

**THE FUTURE**  
MEETING PRIORITIES SHARING BENEFITS  
**It's Your Money**

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# It's Your Money

The budget policies of the Klein government over the last eight years have been developed through a continuing series of public consultations. Albertans have been asked what their priorities are and the government has listened to what Albertans said.

## PREVIOUS BUDGET CONSULTATIONS

### 1993 AND 1994 BUDGET ROUNDTABLES

The consultation process started in 1993. A Budget Roundtable was convened to discuss the deficit crisis facing Alberta and develop solutions. The four-year plan to balance the budget, legislated in the *Deficit Elimination Act*, was the result of that meeting.

A second Roundtable was held in September 1994 to assess progress and help develop the government's new three-year business plan.

The balanced budget plan was a success. Overall spending was reduced by 19%. The budget was balanced without increasing taxes.

### 1996 STRAIGHT TALK, CLEAR CHOICES SURVEY

With the success of the balanced budget plan, it was time to consider the next steps in Alberta's fiscal agenda. In spring 1996, a survey entitled *Straight Talk, Clear Choices* was distributed to all households in Alberta. About 61,000 Albertans responded with their opinions.

The advice of Albertans was clear. Their top priority was paying down the net debt (the difference between the government's total liabilities and its total financial assets, excluding pension liabilities) as fast as possible. Their second priority was to target some of the available dollars to key spending areas.

Again, the government acted on Albertans' advice. Windfall revenues were used to accelerate net debt repayment. Significant dollars were reinvested in health and education to improve the quality and accessibility of services.

### 1997 GROWTH SUMMIT

By 1997, the success of Alberta's fiscal plan had helped restore business and consumer confidence. The resulting strong economic growth began to attract increasing numbers of in-migrants from other provinces.

In September 1997, a Growth Summit was held to help develop options to respond to the pressures of a growing economy and a growing population.

The government acted on the recommendations of the Growth Summit. Rising resource revenue made it possible to allocate one-time dollars to address the pressures of growth on Alberta's infrastructure – roads and public transit, schools and post-secondary institutions, and hospitals and nursing homes. The government was also able to boost ongoing health and education funding to meet the needs of our expanding population.

### 1998 TALK IT UP. TALK IT OUT. SURVEY

By the fall of 1998, dramatic progress had been made on paying down the net debt, aided by a strong economy and solid energy prices. It appeared likely that the net debt could be gone within a year and, indeed, it was actually eliminated in June 1999. In addition, reinvestment in health and education had boosted spending on those priorities in 1998-99 above previous highs in 1992-93.

A second survey, *Talk it Up. Talk it Out.*, was sent to all Albertans, asking what their priorities would be when the net debt was gone. Close to 80,000 Albertans responded with their advice.

Albertans' top priority remained paying down debt. After the net debt was eliminated in 1999, Alberta still had \$12.5 billion of debt remaining that had accumulated during the nine years of overspending from 1984-85 to 1993-94. About 68% of Albertans said it was important to pay down the remaining accumulated debt, preferably over a period of 10 to 20 years.

The second priority had changed from 1996, however. With the success of reinvestment in priority programs, 51% of Albertans now said tax cuts were important, compared to 42% that said further spending increases were important.

The government acted on Albertans advice:

- In the spring of 1999, the *Fiscal Responsibility Act* legislated a plan to pay off the remaining accumulated debt.
- Budget '99 set out a plan to cut Albertans' taxes significantly through a new, single-rate personal income tax system. The new system came into effect on January 1, 2001, a year ahead of the original schedule. Basic and spousal exemptions were increased to \$12,900 and the single tax rate set at 10%.
- Available program spending dollars continued to be targeted to health, education and infrastructure.

## **2000 IT'S YOUR MONEY SURVEY**

In 2000-01, resource revenue reached a record level of \$10.5 billion, double the previous record of \$5.2 billion in 1984-85. As a result, the government was able to allocate about \$4.3 billion in 2000-01 to repay accumulated debt.

The three-year fiscal plan includes a prudent revenue forecast, in accordance with law. It assumes that energy prices and energy revenues will decline significantly over the next three years from the recent record highs.

However, if energy prices remain at the high levels forecast by some private sector energy analysts, the accumulated debt could be eliminated in two or three years. Thus, in the fall of 2000, the government decided to seek Albertans advice about what our priorities should be when the accumulated debt is gone.

A survey entitled *It's Your Money* was distributed to all Alberta households in November. Over 125,000 Albertans responded, far exceeding the close to 80,000 responses in 1998.

Albertans are of one mind in assessing the options for a debt-free Alberta. Across the province, the results were remarkably uniform.

### **TAX CUTS ARE ALBERTANS' TOP PRIORITY**

Albertans were asked what the government should do with the two different types of extra money the government may have available after the debt is gone:

1. permanent money freed up by eliminating the annual interest costs on the existing accumulated debt, and
2. one-time money when resource revenues, or other revenues, spike upwards, as happened in 2000-01.

Albertans priorities were clear. In both cases, they said the top priority was putting money back in their pockets, through permanent tax reductions and one-time rebates.

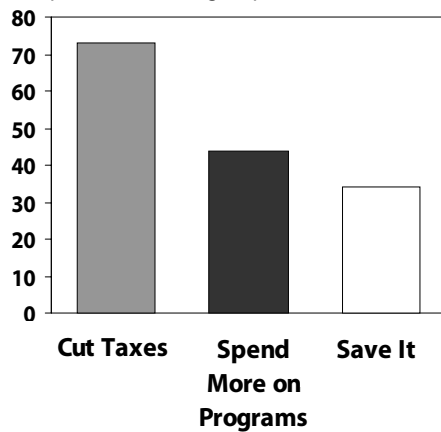
In allocating the permanent interest savings, 73% of Albertans said tax reductions were important, compared to 44% who said more program spending was important and 34% who said a budgeted savings plan was important.

Looking at one-time excess revenue, 57% said one-time tax rebates were important, compared to 52% who said it was important to save the money for the future and 29% who said one-time spending was important.

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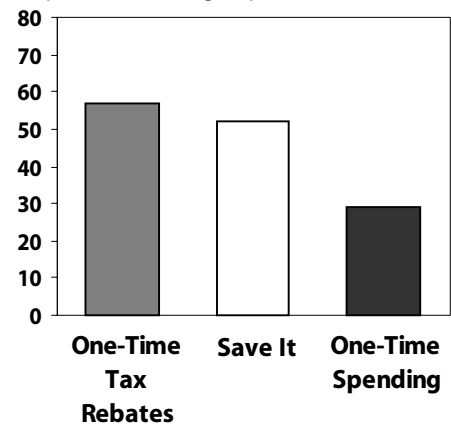
### WHAT TO DO WITH PERMANENT SAVINGS

(per cent ranking important)



### WHAT TO DO WITH ONE-TIME REVENUE

(per cent ranking important)



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### HIGH APPROVAL OF PERSONAL INCOME TAX CUTS AND HEALTH SPENDING

Albertans were also asked to give approval ratings to various specific options for tax cuts or rebates, and permanent or one-time program spending. Permanent personal income tax cuts and more spending on health services and facilities received the highest levels of support.

Looking first at options for the permanent interest savings, 76% of Albertans approved of further personal income tax cuts. The second choice for permanent tax cuts was reducing fuel taxes, which 59% approved. 57% approved of reducing health care insurance premiums and 49% approved of further cuts in school property taxes.

In regard to permanent spending increases, Albertans supported increased spending on health and education. 81% approved of more health spending and 69% approved of more education spending. 49% supported more spending on children's services and 45% approved of permanent spending increases on infrastructure.

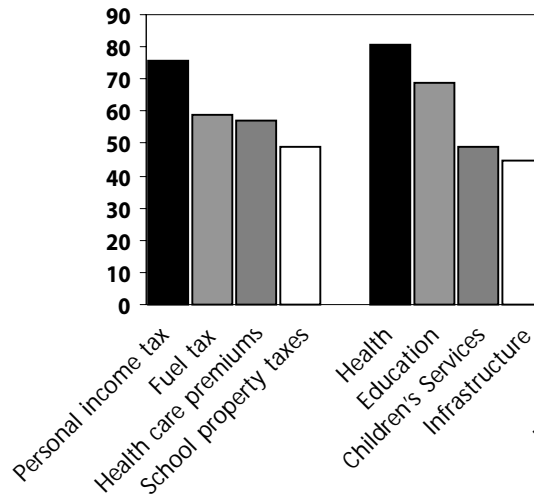
All options for returning one-time excess revenue to Albertans received solid support. 65% approved of rebates to help with high energy costs, 55% approved of annual dividends and 52% supported one-time tax refunds.

Three one-time spending options received strong support from Albertans. One-time spending on health facilities and equipment was approved by 81%, while 67% approved of spending on education facilities and equipment and 60% approved of spending on roads and public transit. Spending on water and sewage facilities, and research was supported by less than 50% of Albertans.

Albertans were also given the option of identifying other specific choices for tax cuts or rebates and spending. Approximately 15,000 Albertans chose to identify one or more of their own options for each of the survey areas. These ideas will be considered carefully. The main items mentioned, ranging from about 1,500 to 2,500 Albertans, were assistance to seniors, support for other social programs and funding for the environment.

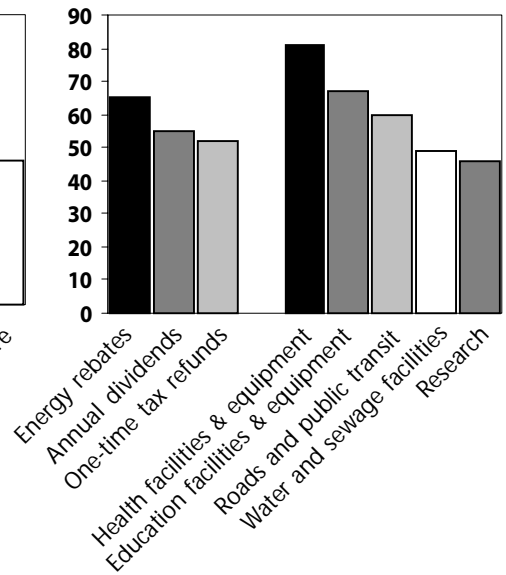
**OPTIONS FOR PERMANENT SAVINGS**

(per cent approving)



**OPTIONS FOR ONE-TIME REVENUE**

(per cent approving)



## IT'S YOUR MONEY SURVEY RESULTS

(per cent distribution of responses<sup>1</sup>)

Question	Importance or Approval		
	Low	Medium	High
<b>PART A: INTEREST SAVINGS</b>			
1. Importance of options for interest savings money when the debt is gone:			
Tax reductions	12	15	73
Increase program spending	25	31	44
Save for future years	33	34	34
2. Approval of options to use interest savings money to cut or eliminate taxes:			
Personal Income taxes	9	15	76
Fuel taxes	19	22	59
Health care insurance premiums	19	23	57
School property taxes	20	31	49
3. Approval of options for spending interest savings money:			
Health care	6	14	81
Education	9	21	69
Children's services	20	31	49
Infrastructure	18	37	45
<b>PART B: UNPREDICTABLE RESOURCE MONEY</b>			
4. Importance of options for unpredictable resource money when the debt is gone:			
One-time tax rebates	24	19	57
Save for future years	22	26	52
One-time spending	36	35	29
5. Approval of options for returning unpredictable resource money to Albertans:			
Energy rebates	14	21	65
Annual dividends	22	23	55
One-time tax refunds	23	25	52
6. Approval of options for spending unpredictable resource money:			
Health care facilities and equipment	6	13	81
Education facilities and equipment	10	23	67
Roads and public transit	9	32	60
Water and sewage facilities	15	37	48
Research	22	33	45

<sup>1</sup> Totals may not add due to random rounding.