

February 9, 2010

Budget 2010 strikes the right balance by focusing on Albertans' priorities while limiting spending

Health, education and vulnerable Albertans remain budget priorities

Budget highlights:

- ***\$1.3 billion in savings found through cross-ministry spending review***
- ***Cost savings re-invested in and new money added to priority areas:***
 - ***\$1.7-billion increase for ongoing health programs; AHS deficit paid off***
 - ***\$250-million increase for school boards***
 - ***Benefit levels maintained for recipients of Alberta Seniors Benefit and Assured Income for the Severely Handicapped***
 - ***Funding remains at \$597 million for Persons with Developmental Disabilities program***
- ***Alberta's competitive advantage supported and enhanced:***
 - ***\$20.1-billion investment in infrastructure over three years***
 - ***No tax increases; taxes remain lowest overall in Canada***
- ***\$38.7 billion forecast total expense in 2010-11; \$34.0 billion forecast revenue in 2010-11***
- ***\$4.7-billion deficit forecast for 2010-11; \$505-million surplus forecast in 2012-13***
- ***Savings in Sustainability Fund used to offset deficits***

Edmonton... Budget 2010 sets the stage for putting Alberta back in the black in three years while protecting health care and other priorities and holding the line on taxes.

Despite current fiscal challenges, the Alberta government will increase funding for health, basic education and supports for seniors and vulnerable Albertans, while maintaining the lowest tax regime in Canada. This is thanks in large part to cost savings found across government that are being reinvested in these priority areas.

"This government understands the value Albertans place on health care, education, and protecting our most vulnerable," said Premier Ed Stelmach. "Our improved fiscal and economic outlook means we can continue to support these priorities while tightening our spending elsewhere."

As part of plans to balance the budget by 2012-13, a detailed review of ministry spending was undertaken and \$1.3 billion in savings were identified. In light of an improved revenue picture,

government was able to re-invest these savings into priority areas, without jeopardizing its goal to return to balanced budgets within three years.

“Some will say we’re spending too much; others will say we’re not spending enough,” said Ted Morton, Minister of Finance and Enterprise. “Budget 2010 strikes the right balance between fiscal discipline and protecting core programs. It enhances our competitiveness by keeping taxes low and investing in infrastructure for the future, and positions us to be back in the black within three years.”

Economy

Spurred by strengthening investment, particularly in the oil sands, Alberta’s economy is expected to grow by 2.6 per cent in 2010, followed by growth of 2.9 per cent in 2011, 3.0 per cent in 2012, and 3.1 per cent in 2013. The labour outlook is also expected to improve, with an increase in average employment of 15,000 jobs this year over last year and an unemployment rate forecast to average 6.6 per cent in 2010, falling to 6 per cent in 2011, 5.3 per cent in 2012, and 4.9 per cent in 2013.

Operating Expense

Operating expense is forecast to increase by 5.6 per cent, or \$1.7 billion, to \$33.2 billion in 2010-11. This includes a one-time payment of \$759 million to pay off the remainder of the Alberta Health Services deficit. When that payment is factored out, operating expense increases by 4.3 per cent, somewhat more than population growth and inflation which total 3.5 per cent.

The operating expense increase includes \$1.3 billion to Alberta Health Services base funding. This includes an \$812-million adjustment to the AHS base to reflect current costs, plus a 6-per-cent increase to the adjusted base - part of a five-year commitment between the government and Alberta Health Services that includes 6-per-cent increases in 2011-12 and 2012-13, and 4.5-per-cent increases in the two years after that.

Increases to basic education and supports for seniors and the vulnerable are offset by savings and efficiencies found in other areas of government.

Capital Spending

The 2010-13 Capital Plan supports \$20.1 billion in capital projects, including \$7.2 billion in 2010-11. The government’s commitment to previously announced projects remains firm, although total spending over the next three years is reduced due to lower construction costs and re-profiling. This investment in infrastructure, which is nearly double the per capita average of other provinces, will support about 70,000 jobs this year.

Revenue

Total revenue in 2010-11 is forecast to increase by \$423 million from the previous year to \$34.0 billion, an increase of 1.3 per cent. Revenue is forecast to continue to rise as economic recovery takes hold, increasing to \$37.3 billion in 2011-12, and \$40.2 billion in 2012-13.

Resource revenue is forecast to increase by \$1.3 billion, or 21.7 per cent, to \$7.3 billion in 2010-11, and grow to \$9.3 billion by 2011-12 and \$10.4 billion by 2012-13. The global economic recovery is expected to increase prices and demand for oil, and natural gas prices are expected to be boosted by an improved North American economy, although higher supplies from U.S. shale gas development and liquefied natural gas imports are likely to limit any increases.

Deficit

Budget 2010 forecasts a deficit of \$4.7 billion for 2010-11. The deficit for 2011-12 is forecast to be \$1.1 billion, with a return to a balanced budget and a modest surplus of \$505 million for 2012-13. The deficits will be offset by transfers from the Sustainability Fund, as will the forecast deficit of \$3.6 billion for 2009-10.

The Sustainability Fund is savings set aside to manage revenue volatility and protect priority

programs during economic downturns. Government will resume deposits to the fund when it returns to surpluses.

Fiscal Summary
(millions of dollars)

	2008-09 Actual	2009-10 Forecast	2010-11 Budget	2011-12 Target	2012-13 Target
Revenue	35,811	33,541	33,964	37,302	40,239
Expense	36,663	37,165	38,712	38,437	39,734
Surplus / (deficit)	(852)	(3,624)	(4,748)	(1,135)	505

Forecast Energy Prices

	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2011-12 Target
Oil (WTI US\$/bbl)	69.95	78.75	83.50	89.50
Natural Gas (Cdn\$/GJ)	3.40	4.25	5.25	5.50

-30-

Attachments:

- [New 5-year funding plan a first for health](#)
- [Creating opportunity for Albertans](#)
- [Building strong and vibrant communities](#)
- [\\$7.2 billion for Alberta capital projects this year](#)
- [Supporting responsible resource development](#)
- [Budget summary by ministry](#)

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