

February 24, 2011

Budget 2011 lays the foundation to build a better Alberta

Province well-positioned for return to economic growth

Budget highlights:

- ***Forecast GDP growth of 3.3 per cent in 2011, averaging 3.2 per cent from 2012-2014***
- ***\$39 billion forecast expense in 2011-12; \$35.6 billion forecast revenue in 2011-12***
- ***\$3.4 billion forecast deficit in 2011-12; forecast return to surplus in 2013-14***
- ***Savings in Sustainability Fund to offset deficits***
- ***Continued government investment in priority areas:***
 - ***\$545-million, or 6-per-cent, increase to Alberta Health Services as part of five-year funding commitment introduced in Budget 2010***
 - ***\$257-million increase in support for school boards***
 - ***\$62-million increase to operating grants to post-secondary institutions***
 - ***\$39-million operating increase for children and youth programs, including child intervention services, child care, and family support for children with disabilities***
 - ***\$6.6 billion for public infrastructure in 2011-12, part of \$17.6 billion over the next three years for the Capital Plan***

Edmonton... Budget 2011 lays the foundation for building a better Alberta by maintaining government's commitment to preserving priority programs and investing in infrastructure, while holding the line on spending.

"As the province emerges from the worst global recession since the 1930s, it does so in good fiscal shape and with core services like health care and education intact," Premier Ed Stelmach said.

"We had a plan that got us through the recession and we will stick to it as government revenue now begins to recover. We'll continue to carefully manage our spending with a focus on preserving and enhancing our most important programs while building for the future."

As a result of the recession being deeper than expected, government revenue is forecast to be lower over the next two years than originally predicted. However, revenue is expected to recover strongly, which together with tight controls on spending, will put the province back in a surplus in 2013-14.

Government will use the savings it set aside in the Sustainability Fund to cover the forecast deficits for 2011-12 and 2012-13.

“We created and built the Sustainability Fund when times were good, which has allowed us to preserve and even enhance funding to priority services like health and education, even in the depths of recession,” said Lloyd Snelgrove, Minister of Finance and Enterprise and President of Treasury Board. “It has also allowed us to continue building the roads, schools, and hospitals that we need today, and that we’ll continue to need as the province returns to growth.”

Budget 2011 outlines \$17.6 billion over the next three years to build schools, hospitals, roads, and other vital public infrastructure to meet the needs of a province and economy that is growing again. It also maintains government’s commitment to not raise taxes, ensuring that Alberta continues to have the lowest tax regime in Canada.

Budget 2011 also holds the line on spending. Increases for 2011-12 and the following two years are forecast to be less than population growth plus inflation, and government remains balanced on an operating basis in 2011-12 and 2012-13.

“Keeping our spending in check will help us balance the budget on the operating side - that is the cost of providing services to Albertans,” Snelgrove said. “The shortfall we’re forecasting is mainly the result of our commitment to build the infrastructure we need to help build a better Alberta - and we’re using our savings to address those costs, something few jurisdictions in North America are able to do.”

Economy

Alberta has recovered from the recession and is expected to once again have one of the strongest economies among the provinces. Real GDP growth is expected to be 3.3 per cent in 2011, and average 3.2 per cent over the following three years.

Average employment in 2011 is expected to increase by 41,000 jobs, with the unemployment rate averaging 5.5 per cent this year, and falling to 4.5 per cent by 2014.

A strong labour market and solid growth in personal incomes are anticipated to boost consumer spending, and Alberta’s population is expected to continue to grow, fuelled by high net migration from outside the province.

Expense

Budget 2011 holds the line on spending, as overall government expense is up only 0.5 per cent in 2011-12 over the previous year, less than the rate of population growth plus inflation of 3.5 per cent. Expense is forecast to increase an average of 2.2 per cent in the following two years.

Operating expense is estimated at \$33.9 billion, an increase of \$720 million, or 2.2 per cent. This includes:

- a 6-per-cent base funding increase for Alberta Health Services, or \$545 million, as part of the government’s five-year funding commitment made with *Budget 2010*.
- a \$257-million, or 4.7-per-cent, increase in support for school boards, which will cover a 4.4-per-cent salary increase for teachers, address general enrollment growth, and provide additional funding for priorities like supports to students with severe disabilities.

Benefit levels are maintained for those receiving Assured Income for the Severely Handicapped (AISH), the Alberta Seniors Benefit, as well as Support to Persons with Developmental Disabilities (PDD). Additional funding has been allocated to these programs for caseload or volume pressures.

Capital Spending

The 2011-14 Capital Plan supports \$17.6 billion in infrastructure spending, including \$6.6 billion in 2011-12. The three-year plan includes:

- \$5.1 billion for municipal infrastructure
- \$4.6 billion for roads and highways

- \$2.6 billion for health care facilities and equipment
- \$1.2 billion for schools and post-secondary facilities

While capital spending is lower than forecast in the 2010-13 Capital Plan in most categories—with the exception of health facilities—much of the decrease relates to the completion of major projects, stable construction costs, as well as reprofiling to future years. No projects have been cancelled.

Revenue

Total revenue is expected to increase by \$1.6 billion, or 4.7 per cent, to \$35.6 billion in 2011-12. It is forecast to grow to \$38.8 billion in 2012-13 and \$42 billion in 2013-14. This follows large drops in overall revenue during the recession, including a drop in non-renewable resource revenue of more than \$5 billion in 2009.

Non-renewable resource revenue is forecast to be \$8.3 billion in 2011-12, \$319 million higher than in 2010-11. It is expected to grow to \$10.2 billion in 2012-13 and \$11.9 billion in 2013-14, mainly due to increased revenue from bitumen produced in the oil sands. Natural gas royalties, meanwhile, are forecast to continue to decline as a share of Alberta's total non-renewable resource revenue.

Revenue from personal and corporate income tax is forecast to increase \$1.4 billion to \$12.3 billion in 2011-12, growing by \$1 billion more in each of the following two years. This is the result of an improved economy, with more jobs, higher wages and higher corporate profits.

Continuing low natural gas prices, the high exchange rate, and ongoing economic uncertainty in the U.S. and abroad are expected to continue to affect revenue.

Deficit

Alberta's deficit is forecast to be \$3.4 billion in 2011-12. This is higher than what was forecast a year ago in Budget 2010, and is the result of revenue not being as high as forecast at that time.

This means that government's goal to return to balanced budgets will take a year longer than originally forecast. Rather than a small surplus, government is now forecasting a deficit of \$681 million in 2012-13, and a return to a balanced position in 2013-14, with a surplus of \$1.3 billion.

Fiscal Summary (millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Revenue	35,658	33,968	33,982	35,589	38,832	42,004
Expense	36,690	38,716	38,803	38,994	39,513	40,748
Surplus/(Deficit)	(1,032)	(4,748)	(4,821)	(3,405)	(681)	1,256

Forecast Energy Prices

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Forecast	2012-13 Forecast	2013-14 Forecast
Conventional Oil (WTI US\$/bbl)	70.71	78.75	81.45	89.40	95.50	95.75
WCS @ Hardisty (Cdn\$/bbl)	61.52	65.94	64.38	72.02	78.32	80.17
Natural Gas (Cdn\$/GJ)	3.58	4.25	3.26	3.45	4.05	5.00

Attachments:

- [Budget summary by ministry](#)
- [\\$17.6 billion investment in infrastructure positions Alberta for future growth](#)
- [Budget 2011 strengthens long-term economic sustainability](#)
- [Stable 5-year health funding improves access](#)
- [Budget 2011 invests in responsible resource development](#)
- [Budget 2011 invests in communities](#)

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