widely expected that unemployment will average close to 8 percent in 1977. Given the regional diversity and economic performance, for a number of provinces this means unemployment rates of 10 per cent to 15 per cent, or even higher.

One of the contributing factors to the slow growth in 1976 was a poor investment performance. Investment in new housing was buoyant, but real business investment was stagnant in 1976. Current forecasts indicate little improvement in 1977. Policies are required at the national level to restore the business confidence needed to stimulate this most important economic activity. It is only through a process of investment that Canada will achieve the productivity gains necessary to allow us to compete on an equal footing in world markets, and hence provide meaningful employment opportunities for an expanding labor force. We must also view with apprehension the fact that our wage rates and production levels are making Canada increasingly non-competitive in many important trading commodities, forest products being a disturbing example.

An area of considerable concern to this government as we review Canada's economic performance is the balance of trade position. While the deficit in the current account balance improved slightly for the first three quarters of 1976 compared to 1975, the net result was still a deficit of close to $5 billion. Furthermore, the underlying trends in our dealings with other nations are disturbing. Our traditional surplus on merchandise trade was much smaller in 1976 than in previous years - about $1 billion compared to the more usual $2 to $3 billion. In the past we have relied on this surplus from our sales of wheat, crude oil, and other commodities to largely offset our typical deficit for services - items such as foreign travel and interest payments on public and private debt held by non-residents of Canada. This deficit for services, however, has grown by about 60 per cent in the past three years to nearly $6 billion. With projected foreign sales of our crude oil declining rapidly in the future and imports of crude oil increasing, the outlook for growth in the merchandise trade balance is of considerable concern.

Under these conditions, Mr. Speaker, Canada faces a situation of continued extensive foreign borrowing, or further foreign equity investment, to maintain our current standard of living. Continued borrowing against our future production leaves Canada in a position of exposure to sudden changes in the cost and availability of foreign capital.

We believe that policies aimed at steadily reversing the trends I have just outlined would help avoid the potential of more painful, rapid adjustments, which are a real possibility if the existing situation persists.

The major force behind the growth the Canadian economy did manage to achieve in 1976 was consumer spending. With inflation at rates below the general level of wage and salary increases, real disposable income increased significantly leading to the strength in this category.

The substantial reduction in the rate of inflation achieved during 1976 is the most encouraging fact to emerge from a review of last year's performance.

I believe, Mr. Speaker, that in recent months Canada's economic thinking has matured. We appreciate more than ever before how rampant inflation stifles economic growth, job creation, productivity, and consequently improved living standards. But more important than that appreciation is the growing awareness that higher living standards come from increasing the supply of goods and services and not by increasing prices or salaries. Increases in prices or salaries may yield temporary advantages to those who achieve them, but over time the only way we can improve our standard of living is by producing more goods and services.

I believe also, Mr. Speaker, that during the past year we have come to the realization that high inflation rates are not inevitable and that labor, management, and government, acting in concert, can take effective action to reduce inflation.

Mr. Speaker, I am pleased to report that the national and international problems described above have had little effect on the Alberta economy. It appears that there was only a moderate slowing of real economic growth in 1975, and the figures for 1976 indicate a resurgence of strength.

Investment plays a major role in the Alberta economy and, following a number of years of record increases, total investment in new capital during 1976 is expected to be about $6.3 billion – an increase of about 28 per cent over 1975. This growth rate is more than double that of the rest of the Canadian economy. Alberta now accounts for 15 per cent of all investment in Canada, although our population is only 8 per cent of the total. This is the type of performance which must be sustained if we are to achieve the productivity gains which will yield tomorrow's high-skill job opportunities and allow us to compete favorably in world markets.

A new record was set for housing starts in Alberta last year. Total starts during 1976 reached a record level of almost 39,000 dwellings, more than one and a half times the 1975 figure and well above the previous peak reached in 1971. Although housing starts have grown strongly in other parts of Canada, the growth rate in Alberta during 1976 was more than double the Canadian average. The large commitment made by this government to the programs of the Alberta Housing Corporation and the Alberta Home Mortgage Corporation have been instrumental in this improvement in the supply of housing. We fully expect that this increased supply will help to curb the rapid increases experienced in housing costs in past years. Furthermore a substantial number of these new starts is for rental accommodation, which should help alleviate the shortage of this type of dwelling.

Buoyant business conditions in Alberta have also led to an above-average growth rate in new jobs. Total employment grew by almost 6 per cent in this province in 1976, representing a creation of 45,000 jobs on a year-over-year basis. The number of people entering the labor force also grew rapidly, but the unemployment rate was reduced to 3.9 per cent in 1976, at a time when the national unemployment rate was rising.

With these prosperous conditions, incomes in Alberta have grown substantially. Average weekly wages and salaries were 13 per cent above the previous year by December of 1976, well above the national increase of 11.8 per cent for the corresponding period.

Propelled by the rapid growth in personal income, retail sales increased by 17 per cent in 1976, providing a strong basis for growth in business income, particularly for many of Alberta's small businesses operating in the retail trade sector.

Alberta's large and important agricultural sector experienced some difficulties during 1976, and preliminary indications are that net farm income declined. In the grain sector, a substantial worldwide improvement in crop harvests has led to lower grain prices. With the record wheat crop harvested in Alberta in 1976, however, the effect of the lower prices was offset to some degree. The livestock sector continues to experience unrealistically low prices for beef. Part of this problem stems from low-cost imports to Canada. The government, in recognition of the problems experienced by this industry, has responded by initiating a $43 million program designed to prevent large losses by cow-calf operators in Alberta. In the absence of such a program, it was our judgment that many producers would have been forced out of the business.

Mr. Speaker, the prospects for the agricultural industry in 1977 are somewhat mixed. With lower prices prevailing for grains, net income in this part of the industry is likely to be lower than in 1976. However, some strengthening of livestock prices is expected to improve net income from livestock production.

Inflation rates in Alberta have declined significantly following the national trend, but generally more buoyant economic conditions in Alberta have been a contributing factor in keeping the rate of growth in the consumer price indices for Edmonton and Calgary somewhat above the national average.

The outlook for Alberta in 1977 is for continued strong growth. With construction continuing on the Syncrude project, the quickening pace of construction on the petrochemical projects, and a continued high level of exploration for and development of new oil and gas reserves, investment is again expected to be a major contributor to Alberta's economic growth. We expect most major economic indicators for Alberta to outperform those of other provinces.

Mr. Speaker, prior to discussing the 1977-78 revenue estimates, I wish to review briefly the results of some very important federal/provincial negotiations on financial matters which occupied a considerable amount of time over the past year. These negotiations culminated at the meeting of first ministers on December 13 and 14, 1976, when agreement was reached in two key areas - new financing arrangements for three major programs which until now have operated on a shared-cost basis, and a new formula for determining federal equalization payments to those provinces with below-average taxing capacity. The new arrangements will commence on April 1, 1977.

The purpose of the provincial revenue equalization payments is to ensure that all provinces are able to provide an average level of services at reasonably comparable rates of taxation. This is a key program in federal/provincial fiscal relations. The new formula is an attempt to provide a better estimate of each province's fiscal capabilities and deficiencies. While Alberta neither receives nor directly contributes to equalization payments, we maintain a strong interest in ensuring that the principles of this program are efficiently served because of its important implications for equality of opportunity among Canadians.

The new financial arrangements for established programs is of more direct concern to Alberta. Until now hospital insurance, medical care, and postsecondary education - referred to as established programs because they have been in place for sufficient time to have matured in the sense of approaching national standards - have been financed on a shared-cost basis by the provinces and the federal government. Also included in the established programs financing is the federal contributions for extended health care services, namely nursing home intensive care, adult residential care, converted mental hospitals, health aspects of home care, and ambulatory health care services. This area was previously conditionally cost-shared under the Canada Assistance Plan.

Under the new arrangements the 50 per cent share contributed in the past by the federal government in the form of conditional cash transfers will be replaced by two roughly equal components, to which no specific expenditure conditions have been attached. Approximately one half will be in the form of an equal per capita cash grant to each province. Each year the grant will be increased to reflect recent changes in overall growth in the Canadian economy. The other half will be in the form of a transfer of income tax room to the provinces. This transfer will be accomplished by the federal government reducing its personal income tax rates and the provinces increasing their own rates to take up the vacated room. The revenue generated by the combined federal and provincial income taxes will not change. The net tax transfer in respect of established programs financing will be 8.143 points of personal income tax. This transfer is additional to the 4.357 points of personal income tax and 1 point of corporation income tax transferred to the provinces in respect of the former postsecondary education cost-sharing arrangements.

During the negotiations on these issues, a major provincial concern was the loss of provincial revenue which would occur due to the termination of the revenue guarantee on December 31, 1976. This program had been in effect since 1972, the year of tax reform. It was designed to ensure all provinces participating in the tax collection agreements with the federal government that their revenues would not be adversely affected by the significant changes made to the income tax system at that time. Expiration of the guarantee meant a significant financial loss to the provinces. Alberta will receive about $75 million in respect of this program in 1976-77. The negotiations resulted in one additional personal income tax point, bringing the net additional tax transfer to 9.143 points, and a parallel amount of cash being included in the cash grant side of the established programs financing arrangements.

As a result of the transfer of personal income tax room, we will be proposing that Alberta's personal income tax rate increase from 26 per cent to 38.5 per cent of federal basic tax. I wish to emphasize, Mr. Speaker, that the new tax rate is only a reflection of the increased share of the tax dollar which will go to the provincial government. In principle, the combined federal plus provincial income tax payable by individual taxpayers is not changed; in practice, some taxpayers will experience relatively small increases or decreases because of the mechanics of the transfer. For those taxpayers reporting taxable income of less than $3,958, we propose to expand the benefits of the Alberta selective rate reduction, which has been in place since the 1975 taxation year. The proposed modification will ensure that the program's original objectives are maintained; that is, no Alberta tax will be payable where there is no federal tax payable and, for each taxpayer, Alberta tax payable will not exceed federal tax payable. I estimate the cost of this expanded selective rate reduction will be about $4 million. The effect of the new income tax rates on the individual taxpayer is illustrated in Appendix B.

Mr. Speaker, Alberta has been critical of cost sharing for several years because it distorts provincial spending priorities and reduces provincial flexibility in developing programs. These distortions tend to increase program costs. Under the new arrangements, Alberta and other provinces will have greater autonomy in designing, financing, and delivering these programs. The only conditions attached to the established program financing arrangements are general in nature. First, the provinces must ensure that the expenditure in each of the three program areas is at least equal to the federal cash contribution in the respective area. Second, the broad conditions of portability, accessibility, comprehensiveness, and universality, which are contained in the federal Medical Care Act, will apply to hospital insurance, to medicare, and to extended health care services. No program conditions are to be imposed on postsecondary education, in recognition of provincial constitutional responsibility. We are confident, Mr. Speaker, that the new arrangements will enable us to better satisfy the special needs and preferences of Alberta tans, and to improve the cost effectiveness of health and postsecondary education programs.

In addition to the program benefits, these new arrangements have a definite and favorable impact on the Alberta budgetary revenue structure. Chart 1 illustrates the composition of revenues in 1977-78 with comparable information for 1971-72. In 1977-78 almost 17 per cent of budgetary revenue will be in the form of personal income tax receipts. This compares to only 13 per cent for 1976-77, and restores personal income tax to about the same relative importance as in 1971-72. Concurrently, the share of revenues provided by government of Canada transfers will drop from about 17 per cent of total revenue in 1976-77 to 13.5 per cent in 1977-78. As Chart 1 indicates, the relative importance of federal transfers in the revenue structure has declined sharply since 1971-72. This change is important since it means that our flexibility in determining the overall revenue level, as well as its composition, is enhanced. Furthermore our overall revenue position is less subject to unilateral changes in federal policy.

Turning now to other revenues, Mr. Speaker, a major revenue source which has shown tremendous growth since this government first took office is corporate income tax. I estimate that this source will yield $188 million on a net basis for 1977-78. This represents almost three times as much revenue as was collected in 1971-72. Chart 2 illustrates the growth rate of this revenue category is expected to be the highest of any category in 1977-78. This growth in revenue stems from a rapid acceleration of the Alberta economy during the 1970s, relative to our historical trend and to the growth which prevailed in other provinces. Between 1971-72 and 1977-78, corporate income tax revenues have grown at an annual average rate of 18.5 per cent, only slightly less rapidly than personal income tax revenues, which annually have grown at 21.2 per cent.

Non-renewable resource revenues continue to form the single highest budgetary revenue source for the province, contributing about 48 per cent of the total. The estimates of crude oil and natural gas related revenues are, as in past years, based on existing prices.

Mr. Speaker, Chart 1 illustrates forcefully the importance of non-renewable resource revenues to Alberta. I would point out that this share does not include the estimated $735 million to be transferred to the Alberta heritage savings trust fund. As a result of the magnitude of non-renewable resource revenues, Albertans continue to enjoy the lowest tax burden of all Canadians. We have the lowest person al income tax rate in Canada, and have no retail sales taxes, estate taxes, or gift taxes.

I would like to remind the members of this Assembly and all Albertans, however, that the 18 per cent increase in non-renewable resource revenue estimated for 1977-78 is due almost entirely to increased prices for oil and natural gas. Crude oil production in 1976 was 27 per cent below the peak level recorded in 1973. Long-term forecasts indicate that by 1985 production will only be about one-half of the 1973 level. Natural gas production is forecast to peak in 1981 and then decline more slowly than oil production. Price increases cannot continue at a rate sufficient to make up for this decline. As revenues from this source first grow more slowly and then begin to decline, pressures will build to make greater use of conventional tax sources.

The budget I'm presenting this evening does not involve any change in tax rates, with the exception of the personal income tax rate which, as I've explained earlier, will not affect appreciably individual Albertans.

The details of the revenue estimates are provided in the supplementary information contained in Appendix A. With the changes I've outlined in the personal income tax rate and in federal government transfers, 1977-78 budgetary revenues are estimated to be $3,577 million, an increase of about 14 per cent over the current forecast of revenues for this fiscal year.

Mr. Speaker, the hon. members will note that the 1977 -78 Programme Estimates are presented in the format which is very similar to that used last year.

We believe that program budgeting is a very effective way of highlighting the services provided to Albertans by government expenditures, and we are developing it further as a resource allocation tool. These further developments will improve processes involved in determining budgetary allotments, both within and between program areas, but should not materially affect the style of estimates presentation established last year.

As an aid to members in reviewing our 1977-78 expenditure plan, we have included in the Programme Estimates a portion of each vote that represents cost of acquiring fixed assets, both by the province itself and by local authorities. These capital estimates are included for the members' information as a bottom-line addendum after the subprogram summary in each vote, and are summarized by department on page 9 in the Programme Estimates. As in 1976-77, a further breakdown of capital-related expenditures and a listing of program element details are provided in supplementary documents. It should also be noted, Mr. Speaker, that for the first time the Programme Estimates contain information on expenditures and manpower utilization for departmental stock advance operations.

On November 17, 1976, I announced that 1977-78 would be a year of continued restraint in provincial expenditures and that, with the possible exception of certain high-priority programs, the 1977-78 estimates would show an increase of no more than 10 per cent over the current year's expenditures.

Mr. Speaker, there are two elements in the expenditure proposals I am presenting tonight which increased the target to 12.4 per cent over the 197677 estimates. However, the first element which accounts for 1.3 per cent of that increase is not in fact an increase in expenditure, but rather flows from a different treatment of medical expenditures, arising out of the new federal/provincial fiscal arrangements. In the past, certain federal payments in respect of medicare have been paid directly to the Alberta Health Care Insurance Commission and were not shown in either budgetary revenues or the estimates of expenditure. As a result of the new arrangements such payments, which this year will amount to approximately $40 million, will be shown as an increase in budgetary revenue as well as an increase in the estimate for the Alberta Health Care Insurance Commission. However, the commission is in fact operating within the 10 per cent guideline increase, and the apparent large increase to that commission is due solely to the different treatment in this year's estimates of payments received from the federal government.

The second element, which is an exception to the 10 per cent guideline and which accounts for the remaining 1.1 per cent increase over the 10 per cent guideline, is the allocation of funds to the natural gas price protection plan, formerly the natural gas rebate plan. In the 1976-77 estimates, $70 million was provided for this plan. In reviewing our 1977-78 expenditure plans, we decided that this program was of such vital importance to Albertans that it ought to be dramatically expanded and exempted from the 10 per cent guideline. In addition, Mr. Speaker, payments under the plan are not really expenditures resulting from government operations, but rather are transfer payments to the users of natural gas and electricity made from natural gas within the province of Alberta. Consequently we propose to increase the price protection under the plan by 50 per cent to a total of $105 million.

In summary, Mr. Speaker, on a comparable basis, the 1977-78 Programme Estimates call for an expenditure of $3,289 million, an 11.1 per cent increase in expenditures from the 1976-77 estimates. The 1.1 per cent variation from the 10 per cent guideline is wholly accounted for by the natural gas price protection plan. On an actual basis - that is, when the new medicare arrangements are added in - total expenditures amount to $3,329.1 million, an increase of 12.4 per cent from the 1976-77 estimates.

The 1977-78 expenditure program provides for operating or non-capital expenditures of $2,917.8 million, which represents a 14 per cent increase over the 1976-77 operating estimates tota1ling $2,560 million. The 1977-78 capital component, or the costs associated with acquiring fixed assets, amounts to $411.3 million, and represents only a 2.5 per cent increase over the 1976-77 capital estimates totalling $401.4 million. Mr. Speaker, we recognize that we should not unduly expend our own capital activities in 1977 -78, given the buoyant outlook for private construction in the province and our policy of continued restraint. The entire $9.9 million increase in the capital budget is to provide additional support to local jurisdictions for their capital programs.

Of the total 1977-78 expenditure proposals, $2,213 million, or 66 per cent, is for provincial support in the form of grants to individuals, private agencies, and local authorities such as schools, hospitals, universities, and municipalities. In the 1976-77 Programme Estimates, the comparable figure was $1,925 million, or 65 per cent of the total. Mr. Speaker, the provision of an additional $258 million in 1977-78 represents a 15 per cent increase over 1976-77, and reflects this government's continuing priority in its direct support of local jurisdictions, private agencies, and individual Albertans.

The remaining third of the 1977-78 budgetary proposals, or $1,116 million, is for the government's own operations, and represents only a 7.7 per cent increase over the comparable 1976-77 estimate figure of $1,036 million. In addition, I would like to point out that we are providing for only a 1.2 per cent increase in the civil service for 1977-78, or 341 additional permanent full-time employees. This rate of increase is substantially lower than the growth in the civil service for the past year, which amounted to 2.7 per cent.

These facts, Mr. Speaker, clearly demonstrate that we have applied the restraint program most severely to our own operations, thereby allowing proportionally greater increases in the provincial support programs.

I would now like to highlight the priority areas in the 1977 -78 expenditure programs.

Mr. Speaker, during our term of office we have pressed vigorously and successfully for increased prices for the natural gas produced in Alberta. This policy has been of immense benefit to the people of Alberta because approximately 84 per cent of the natural gas produced in Alberta is exported from this province, all of it at prices equal to or above the prices paid for natural gas used in Alberta. The increased prices for natural gas have benefited Albertans in two ways: firstly, by providing a healthier, more vigorous natural gas exploration [and] development industry and consequently more jobs in the province. But more importantly, the higher prices have provided very large royalty revenues to the people of Alberta which have, in part, enabled us to maintain in Alberta the lowest level of taxation in Canada, and to establish the Alberta heritage savings trust fund. However, Mr. Speaker, we appreciated that these increased prices for natural gas had a significant direct impact on home and small-business utility costs within the province. To reduce the effect of that impact we introduced some years ago the natural gas rebate plan, which has now become the natural gas [price] protection plan and which ensures that Albertans will pay less per thousand cubic feet of natural gas used to heat their homes than people in other parts of Canada.

The following table compares the rates Albertans will pay in 1977-78 for natural gas as compared with natural gas users in other major cities in Canada: Vancouver, $2.24 per MCF; Edmonton, $1.23 per MCF; Calgary, $1.15 per MCF; Regina, $1.49 per MCF; Winnipeg, $1.87 per MCF; Toronto, $2.38 per MCF. Based on these prices and consumption of 17.25 thousand cubic feet of natural gas for a month, an Edmonton resident would pay about $21 per month, while a resident of Toronto would pay almost twice as much, $41, to heat their respective homes.

Mr. Speaker, the hon. members will notice in the Programme Estimates that $113.4 million is provided for the Alberta Health Care Insurance Commission an increase of 59 per cent over the 1976-77 forecast. This very large increase is almost entirely due to the effects of the new established programs financing arrangements. In direct terms, $40.2 million of the increase results from lower federal cash transfers. Abstracting from this change in financing, the discretionary increase in provincial financing of the commission is only 2.9 per cent above the 1976-77 forecast.

I might also note that the new financing arrangements have enabled us to transfer the funding of diagnostic services from the Alberta Hospital Services Commission to the Alberta Health Care Insurance Commission. The 1976-77 forecast and estimates of the commissions have been adjusted to make them comparable with the 1977-78 estimates in this regard.

Adequate housing for Albertans continues to be a major priority of this government.

The Alberta Housing Corporation has commitment authority for up to $168 million for approximately 2,700 housing units. Included in this program is $41 million for public housing, $14 million for rural and native housing, $30 million for land assembly and development, and $5 million for an industrial land assistance program.

The Alberta Home Mortgage Corporation has commitment authority for up to $318 million for mortgage lending programs to be directed at 9,300 housing units, 2,500 lots, and 750 mobile-home stalls. The lending programs include $75 million for the core housing incentive program, $50 million for the starter home ownership program, $20 million for the modest apartment program, and $25 million for the residential lot development program. Another $75 million will be used for direct lending activities related to the financing of new construction, existing homes, and builder loans.

We estimate that together the corporations will require financing of $386 million to carry out their capital programs in 1977-78. About $150 million of this amount will be funded from the Alberta heritage savings trust fund, as a result of previous investment decisions. Pending further decisions by the investment committee of the heritage fund, the remainder is shown as part of the non-budgetary financing requirements [for] the general revenue fund. The grants of $24.9 million and $3.1 million required to finance the operating deficits of the Alberta Housing Corporation and the Alberta Home Mortgage Corporation, respectively, are to be funded in the usual manner from the general revenue fund.

Our government has initiated several programs to ensure that senior citizens are provided with an adequate standard of accommodation. An example of direct financial assistance is the senior citizen home improvement program, which provides senior citizens earning $6,000 or less a grant of up to $1,000 which may be utilized for improvements to existing homes. To date our government has committed $26.2 million to over 26,000 senior citizens in Alberta. This program will be extended to senior citizens with limited income, up to $9,000 per year, thereby providing assistance to an additional 20,000 senior citizen households.

To assist senior citizens residing in rental accommodation, we are providing $3.9 million to continue the senior citizens renters assistance program.

The Alberta Housing Corporation has authority to commit $40 million for 1,200 units of self-contained housing for senior citizens. This program provides independent senior citizens with apartment-style accommodation. In addition, $6.1 million, for approximately 220 units, will be invested in senior citizens' lodge construction. The lodge program provides a homelike environment for senior citizens who would otherwise experience difficulty in trying to maintain an independent household. Total 1977-78 commitments for the self-contained housing and senior citizens' lodge program represent a 16 per cent increase over the 1976-77 budgetary level. This budget also provides $125,000 for grants to sponsoring municipalities for the operational costs of these lodges.

This budget provides $60.1 million, or an increase of 18.1 per cent over the 1976-77 estimates, for unconditional assistance grants to municipalities in recognition of the needs of local governments. Despite this major increase in assistance, we recognize that there are municipalities which are experiencing extraordinary financial difficulty in coping with unprecedented growth. Included in this budget is $3 million for special assistance to such growth centres. This demonstrates that our government is continuing its efforts to assist local governments in the provision of essential services.

The budget also provides $9.1 million, or 65.5 per cent over the 1976-77 estimates of $5.5 million, to continue the municipal debenture interest rebate program initiated in 1974. Under this program, certain debenture borrowings from the Alberta Municipal Financing Corporation, and advances under The New Towns Act and municipal land loans, are subsidized by rebating to municipalities interest charges in excess of 8 per cent. Since the inception of this program in 1974, our government has rebated nearly $7 million to municipalities.

In recognizing the important role that Alberta's libraries play in developing our cultural heritage, additional funds are provided in 1977-78 to raise the level of provincial support to $1 per capita for libraries in Edmonton and Calgary and to $1.50 per capita for other libraries in Alberta. In addition, the existing population limitations as to the size of an individual grant will be removed.

Provision is also made for the establishment of a multilingual biblioservice to serve the needs of ethnocultural groups; and to ensure that public input is received in the development of public library services, the Alberta library board will be reactivated. In all, more than $2 million in additional funding will be provided to bolster library services in the province, representing a 350 per cent increase over the 197677 estimates.

The provincial contribution to the school foundation program fund will be $456.9 million, an increase of $41.5 million or 10 per cent over the 1976-77 forecast expenditures. We are also proposing to increase grants to private schools by 33.1 per cent. This increase will raise grants to private schools to 50 per cent of the SFPF per pupil grants. Total provincial assistance to schools increases by 10.2 per cent to $548,035,000, an increase of $50,885,000 over the 1976-77 forecast expenditures.

The budget also provides funding for several new and expanded programs including: an increase of $920,000 or 124.5 per cent in small schools assistance grants to school jurisdictions with fewer than 6,000 students, providing additional financial assistance for small schools at the elementary, junior high, and senior high school levels; continuation of the Ukrainian/English bilingual program and the extension of this program to other languages, in accordance with our policy of supporting the principle that Albertans should be provided with the opportunity to learn and to use other languages; extension of the early childhood services program to assist the hearing handicapped between the ages of two and one-half and three and one-half years; and provision of an additional $385,000 in direct grants to school boards for teachers' location allowances.

An additional $36.6 million, or 30 per cent over the 1976-77 estimates, has been included for social assistance in the 1977-78 estimates for Alberta Social Services and Community Health. Twenty-six million dollars, or 71 per cent of the increase, is to provide additional support for single-parent families. Mr. Speaker, we are very concerned with this area of social assistance, and will be reviewing maintenance and recovery procedures in the next year to ensure greater enforcement of maintenance orders.

Also included in the 1977-78 estimates for Social Services and Community Health are the following:

(1) $125,000 to conduct an eligibility study to identify possible abuses of social assistance and to examine preventative techniques;

(2) a grant of $225,000 to the Com-Serv Association of southwestern Alberta, Lethbridge, to allow expansion of the existing pilot project establishing comprehensive community services for the mentally retarded;

(3) additional funding to private agencies, amounting to $210,000, to provide for 50 per cent of the capital cost for construction of vocational training centres accommodating 60 mentally retarded people; and

(4) supplementary funding to local health units, totalling $75,000, for the provision of additional speech, language, and hearing services to handicapped individuals.

Continuation of our government's commitment to diversify, decentralize, and maintain Alberta's economy as the strongest in Canada is reflected in the provincial financial support to local governments for various new capital projects.

Although it is not a budgetary item and does not appear in the Programme Estimates, $50 million will be provided in the 1977-78 fiscal year through the Alberta Municipal Financing Corporation for the construction of new and replacement hospital facilities. Of the total, $20 million is for projects currently under construction, including the Calgary General Hospital psychiatric facility, the Dr. Vernon Fanning Extended Care Centre in Calgary, Dickensfield Extended Care Centre in Edmonton, and a new hospital in Brooks. Thirty million dollars has been provided for projects in their final planning stages, including $20 million for hospital construction in the province's high-growth areas of Fort McMurray, Red Deer, and Hinton. The remaining $10 million will be applied to several projects throughout the province, furthering the government's efforts to provide the best health care available to all Albertans.

Ten million dollars will be provided for the urban throughway program, whereby the cities of Calgary and Edmonton will be eligible for financial assistance in the construction of major thoroughfares to accommodate volumes of traffic in these two major urban centres.

An additional $1.2 million will be provided to municipalities to expand the Alberta municipal sewage treatment program. This special assistance will be provided to municipalities installing complete sewage treatment systems. This budget also provides $500,000 for one-time grants to isolated northern communities for the construction of water and sewer facilities.

To ensure safety and continuing power services in rural areas of the province, we are proposing to provide $1 million to rural electrification associations for the reconstruction of power distribution systems in need of repair.

For the 1977-78 fiscal year, we have provided a budget of $229.4 million for our own provincial capital works projects. This includes $6.2 million for construction of parks, campsites, and rest areas; $10.2 million for water resources management projects; and $119.8 million for the construction and improvement of approximately 650 miles of primary and secondary highways in the province.

Now let me highlight the new capital works anticipated during the next fiscal year.

This budget provides $2 million to plan and commence the construction of a new $13.2 million, 150-bed forensic unit to be constructed on the Alberta Hospital site at Edmonton. When completed, this building will replace the existing 90-bed temporary facility, which is considered architecturally and functionally obsolete. Services provided at the new facility will include psychiatric assessment services for persons remanded by the courts, as well as treatment and rehabilitative services.

We have provided for new residential facilities for the dependent handicapped as outlined in the Cormack plan, and have included $3.2 million in this budget to plan and commence five new resource centres in the Edmonton area.

We are also proposing substantial improvements in postsecondary educational facilities, with the provision of $709,000 to plan and complete construction of a new permanent instructional facility to accommodate approximately 500 students at Keyano College, Fort McMurray, and $594,000 to plan for the provision of new instructional facilities at NAIT to accommodate increasing enrolments, particularly in apprenticeship training.

Our commitment to decentralize provincial government operations and to promote the economy in all areas of the province is reflected in the budgetary provision for the construction of provincial buildings in 27 centres throughout Alberta.

To continue our priority in the improvement of the justice system, we are providing for the planning and construction of 48 provincial courts and circuit court points at locations throughout the province.

To facilitate the development of Alberta's resources, we are providing $2.5 million for resource road construction for the Joffre gas plant, the Hinton/ Edson coal development area, and the Quirk Creek gas plant.

Mr. Speaker, the financial position of the province resulting from this budget is presented in the accompanying table.

Before commenting on the 1977-78 financial plan, I would like to mention that the increase in revenues now forecast for 1976-77, as compared to the original budget estimates, is due mainly to the increased prices for crude oil and natural gas which took effect on July 1, 1976, and subsequently on January 1 of this year. With expenditures forecast to be within 2 per cent of the original estimates, the budget deficit originally estimated for 1976-77 is now forecast to change to a significant surplus.

In addition, the non-budgetary requirements first estimated at $454 million last year have been substantially reduced due to the investments undertaken by the Alberta heritage savings trust fund. These investments include the Syncrude project equity, Alberta Housing Corporation debentures, Alberta Home Mortgage Corporation debentures, and funding for the Alberta Oil Sands Technology and Research Authority.

The increase in revenues allocated to the Alberta heritage savings trust fund in 1976-77 is due to the rise in crude oil and natural gas prices I've just outlined.

For the 1977-78 fiscal year, Mr. Speaker, I estimate the budgetary surplus to be $248 million. Again I would like to point out that this estimate is based on existing prices for non-renewable resources.

Non-budgetary financing requirements are estimated at $288 million. Of this total, $234 million is for the Alberta Housing Corporation and the Alberta Home Mortgage Corporation. These requirements are the amounts needed by these two agencies in excess of the currently authorized level of investment by the Alberta heritage savings trust fund.

The net result obtained by combining budgetary and non-budgetary accounts is a projected overall cash requirement of $40 million.

Mr. Speaker, I estimate the Alberta heritage savings trust fund will increase in value by $900 million during 1977-78. Of that amount, $735 million is due to an allocation of 30 per cent of total non-renewable resource revenues to the fund. The remainder is attributable to earnings of the fund.

At the present time, $416 million in commitments have been made by the fund for 1978. Housing investments account for $153 million. Energy resource investments related to the Syncrude project account for $140 million. The remaining $122 million is taken up by the capital projects division of the fund for the projects in health facilities and research, energy research, irrigation, renewable resources improvement, and recreational facilities, which were approved by this Assembly last fall. This leaves, then, $484 million of the increase of $900 million not specifically committed at this time.

Mr. Speaker, I would also like to highlight the recent decision by the investment committee of the Alberta heritage savings trust fund to invest in province of Newfoundland debentures in the principal amount of $50 million. As the Premier indicated to the hon. members on February 28, 1977, this first investment under the Canada investment division of the fund not only provides a sound investment for the fund but also represents a strong commitment to interprovincial co-operation and national unity.

This budget plan for 1977-78 reflects our commitment to maintain the highest level of government services to today's Albertans, while reserving a significant portion of the current wealth for the benefit of present and future Albertans.

Mr. Speaker, this government's current financial position is the strongest of any provincial government in Canada, and the strongest at any time in Alberta's history.

Mr. Speaker, the budget I have presented tonight demonstrates our fiscal responsibility - our responsibility to the people of this province, our responsibility for providing for the future, and our responsibility to be cognizant of our impact on the national and provincial economies.

In summary, the major features of this budget are:

- less than 8 per cent increase in the cost of the government's own operations;

- a nominal increase in the civil service;

- a 50 per cent increase in the natural gas price protection plan to shelter home-owners and small businesses from rising natural gas prices;

- increased funding for housing in Alberta, particularly for senior citizens;

- increased unconditional assistance to municipalities, with special provisions for those experiencing rapid growth;

- more than tripled grants to assist in the provision of library services;

- new and expanded programs in the field of education, with particular emphasis on smaller

schools; and

- no increase in taxes for Albertans.

Mr. Speaker, I believe this budget represents sound and responsible financial management by this government but, more important, it also expresses the concern and empathy Albertans have for those among us who need our help. It also underlines the opportunities the people of this fortunate province now have and, Mr. Speaker, I know of no people more endowed than Albertans with the talent, skills, vigor, and determination to take advantage of those opportunities.