

## **Building our savings: Clear rules for savings, spending and borrowing**

Bill 12, the new Fiscal Management Act sets the stage for Alberta to become less reliant on natural resource revenues through a responsible savings plan.

"Albertans told us they wanted savings for the future and to fund infrastructure in ways that makes financial sense. These changes will ensure we live within our means and continue to build Alberta," said Doug Horner, President of Treasury Board and Minister of Finance.

This Act renews Alberta's fiscal framework and creates the requirement for an operational plan, a savings plan and a capital plan. It legislates a balanced operational budget and retains legislated limits on in-year spending increases. Bill 12 also sets limits on borrowing for infrastructure.

The legislation's savings plan begins in the 2015-16 fiscal year. However, it also allows for accelerated timelines and Budget 2013 will begin saving in the 2014-15 fiscal year.

A portion of non-renewable resource revenue must be set aside as savings every year and will go into the new Contingency Account until it reaches a balance of \$5 billion; then the revenue will be used for other savings. The Contingency Account is a short-term savings fund for stabilizing revenue fluctuations and will replace the Alberta Sustainability Fund. Income from the Heritage Savings Trust Fund will also be retained in increasing portions, ultimately retaining 100 per cent of income by 2016-17.

"Under our savings plan, Alberta's major savings accounts will grow to over \$24 billion within three years," said Horner. "Saving is important and needs to happen in both good *and* challenging times, which is why Budget 2013 accelerates the savings plan by a year. We will continue to add more to our savings beyond the amounts in the plan when we have the ability to do so."

The Fiscal Management Act reflects the results from the Dollars and Sense consultations

held in the fall of 2012. Albertans said that their priorities included savings for future generations, as well as supporting borrowing for infrastructure under the right conditions.

More information about the Fiscal Management Act is available at [budget2013.alberta.ca](http://budget2013.alberta.ca).

Backgrounder: What's in Bill 12, the Fiscal Management Act?

Media inquiries may be directed to:

Robyn Cochrane

Press Secretary

Treasury Board and Finance

780-415-1541

780-668-2256 (cell)

[robyn.cochrane@gov.ab.ca](mailto:robyn.cochrane@gov.ab.ca)

To call toll free within Alberta dial 310-0000.

March 7, 2013

What's in Bill 12, the Fiscal Management Act?

### **Savings**

Specific amounts of non-renewable resource revenue (NRRR) will be set aside as savings each year, according to the following rules:

- 5 per cent of the first \$10 billion in NRRR;
- 25 per cent of the next \$5 billion of NRRR (up to \$15 billion); and
- 50 per cent of all NRRR in excess of \$15 billion.

The Act does not prevent saving in greater amounts than the legislation indicates, or the saving of NRRR prior to the legislated 2015-16 start date. Budget 2013 will accelerate the savings plan by one year.

### *Contingency Account*

- The new short-term savings Contingency Account will act as a fiscal shock absorber for offsetting operational deficits.
- To ensure sufficient savings, a specific amount of savings (year-end surpluses and/or NRRR legislated savings) will go into the Contingency Account until it reaches \$5 billion.
- Once the Contingency Account reaches \$5 billion for the first time, any additional NRRR will be deposited into the Alberta Heritage Savings Trust Fund or a provincial endowment.
- If the Contingency Account later drops below \$5 billion, it will be replenished through year-end operational surpluses, while specific amounts of NRRR will be deposited into long-term savings accounts.

### *Alberta Heritage Savings Trust Fund*

- In 2015-16, 30 per cent of net income or the amount required for inflation-proofing, whichever is greater, will be retained in the fund.
- In 2016-17, 50 per cent of net income or the amount required for inflation-proofing, whichever is greater, will be retained in the fund.
- In 2017-18, 100 per cent of net income will be retained in the fund.

### **Operational**

- The Act requires a balanced operational budget.
- It retains a one per cent legislated limit on in-year spending increases in total operating expense.

## Capital

- The Act sets specific limits on borrowing. Annual capital debt-servicing costs will be limited to a maximum of three per cent of operational revenue, using the most recent three-year moving average.

Both the *Fiscal Responsibility Act* and the *Government Accountability Act* will be repealed and replaced with the new Act. Amendments will also be made to the *Alberta Heritage Savings Trust Fund Act* and *Financial Administration Act*.

Media inquiries may be directed to:

Robyn Cochrane

Press Secretary

Treasury Board and Finance

780-415-1541

780-668-2256 (cell)

robyn.cochrane@gov.ab.ca

To call toll free within Alberta dial 310-0000.

## Backgrounder

March 7, 2013

What's in Bill 12, the Fiscal Management Act?

### Savings

Specific amounts of non-renewable resource revenue (NRRR) will be set aside as savings each year, according to the following rules:

- 5 per cent of the first \$10 billion in NRRR;
- 25 per cent of the next \$5 billion of NRRR (up to \$15 billion); and
- 50 per cent of all NRRR in excess of \$15 billion.

The Act does not prevent saving in greater amounts than the legislation indicates, or the saving of NRRR prior to the legislated 2015-16 start date. Budget 2013 will accelerate the savings plan by one year.

### Contingency Account

- The new short-term savings Contingency Account will act as a fiscal shock absorber for offsetting operational deficits.
- To ensure sufficient savings, a specific amount of savings (year-end surpluses and/or NRRR legislated savings) will go into the Contingency Account until it reaches \$5 billion.

- Once the Contingency Account reaches \$5 billion for the first time, any additional NRRR will be deposited into the Alberta Heritage Savings Trust Fund or a provincial endowment.
- If the Contingency Account later drops below \$5 billion, it will be replenished through year-end operational surpluses, while specific amounts of NRRR will be deposited into long-term savings accounts.

#### *Alberta Heritage Savings Trust Fund*

- In 2015-16, 30 per cent of net income or the amount required for inflation-proofing, whichever is greater, will be retained in the fund.
- In 2016-17, 50 per cent of net income or the amount required for inflation-proofing, whichever is greater, will be retained in the fund.
- In 2017-18, 100 per cent of net income will be retained in the fund.

#### **Operational**

- The Act requires a balanced operational budget.
- It retains a one per cent legislated limit on in-year spending increases in total operating expense.

#### **Capital**

- The Act sets specific limits on borrowing. Annual capital debt-servicing costs will be limited to a maximum of three per cent of operational revenue, using the most recent three-year moving average.

Both the *Fiscal Responsibility Act* and the *Government Accountability Act* will be repealed and replaced with the new Act. Amendments will also be made to the *Alberta Heritage Savings Trust Fund Act* and *Financial Administration Act*.

-30-

Media inquiries may be directed to:

Robyn Cochrane  
Press Secretary  
Treasury Board and Finance  
780-415-1541  
780-668-2256 (cell)  
robyn.cochrane@gov.ab.ca

To call toll free within Alberta dial 310-0000.