



News release

Budget 2008
THE RIGHT PLAN FOR
TODAY & TOMORROW

April 22, 2008

Elimination of \$1-billion health care premiums highlights Budget 2008

Stelmach government sets out fiscal plan to secure the province's future and fulfill commitments to Albertans

Budget highlights:

- *15th consecutive balanced budget; \$1.6 billion estimated budget surplus*
- *\$1 billion in savings to Albertans and Alberta businesses with elimination of health care premiums on January 1, 2009*
- *Nearly \$300 million in additional tax savings, including enhanced Alberta Family Employment Tax Credit benefits, indexation of personal credits and a new scientific research and experimental development credit*
- *\$22.2 billion over three years to build health facilities, schools, roads and other key infrastructure*
- *9.7 per cent operating spending increase to address growth, build on actions in past year and fulfill commitments to Albertans*
- *\$100 million to establish the Alberta Enterprise Corporation to provide early-stage venture capital*
- *\$574 million over three years for climate change initiatives*
- *\$468 million in new operating funding over the next three years to develop and implement initiatives in response to the Crime Reduction and Safe Communities Task Force report*

Edmonton... Albertans and Alberta businesses will save \$1 billion annually with the elimination of health care premiums on January 1, 2009, and nearly \$300 million in other targeted tax relief.

Budget 2008: The Right Plan for Today and Tomorrow is Alberta's 15th consecutive balanced budget and the government's fiscal blueprint to fulfill its commitments and carry out its plan to secure Alberta's future.

"The time has come for Albertans to enjoy additional direct rewards of our province's prosperity," said Premier Ed Stelmach. "This government made a commitment to Albertans to eliminate health care premiums within four years. We said we would do it sooner if we could and that is exactly what we are doing."

Budget 2008 will provide \$37 billion for programs and capital grants in 2008-09 to address population growth and inflation, which together totaled 8 per cent last year. The budget builds on action taken in the past year and fulfills government's commitments to Albertans to protect the environment, make

communities safer, improve the health care system and position the province for long-term economic success.

“This is a plan to deal with today’s demands and pressures, while also looking ahead to a strong Alberta tomorrow,” said Iris Evans, Minister of Finance and Enterprise. “It is also a prudent budget that stays within our means.”

Expense

Operating spending will increase 9.7 per cent overall, including increases for new and expanded initiatives related to the environment, crime reduction and safe communities, child care, and communities and culture. There is also increased funding for health care, post-secondary education and homelessness initiatives.

Health and Wellness will receive a 9.4 per cent, or \$1-billion, increase. This represents about 40 per cent of the total increase in operating spending. Education funding is increasing by 4.3 per cent, or \$217 million, reflecting relatively flat student enrolment and the agreement reached with teachers on salaries. Advanced Education and Technology will receive a 10.2 per cent, or \$240-million, increase to support post-secondary education, research, innovation and technology commercialization.

Budget 2008 provides \$237 million in 2008-09 for climate change initiatives, and a total of \$574 million over three years. The budget also includes \$20 million in 2008-09 and a total of \$60 million over three years to support the Community Spirit Donation Program for Alberta-based non-profit organizations and registered charities. An additional \$12 million is budgeted in 2008-09, largely for increased funding for the Alberta Foundation for the Arts, to support implementation of The Spirit of Alberta cultural policy.

The three-year Capital Plan will reach a record \$22.2 billion, an increase of 21 per cent from the 2007-10 Capital Plan published with Budget 2007. Capital support for 2008-09 will be \$8.7 billion, more than three times the per-capita average of other provinces.

Much of the pressure of Alberta’s growth is felt at the municipal level. The government’s plan to address this growth includes \$1.6 billion in municipal capital support for 2008-09, a 600 per cent increase from five years ago.

Taxes

Budget 2008 also assists Albertans in need, with \$45 million in savings for lower and middle-income working families, caregivers and individuals with disabilities.

Effective July 2008, the maximum benefit for the Alberta Family Employment Tax Credit will be increased by 10 per cent and the phase-out income threshold increased by \$5,000. This is in addition to the regular inflation adjustment and will provide lower and middle-income working families an additional \$25 million in benefits.

Enhancements to the caregiver, infirm dependant, disability and disability supplement credit amounts will provide \$20 million in savings. In general, taxpayers who are currently claiming one of these credits will be able to receive an additional benefit from these changes of up to \$500 each year. For individuals who are able to claim both the disability amount and the disability supplement, benefits could increase by up to \$1,000.

Alberta’s competitive business tax environment will be enhanced with a new provincial tax credit to encourage scientific research and experimental development. This refundable credit is worth 10 per cent of eligible expenditures on research and development made after December 31, 2008 up to \$4 million for

a maximum annual credit of \$400,000. This measure will initially provide \$60 million towards building knowledge-based industry, growing over time as businesses undertake more research and development.

Other tax initiatives include annual inflation indexing of personal income taxes, the paralleling of some federal changes to personal and corporate income taxes, and an increase in the small business income threshold from \$430,000 to \$460,000.

Revenue

Budget 2008 estimates revenue in 2008-09 to be \$38.6 billion, an \$814-million increase over 2007-08. The estimate is based on oil prices of US\$78 per barrel and gas prices of Cdn\$6.75 per gigajoule.

The outlook used for other major economic factors is within the range of other forecasters. Private energy forecasts for the next three years range from about US\$65 to US\$110 per barrel of oil and from about Cdn\$5.20 to Cdn\$8.20 per gigajoule for natural gas.

“Given the volatility of energy prices, we believe our forecasts are reasonable and prudent,” said Evans. “A shift of one dollar in the price of oil can affect revenue by \$130 million. Only one year ago, oil prices were around \$65 per barrel. Who knew then that they would be hovering around \$110 today?”

Economic growth in Alberta is forecast to average 3.2 per cent over the next four years and inflationary pressures are expected to decline.

The new royalty structure starts on January 1, 2009. Once fully implemented, the new framework is forecast to provide about \$1.8 billion more from royalties per year than would have been collected under the old system at the price assumptions used.

Surplus

Budget 2008 estimates the surplus at \$1.6 billion. This surplus will provide \$279 million to inflation-proof the Heritage Fund, \$100 million to establish the Alberta Enterprise Corporation to provide early-stage venture capital to innovative companies, and \$325 million for the contingency allowance. The remaining \$864 million is required to help meet capital cash requirements or is retained by funds and agencies.

If energy prices remain high, the surplus will be larger. Any additional surplus dollars will be allocated according to government's in-year surplus, which allocates one-third to savings and two-thirds to capital.

In Billions	2007-08 (Forecast)	2008-09 (Estimate)	2009-10 (Target)	2010-11 (Target)
Total Revenue	\$37.8	\$38.6	\$37.9	\$38.0
Resource Revenue	\$11.0	\$11.7	\$10.7	\$10.0
Expense				
Operating Expense	\$27.1	\$29.8	\$31.4	\$32.7
Capital Grants	\$5.2	\$5.9	\$4.9	\$3.8
Other Expense*	\$1.4	\$1.3	\$1.3	\$1.3
Total Expense	\$33.7	\$37.0	\$37.6	\$37.8
Surplus**	\$4.0	\$1.6	\$0.4	\$0.2

*Other expenses include emergencies, disasters, natural gas rebates, debt servicing costs, amortization and nominal sum disposals.

**Excludes change in pension obligations.