

SPEECH

BUDGET 2010

Striking the Right Balance

BUDGET 2010 ADDRESS

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HONOURABLE
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Thank you, Mr. Speaker.

It is my privilege today to present the Government of Alberta's proposed budget for the fiscal year 2010-11.

I do so with both confidence and caution.

Caution—because our province—indeed our country and the world—all are still feeling the impact of the worst economic recession since the 1930s.

These are difficult times, and difficult times call for difficult choices.

But also confidence—because these choices are made easier—and the path to a brighter future made more certain—by knowing that this Assembly and this budget can draw upon the many strengths that are Alberta's heritage.

Alberta's heritage is one of strong families and strong communities; of independence and self-reliance, but also a spirit of caring for our neighbours.

We value our past and provide for our future. We respect and support those generations that built Alberta.

And we are proud to act as stewards of our natural and economic resources, responsible for passing on to the next generation an Alberta that is as good as or better than the one we received.

Budget 2010 is faithful to Alberta's heritage. It protects services for the young and the elderly, the sick and the disabled. It protects our air, land, water and wildlife.

And it keeps us on the path to prosperity, both present and future.

Another part of Alberta's heritage is the effect of the ups and downs of commodity markets on our resource-based economy.

Too often, governments have responded by spending too much in good times, and cutting too much in bad times.

Thanks to past fiscal prudence and accumulated savings, we do not have to make deep cuts to essential services.

Over the last 16 years, Alberta paid down \$23 billion in debt. And we saved nearly \$25 billion, primarily in the Heritage Fund and the Sustainability Fund.

Budget 2010 puts a stop to the wild ups and downs of this fiscal pendulum.

I am pleased to report early signs of economic recovery.

Higher oil prices, growth in the housing market, and 12,500 new jobs in Alberta since October.

In the past three months, five new oil sands projects have been announced—adding over \$5 billion in new investment.

And just last month, a \$4 billion bitumen upgrader was announced for Alberta's industrial heartland.

That kind of investment is expected to spur Alberta's economy to grow by 2.6 per cent in 2010 and by an average of 3 per cent over the next three years.

That is the good news: that we—and the rest of the world—are transitioning out of the recession.

But how long and how steep this transition will be—or whether there are still some dips ahead—no one knows for sure.

As an exporting economy, what happens in the rest of the world affects Alberta. And there are many risks still out there—and beyond our control.

The high Canadian dollar and fluctuating financial markets and energy prices create volatility in government revenues.

Natural gas prices remain low. Canadian and U.S. stimulus funding will end, with unknown impact.

Our largest trading partner is \$12 trillion in debt, and the outlook for commercial real estate is unsettled.

While we have cause for optimism, the strength and pace of Alberta's economic recovery cannot be taken for granted. Fiscal prudence is required.

It is within that context that I present Budget 2010.

It is a budget that enhances Alberta's competitiveness in the global market.

A competitive Alberta creates jobs and opportunity. It reduces demand on social programs, and it generates revenues to support the public services and social supports that Albertans value.

The Fraser Institute recently ranked Alberta as the number one province in Canada in which to invest.

Budget 2010 keeps it that way by implementing the Premier's pledge.

There will be NO NEW TAXES!

As I deliver this budget, I do so knowing that it will not satisfy everyone. Some will say we spend too much; others will say we spend too little.

It's not about spending too much or spending too little. It's about spending the right amounts in the right places.

That's what Budget 2010 does. It strikes the right balance.

It protects priority programs—without draining our savings—without going into debt for ongoing operations—without raising taxes—and it puts us back in the black by Budget 2012.

We will not meet today's needs on the backs of tomorrow's citizens, saddling future generations with high taxes or operational debt.

Budget 2010 includes total operating expense of \$33.2 billion.

Excluding a one-time payment to Alberta Health Services, that is a 4.3 per cent increase over the 2009-10 forecast.

That is somewhat higher than expected population growth and inflation of 3.5 per cent this year.

However, total increases over the full three years of this budget will actually be less than population growth and inflation over the same period.

Based on projected revenues of \$34 billion, and total expense of \$38.7 billion, we are forecasting a deficit of \$4.7 billion.

A smaller deficit of \$1.1 billion is forecast for 2011-12, and we get back in the black in year three, with a projected surplus of \$505 million in 2012-13.

Savings from the Sustainability Fund will offset the two years of deficits.

A year ago, government announced plans to make \$2 billion in adjustments in Budget 2010, unless our financial situation improved.

A great deal of work was done to achieve this. I commend the decision makers across government ministries who helped us to achieve \$1.3 billion in savings through program changes and efficiencies.

In light of a brighter-than-expected fiscal and economic picture, we have chosen to reinvest these savings into priority areas—and still be back in the black in three years.

This does not mean our job is done.

As we did last year, we will continue to identify and make in-year savings, this year with a target of finding \$240 million.

There has been much speculation—some of it fear-mongering—about potential budget reductions.

Budget 2010 does reduce funding in a number of areas.

These reductions start in government areas that do not directly affect services to the public:

- a reduction for Executive Council of 8.6 per cent;
- for Service Alberta of 15.6 per cent;
- and for International and Intergovernmental Relations of 7.7 per cent.

About 700 government positions are being eliminated. We have worked hard to minimize job losses with an effort to reassign many affected employees to vacant positions.

We'll continue to work with our public sector unions to live within our budgets while minimizing job losses.

Some reductions are made to programs that deliver front-line public services.

As more Albertans go back to work, the demand for income supports is expected to diminish, resulting in a reduction to income supports of \$41 million.

Greater emphasis on early intervention and more permanent and enhanced foster placements will reduce Child Intervention Services by \$27 million.

We will save \$19 million by focusing our community grants to those groups that provide services and supports to the most vulnerable.

We will reduce costs for the rent supplement program by \$13 million by targeting rental assistance to those with the greatest needs.

Reductions are not being made across the board. Budget 2010 protects programs that help the most vulnerable.

Benefits are protected at current levels for recipients of Assured Income for the Severely Handicapped and the Alberta Seniors Benefit—and funding levels are maintained for the Persons with Developmental Disabilities program.

Benefits are also maintained for seniors' supports for dental, optical and school property tax assistance.

More than \$40 million is added to some of these programs to accommodate growth in caseloads.

Funding levels are also maintained for programs such as Alberta Aids to Daily Living, affordable housing programs, and homelessness initiatives.

This budget—this government—will help those who need help.

Budget 2010 highlights Alberta's continuing commitment to publicly funded health care.

It eliminates the Alberta Health Services debt with a one-time injection of \$759 million—on top of a \$343 million payment in 2009-10.

And it increases the Alberta Health Services annual budget by \$1.3 billion:

- adjusting the base by more than \$800 million;
- and adding 6 per cent more to address cost pressures associated with an aging population and expensive drugs and technologies.

The 6 per cent increase is part of a five-year plan of predictable increases to support long-term planning in health care delivery.

The subsequent four years will see increases of 6 per cent in each of the next two years and 4.5 per cent in each of the following two years.

Our commitment to public health care now totals more than \$15 billion.

With this five-year plan for health care funding, health officials commit to identifying new efficiencies in service delivery to ensure the health care system operates within its means.

Our government is also committed to ensuring that Albertans are treated the same as all other Canadians.

Today, the province of Alberta receives from Ottawa at least \$200 per person less than other provinces under the Canada Health Transfer.

This amounts to a shortfall of more than \$700 million a year. This is not right. This is not fair. And we will vigorously pursue fair funding on behalf of all Albertans.

Alberta's most important renewable resource is our children. And the biggest investors in Alberta's future are their parents.

And so to protect our children, our homes and our communities, Budget 2010 provides \$148 million to continue our Safe Communities program.

This \$148 million will:

- enhance addiction prevention programs and services for families of at-risk children;
- complete the Alberta gang strategy and the long-term crime reduction strategy;
- and hire another 100 front-line police officers.

We are going to make sure that 2010 is not a good year for gangs, drug dealers and thieves.

These social programs are not cheap. To pay for them, Budget 2010 contains initiatives that generate jobs, opportunities, and revenues.

Value-added initiatives, such as Bitumen Royalty in Kind, will help us get the most out of Alberta's conventional energy and oil sands resources.

Budget 2010 allocates \$237 million to innovation, research and technology commercialization that brings research to market.

This includes \$188 million for programs under *Alberta Innovates* to develop Alberta-grown technology, environmental, medical and manufacturing solutions into marketable products and services.

A strong reputation as a good environmental steward is increasingly important to protect access to international markets.

Budget 2010 continues Alberta's commitment to Carbon Capture and Storage, with the potential for the technology to increase oil recovery from existing wells.

But our environmental stewardship goes well beyond greenhouse gases. Budget 2010 supports:

- renewable energy;
- environmental management and compliance;
- and the renewed *Water For Life* strategy.

For environmentally friendly municipal transit, \$470 million over three years is committed to Green TRIP.

And work will continue on developing regional plans under Alberta's Land-use Framework.

Other natural resources—such as forestry and agriculture—contribute to Alberta's economic strength.

Budget 2010 allocates \$10 million to address workforce retention and retraining, and to enhance forest health initiatives.

In agriculture, Budget 2010 provides over \$9 million to *AgriFlex*, a new cost-shared program with the federal government to improve agriculture's competitiveness.

Plus, \$41 million is added to the cost-shared *Growing Forward* initiative to support agricultural innovation and risk management.

The future of Alberta is sitting in classrooms and lecture halls across the province right now.

Budget 2010 recognizes that a solid education is both a personal advantage for students, and a competitive advantage for Alberta.

School boards will receive an increase of \$250 million or 4.8 per cent for announced grant rate increases, enrolment growth, and specialized services.

Support for adult learning is increased by \$31 million, with a focus on training for work programs.

Overall, base operating grants for post-secondary institutions are maintained at 2009 levels—which is over \$2 billion.

This budget fulfills our commitment to invest in the future through expanded and improved infrastructure.

The Capital Plan supports \$7.2 billion for infrastructure in 2010-11 and more than \$20 billion over three years.

This infrastructure spending will create thousands of new jobs in construction at time when unemployment is high and costs are low.

Lower building costs mean we get more bang for our buck.

And the new jobs will support financial stability for many hard-working Alberta families.

Budget 2010 recognizes that Alberta's economic future is increasingly in the North.

Accordingly, we will build new resource roads in northern Alberta and continue twinning portions of Highway 63.

In Fort McMurray, we will complete two highway interchanges and a new five-lane bridge over the Athabasca River.

Across the province, work will start on 41 schools that were already approved under the Capital Plan, and funding also is allocated for water and wastewater, affordable housing and supportive living.

And proceeds from Alberta Capital Bonds will provide \$100 million to build seniors accommodations, including long-term care facilities.

This year, work continues on the Edmonton and Calgary ring roads and on improving highways.

Fully one-quarter of our three-year Capital Plan is invested directly in municipalities.

Municipalities receive infrastructure grants and support totalling \$1.78 billion in 2010-11 and \$5.25 billion over three years.

This includes the Municipal Sustainability Initiative, which receives a \$476 million increase—providing municipalities a total of \$876 million to address their infrastructure needs.

In summary, Budget 2010 strikes the right balance. We achieved this balance because we have stayed true to the Premier's four-point plan to recovery.

First, we have reduced spending in most departments—with over \$1.3 billion dollars in cuts from forecast targets.

Second, we have used our savings—the Sustainability Fund—to protect priority programs—education for the young, health care for the sick, and strengthened supports for the elderly and the disabled.

Third, we continue to build infrastructure—creating more jobs today and a foundation for new opportunities tomorrow.

Finally, we keep Alberta competitive—with no new taxes and a balanced budget in 2012.

This budget will restore economic growth in Alberta.

And let's be perfectly clear about this: in today's economy, what is good for Alberta is good for Canada.

Some critics will point out that this budget has a large deficit. It does—and neither I, nor anyone else on this side of the House, is happy about that.

But running a deficit in 2010 doesn't make us any different than most other provinces or the federal government.

What does make us different is that we are not creating new debt for day-to-day operations. Our projected debt supports capital spending—infrastructure that will be there for future generations.

Our budget shortfalls this year and next can and will be covered by our rainy day savings account. What other government in Canada can say that?

And we will not allow annual deficits to aggregate into a large debt to burden future generations. Albertans want to pay for services, not service interest on debt.

We made that mistake in the 1980s. We will not make that mistake again.

This budget supports the Premier's vision of a fiscally strong Alberta, with a competitive and innovative economy, the best publicly funded health care in Canada, and the most advanced infrastructure.

Will budget cutbacks present challenges for some Albertans? Of course.

But it is a fair budget. No one group is singled out. Every sector—every Albertan—will be asked to give up a little.

That is the key to our recovery—the recognition that we are all in this together. And so working together, we can weather this economic storm until sunnier times return—which they will.

And we will keep Alberta a beautiful and healthy Alberta, the best place to live, work, and raise a family.

Thank you.