

Thursday, October 18, 2001

Finance Minister releases fiscal and economic update in response to global economic slowdown

Alberta government takes corrective action in aftermath of September 11

Red Deer...The Alberta government has released details of corrective actions it is taking in response to the global economic slowdown, accelerated by the September 11 terrorist attacks on the United States.

"This is a managed approach in response to a rapid global economic slowdown," said Minister of Finance Patricia Nelson. "This government is committed to maintaining the balance between fiscal responsibility and meeting Albertans' priorities, which means taking a realistic look at the current economic situation around the world and making adjustments sooner rather than later."

Nelson released a fiscal and economic update that showed government revenues were expected to be down \$1.7 billion this fiscal year from Budget 2001's forecast, as a result of lower natural gas prices and investment income. As well, the report provided a breakdown of total government savings from corrective measures announced by Premier Ralph Klein on September 27:

- 1 per cent reduction in base ministry spending \$ 160 million
- Lapses of 2001-02 electricity/natural gas rebates \$ 285 million
- Additional department lapses \$ 80 million
- Capital project deferrals \$ 735 million

Total government savings \$1.26 billion

"It was imperative to report back to Albertans with this fiscal and economic update, so they could be assured the province's fiscal framework was strong, and that through our corrective actions the budget remains balanced and there were no tax hikes," said Nelson. "Even with the impacts of September 11, Alberta's economy continues to lead the rest of Canada and is in the best position to respond to the global economic slowdown."

Alberta's economic growth is expected to double the rest of Canada at 4.9 per cent for 2001-slightly higher than projected in Budget 2001-and overall investment is projected to rise by 14.2 per cent, the fastest in Canada. As well, more than 40,000 new jobs are expected to be created in Alberta this year, the most in the country.

The Minister of Finance also released a revised fiscal outlook, which included the following:

| | 2001-02 Budget | 2001-02 First Quarter Update | 2001-02 Fiscal & Economic Update |
|----------|---------------------------|---|---|
| Revenues | \$22.7 billion | \$22.6 billion | \$21.0 billion |

| | | | |
|---------------------------|----------------|----------------|----------------|
| Resource Revenues | \$7.5 billion | \$7.1 billion | \$6.0 billion |
| Expenses | \$21.6 billion | \$21.8 billion | \$20.7 billion |
| Oil price (WTI, US\$/bbl) | \$25.00 | \$25.63 | \$25.00 |
| Natural Gas (Cdn\$/mcf) | \$5.03 | \$4.53 | \$3.75 |
| Economic Cushion | \$817 million | \$485 million | \$12 million |

"The economic situation we're looking at is still very positive. But, with the impacts of the global slowdown on revenues, it has taken some deliberate actions on our part to ensure the right decisions for the future. Being prudent and realistic are important for consumer and investor confidence-key factors in a vibrant economy," added Nelson. "Our government will continue to monitor ongoing developments around the world and take further appropriate action, if necessary."

The Minister of Finance also indicated she will be releasing the provincial government's Second Quarter Fiscal Update for the 2001-02 fiscal year by the end of November.

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For media inquiries, please contact:

Ed Greenberg - Alberta Finance Communications - (780) 427-5364 - (780) 718-5699 (cell)

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Fiscal and Economic Update Charts (*Editor's Note:* Electronic versions of these charts can be downloaded from the Alberta Finance website.)

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Students remain top priority

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Capital projects delayed in fiscal adjustment

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Alberta Transportation defers projects

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Public safety a priority for Alberta Solicitor General

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Backgrounder

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Spending reductions, by ministry

Following are details of spending reductions in ministries across government. Savings will come primarily

from administrative reductions, the recently announced hiring freeze and some project deferrals.

Aboriginal Affairs and Northern Development

- targets will be met by reductions in all areas of discretionary spending
 - For information, contact Peter Tadman (780) 415-0876

Agriculture, Food and Rural Development

- reductions will not affect programs and services provided to Albertans;
- targets will be met through:
 - savings from unfilled staff vacancies and reduced contract, travel and other discretionary spending, and reductions in unallocated grant funds for the Alberta Environmentally Sustainable Agriculture Council, Agriculture Initiatives and varied other grant programs
 - lapsed funding from Agriculture Financial Services Corporation through deferred capital projects, unfilled staff vacancies and reduced discretionary spending
 - reduced operating expenses from Alberta Opportunity Company through decreased discretionary spending and savings resulting from unfilled staff vacancies
- For information, contact Terry Willock (780) 422-7683

Children's Services

- target to be met through a hiring freeze, putting information technology updates on hold and curtailing travel
- a review of spending has identified administrative efficiencies and contracts with private service agencies will also be reviewed - any reductions will respect legislative and policy commitments and maintain critical front line child protection services for children and youth at risk
- For information, contact Mark Kastner (780) 427-4801

Community Development

- targets will be met with minimal impact to direct services to Albertans
- funding levels for ongoing annual operating grants will not be affected
- For information, contact Kathy Telfer (780) 427-2395

Economic Development

- spending reduction targets to be met from deferral of international travel and from other sources
- reductions will not affect dollars targeted for tourism promotion; funding has been reallocated within tourism budgets to increase domestic and in-province promotion in light of reduced international travel
- For information, contact Mark Erdman (780) 427-0528

Energy

- targets will be met by adhering to the government hiring freeze and reducing discretionary spending to minimize impacts on program areas
 - For information, contact Charlotte Moran (780) 422-3667

Environment

- reduction target to be met by:
 - not filling vacant staff positions
 - reducing the total amount of grant funding available to municipalities under the Water Management and Erosion Control (AWMEC) and the Waste Management Assistance programs, applicable only to unallocated funding remaining in both programs as all current projects have already received funding approvals and will not be affected by the reductions
- For information, contact Val Mellesmoen (780) 427-2848

Executive Council

- targets to be met through various reductions in discretionary spending
 - For information, contact Fay Orr (780) 427-4350

Finance

- targets to be met through unfilled staffing vacancies and reductions in discretionary spending
 - For information, contact Ed Greenberg (780) 427-5364

Gaming

- targets to be met through minimal reductions to Alberta Gaming & Liquor Commission's operating costs; the Racing Industry Renewal Initiative; the Community Facilities Enhancement Program; Community Lottery Board grants; the Alberta Lottery Fund support services and program administration; and other lottery initiatives.
- Community Lottery Boards and the Community Facility Enhancement Program will continue to spend over \$73 million this fiscal year and provide funding to over 4,000 community-based initiatives
 - For information, contact Jody Korchinski (780) 447-8741

Government Services

- Reduction targets to be met through savings from unfilled staff vacancies and deferring enhancements to

- technology used by registry services
- deferrals will not affect Albertans who are buying a vehicle, recording the birth of a child, or accessing any of the other registry services offered by the ministry
 - For information, contact Shannon Larkins (780) 422-4950

Health and Wellness

- see Government of Alberta news release issued October 18, 2001 for more information

Human Resources and Employment

- targets will be met with no reductions to benefit levels for clients who rely on financial and training support from Assured Income for the Severely Handicapped, Supports for Independence, or the Skills Development Program
- reductions to come from lapsed spending due to lower than projected demand for training supports, Supports for Independence, and employment and training initiatives, due to high employment levels
- Human Resources and Employment and the Personnel Administration Office to defer some information technology projects and save on salary costs of unfilled staffing positions
 - For information, contact Laurie Collins (780) 427-5649

Infrastructure

- see Government of Alberta news release issued October 18, 2001 for more information

Innovation and Science

- targets will be met through selected one-time reductions in research activity and a freeze on hiring for the balance of the fiscal year
 - For information, contact Glenn Guenther (780) 415-4761

International and Intergovernmental Relations

- budget reductions will come from areas of discretionary spending, including travel, training, intern program and contracts
- no program spending or service levels will be cut due to spending reductions
 - For information, contact Beryl Cullum (780) 422-2465

Justice and Attorney General

- spending reductions will be drawn from the Motor Vehicle Accident Claim Fund, expected to be available as one-time savings based on projected spending patterns for the remainder of 2001-02
- reductions are not expected to affect services to Albertans or staff members who administer the fund

- For information, contact Bart Johnson (780) 427-6154

Learning

- see Government of Alberta news release issued October 18, 2001 for more information

Municipal Affairs

- saving targets to be met through unfilled staff vacancies, reductions in supply and services, travel, contracting, Information Technology, and a reduction of the amount required to pay to the grants in place of taxes program
- a portion of the budget targeted to the Underground Petroleum Storage Tank Remediation Program, which has provided funding for the assessment and/or remediation of more than 500 high-risk sites, will be deferred - the ministry will continue working on lower-risk categories
- For information, contact Jay O'Neill (780) 422-8817

Revenue

- targets will be met by delaying non-critical development and upgrades to tax administration data processing systems, freezing non-essential hiring and freezing and/or delaying non-priority service contracts
- For information, contact Gordon Vincent (780) 427-5364

Seniors

- targets to be met with no affect on critical support programs to seniors and those lower income families and individuals receiving shelter support
- For information, contact Jan Berkowski (780) 427-2201

Solicitor General

- see Government of Alberta news release issued October 18, 2001 for more information

Sustainable Resource Development

- reduction targets to be achieved by leaving vacant positions unfilled
- ministry staff will be able to work around any job vacancies to ensure the long-term security of Alberta's forests, fish, wildlife and public lands
- For information, contact Donna Babchishin (780) 427-8122

Transportation

- see Government of Alberta news release issued October 18, 2001 for more information

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