

1999 BILL 1

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Third Session, 24th Legislature, 48 Elizabeth II

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THE LEGISLATIVE ASSEMBLY OF ALBERTA

# BILL 1

## FISCAL RESPONSIBILITY ACT

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THE PREMIER

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First Reading .....

Second Reading .....

Committee of the Whole .....

Third Reading .....

Royal Assent .....

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## BILL 1

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### FISCAL RESPONSIBILITY ACT

(Assented to , 1999)

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HER MAJESTY, by and with the advice and consent of the  
Legislative Assembly of Alberta, enacts as follows:

#### Definitions

**1** In this Act,

(a) “accumulated debt” means the aggregate amount of

(i) unredeemed Government securities that have not  
matured and that are issued in respect of money  
raised under section 61(1) of the *Financial  
Administration Act* less

(A) any amounts raised for the purpose of making  
advances to or purchasing securities of a  
Provincial corporation pursuant to section 62.1  
of the *Financial Administration Act*, and

(B) the amount of Government securities acquired  
and held under section 63.1 of the *Financial  
Administration Act*,

- (ii) the total outstanding borrowings of the Alberta Social Housing Corporation pursuant to section 25(3) of the *Alberta Housing Act*, and
  - (iii) the liability for future funding, as reported in the consolidated annual report, to enable school boards to repay debentures issued to the Alberta Municipal Financing Corporation;
- (b) “actual” means amounts as reported in the consolidated annual report for a fiscal year;
- (c) “consolidated annual report” means a consolidated annual report prepared under section 10 of the *Government Accountability Act*;
- (d) “consolidated debt servicing costs” does not include principal repayments;
- (e) “consolidated fiscal plan” means the consolidated fiscal plan prepared under section 4 of the *Government Accountability Act* that is tabled with the main estimates for a fiscal year;
- (f) “Crown” includes a Provincial agency;
- (g) “Crown debt” means the liabilities of the Crown, excluding any liabilities respecting pensions, less the financial assets of the Crown;
- (h) “economic cushion” means the amount by which estimated revenue exceeds estimated expenditure;
- (i) “estimated” means estimated in the consolidated fiscal plan for a fiscal year;
- (j) “expenditure” means expenditure of the Crown for all purposes but does not include any changes in liabilities respecting pensions;
- (k) “forecast” means forecast in a quarterly budget update;
- (l) “program expenditure” means expenditure less consolidated debt servicing costs;
- (m) “Provincial agency” has the meaning given to it by section 1(1)(l) of the *Financial Administration Act* but does not include the Provincial agencies referred to in section 2(5) of that Act or the Workers’ Compensation Board under the *Workers’ Compensation Act*;

- (n) “quarterly budget update” means a report made under section 9(1)(a), (b) or (c) of the *Government Accountability Act*;
- (o) “revenue” means revenue of the Crown from all sources;
- (p) “starting accumulated debt” means the accumulated debt at the end of the fiscal year in which Crown debt is eliminated.

Deficits  
disallowed

**2** Actual expenditure during a fiscal year must not be more than actual revenue.

Economic  
cushion

**3** The consolidated fiscal plan must include an economic cushion equal to at least 3½% of the estimated revenue for each fiscal year set out in the plan.

Changes from  
the budget

**4(1)** If, in a quarterly budget update, forecast revenue less forecast consolidated debt servicing costs exceeds estimated program expenditure, not more than 25% of the excess may be committed in the fiscal year for program expenditure initiatives or revenue reduction initiatives that were not included in the consolidated fiscal plan for that year.

**(2)** If the Lieutenant Governor in Council has declared that a public emergency or disaster exists, an increase in program expenditure during a fiscal year that is required because of the emergency or disaster

- (a) is to be deducted from forecast revenue for the purpose of determining whether there is an excess under subsection (1), and

- (b) is not a commitment under subsection (1).

**(3)** An increase in the amount authorized to be spent under a supply vote under section 29(1.1) of the *Financial Administration Act* and an increase in any other expenditure that is offset by additional revenue received for the specific purpose of that expenditure

- (a) are to be deducted from forecast revenue for the purpose of determining whether there is an excess under subsection (1), and

- (b) are not commitments under subsection (1).

(4) Subject to section 2, if the excess calculated under subsection (1) is less than the calculation for a previous quarterly budget update, commitments referred to in subsection (1) based on a previous quarterly budget update are not affected by the reduction in the excess.

Debt  
elimination  
schedule

**5** After the fiscal year in which Crown debt is eliminated as reported in the consolidated annual report, the Government must begin to reduce accumulated debt as follows:

- (a) by the end of the fiscal year 5 years after Crown debt is eliminated, by an amount that is at least 13% of the starting accumulated debt;
- (b) by the end of the fiscal year 10 years after Crown debt is eliminated, by an amount that is at least 30% of the starting accumulated debt;
- (c) by the end of the fiscal year 15 years after Crown debt is eliminated, by an amount that is at least 50% of the starting accumulated debt;
- (d) by the end of the fiscal year 20 years after Crown debt is eliminated, by an amount that is at least 75% of the starting accumulated debt;
- (e) by the end of the fiscal year 25 years after Crown debt is eliminated, by an amount that is 100% of the starting accumulated debt.

Special  
warrants

**6(1)** Notwithstanding the *Financial Administration Act* but subject to subsection (2), if authorizing an expenditure by special warrant will increase expenditure for a fiscal year, the Lieutenant Governor in Council may not order a special warrant to be prepared authorizing the expenditure.

**(2)** The Lieutenant Governor in Council may order a special warrant to be prepared under any other Act authorizing an expenditure

- (a) if the Legislative Assembly is dissolved and is not yet convened after a general election, or
- (b) at any time if, in the opinion of the Lieutenant Governor in Council, the money is urgently required because of a public emergency or disaster.

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|-----------------|---|
| Audit Committee | <p><b>7</b> The Audit Committee established under section 21 of the <i>Auditor General Act</i></p> <ul style="list-style-type: none"> <li>(a) must report publicly to the Executive Council on the progress made in eliminating the accumulated debt at least once every fiscal year until the accumulated debt is eliminated, and</li> <li>(b) may inquire into any matter relating to the financial affairs of the Crown in accordance with a request of the Provincial Treasurer.</li> </ul> |
| Application     | <p><b>8(1)</b> This Act, except sections 5 and 7, applies to the 1999-2000 and subsequent fiscal years.</p> <p><b>(2)</b> Sections 5 and 7 apply to the fiscal years following the fiscal year in which Crown debt is eliminated.</p>   |

#### **Consequential Amendments and Repeals**

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|----------------------------|---|
| Amends SA<br>1996 cA-27.01 | <p><b>9</b> The <i>Alberta Heritage Savings Trust Fund Act</i> is amended in section 11</p> <ul style="list-style-type: none"> <li>(a) by repealing subsection (1);</li> <li>(b) by adding the following after subsection (4): <ul style="list-style-type: none"> <li>(5) Notwithstanding subsections (2), (3) and (4), until the accumulated debt is eliminated in accordance with the <i>Fiscal Responsibility Act</i>, the Provincial Treasurer is not required to retain the amounts required under subsections (2), (3) and (4), but may retain such amounts as the Provincial Treasurer considers advisable.</li> </ul> </li> </ul> |
| Amends RSA<br>1980 cF-9    | <p><b>10</b> The <i>Financial Administration Act</i> is amended</p> <ul style="list-style-type: none"> <li>(a) in section 2(1) by striking out “, the <i>Balanced Budget and Debt Retirement Act</i>”;</li> <li>(b) by repealing section 12(5).</li> </ul>  |
| Amends SA<br>1995 cG-5.5   | <p><b>11</b> The <i>Government Accountability Act</i> is amended</p> <ul style="list-style-type: none"> <li>(a) in section 5 <ul style="list-style-type: none"> <li>(i) by repealing subsection (1)(e) and substituting the following:</li> </ul> </li> </ul>   |

- (e) the economic cushion under the *Fiscal Responsibility Act*,
- (ii) in subsection (1)(f) by striking out “debt” and substituting “financial position”;**
- (iii) by repealing subsection (2)(d) and substituting the following:**
  - (d) the economic cushion under the *Fiscal Responsibility Act*,
- (iv) in subsection (2)(e) by striking out “debt” and substituting “financial position”;**
- (v) by adding the following after subsection (2):**
  - (3)** A consolidated fiscal plan must include the amounts by which the accumulated debt is projected to be reduced for each fiscal year set out in the plan.
- (b) in section 10(2) by adding the following after clause (a):**
  - (a.1) the amount by which the accumulated debt was reduced,

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|-------------------|---|
| Repeal            | <b>12</b> The <i>Balanced Budget and Debt Retirement Act</i> is repealed on Proclamation. |
| Repeal            | <b>13</b> The <i>Deficit Elimination Act</i> is repealed.                                 |
| Coming into force | <b>14</b> Section 10 comes into force on Proclamation.                                    |