Keeping the Promise –
Practical reforms to help Alberta taxpayers

2003-04 Alberta Budget Submission
A Presentation to Alberta Finance Minister Pat Nelson

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit, non-partisan, education and advocacy organization. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national taxpayers organization. In twelve years it has grown to become an organization with over 60,000 supporters nation-wide.

The CTF’s three-fold mission statement is:

1. To act as a watchdog on government spending and to inform taxpayers of governments’ impact on their economic well-being;

2. To promote responsible fiscal and democratic reforms, and to advocate the common interest of taxpayers; and

3. To mobilize taxpayers to exercise their democratic responsibilities.

The CTF maintains a federal office in Ottawa, and offices in the five provincial capitals of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. In addition, the CTF has a Centre for Aboriginal Policy Change dedicated to monitor, research and provide alternatives to current aboriginal policy and court decisions. Provincial offices and the Centre conduct research and advocacy activities specific to their provinces or issues in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. The CTF’s official publication, The Taxpayer magazine, is published six times a year. CTF offices also send out weekly Let’s Talk Taxes commentaries to more than 800 media outlets and personalities nationally.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to effect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. The CTF is not a registered charity, and contributions are not tax deductible.

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1. Reverse last year’s tax increases

On January 29, 2001, prior to the provincial election, Premier Klein promised Albertans that “the only way taxes are going is down.”

Premier Klein broke his promise on March 19, 2002 with a budget that raised the health care premium tax to $1,056 per year for Alberta families – a 29% increase. Health care premiums go into general revenues and do not pay for health care any more (or less) than any other tax. Premier Klein raised health care premiums and other taxes by $722 million and reduced corporate taxes by $81 million, for a net tax increase of $641 million.

Contrary to what some MLAs have asserted, this tax increase had nothing to do with health care reform, and was not recommended in the Mazankowski Report on health care reform. In fact, the Mazankowski Report states at page 54 that “increasing health care premiums would have no effect on moderating demand for health care services. If decisions are made to increase health care premiums, there should be corresponding benefits to Albertans including more choice, better access, and more control over how they spend their health care investment.”

Budget 2003-04 should contain at least $680 million in tax cuts, which is the equivalent of last year’s $641 million tax increase multiplied by an estimated 2% population growth and an estimated 4% increase in the cost of living. A $680 million tax cut can be applied in many different ways, including:

- Reducing health care premiums by 74% (from $1,056 per family to $277 per family), or
- Reducing personal income tax revenues by 14% (from 10% down to 8.6% single rate), or
- Reducing corporate income tax revenues by 28%, or
- Reducing school property tax revenues by 59%, or
- Reducing reliance on gambling revenues from VLTs and other lotteries by 58%, or
- Eliminating both the current sales tax on fuel (9 cents/litre) and the hotel room tax entirely, or
- Any combination of the above.

2. Protect Albertans from a “bracket creep” tax increase in 2003

When tax brackets fail to increase with inflation, taxpayers are hit with a subtle but very real tax increase.

By way of illustration, let’s examine what the impact on Alberta taxpayers would have been if the basic personal income tax exemption had stayed at $12,900, where it was in 2001, without increasing in 2002. An individual earning $30,000 in 2001 would have paid $1,710 in personal income tax, based on the 10% single rate tax on $17,100 of taxable income.

Let’s assume this person received a 3.4% raise to keep pace with inflation, and earned $31,021 in 2002. His inflation-based raise is supposed to ensure that he continues to earn the same amount of money in real terms. However, if the basic personal exemption in 2002 had stayed at $12,900, this individual would have paid the 10% single rate tax on $18,121 of taxable income: $1,812 in personal income tax.
Paying $1,812 in 2002 instead of the $1,710 paid in 2001, this person’s income tax is now 6% higher. But his take-home pay after taxes rises from $28,290 to $29,209 – an increase of 3.2%. If the $12,900 bracket is not raised by 3.4% to keep pace with inflation, this person will suffer a “bracket creep” tax increase because his take-home pay increases by 3.2% rather than by 3.4% inflation, and because his taxes have gone up 6% in contrast to 3.4% inflation.

When tax brackets are not indexed to inflation, workers whose salaries increase with inflation are hit with a tax increase in real terms.

To the credit of the Alberta government, it committed to indexing the basic personal exemption to inflation when the single rate went into effect in 2001.

After years of intense lobbying by the Canadian Taxpayers Federation, the federal government also committed to indexing tax brackets to inflation.

Unfortunately, the federal and provincial tax brackets in 2003 have not increased as much as the cost of living in the past 12 months, with the result that Canadians are suffering a “bracket creep” tax increase.

Alberta’s basic personal income tax exemption is scheduled to rise from $13,339 in 2002 to $13,525 in 2003 – an increase of 1.4%. However, Canada’s consumer price index increased 4.3% from November of 2001 to November of 2002, and many prices in Alberta have increased even more.

Therefore, in order to avoid a real increase in Alberta’s personal income tax, the basic personal exemption should increase by at least 4.3%, to $13,913, for 2003. Leaving the basic personal exemption for 2003 at $13,525 would lower Albertans’ standard of living by way of a “bracket creep” tax increase.

3. Don’t go back into debt

The greatest achievement of Ralph Klein’s ten years as Premier is having reduced Alberta’s debt from $20.3 billion down to $5.3 billion. Debt servicing costs, which once consumed 12% of the provincial budget, are down to 3% of provincial spending. Taxpayers benefit tremendously from having 97 cents of each tax dollar available for government programs.

Premier Klein’s legacy will be destroyed – slowly but surely – if various government ministries are entitled to borrow money. Unfortunately, the government announced in the summer of 2002 that government departments will be allowed to acquire debt to pay for infrastructure.

In the same way that Canadian politicians have often used “health care” to justify a tax increase, “infrastructure” is the popular slogan used to sell the idea of going into debt today. For example, from 1991 to 2001 the NDP government of B.C. often used the popular cause of “infrastructure” to justify the growth of debt. As a result, taxpayers in B.C. now lose 8% of their provincial tax dollars to service a debt of over $40 billion, of which $23.5 billion was incurred for the sacred cause of “capital spending.”

The Alberta government already takes over $6,500 per year for every man, woman and child in Alberta in indirect and direct taxation. In this 2002-03 fiscal year – and for the fourth year in a row – the Alberta government’s revenues again exceed $20 billion.
A government which takes over $20 billion per year from Albertans has plenty of money available for transportation and infrastructure, if spending priorities are set and adhered to. Going back into debt, whether for “infrastructure” or any other cause, is simply not necessary. Going back into debt will push Albertans back towards the position they were in before: losing 12 cents on the dollar to debt servicing costs.

If more fiscal flexibility is required to manage spending on capital projects, the government should establish a separate “capital budget” which does not have to be spent in its entirety during any particular fiscal year. But government expenditures (including capital spending and debt servicing costs) in a fiscal year should not exceed government revenues in that same fiscal year. Alberta’s legislation should continue to require each budget to be balanced annually, not over a two-year, three-year or four-year cycle.

Strict balanced budget legislation can be reconciled with a flexible capital budget. Each time that government revenues are transferred to the capital budget, that transfer should be considered as a government expenditure in the fiscal year in which the transfer took place. Once transferred to the capital budget, that money can be spent immediately, or in six months, or in 24 months – as infrastructure needs may dictate. In this way, a flexible capital budget would not violate the policy that expenditures shall not exceed revenues in any fiscal year.

4. Honour the fiscal preferences of Albertans

In response to the Alberta government’s “Talk it up, Talk it out” survey, Albertans attributed the highest importance to paying down debt (74.8%), followed by reducing taxes (61.4%). Increasing priority spending ranked third (56.1%), followed by increasing savings in the Heritage Fund (19.2%).

In response to the Alberta government’s “It’s Your Money” survey, Albertans attributed the highest importance to tax cuts (73%), with more spending on programs a distant second (44%). Regarding the use of one-time revenues, spending ranked third behind one-time tax rebates and savings.

But it seems that the government is reading these survey results upside-down. Rather than reducing taxes significantly, the government has increased its spending on programs by 53% in just six years, and last year’s budget actually raised taxes by $641 million.

The fiscal preferences of Albertans have been substantially ignored.

5. Protect Albertans with effective taxpayer protection legislation

The *Alberta Taxpayer Protection Act* requires only that a referendum be held prior to the introduction of a provincial sales tax. All other new taxes and tax increases can be imposed without any restriction or restraint – even when this blatantly violates an unequivocal election promise.

Albertans are at the mercy of their politicians, who can break election promises and impose tax increases without having to explain or justify their actions until some far-off election date.
Without taxpayer protection legislation, the onus is on Albertans to justify to politicians why we should be able to keep our own hard-earned money. But the onus should always be on politicians to justify why they want to take more money away from Albertans. A referendum requirement rightly forces politicians to justify why taxpayers ought to relinquish more of their hard-earned money.

In contrast to Alberta, Manitoba legislation requires politicians to put tax increases (or new taxes) to voters in a referendum. In Switzerland, a tax increase must be put to a referendum if 50,000 voters sign a petition requesting a referendum. Swiss taxpayers have sometimes voted for tax increases – but only after politicians made a convincing case for their necessity. Taxpayer protection legislation in Washington State is part of the State’s spending control legislation; voter approval is required for any tax increases or new taxes. This applies to expanding the base for a tax, increasing the rate of a tax, or introducing a new tax.

As taxpayers are the people who foot the bills, they should be consulted on any and all tax increases. The Alberta Taxpayer Protection Act should be amended to require a referendum on all new taxes and tax increases.

6. Keep the referendum requirement for school tax increases

Albertans do not have effective taxpayer protection legislation at the provincial or municipal levels, so that politicians are free to raise taxes whenever they like, without having to justify the increase to those who pay the bills.

However, Albertans do have effective taxpayer protection legislation when it comes to School Boards. Alberta’s School Act forces School Boards to explain and justify proposed tax increases, and to seek the approval of those who pay the bills in a referendum. This is the way things should be: with the onus placed on those who want to take more money from taxpayers.

Taxpayers should not have to explain why they want to keep more of their own money; the onus should be on politicians (whether MPs, MLAs, municipal Councillors or School Board trustees) to explain why taxpayers need to pay more. A referendum requirement provides School Boards with a critical connection to their communities, which they would not have if they could raise taxes without taxpayers’ approval.

If a School Board has demonstrated that it has reduced spending in low-priority areas and that it has eliminated wasteful spending, and if a proposed project is sufficiently worthwhile, the School Board will be able to persuade taxpayers to agree to a tax increase. The fact that two different School Boards have tried (and failed) to persuade taxpayers of the need for a tax increase is no reason to change the legislation.

The Alberta government should leave the School Act’s referendum requirement in place, without change.

7. Control spending with legislation

Alberta’s spending on government programs has risen 53% in just six years, from $12.8 billion in 1996-97 to $19.6 billion in 2002-03. In contrast, Alberta’s population grew 12% and inflation was
approximately 15% during the same period. This 53% spending increase is what caused last year’s $641 million tax increase.

The Fraser Institute ranked Alberta tenth (behind the federal government and all provinces except Newfoundland) in the Spending Sub-Index of its 2002 Budget Performance Index.

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<tr>
<th>Province</th>
<th>2001-02 budget (in $ millions)</th>
<th>population (in millions)</th>
<th>per person spending</th>
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*Source: Provincial Budget Documents, 2001-02, and Statistics Canada
Source for Alberta program spending: Alberta Finance, Historical Consolidated Fiscal Summary (August 2002)*

Alberta’s Fiscal Responsibility Act already imposes some spending limits on legislators by banning deficits, establishing a schedule for debt repayment, and requiring three quarters of a surplus to go towards debt repayment. These existing spending limits, set out in legislation, empower MLAs to say “no” to spending demands which are always unlimited. These legislated criteria make it clear to spending advocates ahead of time that the budget must be balanced, that debt must be repaid, and that three quarters of the surplus must go towards debt repayment. Taxpayers are well served by this legislation because it ends some of the spending debates before they can even begin.

However, the Fiscal Responsibility Act has not prevented the 53% spending increase or the $641 million tax increase which resulted from it, nor will this legislation prevent future tax increases.

The Fiscal Responsibility Act should be amended to limit the annual growth in spending on government programs to Alberta’s population growth and inflation. This kind of spending control legislation has worked well for taxpayers in the state of Washington since 1995.

Without spending control legislation, the spending level set out in Budget 2003-04 will once again rise faster than Alberta’s population growth and inflation, leading to more tax increases in future. Without spending control legislation, it will not be possible to reverse last year’s tax increases, to prevent further tax increases in the future, or to reverse the trend towards bigger government.
Critics of spending control legislation point out that it would interfere with the political discretion of elected representatives. The critics are correct. That’s the whole point. The *Fiscal Responsibility Act*’s current requirements also “interfere” with a government’s fiscal choices, and so they should. This kind of “interference” is good for taxpayers, and should be extended further. Spending control legislation will work in the same way that the *Deficit Elimination Act, Balanced Budget and Debt Retirement Act,* and *Fiscal Responsibility Act* have worked: by imposing limits which protect taxpayers. Spending control legislation will ensure that Albertans’ clearly expressed preferences for tax cuts over spending increases will be implemented rather than ignored. It will ensure that Alberta stays on track towards complete debt freedom. It will protect Albertans from tax increases such as those imposed in Budget 2002-03. It will preserve the Alberta Advantage.

Spending control legislation would further empower Ministers and MLAs to resist pressure from special interest groups to increase spending. Each government Ministry would be forced to prioritize its spending rather than looking to taxpayers for more money. When everyone knows in advance how large next year’s budget will be, budget planning and spending decisions will be more prudent. Knowing that spending increases are limited to inflation and population growth will help legislators choose priorities.

Ultimately, spending control legislation will allow Albertans to keep more of their own hard-earned money. This will sustain a high rate of economic growth and continued job creation. But just as important, this will create room in the private sector and the non-profit sector, and empower voluntary associations – families, communities, faith-based groups, charities – and lead to a better and stronger civil society.

8. Limit growth in public sector salaries

Alberta’s spending on government programs is 53% higher than it was six years ago, having risen from $12.8 billion in 1996-97 to $19.6 billion in 2002-03.

One of the main drivers of this 53% spending increase has been the double-digit salary increases awarded to doctors, nurses, teachers, MLAs, provincial government employees, and others in the public sector.

Public sector wage increases help only one group of Albertans, and do so at the expense of Albertans working in the private sector. In contrast, tax cuts help *all* Albertans, including public sector workers. Therefore tax cuts are preferable to public sector wage increases, because tax cuts have the practical effect of giving *everyone* a pay increase. If government spending in the past six years had risen only to keep pace with Alberta’s population growth and inflation, personal income tax in 2003 would be 3% instead of 10%. Paying only 3% personal income tax would leave doctors, nurses, teachers, MLAs and provincial government employees with more money in their pockets, along with *all* Albertans.

Increases to public sector salaries and benefits should not exceed those in the private sector, in order to make it possible for the government to reduce the taxes of *all* Albertans.

Currently the Alberta government does not collect information on salaries in the public sector or in the private sector. The total cost of public sector wages and benefits, in dollar amounts and as a percentage of provincial government spending, should be readily available to taxpayers. Albertans have a fundamental right to this information, on a ministry-by-ministry basis as well as for the Alberta government as a
whole. In view of the billions of tax dollars paid out to public sector employees each year, it is a legitimate function of government to make this information available to all Albertans.

The Alberta government should research and monitor the wages and wage increases in Alberta’s private sector, make this information readily available on its web site, and limit public sector salary increases to gains made by workers in the private sector. As an interim measure, until wages and wage increases in the private sector are being accurately monitored, public sector salary increases should be limited to the increase in the average weekly earnings index as reported by Statistics Canada.

9. Reform the health care system

The Alberta government’s spending on health care has risen 73% in just six years, from $3.978 billion in 1996-97 to $6.899 billion in 2002-03. Adjusting for Alberta’s population growth and inflation, this amounts to a real increase of 36%.

Unlimited demand for more health care services and drugs, unchecked by any real accountability, has caused health care to take up an ever-increasing portion of the provincial budget. In 1986-87, health care consumed 24% of provincial government program spending. By 1996-97, health care’s share of the provincial budget had risen to 31%. In the current 2002-03 fiscal year, health care’s share of program spending has risen still further, to 35%. According to the Mazankowski Report, health care could consume 50% of Alberta’s budget as early as 2008.

Ever-rising health care costs, borne by taxpayers, are the expected consequence of a system which has little if any accountability. As long as government continues to be in a conflict of interest as the primary health care funder, the primary health care provider, and the sole health care evaluator, health care spending will grow to take up more and more of Alberta’s budget.

An important reason – if not the main reason – for creating the Premier’s Advisory Council on Health (chaired by the Right Honourable Don Mazankowski and resulting in what is commonly referred to as the “Mazankowski Report”) is to prevent health care from eventually consuming 50% of Alberta’s budget. Throwing more money into an unreformed system will not satisfy the infinite demand which exists for health care products and services.

The Mazankowski Report contains numerous recommendations for changing the health care system itself, rather than just throwing more money at it. In particular, pages 48-62 propose ways to encourage more choice, more competition, and more accountability, and better ways of paying for health services. One approach to the complex issue of health care would be to pilot a system of variable premiums, medical savings accounts, or both, as recommended by the Mazankowski Report.

The Mazankowski Report rightly rejects tax increases as a solution for better health care, and so should the government. Changes to the health care system and to how it is financed need not and should not result in any tax increases.
10. Don’t spend the Heritage Fund

Spending the Heritage Fund’s assets – regardless of how noble or worthwhile the spending object may be – will forever destroy the possibility of eliminating Alberta’s personal income tax.

The Heritage Fund is too big and too important to have its future determined by the responses to the shallow and simplistic survey sent out in October of 2002. In contrast to the 32-page booklet distributed by Alberta’s Commission on Learning, the Heritage Fund survey contains very little background information. Three of the four questions suggest that politicians and bureaucrats should start spending part of the Heritage Fund, though the words “spend” or “spending” are not contained in the questions.

The questions in this survey are so leading, and the background information is so scant, that the results of this survey should be given little if any weight.

Significant decisions affecting the Heritage Fund should not be made without a full-fledged process of public consultation, including public hearings by the all-party MLA Committee responsible for the Heritage Fund.

11. Protect the Heritage Fund from inflation

The recent decline in the value of the Heritage Fund’s assets would be far less devastating if the Heritage Fund’s assets hadn’t *already* lost one third of their value since 1987 through inflation. In 2002, $12 billion was worth only two thirds of the Heritage Fund’s $12 billion value in 1987.

If the Alberta government had protected the Heritage Fund from inflation – in the same way that governments in Alaska and Norway have protected their natural resource Funds – the Heritage Fund’s value would be approximately $18 billion today.

The failure of the Alberta government to protect the Heritage Fund from inflation is an on-going mistake which should be rectified immediately.

12. Eliminate personal income tax through the Heritage Fund

In February of 2001 the Canadian Taxpayers Federation released a commissioned study which sets forth Alberta’s potential for income tax freedom by 2015. Dr. Jean-Francois Wen of the University of Calgary Economics Department shows how the Heritage Fund can be built up with oil and gas revenues until it becomes large enough to provide a steady, reliable source of revenue to replace what the government takes from Albertans in personal income tax.

The study’s target date for income tax elimination is based on historic averages for oil prices, and increases in government spending that keep pace with, but do not exceed, population growth and inflation. Available from [www.taxpayer.com/studies/Alberta](http://www.taxpayer.com/studies/Alberta) and from the CTF’s Edmonton office, the study demonstrates that eliminating provincial income tax is both desirable and possible.
In the five years prior to the 2001-02 fiscal year, the Heritage Fund generated (in 2003 constant dollars) an average of over $1 billion per year. If the Heritage Fund was permitted to grow to $50 or $60 billion, it would likely generate between $4 billion and $5 billion per year for Albertans, which is enough to replace what the government takes from Albertans in personal income tax.

Dr. Wen points out that if half of oil and gas revenues are put into the Heritage Fund, and if Heritage Fund income is re-invested back into the Heritage Fund rather than going to general revenues, this Fund can grow to a point where the income it produces each year will be sufficient to replace what the government takes from Albertans in personal income tax.

The benefits of eliminating personal income tax are numerous. First, taxpayers would be able to keep more of their hard-earned money. They can save, spend or invest it as they see fit, creating more jobs and economic growth in the process. Second, the absence of income tax will attract highly skilled and highly paid workers, new businesses, and more investment. Everyone benefits from a strong economy and low unemployment. Third, unlike revenues from natural resources, Heritage Fund income will continue for future generations long after Alberta's oil and gas are gone.

13. Stop spending 100% of oil and gas revenues

Revenues generated from the sale of oil and gas are akin to revenues realized from the sale of an asset. In the same way that an individual should not sell his house or furniture to pay for groceries or holidays, revenues realized from the sale of oil and gas should not be used to finance current program spending.

Unfortunately, the Alberta government continues to spend 100% of oil and gas revenues each year, putting 0% aside for the benefit of future generations.

It is ironic that the Alberta government has authorized its departments to borrow money in order to build new infrastructure while at the same time, the Alberta government spends the money derived from the sale of Alberta’s non-renewable assets of oil and gas. If the Alberta government insists on continuing to spend 100% of oil and gas revenues, and if it is true that transportation and infrastructure are under-funded, there is no reason why oil and gas revenues (an average of $4.2 billion per year in 2003 constant dollars) could not be used for transportation and infrastructure. In that way, one permanent asset would be replaced with another permanent asset.

14. Penalize ministers who fail to meet their budgets

A minister who fails to keep her or his department’s spending within the limit set out in the Annual Budget should have her or his salary reduced accordingly. The minister’s salary should be reduced by five percent for every percent that the department has exceeded its budget. In the absence of real consequences, there is no accountability.

British Columbia’s Balanced Budget and Ministerial Accountability Act promotes accountability by penalizing cabinet ministers if their ministries go over the spending limit set out in the budget. This Act imposes a 20% reduction on the $39,000 cabinet portion of a minister’s salary ($45,000 for the Premier).
The MLA portion of a minister’s salary is not affected by this legislation. One half of this amount (20% of $39,000 or $45,000) is restored if the government’s bottom line result meets or beats the deficit target for the year. The other half is restored to individual ministers if the actual spending in their ministry (including other appropriations under their responsibility) is less than or equal to the target set out in the main Estimates for that year.

Alberta should pass similar legislation.

15. Reduce the size of cabinet back down to 17 members

In 1992, Premier Klein launched his revolution by reducing cabinet from 26 down to 17 members. This small cabinet succeeded in reducing the size of government by 30%, an accomplishment that has not been achieved by any other government in Canada, federally or provincially.

It is no coincidence that the 53% program spending increase since 1996 took place at the same time that cabinet grew back up to 24 members. This is because every cabinet minister, even if personally committed to a philosophy of smaller government, has a tendency to act as a spending advocate for her/his ministry.

The more cabinet ministers there are, the more pressure there is to spend taxpayers’ money. A large cabinet is both a symptom and a cause of large government, which is bad news for taxpayers.

Therefore, cabinet should be reduced back to 17 members, as it was in 1993.

16. Understand why Alberta needs lower taxes

Through taxes the government redistributes wealth, but it does not create wealth.

Every time the government takes a dollar away from a person in taxes, government creates a disincentive to work, save and invest. If the total value of goods and services produced can be thought of as the economic “pie,” then taxes reduce the size of this pie. Not only do taxes take a bite out of the pie, but they prevent the pie from getting bigger, because dollars multiply more rapidly in private hands than in government pockets. In “The Distortionary Effect of Rising Taxes” (1994, C.D. Howe Institute), University of Alberta economist Bev Dahlby estimates that each dollar in tax relief in Alberta creates an additional 40 cents in value for the economy. Put another way, the sacrifice of one dollar of government spending effectively adds $1.40 of worth into the pockets of taxpayers.

Lower taxes create jobs by increasing consumer purchasing power. When government taxes money away from people, they have less to spend. The less consumers purchase, the fewer employees will be hired by businesses. Lower taxes stimulate economic growth and job creation by encouraging investment, both foreign and domestic. Lower taxes encourage productive and talented people to stay in Alberta, and to move to Alberta from other jurisdictions. Lower taxes help Alberta to maintain its advantage in a global economy, where labour and capital are highly mobile and can re-locate to other jurisdictions with relative ease.
Lower taxes raise the standard of living for everyone, especially people with lower incomes. In Alberta and the rest of Canada, taxes have become the single largest item in a family’s budget, ahead of food, rent and clothing. Although Alberta has the highest personal exemption of any Canadian province, an Albertan working full-time for as little as $8.00 per hour must still pay provincial income tax. In addition to income tax, low-income Albertans also pay corporate tax whenever they purchase a product or service, property tax when they pay rent, and fuel tax when they travel. This is why every tax cut is a pay raise, and every tax increase amounts to a cut in pay.

Lower taxes enhance the dignity and self-respect of every individual, by allowing him more freedom to allocate the money which he himself has earned. Rather than politicians and bureaucrats making decisions about others’ money, lower tax rates give more choice to citizens. Lower taxes empower each individual to decide how his or her income will be allocated between providing for one’s family, saving for the future, investing in opportunity, and giving to worthwhile charities.

Ironically, lower tax rates often result in more tax revenues for government. By stimulating economic growth and job creation, lower taxes result in more people working, which results in government receiving more revenues from income tax. Increased consumer spending leads to more business profits, resulting in the government receiving more corporate tax revenues. Lower taxes also reduce the size of the underground economy.

The quality of life and the dignity of citizens is enhanced when people have more money to support their own families, churches and communities. Albertans are generous with their time and money when they know that they can make a real difference. Albertans can and will solve social problems with more compassion, and less waste and bureaucracy, than any government program ever can.
Appendix: Alberta government revenues from non-renewable resources, 1986-2003

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Revenues (in $ millions)</th>
<th>Revenues in 2003 constant dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986-87</td>
<td>1,892</td>
<td>2,920</td>
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<tr>
<td>1987-88</td>
<td>2,626</td>
<td>3,885</td>
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<td>1988-89</td>
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<td>3,017</td>
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<td>1989-90</td>
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<td>1990-91</td>
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<td>3,491</td>
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<tr>
<td>1991-92</td>
<td>2,022</td>
<td>2,512</td>
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<td>1992-93</td>
<td>2,183</td>
<td>2,675</td>
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<td>1993-94</td>
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<td>1994-95</td>
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<td>1995-96</td>
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<td>1998-99</td>
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<td>1999-00</td>
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<td>5,005</td>
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<td>2000-01</td>
<td>10,586</td>
<td>11,027</td>
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<td>2001-02</td>
<td>6,227</td>
<td>6,341</td>
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<tr>
<td>2002-03</td>
<td>4,982</td>
<td>4,982</td>
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</table>


*Source: Alberta Finance, Historical Consolidated Fiscal Summary, 1986-87 to 2002-03; and Second Quarter Fiscal Update (November 2002)*