

Bringing Alberta's spending in line with peer provinces

2019 Alberta pre-budget submission

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About the Canadian Taxpayers Federation



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The Canadian Taxpayers Federation (CTF) is a federally incorporated, not-for-profit citizen's group dedicated to lower taxes, less waste and accountable government. 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 organization. Today, the CTF has over 202,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces 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, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change. Each week CTF offices send out Let's Talk Taxes commentaries to more than 800 media outlets and personalities across Canada.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive issue and Action Updates. Financial supporters can additionally receive the CTF's flagship publication *The Taxpayer* magazine published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2017-18 the CTF raised \$5.1 million on the strength of 31,205 donations. Donations to the CTF are not deductible as a charitable contribution.

Introduction

Alberta taxpayers have been overpaying by \$10 billion for government services every year. Even worse, that incredible sum of money isn't delivering better services for Albertans.

The Blue Ribbon Panel on provincial finances, a team of experts led by former Saskatchewan NDP finance minister Janice MacKinnon, recently released a report on the province's budget woes. There's a clear takeaway for taxpayers: the Alberta government is overcharging us by \$10 billion every year.

"The panel found that Alberta's spending per capita is the highest in Canada and has consistently been higher than the average of the 10 provinces over the last 25 years," states the report.¹

Albertans annually spend \$2,451 more per person than the average of British Columbia, Ontario and Quebec for provincial government services. That means the Alberta government's annual expenses would be \$10 billion less if spending levels were on par with the average of these three comparable provinces — and it means there would be no deficit.²

The overcharging isn't justifiable given the quality of services Alberta taxpayers receive.³

"In some key areas, in spite of the higher levels of funding, the results achieved are no better and, in some cases, worse than in other provinces," stated the panel.

Take health care. Alberta is the youngest province⁴ and we're spending \$1,000 per person more than people living in Ontario, but Alberta's wait times, from referral from general practitioner to treatment, is 10 weeks longer.⁵

The Canadian Taxpayers Federation's Alberta supporters are tired of being overcharged every year for provincial government services.

While the CTF will continue to advocate for lower taxes, the 2019 pre-budget submission will largely focus on the spending side of the budget. This submission will provide further evidence that the Alberta government has a spending problem, not a revenue problem and provide targets for spending reductions.

The rest of this pre-budget submission will be broken down into the following sections:

1. Alberta has a spending problem, not a revenue problem
2. Spending reductions
3. Economic development without corporate welfare
4. Bringing Alberta's ballooning labour costs down to reality
5. Smarter education spending
6. Rethinking health care
7. Prioritizing infrastructure
8. Alberta taxpayer charter of rights

¹ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 4, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

² Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 4, 22, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

³ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 4, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

⁴ Globe and Mail, "Census 2016: The growing age gap, gender ratios and other key takeaways," 2017, <https://www.theglobeandmail.com/news/national/census-2016-statscan/article34882462/>.

⁵ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 24, 26 <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

Summary of recommendations

Spending reductions

Recommendation: Balance the budget and begin paying down the debt by bringing spending in line with other large provinces and cutting corporate welfare.

Economic development without corporate welfare

Spending target: Reduce current corporate welfare spending and future commitments by \$6.8 billion

Recommendation: Eliminate all current corporate welfare programs, defined as direct subsidies, grants, loans, loan guarantees, niche tax credits and financial support provided to businesses through a government program, reducing spending commitments by \$6.8 billion.

Recommendation: Conduct a comprehensive review to identify corporate welfare, which would include any direct subsidy, grant, loan, loan-guarantee, niche tax credit and financial support provided to a business through an Alberta government program.

Recommendation: Outlaw corporate welfare defined as direct subsidies, grants, loans, loan-guarantees, niche tax credits and financial support to businesses delivered through government programs.

Bringing Alberta's ballooning labour costs down to reality

Spending target: Reduce government spending on its labour by \$3 billion annually

Recommendation: Reduce compensation costs for government employees (not including doctors) by \$2.1 billion, back to 2014 levels.

Recommendation: Bring spending on doctors in line with Canada's other large provinces, reducing spending by \$903 million.

Recommendation: Use attrition to find cost-savings. Once the 6,100 core department employees eligible for retirement leave, do not replace the number of positions. This could save \$780 million, with further savings if attrition is used when AHS employees retire.

Recommendation: Be prepared to use legislative mandates to reduce government compensation costs.

Recommendation: Outlaw defined-benefits pension plans for new government employees. Options for reform can include putting new employees in RRSP-style defined contributions plans.

Smarter education spending

Spending target: Reduce education spending by \$2.8 billion annually

Recommendation: Bring Alberta's K-12 education spending in line with B.C., saving over \$1 billion annually. To do so the Alberta government will need to reduce Alberta's education bureaucracy to the levels of B.C., resulting in over \$790 million in savings.

Recommendation: Continue to support school choice by funding options outside of the government system and removing barriers limiting charter, home and independent school development.

Recommendation: Bring Alberta's post-secondary spending in line with the averages of B.C., Ontario and Quebec, saving over \$1.7 billion annually.

Rethinking health care

Spending target: Reduce health spending by \$2.7 billion annually

Recommendation: Bring health-care spending levels (not including doctors' compensation) in line with Canada's other large provinces, reducing spending by \$2.7 billion annually.

Recommendation: Allow for greater business involvement in health care as is done in Saskatchewan, Quebec and a number of industrialized countries.

Prioritizing infrastructure

Spending target: Reduce infrastructure spending by \$1.6 billion annually

Recommendation: Reduce spending by \$1.6 billion annually by bringing the cost of Alberta's infrastructure in line with the national average. Bringing spending on municipal infrastructure grants in line with the national average would reduce spending by \$359.9 million annually.

Alberta taxpayer charter of rights

Recommendation: After the budget is balanced, limit all program spending increases to the combined rates of inflation-plus-population growth unless majority vote in referendum favours greater spending.

Recommendation: Expand the Alberta Taxpayer Protection Act to require a majority support in a referendum before the Alberta government can increase revenue through higher tax rates, new taxes or an expansion or addition of new government revenue tools (i.e., fees, tolls, etc.).

Recommendation: Implement recall and citizen initiative and extend recall to the municipal level.

Alberta has a spending problem, not a revenue problem

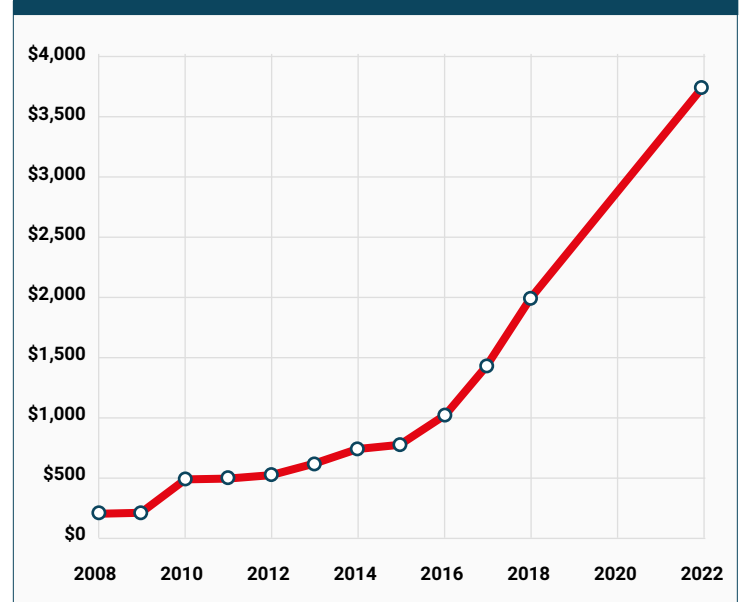
Many Albertans remember the iconic image of former premier Ralph Klein holding up the "Paid in Full" sign in the summer of 2004 to symbolize a debt-free Alberta government.

Fast forward a decade and a half later and the Alberta government is heading towards a budget nightmare. Its budget deficit is over \$6 billion⁶ with debt ballooning to over \$60 billion – equivalent to a debt tab of over \$15,000 for every man, women and child in Alberta.⁷

The government's budget problems are bad now, but things will get much worse if this runaway spending isn't stopped. The government's debt could reach \$102 billion by 2022, according to the Blue Ribbon Panel, which would total more than \$20,000 for every Albertan.⁸

Then there's the interest charges required to service the debt. As Figure 1 illustrates, in 2022, taxpayers could be paying \$3.7 billion⁹ in debt interest payments – a far cry from the \$600 million a decade earlier.¹⁰ This would cost every Albertan about \$800 per year in 2022.

Figure 1:
Alberta government interest charges (Millions \$)¹¹



⁶ Alberta Government, "2018-19 Final Results Year-End Report," 2019 pg. 3, <https://open.alberta.ca/dataset/9c81a5a7-cdf1-49ad-a923-d1ecb42944e4/resource/978f7724-6317-4504-9795-53d11338e637/download/2018-19-final-results-year-end-report.pdf>.

⁷ Canadian Taxpayers Federation, Alberta Debt Clock, 2019, <http://www.debtclock.ca/provincial-debtclocks/alberta/>.

⁸ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 22, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

⁹ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 19, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

¹⁰ Alberta Government, "2018-19 Final Results Year-End Report," 2019 pg. 15, <https://open.alberta.ca/dataset/9c81a5a7-cdf1-49ad-a923-d1ecb42944e4/resource/978f7724-6317-4504-9795-53d11338e637/download/2018-19-final-results-year-end-report.pdf>.

¹¹ Data on interest charges between 2008-2018 found in Alberta Government's 2018 Annual report: <https://open.alberta.ca/dataset/9c81a5a7-cdf1-49ad-a923-d1ecb42944e4/resource/978f7724-6317-4504-9795-53d11338e637/download/2018-19-final-results-year-end-report.pdf>; 2022 interest charge estimated by Blue Ribbon Panel: <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

Analysis published at the University of Calgary's School of Public Policy is equally dismal. According to economist Trevor Tombe, the Alberta government's deficit could climb to almost \$40 billion by 2040 and interest payments could rise to over \$20 billion, equivalent to 17 per cent of the government's total revenues. If things don't change by the early 2030s, the provincial government's net-debt-to-GDP ratio could climb higher than any point in Alberta's history, including the Great Depression when Alberta partially defaulted.¹²

Alberta has a problem. The problem is that our provincial government spends too much of our money, not that the government isn't taking enough from our wallets. We're not going to solve this problem by letting politicians take billions of dollars more. We're going to solve this problem by rolling back years of runaway Alberta government spending.

Between 2004 and 2015, the Alberta government's program spending doubled. At an average growth rate of 7.1 per cent per year, spending outpaced average revenue growth rate of 4.6 per cent. Beginning in 2004, had the government only increased spending to keep up with inflation-plus-population growth, a budget surplus would have occurred in every year during this time frame. But even when revenues were running high, the government still ran seven deficits.¹³ And when taxpayers needed tax relief the most, the New Democrat administration increased spending by 16.5 per cent.¹⁴

After comparing Alberta and British Columbia's government spending and revenues, it's clear that Alberta has a spending problem and does not have a revenue problem.

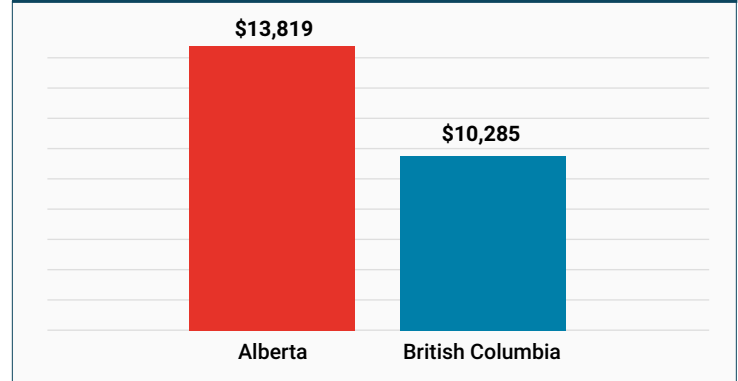
As Table 1 illustrates, even with last year's relatively low non-renewable resource revenues, the Alberta government still brought in more revenue per-person than British Columbia.

**Table 1: Per-person revenue 2018
Alberta vs. B.C.¹⁵**

	Alberta	B.C.
2018 Revenue	\$49,624,000,000	\$57,128,000,000
2018 Population	4,335,768	5,031,893
2018 Revenue Per Person	\$11,445	\$11,353

The Alberta government doesn't have a revenue problem, it has a spending problem. As Figure 2 illustrates, the Alberta government spends \$3,534 more than the B.C. government every year.

**Figure 2: Per-person spending 2017
Alberta vs. B.C.¹⁶**



If the Alberta government merely brought its spending in line with B.C., taxpayers would save over \$15 billion every single year, according to data in the Blue Ribbon report.¹⁷ For perspective, over the last two decades non-renewable resource revenue was at its highest in 2005 when it reached \$14.3 billion. If Alberta spent like B.C. last year, we could have balanced the budget even if non-renewable resource revenues approached zero.¹⁸

¹² Trevor Tombe, Trevor Tombe, "Alberta's Long-Term Fiscal Future," The School of Public Policy 2018 pg. 1, 18, <https://www.policyschool.ca/wp-content/uploads/2018/11/AB-Fiscal-Future-Tombe.pdf>.

¹³ Steve Laffleur, Ben Eisen, Milagros Palacios, and Charles Lammam, "Alberta's Budget Deficit: Why Spending Is to Blame," Fraser Institute 2017 pg. 1, 4-6, <https://www.fraserinstitute.org/sites/default/files/albertas-budget-deficit-why-spending-is-to-blame-2017.pdf>.

¹⁴ From the beginning of 2015 until the end of 2018, total spending increased by 16 per cent. See 2016 Budget and 2018 Annual report: Alberta Government, Budget 2016, pg. 9, <https://open.alberta.ca/dataset/c341d72a-c424-4d6d-8c64-4ff250e50775/resource/4d67f16d-21b5-4b16-b7d0-ec2ebfc66185/download/fiscal-plan-complete.pdf>, Alberta Government, Annual Report 2018, pg. 3, <https://open.alberta.ca/dataset/9c81a5a7-cdf1-49ad-a923-d1ecb42944e4/resource/978f7724-6317-4504-9795-53d11338e637/download/2018-19-final-results-year-end-report.pdf>.

¹⁵ 2019 Q1 population data from Statistics Canada (fiscal year ends in 2019 Q1): <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000901>; 2018 revenue data from 2018 Annual Reports: 2018 Alberta Annual Report, <https://open.alberta.ca/dataset/9c81a5a7-cdf1-49ad-a923-d1ecb42944e4/resource/978f7724-6317-4504-9795-53d11338e637/download/2018-19-final-results-year-end-report.pdf>; 2018 B.C. Annual Report, <https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/government-finances/quarterly-reports/2019-20-q1-report.pdf>.

¹⁶ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 22, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>

¹⁷ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 22, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

¹⁸ Alberta Government, Budget 2007, pg. 9, <https://open.alberta.ca/dataset/3a6b07bf-92a0-40b6-9cf1-966ef67cdb22/resource/e7035b20-7210-42c7-a9cd-387ce28f9a2f/download/fiscal-plan-complete-2007-10.pdf>.

Spending reductions

The Alberta government's spending per-person is the highest in Canada and has consistently been higher than the average of the 10 provinces over the last 25 years. The Alberta government would spend \$10 billion less every year if it brought its spending in line with Canada's other large provinces – and there would be no deficit. The Alberta government was given a mandate to get its fiscal house in order without raising taxes.¹⁹ The Canadian Taxpayers Federation has provided total spending targets to get the

Alberta government's spending in line with other provinces. The tables below highlight annual spending targets (reductions) and one-time spending targets.

See individual sections for further break down on reductions in spending.

Recommendation: Balance the budget and begin paying down the debt by bringing spending in line with other large provinces and cutting corporate welfare.

Table 2: Annual spending reductions – \$10.2 billion

Budget Area	Spending Reduction
Health (excluding Doctors)	\$2.7 billion
Labour (excluding Doctors)	\$2.1 billion
Post-Secondary Education	\$1.7 billion
Infrastructure Costs	\$1.6 billion
K-12 Education	\$1.0 billion
Doctors	\$903.3 million
Travel Alberta	\$48.1 million
Alberta Media Fund	\$46.0 million
Interactive Digital Media Tax Credit	\$20 million

Table 3: One-time spending reductions – \$6.7 billion

Budget Area	Spending Reduction
Rail cars	\$3.4 billion
Partial Upgrading Program	\$1.0 billion
Petrochemical Feedstocks Infrastructure Program	\$1.0 billion
Petrochemical Diversification Program	\$950.0 million
Alberta Enterprise Corporation	\$165.0 million
Capital Investment Tax Credit	\$60 million
Alberta Investor Tax Credit	\$60 million
Incremental Ethane Extraction Program	\$34.2 million

¹⁹ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 4, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

Economic development without corporate welfare

Spending Target: Reduce current corporate welfare spending and future commitments by \$6.8 billion

By focusing on reducing taxes and red tape, the new government appears to be on the right track towards firing up the economy. There's plenty of evidence from our own backyard that suggests that Alberta's business tax cut will help grow the economy and get Albertans back to work.

In 2001, the Alberta government began reducing its business tax rate from 15.5 per cent to 10 per cent in 2006. Alberta's average yearly real GDP growth rate between 2001 and 2014 was higher than all other provinces. For workers, annual job gains over this period outpaced these other regions.²⁰

Even with the tax cut, the government's revenue from business taxes more than doubled from \$2.2 billion in 2001²¹ to \$5.8 billion in 2014,²² a faster growth rate than the booming economy.²³

In contrast, the NDP government's two-percentage-point business tax hike was a failure. In 2014, the 10 per cent business tax generated \$5.8 billion.²⁴ The 12 per cent business tax only generated \$4.9 billion in 2018.²⁵ Albertan workers were hurt too. The business tax hike cost the average two-

income household \$830 per year in lost earnings, according to a University of Calgary report.²⁶

Although the Alberta government is on the right track, it still hasn't committed to ending all corporate welfare as evidenced by the \$10 million funding announcement through the Alberta Enterprise Corporation²⁷ and Premier Jason Kenney's consideration of extending the Petrochemical Diversification Program.²⁸

While politicians like to put a positive spin on their business handouts, the truth is that corporate welfare has been haunting taxpayers for a long time. Kenney acknowledged this issue when he was with the Canadian Taxpayers Federation.

"For too long, politicians have pretended that they were businessmen, investing with other peoples' money and they made an absolute failure out of it," stated Kenney in 1995.²⁹

Between 1973 and 1993 the Alberta government's corporate welfare project cost taxpayers more than \$2 billion. The government's history of costly and failed development projects include: NovaTel, Swan Hills Waste Treatment Plant, Lloydminster Bi-Provincial Upgrader, Millar Western Pulp Ltd., Gainers, Magnesium Company of Canada, Prince Rupert Grain Terminal (Ridley Grain Ltd.), Alberta Pacific Forest Industries (Al-Pac), Chembiomed, Canadian Commercial Bank, Northern Lite Canola and General Systems Research.³⁰

²⁰ Ben Eisen, Steve Lafleur and Milagros Palacios, "The End of the Alberta Tax Advantage," Fraser Institute 2017, <https://www.fraserinstitute.org/sites/default/files/end-of-the-alberta-tax-advantage.pdf>.

²¹ Alberta government, Budget 2003, <https://open.alberta.ca/dataset/8e66e0e9-7ccc-42c5-8522-919d6c2d1fe9/resource/8732c0eb-69bb-495e-b9a9-5062813aba78/download/fiscal-plan-complete-2003.pdf>.

²² Alberta government, Budget 2016, <https://open.alberta.ca/dataset/c341d72a-c424-4d6d-8c64-4ff250e50775/resource/4d67f16d-21b5-4bf6-b7d0-ec2ebfc66185/download/fiscal-plan-complete.pdf>.

²³ Alberta government, "Gross Domestic Product," <https://economicdashboard.alberta.ca/GrossDomesticProduct>.

²⁴ Alberta government, Budget 2016, <https://open.alberta.ca/dataset/c341d72a-c424-4d6d-8c64-4ff250e50775/resource/4d67f16d-21b5-4bf6-b7d0-ec2ebfc66185/download/fiscal-plan-complete.pdf>.

²⁵ Alberta Government, Annual Report 2018, <https://open.alberta.ca/dataset/9c81a5a7-cdf1-49ad-a923-d1ecb42944e4/resource/978f7724-6317-4504-9795-53d11338e637/download/2018-19-final-results-year-end-report.pdf>.

²⁶ Kenneth J. McKenzie and Ergete Ferede, "Why Pays the Corporate Income Tax?: Insights from the Literature and Evidence for Canadian Provinces," University of Calgary School of Public Policy 2017, <https://www.policyschool.ca/wp-content/uploads/2017/04/Corporate-Tax-McKenzie-Ferede1.pdf>.

²⁷ Alberta Enterprise Corporation, "Alberta Enterprise Corporation Invests in New Fund that Aligns with Alberta's Strengths in Industrial Innovation and AI," 2019, <https://www.alberta-enterprise.ca/alberta-enterprise-corporation-invests-in-new-fund-that-aligns-with-albertas-strengths-in-industrial-innovation-and-ai/>.

²⁸ Chris Varcoe, "Kenney in No Hurry to Scrap NDP's Petrochemical Incentives," Calgary Herald 2019, <https://calgaryherald.com/business/energy/varcoe-kenney-considers-keeping-petrochemical-incentives-to-lure-investment>.

²⁹ Brian Laghi, "Group Seeks Law to Forbid Government Investment in Business," Edmonton Journal 1995, <https://www.newspapers.com/image/475420564/?terms=jason%2Bkenney>.

³⁰ Ted Morton and Meredith McDonald, "The Siren Song of Economic Diversification: Alberta's Legacy of Loss," University of Calgary, School of Public Policy, 2015, <https://www.policyschool.ca/wp-content/uploads/2016/03/siren-song-economic-diversification-morton-mcdonald.pdf>.

The Alberta government should immediately scrap current corporate welfare programs, including:

- **Petrochemical Diversification Program** – Under the second round of the program, the Alberta government allocated \$1.1 billion for petrochemical firms. According to the government's 2018 annual report, the government has committed \$150 million to two companies. The Alberta government should scrap the corporate welfare project and reduce spending by \$950 million.³¹
- **Partial Upgrading Program** – The program was designed to provide \$1 billion to oil upgraders, broken down into \$200 million in grants and \$800 million in loan guarantees.³² In the winter of 2019, the previous administrated announced it would be providing Value Creation Inc. with \$440 million in loan guarantees.³³ However, according to the Department of Energy's Annual Report, the government has only entered into a "non-binding letter of intent,"³⁴ And is subject to a final agreement.³⁵ The government should immediately withdraw commitments made in the letter of intent and scrap this program, saving \$1 billion in committed spending.
- **Petrochemical Feedstocks Infrastructure Program** – The program is designed to give companies up to \$1 billion worth of grants and loan guarantees to build facilities that supply natural gas liquids feedstock. The government should scrap this program, saving \$1 billion in committed spending.
- **Alberta Investor Tax Credit** – Provides a tax credit to investors who invest in eligible Alberta businesses. Scrapping this program will reduce spending by \$60 million over two years, according to the government's last budget.³⁶
- **Capital Investment Tax Credit** – Provides a tax credit for a businesses' spending on manufacturing, tourism and processing infrastructure. Scrapping this program will reduce spending by \$60 million over two years, according to the government's last budget.³⁷
- **Interactive Digital Media Tax Credit** – Provides a tax credit to businesses that develop interactive digital media. Scrapping this program will reduce spending by \$20 million per year, according to the government's last budget.³⁸
- **Rail car contracts** – The Alberta government committed \$3.7 billion to rail car companies. The government should divest from these contracts and end the \$3.4 billion in additional spending. According to public documents (Energy Department's Annual Report), \$308 million in prepayments were made to Canadian Pacific Railway and Canadian National Railway. According to this public record, \$3.4 billion in reduced spending can still be achieved.³⁹

³¹ Alberta Government, 2018 Annual Report, <https://open.alberta.ca/dataset/7714457c-7527-443a-a7db-dd8c1c8ead86/resource/b4cf321b-4b11-4b1b-a269-88f5828274ab/download/2018-19-goa-annual-report.pdf>.

³² Government of Alberta, "Partial Upgrading Program," <https://www.alberta.ca/partial-upgrading-program.aspx>. Information now taken down from website.

³³ Alex Antoneshyn, "Alberta to provide \$440M loan guarantee for bitumen upgrader east of Edmonton," CTV News 2019, <https://edmonton.ctvnews.ca/alberta-to-provide-440m-loan-guarantee-for-bitumen-upgrader-east-of-edmonton-1.4264599>.

³⁴ Alberta Government, Energy Department Annual Report, <https://open.alberta.ca/dataset/cbd7147b-d304-4e3e-af28-78970c71232c/resource/29d5328f-c689-472a-b69e-9ffe0a3b77ba/download/energy-annual-report-2018-2019-web.pdf>.

³⁵ Alberta Government, "News Release: Made-in-Alberta plan moves \$2 billion investment forward," http://docs.wixstatic.com/ugd/e75fe6_4cfde856fb3149d4b91571a067760eace.pdf.

³⁶ Alberta Government, Budget 2018, <https://open.alberta.ca/dataset/8beb5614-43ff-4c01-8d3b-f1057c24c50b/resource/68283b86-c086-4b36-a159-600bcac3bc57/download/2018-21-fiscal-plan.pdf>

³⁷ Alberta Government, Budget 2018, <https://open.alberta.ca/dataset/8beb5614-43ff-4c01-8d3b-f1057c24c50b/resource/68283b86-c086-4b36-a159-600bcac3bc57/download/2018-21-fiscal-plan.pdf>

³⁸ Alberta Government, Budget 2018, <https://open.alberta.ca/dataset/8beb5614-43ff-4c01-8d3b-f1057c24c50b/resource/68283b86-c086-4b36-a159-600bcac3bc57/download/2018-21-fiscal-plan.pdf>

³⁹ Alberta Government, Energy Department Annual Report, <https://open.alberta.ca/dataset/cbd7147b-d304-4e3e-af28-78970c71232c/resource/29d5328f-c689-472a-b69e-9ffe0a3b77ba/download/energy-annual-report-2018-2019-web.pdf>.

- **Incremental Ethane Extraction Program** – Since 2007 the Alberta government has earmarked \$350 million worth of royalty credits for petrochemical firms. Last year, the Department of Energy gave away \$17.1 million worth of royalty credits. The government should scrap this program (before its end date of 2021), reducing spending by \$34.9 million over two years, assuming future spending is equivalent to 2018.⁴⁰
- **Alberta Enterprise Corporation** – the Alberta Enterprise Corporation uses money taken from Alberta taxpayers to give to venture capital funds to invest.⁴¹ According to Budget 2018, the Alberta government's AEC financial assets will total \$165 million at the end of the 2018 fiscal year. The government should dispose of these assets to realize one-time savings.⁴²
- **Alberta Bio Future Program** – Provided bioindustrial businesses (materials, chemicals and energy) with \$20.5 million from Economic Development and Trade and Alberta Innovates. Funding was scheduled to end in 2018 and should not be reintroduced.⁴³
- **Alberta Export Expansion program** – Provides funding for international export-related travel, funding for exhibition space for trade missions and international trade consulting services, according to the government's annual report.⁴⁴
- **Alberta Media Fund** – The AMF provides grants to organizations involved in the creation and development of screen-based productions, digital media, script writing, book publishing, magazine publishing and sound recording. In 2018, at least \$46 million was allocated to the AMF through lottery revenue, according to the most recent government budget.⁴⁵

The Alberta government should immediately scrap these corporate welfare programs and introduce legislation outlawing niche tax credits, grants, loan guarantees and direct subsidies, similar to legislation Kenney pushed for when he was with the Canadian Taxpayers Federation in 1990s.⁴⁶

The Alberta government also offers businesses financial support through programs and entities that cost taxpayers significant money, could be provided at a more local level and crowd out business activity and civil organizations. These types of indirect corporate welfare, which should be eliminated, include:

- **Travel Alberta** – According to its 2017 Annual Report,⁴⁷ Travel Alberta has four lines of business including industry development, finance and corporate administration, consumer marketing and business development. This should be funded by individual businesses, or community organizations. Scraping this organization could save Alberta taxpayers \$48.1 million annually (based on the Alberta government's transfer in 2017).⁴⁸

⁴⁰ Alberta Government, Energy Department Annual Report, <https://open.alberta.ca/dataset/cbd7147b-d304-4e3e-af28-78970c71232c/resource/29d5328f-c689-472a-b69e-9ffe0a3b77ba/download/energy-annual-report-2018-2019-web.pdf>.

⁴¹ Alberta Enterprise Corporation, "Frequently Asked Questions," <https://www.alberta-enterprise.ca/how-we-work/faqs/>.

⁴² Alberta Government, Budget 2018, <https://open.alberta.ca/dataset/8beb5614-43ff-4c01-8d3b-f1057c24c50b/resource/68283b86-c086-4b36-a159-600bcac3bc57/download/2018-21-fiscal-plan.pdf>.

⁴³ Alberta Government, Department of Economic Development Annual Report, <https://open.alberta.ca/dataset/ce036ce2-cea1-4e15-86c3-8c2a959f14ac/resource/8a111a82-0b39-4667-b56b-11eb7a2508e1/download/economic-development-and-trade-annual-report-2018-2019-web.pdf>.

⁴⁴ Alberta Government, Department of Economic Development Annual Report, <https://open.alberta.ca/dataset/ce036ce2-cea1-4e15-86c3-8c2a959f14ac/resource/8a111a82-0b39-4667-b56b-11eb7a2508e1/download/economic-development-and-trade-annual-report-2018-2019-web.pdf>.

⁴⁵ Alberta Government, Budget 2018, <https://open.alberta.ca/dataset/8beb5614-43ff-4c01-8d3b-f1057c24c50b/resource/68283b86-c086-4b36-a159-600bcac3bc57/download/2018-21-fiscal-plan.pdf>.

⁴⁶ Brian Laghi, "Group Seeks Law to Forbid Government Investment in Business," Edmonton Journal 1995, <https://www.newspapers.com/image/475420564/?terms=jason%2Bkenney>.

⁴⁷ Travel Alberta, "Ready to Thrive: Travel Alberta 2017 Annual Report," <https://taprdsccdn.azureedge.net/cms/-/media/IndustryHub/files/about/publications/annual-reports/2017-18-Annual-Report-Final>.

⁴⁸ Travel Alberta, "Ready to Thrive: Travel Alberta 2017 Annual Report," <https://taprdsccdn.azureedge.net/cms/-/media/IndustryHub/files/about/publications/annual-reports/2017-18-Annual-Report-Final>.

- **12 International trade offices** – The Alberta government has international offices in the United States, Mexico, Beijing, Guangzhou, Hong Kong, Japan, Korea, Singapore, Shanghai, Taiwan, New Delhi and the United Kingdom.⁴⁹ Given the current fiscal woes, the functions of these offices should be reviewed to determine if they represent good value for taxpayers. Non-essential functions should either be terminated or handed to other partners.
- **Major Innovation Fund** – Funding for post-secondary institutions to “supports research and innovation investments of strategic and commercial interest ... to attract and retain top talent and support industries and local businesses.”⁵⁰ As a part of an effort to reduce grant funding to universities and colleges, the Alberta government should let universities charge for this type of service or allow businesses to fully fund these types of investments. In 2018, the government committed \$19.3 million over three years.⁵¹ The government should scrap the program and save the remaining funds.
- **Commercialization centres** – The Alberta government provides funding (\$2 million) to organizations that help businesses with market analysis, technical equipment, access to labs or test facilities, engineering and design expertise, technical and market validation, product positioning and product planning to prepare products for markets.⁵² The Alberta government should no longer provide funding for commercialization centres.
- **International trade and investment shows** – The Department of Economic Development and Trade helped organize over 20 international events, according to its 2018 Annual report.⁵³ These events occurred in countries such as Germany, Spain, Austria, the United Kingdom, Kazakhstan, Kenya, India, Kuwait, China, Singapore, Malaysia, Indonesia, Korea, Taiwan, Vietnam, Argentina, Ecuador, Columbia and the United States.⁵⁴ Given the current fiscal woes, these events should be reviewed to determine if they represent good value for taxpayers. The government should eliminate non-essential events or offload them to other partners.
- **Futurpreneur** – The Alberta government partners with Futurpreneur, a non-profit organization that “provides financing, mentoring and support tools to aspiring young business owners aged 18-39.”⁵⁵ The Alberta government should not provide funding for these functions.
- **Rural Alberta Business Centres** – Provides one-on-one support for businesses. Rural Alberta Business Centres received approximately \$75,000 in operational funding per year from Economic Development and Trade, according to the annual report.⁵⁶
- **Invest Alberta** – Investment professionals to “support foreign investors throughout the investment and business expansion process.”⁵⁷ Consulting businesses, not taxpayers should be delivering this service.

⁴⁹ Alberta Government, Department of Economic Development Annual Report, <https://open.alberta.ca/dataset/ce036ce2-cea1-4e15-86c3-8c2a959f14ac/resource/8a111a82-0b39-4667-b56b-11eb7a2508e1/download/economic-development-and-trade-annual-report-2018-2019-web.pdf>.

⁵⁰ Alberta Government, “Major Innovation Fund,” <https://www.alberta.ca/major-innovation-fund.aspx>.

⁵¹ Alberta Government, Department of Economic Development Annual Report, <https://open.alberta.ca/dataset/ce036ce2-cea1-4e15-86c3-8c2a959f14ac/resource/8a111a82-0b39-4667-b56b-11eb7a2508e1/download/economic-development-and-trade-annual-report-2018-2019-web.pdf>.

⁵² Alberta Government, Department of Economic Development Annual Report, <https://open.alberta.ca/dataset/ce036ce2-cea1-4e15-86c3-8c2a959f14ac/resource/8a111a82-0b39-4667-b56b-11eb7a2508e1/download/economic-development-and-trade-annual-report-2018-2019-web.pdf>.

⁵³ Alberta Government, Department of Economic Development Annual Report, <https://open.alberta.ca/dataset/ce036ce2-cea1-4e15-86c3-8c2a959f14ac/resource/8a111a82-0b39-4667-b56b-11eb7a2508e1/download/economic-development-and-trade-annual-report-2018-2019-web.pdf>.

⁵⁴ Alberta Government, Department of Economic Development Annual Report, <https://open.alberta.ca/dataset/ce036ce2-cea1-4e15-86c3-8c2a959f14ac/resource/8a111a82-0b39-4667-b56b-11eb7a2508e1/download/economic-development-and-trade-annual-report-2018-2019-web.pdf>.

⁵⁵ Alberta Government, Department of Economic Development Annual Report, <https://open.alberta.ca/dataset/ce036ce2-cea1-4e15-86c3-8c2a959f14ac/resource/8a111a82-0b39-4667-b56b-11eb7a2508e1/download/economic-development-and-trade-annual-report-2018-2019-web.pdf>.

⁵⁶ Alberta Government, Department of Economic Development Annual Report, <https://open.alberta.ca/dataset/ce036ce2-cea1-4e15-86c3-8c2a959f14ac/resource/8a111a82-0b39-4667-b56b-11eb7a2508e1/download/economic-development-and-trade-annual-report-2018-2019-web.pdf>.

⁵⁷ Alberta Government, Department of Economic Development Annual Report, <https://open.alberta.ca/dataset/ce036ce2-cea1-4e15-86c3-8c2a959f14ac/resource/8a111a82-0b39-4667-b56b-11eb7a2508e1/download/economic-development-and-trade-annual-report-2018-2019-web.pdf>.

• **Technology Commercialization System Management** –

Through the Alberta Entrepreneurship Incubator program and the Alberta Small Business Innovation and Research Initiative, the Alberta government provides technology commercialization support.⁵⁸

There are likely more direct and indirect corporate welfare programs. Similar to the Conservative Party of Canada's pledge to conduct a review of all business subsidy programs,⁵⁹ the Alberta government should conduct a comprehensive review to identify direct business subsidies, grants, loan guarantees, niche tax credits and financial support provided through a government program.

Recommendation: Eliminate all current corporate welfare programs, defined as direct subsidies, grants, loans, loan guarantees, niche tax credits and financial support provided to businesses through a government program, reducing spending commitments by \$6.8 billion.

Recommendation: Conduct a comprehensive review to identify corporate welfare, which would include any direct subsidy, grant, loan, loan-guarantee, niche tax credit and financial support provided to a business through an Alberta government program.

Recommendation: Outlaw corporate welfare defined as direct subsidies, grants, loans, loan-guarantees, niche tax credits and financial support to businesses delivered through government programs.

Bringing Alberta's ballooning labour costs down to reality

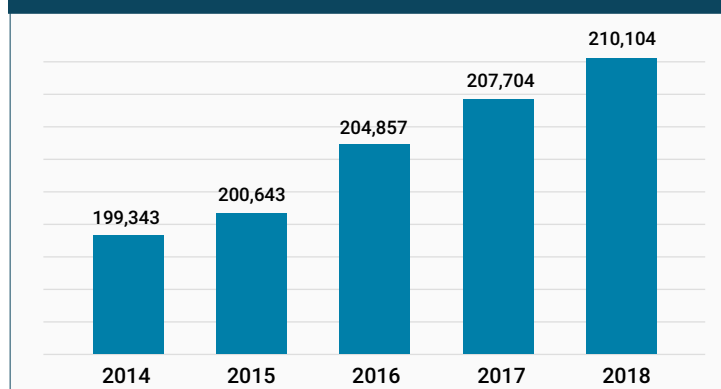
Spending Target: reduce spending by \$3 billion annually

- Reduce compensation costs for all government employees (not including doctors) by \$2.1 billion annually (2014 levels).
- Bring spending on doctors in line with Canada's other large provinces, reducing spending by \$903 million annually.

At \$27 billion, Alberta's government employee compensation costs represent 55 per cent of its operating budget and its single largest expense.⁶⁰ If the Alberta government wants to meaningfully rein in its spending, then it will have to begin with addressing employee compensation.

Since 2014, there has been over 10,000 government of Alberta employees added (Figure 3).⁶¹ Total workers' pay in the province has declined since 2014 highs, while the compensation bill for government employees has increased by nearly \$3 billion, or 12 per cent. Figure 4 contrasts the decline in total workers' pay in the province with growing government labour costs.

Figure 3: Government of Alberta employee increase



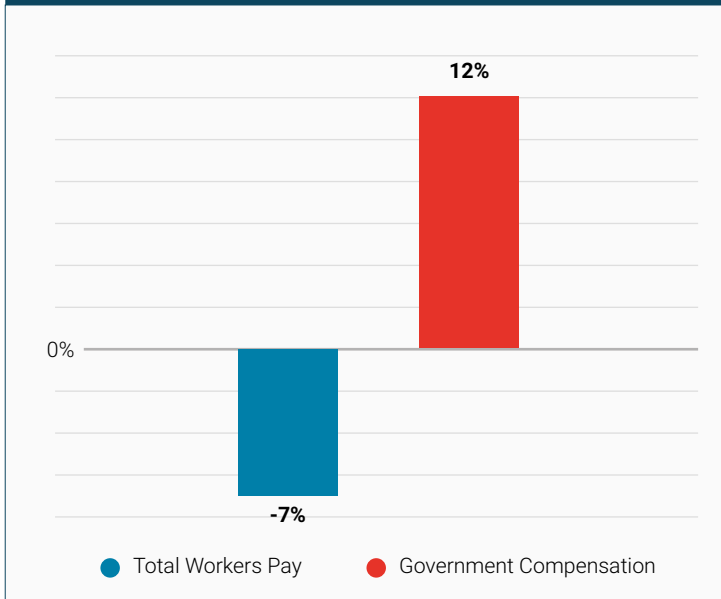
⁵⁸ Alberta Government, Department of Economic Development Annual Report, <https://open.alberta.ca/dataset/ce036ce2-cea1-4e15-86c3-8c2a959f14ac/resource/8a111a82-0b39-4667-b56b-11eb7a2508e1/download/economic-development-and-trade-annual-report-2018-2019-web.pdf>

⁵⁹ Conservative Party of Canada, "Scheer to cancel \$1.5B in corporate welfare, redirect savings to Canadians," 2019, <https://www.conservative.ca/scheer-to-cancel-1-5b-in-corporate-welfare-redirect-savings-to-canadians/>.

⁶⁰ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 44, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

⁶¹ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 47, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

Figure 4: Total workers' pay vs. Alberta government compensation (2014-2018)⁶²



Bringing government employee compensation costs down to 2014 levels would be a prudent approach, especially as total workers' pay in Alberta is below 2014 highs.

Although the Alberta government has touted so-called pay freezes for employees, these freezes still cost taxpayers millions of dollars.

For thousands of government employees, pay freezes over the last few years weren't actually pay freezes. While government employees may not have been rewarded with a new pay grid, they could still receive a raise by moving up their current grid.⁶³ A freedom-of-information request filed by the CTF shows that the so-called pay freeze for nurses cost taxpayers \$17 million in 2017.⁶⁴ The Blue Ribbon Panel made the same observation noting that "even when salary increases remain at zero,

unionized employees are eligible to receive annual merit/in-range increases as they move through the grid, which means that they are eligible for increases as high as 16 per cent over four years."⁶⁵

Furthermore, Alberta's government employees tend to earn higher salaries and more lucrative benefits than their counterparts in business and in other comparable provinces. A 2018 Fraser Institute report looked at compensation and benefit gaps in Alberta between government employees and those working in the business community. After controlling for factors such as gender, age, marital status, education, tenure, size of firm, job permanence, industry, occupation and full or part-time status the report found that government employees tend to earn and receive more generous benefits than those working outside of government. The report's findings are summarized in the table below.

Table 4: Alberta's compensation gap – government (federal, provincial, municipal) vs. business sector⁶⁶

Category	Business	Government
Salary differential		+9.6%
Workers with workplace pension	24.2%	72%
Probability of losing job	4.2%	0.7%
Lost work for personal reasons	6.5 days	11.8 days
Retirement		1.7 years earlier
Sick days ⁶⁷	5.7 days	14.4 days

⁶² Changes in Alberta's total workers' pay retrieved from Statistics Canada data, Table: 36-10-0205-01, October 2014-March 2019, <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610020501#timeframe>; Government compensation in 2014 retrieved from Alberta government's 2016 budget, <https://open.alberta.ca/dataset/c341d72a-c424-4d6d-8c64-4ff250e50775/resource/4d67f16d-21b5-4bf6-b7d0-ec2ebfc66185/download/fiscal-plan-complete.pdf>; Government compensation in 2018 (March 2019) retrieved from Alberta government's 2018 budget, <https://open.alberta.ca/dataset/8beb5614-43ff-4c01-8d3b-f1057c24c50b/resource/68283b86-c086-4b36-a159-600bcac3bc57/download/2018-21-fiscal-plan.pdf>.

⁶³ For more information on this see Canadian Taxpayers Federation, "A Couple Quick Notes About Government Employee 'Pay Freezes' in Alberta," <https://www.taxpayer.com/blog/a-couple-quick-notes-about-government-employee-pay-freezes-in-alberta>.

⁶⁴ Canadian Taxpayers Federation, Alberta Health Services Freedom of Information Request 2018, [https://www.taxpayer.com/media/FOI%20E2%80%93%20AHS%20Nurse%20Pay%20Increases\(2\).pdf](https://www.taxpayer.com/media/FOI%20E2%80%93%20AHS%20Nurse%20Pay%20Increases(2).pdf).

⁶⁵ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 48, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>

⁶⁶ Milagros Palacios, David Jacques, Charles Lamman, and Steve Lafleur, "Comparing Government and Private Sector Compensation in Alberta," Fraser Institute 2018, <https://www.fraserinstitute.org/studies/comparing-government-and-private-sector-compensation-in-alberta-2018>.

⁶⁷ Canadian Taxpayers Federation, "Labour Day Reality Check: Government Sick Days," 2019, <https://www.taxpayer.com/media/LDRC-2019.pdf>.

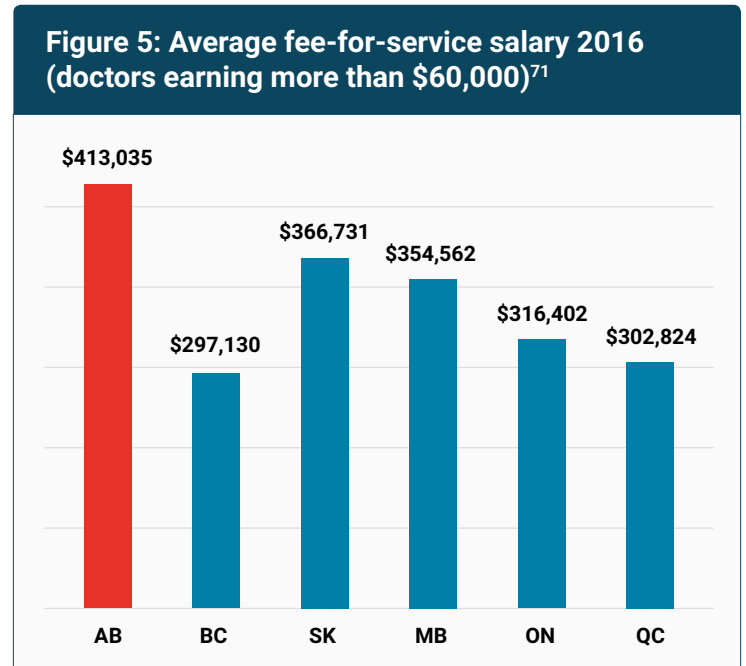
Government employees tend to have the costliest type of pension plan – defined benefits plan – which is scarcely available to workers outside of government. Under defined benefit plans, the Alberta government guarantees pension payments decades later and taxpayers are forced to take on the risk of bailing out the funds when they bust.

According to the Fraser Institute, additional taxpayer contributions have been made to cover pension plan shortfalls in the pre-1992 Teachers' Pension Plan, Universities Academic Pension plan, the Special Forces plan, the Management Employees plan, the Public Services Pension Plan and the Local Authorities Pension Plan.⁶⁸ This status quo has forced many Albertans to pay for benefits taxpayers don't receive as workers and can't afford as employers.

Not only is government compensation out of line with recent trends in the private sector, Alberta's government employees are overpaid compared to their counterparts in other provincial governments. Alberta could have saved \$2.1 billion in 2016 if its government salaries were the same as the average of Canada's three largest provinces.⁶⁹ Table 5 illustrates the difference in government employee earnings in Alberta with those in other provinces across different occupation.

Occupation	QC	ON	BC	AB
Educational services	\$940	\$1,066	\$981	\$1,063
Health Care & Social Assistance	\$812	\$891	\$850	\$944
Public Administration	\$1,119	\$1,285	\$1,239	\$1,345
Government Employees Avg. Weekly Earnings	\$957	\$1,081	\$1,023	\$1,117

One area where Alberta's government compensation is clearly out-of-line with other provinces is doctors' salaries. As Figure 5 illustrates, salaries for Alberta doctors (fee-for-service) are much higher than those in other provinces.



Albertans spend more per-person on doctors than taxpayers in Canada's three largest provinces – ranging from 15 per cent more than Ontario to 20 per cent more than B.C. (Figure 6). If the Alberta government brought its spending on doctors in line with these provinces, taxpayers would save over \$900 million every year.

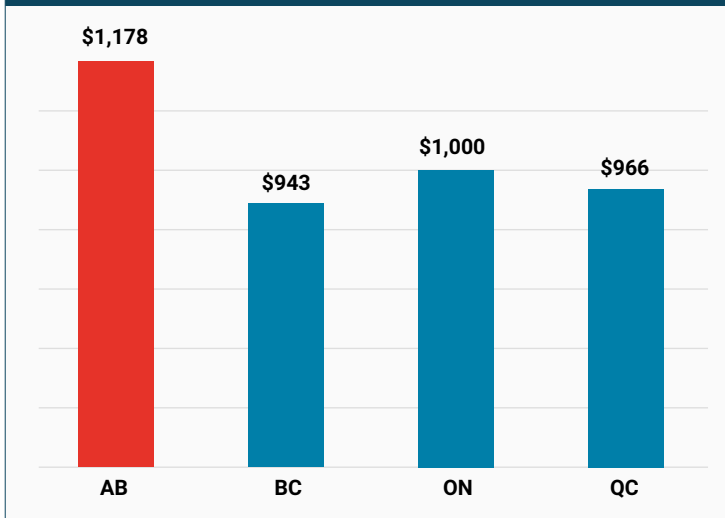
⁶⁸ Mark Milke and Gordon B. Lang, "Public Sector Pensions: Options for Reform from the Saskatchewan NDP," <https://www.fraserinstitute.org/sites/default/files/public-sector-pensions-options-for-reform-from-the-saskatchewan-NDP.pdf?fbclid=IwAR0h6aBmJ54TjyDS5V13ZPF7IBtXs3TNic0w7esPzVrbdwZ2prbr6Myiik>.

⁶⁹ Janice MacKinnon and Jack Mintz, "Putting the Alberta Budget on a New Trajectory," School of Public Policy October 2017, <https://www.policyschool.ca/wp-content/uploads/2017/10/AB-Budget-New-Trajectory-MacKinnon-Mintz-final.pdf>.

⁷⁰ Janice MacKinnon and Jack Mintz, "Putting the Alberta Budget on a New Trajectory," School of Public Policy October 2017, <https://www.policyschool.ca/wp-content/uploads/2017/10/AB-Budget-New-Trajectory-MacKinnon-Mintz-final.pdf>.

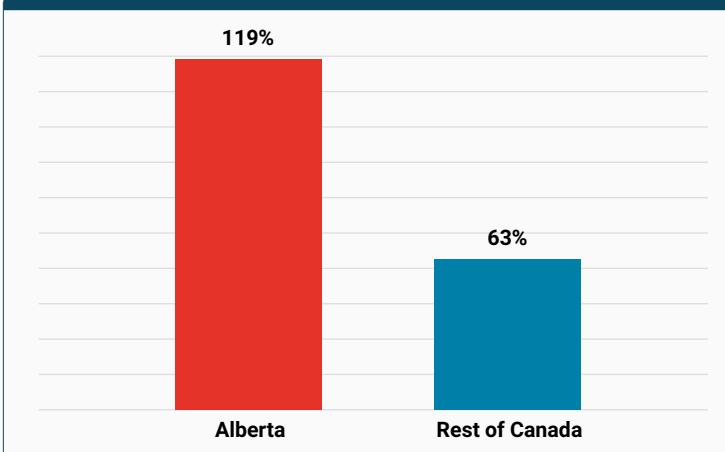
⁷¹ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 45, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>

Figure 6: Per-person spending on doctors (2018)⁷²



Government compensation in Alberta being out-of-line with other provinces is not a new phenomenon. As Figure 7 illustrates, between 2000 and 2010 the Alberta government's wage tab increased almost double the rate of growth in the rest of Canada.

Figure 7: Growth in government wage bills, Alberta vs. rest of Canada (2000-2010)⁷³



The need for government compensation cuts is clear. In Alberta's situation, the need for cuts isn't one of ideology but one of arithmetic, given the years of runaway spending and skyrocketing debt.

Every dollar that Albertans are required to send to the bond fund managers on Bay Street to service the debt will be one less dollar that can be used for government services or other priorities. Fortunately, this well understood by Premier Jason Kenney.

"I would say to public sector union members that the best way to preserve the services that they deliver ... is to stop the reckless dive into debt because every extra dollar that goes to the bankers to finance the debt is a dollar that's not going to support public services," stated Kenney.⁷⁴

The Blue Ribbon Panel has noted that if things don't change, the billion of dollars in interest payments in 2022 could cost Albertans more than 30,000 teachers or 35,000 long-term care beds.⁷⁵

The government is overcharging taxpayers \$10 billion every single year and reducing its labour costs which represent over half of its operating costs must happen immediately. While the government should always use a least-harm method to cut costs, the overall burden on taxpayers doesn't depend on how the government reduces costs, whether through agreed-upon salary and job reductions, legislative reductions, immediate attrition or through a combination.

Attrition – not filling positions as employees retire – is an option available to the Alberta government. There were nearly 27,000 permanent employees working in core departments in the Alberta government. The overall attrition rate within these core departments is seven per cent. As of June 2019, more than 3,600 employees in these departments were eligible to retire with an unreduced pension. Over the next four

⁷² KPMG, "Research and Analysis for the Blue Ribbon Panel on Alberta's Finances," 2019, <https://open.alberta.ca/dataset/108ec686-9c62-4a55-b531-00ad3e12ba7f/resource/cfdb1bc3-3a6d-49e8-8cf1-8318796f6ff2/download/kpmg-report.pdf>.

⁷³ Ken Boessenkool and Ben Eisen, "Public Sector Wage Growth in Alberta," School of Public Policy 2012, <https://www.policyschool.ca/wp-content/uploads/2016/03/boessenkool-public-wage-growth.pdf?fbclid=IwAR2Sfq3wtAb8l2100dQexZh8hrdCylqYMeIHnMZqebRyYMj-5E9ozLT8cPo>.

⁷⁴ Clare Clancy, "Kenney Touts 'Fiscal Restraint' Across Government at 100 Days in Office," Edmonton Sun 2019, https://edmontonsun.com/news/politics/kenney-touts-fiscal-restraint-across-government-at-100-days-in-office/wcm/aec888f4-b7a6-4af6-96f1-27402052db73?fbclid=IwAR3D-Qm8MXPKTfyYrmYwbCVAMblad0g3a3ZtnYHqFiDoNCJ6L6QLE48W_8E.

⁷⁵ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 9, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>

years, an additional 2,500 employees will be eligible. Alberta Health Services (AHS) represents the largest employer of the government's agencies, boards and commissions with over 100,000 employees. AHS has an attrition rate of four per cent and more than 5,000 employees eligible for retirement over the next four years.⁷⁶

With an average compensation of \$128,032 for Alberta government employees⁷⁷ and 6,100 core department employees eligible for retirement over the next four years (not including AHS staff), the government could save over \$780 million through attrition. More money could be saved if hiring restraint is practiced when AHS staff retire.

Further action will also be needed to reduce growing government labour costs, including salary reductions, job losses or both. Ideally, the government and its employee representatives will be able agree on the need for spending reductions.

However, the Alberta government must be ready to use legislation to achieve cost savings. As the Blue Ribbon panel has noted, governments have legislated wage restraint where respect for employees' constitutional right to bargain has been shown.

"Legislative mandates can be used, not as an ongoing way to conduct collective bargaining, but as a tool to be used in exceptional circumstances, such as the current situation in Alberta where the government has committed to balance the budget by 2022/23," stated the panel.⁷⁸

For legislative frameworks government would create a plan for future salary levels for government employees and fees for insured medical and health services that reflects the negative

fiscal and economic situation of Alberta. The framework should apply to all third parties, such as universities, and be reflected by the grants and transfers the government sends to these institutions. As the Blue Ribbon Panel explains future salary levels and collective bargaining should reflect "what public sector employees, including nurses, doctors, teachers and government employees, are paid in other provinces."⁷⁹

Along with addressing inflated salaries, the Alberta government must place new government employees in a less costly and risky RRSP-style pension. There is a clear model the Alberta government can adopt to make its pensions fairer to taxpayers.

The Saskatchewan NDP government under former premier Allan Blakeney in the 1970s recognized how defined benefit pension plans can lead to shortfalls which then require taxpayer cash to bailout the fund. The government enacted legislation to move new government employees from these risky defined benefit plans to RRSP-style pensions, effectively ending the practice of adding new pension liabilities paid for by taxpayers. While Saskatchewan's taxpayers are still paying for previous defined benefit plans, they no longer need to worry about unfunded liabilities for the newer government employees in the RRSP-style plans.

"The potential for new shortfalls in Saskatchewan's public sector pensions ended in the 1970s. As Saskatchewan's auditors-general have observed, future cash flows needed to fund defined benefits plans will continue to increase until 2021, then decline thereafter on a path that will permanently extinguish Saskatchewan's obligations to the long-closed public sector pension plans that presumed upon the tax dollars of future generations," according to a Fraser Institute report.⁸⁰

⁷⁶ KPMG, "Research and Analysis for the Blue Ribbon Panel on Alberta's Finances," 2019, <https://open.alberta.ca/dataset/108ec686-9c62-4a55-b531-00ad3e12ba7f/resource/cfdb1bc3-3a6d-49e8-8cf1-8318796f6ff2/download/kpmg-report.pdf>.

⁷⁷ Based on total Alberta government compensation costs (\$26.9 billion) in 2018 and 210,104 government employees in 2018. Data retrieved from Blue Ribbon report: <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>

⁷⁸ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 49, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>

⁷⁹ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 49, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>

⁸⁰ Mark Milke and Gordon B. Lang, "Public Sector Pensions: Options for Reform from the Saskatchewan NDP," <https://www.fraserinstitute.org/sites/default/files/public-sector-pensions-options-for-reform-from-the-saskatchewan-NDP.pdf?fbclid=IwAR0h6aBmJ54TjyDS5V13ZPF7IBtXs3TNic0w7esPzVrbdwwZ2prbr6Mylik>.

Recommendation: Reduce compensation costs for government employees (not including doctors) by \$2.1 billion, back to 2014 levels.

Recommendation: Bring spending on doctors in line with Canada's other large provinces, reducing spending by \$903 million.

Recommendation: Use attrition to find cost-savings. Once the 6,100 core department employees eligible for retirement leave, do not replace the number of positions. This could save \$780 million, with further savings if prudent attrition is used when AHS employees retire.

Recommendation: Be prepared to use legislative mandates to reduce government compensation costs.

Recommendation: Outlaw defined-benefits pension plans for new government employees. Options for reform can include putting new employees in RRSP-style defined contributions plans.

Smarter education spending

Spending Target: Reduce spending by \$2.8 billion annually

- Bring costs of Alberta's K-12 education in line with British Columbia, saving over \$1 billion annually.
- Bring costs of Alberta's post-secondary schools in line with the average of B.C., Ontario and Quebec, saving over \$1.7 billion annually.

Alberta taxpayers spent over \$11,000 per student in 2018 for K-12 education, which is \$1,440 more than residents in British Columbia spend, according to the Blue Ribbon Panel.⁸¹ Based on 719,889 Alberta students in 2017,⁸² taxpayers would save over \$1 billion every year if the government's spending on K-12 education was in line with B.C.'s.

A key reason for the high costs in Alberta is the inflated spending on the education bureaucracy. Alberta spends 25 per cent of its K-12 education budget on bureaucracy compared to B.C. which spends only 17 per cent, according to the Blue Ribbon Panel.⁸³ Bringing Alberta's education bureaucracy spending in line with B.C. would save over \$790 million every year.

The expert panel found that the level of funding by a school board is not the key factor that drives better outcomes,⁸⁴ therefore throwing more money at the education system is unlikely to achieve better results. This is a similar result found by a recent report released by the Canadian Taxpayers Federation and Parents for Choice in Education. The report found that despite spending thousands of dollars more per student in the government school system, these schools tend to underperform compared to Alberta's charter and independent schools. Table 6 highlights the difference in funding per student for different types of schools in Alberta. By providing lower cost options for parents and students outside of the government school system, the Alberta government saved taxpayers nearly \$2 billion between 2010 and 2017.⁸⁵

⁸¹ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 53, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

⁸² Mark Milke and Paige T. MacPherson, "How educational choice saved Alberta taxpayers \$1.9 billion and supports student success," 2019, http://www.taxpayer.com/media/PCE&CTF_Education_Report.pdf.

⁸³ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 35, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

⁸⁴ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 36, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

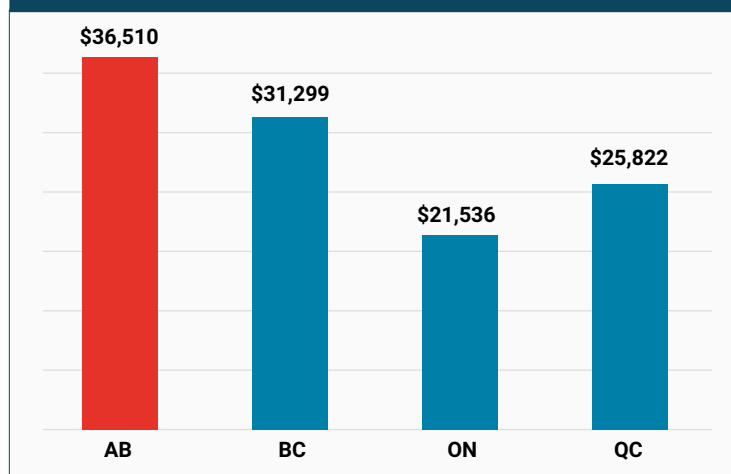
⁸⁵ Mark Milke and Paige T. MacPherson, "How educational choice saved Alberta taxpayers \$1.9 billion and supports student success," 2019, http://www.taxpayer.com/media/PCE&CTF_Education_Report.pdf.

Table 6: Per student funding in Alberta's schools (2017)

Type of School	Per Student Cost
Government School	\$10,801
Independent School	\$5,404
Home Schooling	\$1,671

The Alberta government must also address costs in universities and colleges. As Figure 8 illustrates, Alberta taxpayers spend significantly more per student than Canada's other large provinces.⁸⁶

Figure 8: Post-secondary spending per student (full time equivalent)



With 168,085 full time students in Alberta in 2018,⁸⁷ taxpayers would save \$1.73 billion every year if the government brought its post-secondary spending in line with the average of other large provinces.

A key reason Alberta's universities and colleges are so costly to taxpayers is the way they are funded. "Alberta universities and colleges depend far more on government grants and rely far less on tuition as a share of revenue compared to their British Columbia and Ontario counterparts," according to the Blue Ribbon Panel.⁸⁸ Quebec spends over \$10,000 less per student to deliver programming than the Alberta government due to significantly lower per-student spending on adult learning, student supports and research.⁸⁹

Forcing Alberta's post-secondary institutions to raise more revenue from tuitions and fees and become less reliant on grants will save taxpayers money and will likely enhance efficiency and outcomes by requiring these institutions to tailor costs and services to attract students and revenues.

Recommendation: Bring Alberta's K-12 education spending in line with B.C., saving over \$1 billion annually. To do so the Alberta government will need to reduce Alberta's education bureaucracy to the levels of B.C., resulting in over \$790 million in savings.

Recommendation: Continue to support school choice by funding options outside of the government system and removing barriers limiting charter, home and independent school development.

Recommendation: Bring Alberta's post-secondary in line with the averages of B.C., Ontario and Quebec, saving over \$1.7 billion annually.

⁸⁶ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 39, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

⁸⁷ Number of full time students was not available in the Blue Ribbon Panel report or KPMG's report. This number is the Alberta Post-Secondary Enrollment (Full Load Equivalent) projections from the Alberta government: <https://open.alberta.ca/opendata/alberta-post-secondary-enrolment-file-projections>. The enrollment data only includes provincially-approved programming at publicly-funded post-secondary institutions in Alberta.

⁸⁸ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 39, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

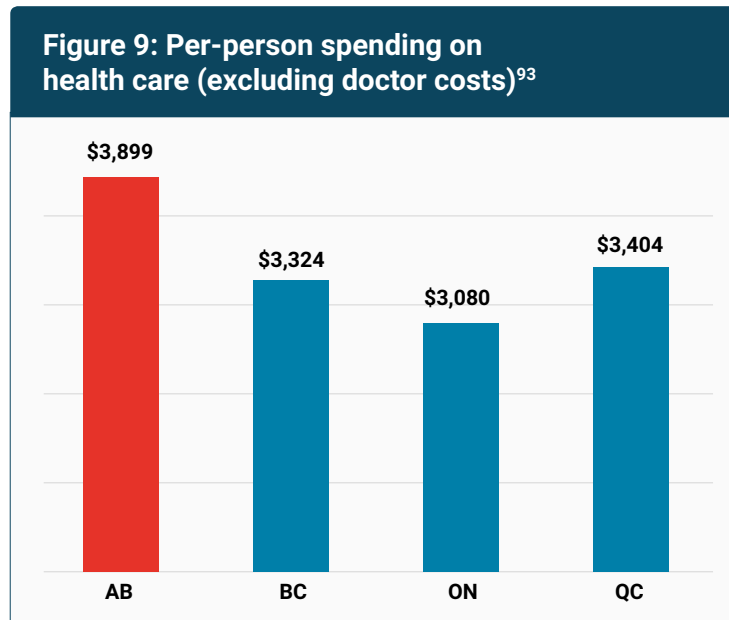
⁸⁹ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 39, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

Rethinking health care

Spending Target: Reduce spending by \$2.7 billion annually.

Alberta taxpayers are paying too much for the provincial health-care system, but we're not getting the best results. Making up over 40 per cent of the Alberta government's operating budget, any discussion of cost-savings must include health care.⁹⁰

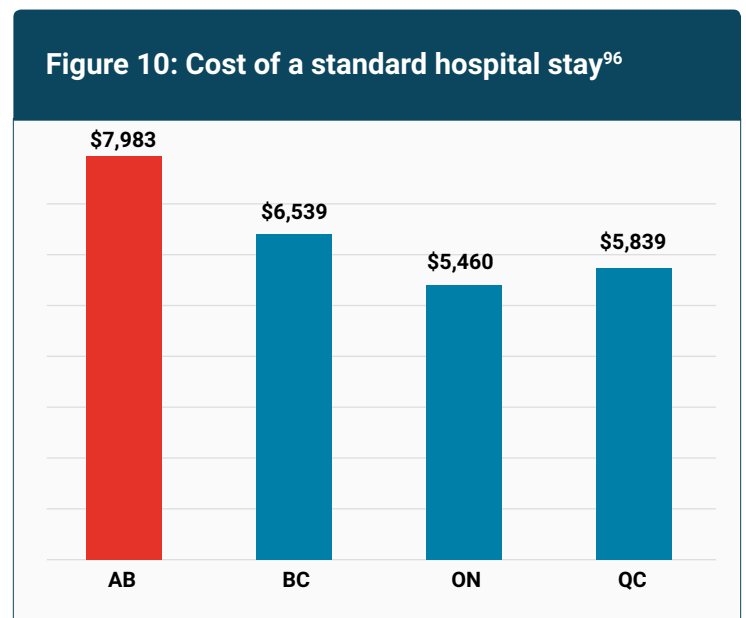
Alberta spends more per-person on health care than every other province except Newfoundland and Labrador, according to the Fraser Institute.⁹¹ Not including spending on doctors (discussed above), Albertans would save \$2.7 billions every year if the provincial government brought its health-care spending in line with Canada's three largest provinces, according to data in the Blue Ribbon report.⁹² Figure 9 illustrates the Alberta government's per-person spending on health care relative to Canada's three largest provinces (not including spending on doctors).



We're a high spending province in a high spending country. Whether it's per-person spending or health-care spending as a percentage of the economy, Canada outpaces many of our industrialized peers.⁹⁴

Albertans are not getting the best health-care results. For example, despite spending \$1,000 per-person more than people living in Ontario, Alberta's wait times, from referral from general practitioner to treatment, is 10 weeks longer.⁹⁵

The Alberta government could help reduce the burdens on taxpayers and ensure patients are getting better and quicker results by allowing entrepreneurs play a more active role in health-care delivery. This should especially be prioritized as the cost of a hospital stay is thousands of dollars more in Alberta than in other large provinces (Figure 10).



⁹⁰ Alberta government, "2018-19 Final Results Year-End Results," <https://open.alberta.ca/dataset/9c81a5a7-cdf1-49ad-a923-d1ecb42944e4/resource/978f7724-6317-4504-9795-53d11338e637/download/2018-19-final-results-year-end-report.pdf>.

⁹¹ Bacchus Barua, Jason Clemens, and Taylor Jackson, "Health Care Reform Options for Alberta," Fraser Institute 2019, <https://www.fraserinstitute.org/sites/default/files/health-care-reform-options-for-alberta.pdf>.

⁹² Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 32, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>

⁹³ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 32, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>

⁹⁴ Bacchus Barua, Jason Clemens, and Taylor Jackson, "Health Care Reform Options for Alberta," Fraser Institute 2019, <https://www.fraserinstitute.org/sites/default/files/health-care-reform-options-for-alberta.pdf>.

⁹⁵ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 24, 26, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>

⁹⁶ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 32, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>

“More use of private clinics, home care and long-term chronic care facilities would produce more appropriate and affordable care than hospitals,” stated former Saskatchewan finance minister Janice MacKinnon in a 2013 report published by the Macdonald-Laurier Institute. “The outcomes from Saskatchewan experiment clearly show that private clinics can deliver surgical procedures more cost-effectively than hospitals.”⁹⁷

Albertans are already seeing the benefits of having businesses help hurting Albertans get their MRIs quicker while providing relief for overheated government services. “For every patient we can have scanned here out of their pocket, or from WCB or from a third party, you know that is one less patient to be scanned at Chinook Regional Hospital,” explains Dr. Michael Lane, a Lethbridge Radiologist. “So hopefully everyone will move through the system faster.”⁹⁸

Saskatchewan moved 34-day procedures from hospitals to private clinics and the procedures became 26 per cent less expensive in the clinics than in the hospitals.⁹⁹ Saskatchewan's private clinics helped lower wait times, are more convenient than hospitals and there is less risk that patients will contract hospital-based infections or the flu.¹⁰⁰ Additionally, business options in Quebec have contributed to increasing the supply of health services and have helped relieve pressure on the overloaded government system, according to the Montreal Economic Institute.¹⁰¹

There are many other developed countries that have embraced their business communities to drive better health care such as Australia, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom.¹⁰²

“Democracies that do not impose a monopoly on the delivery of health care have successfully delivered to their citizens medical services that are superior to and more affordable than the services that are presently available in Canada. This demonstrates that a monopoly is not necessary or even related to the provision of quality public health care,” stated the Supreme Court of Canada.¹⁰³

Recommendation: Bring health-care spending levels (not including doctors' compensation) in line with Canada's other large provinces, reducing spending by \$2.7 billion annually.

Recommendation: Allow for greater business involvement in health care as is done in Saskatchewan, Quebec and a number of industrialized countries.

⁹⁷ Janice MacKinnon, “Health Care Reform From the Cradle of Medicare,” Macdonald-Laurier Institute January 2013, <https://www.macdonaldlaurier.ca/files/pdf/Health-Care-Reform-From-the-Cradle-of-Medicare-January-2013.pdf?fbclid=IwAR2Z-26m9xyPhz97EQZ67I7eTth36PcD-oYLYvxlq0wxCSSgNCFJzljnmJ0>.

⁹⁸ Quinn Campbell, “New MRI Centre Open for Business in Southern Alberta,” Global News 2016, <https://globalnews.ca/news/2817842/new-mri-centre-open-for-business-in-southern-alberta/>.

⁹⁹ Janice MacKinnon and Jack Mintz, “Putting the Alberta Budget on a New Trajectory,” University of Calgary's School of Public Policy 2017, <https://www.policyschool.ca/wp-content/uploads/2017/10/AB-Budget-New-Trajectory-MacKinnon-Mintz-final.pdf>.

¹⁰⁰ Janice MacKinnon, “Health Care Reform From the Cradle of Medicare,” Macdonald-Laurier Institute January 2013, <https://www.macdonaldlaurier.ca/files/pdf/Health-Care-Reform-From-the-Cradle-of-Medicare-January-2013.pdf?fbclid=IwAR2Z-26m9xyPhz97EQZ67I7eTth36PcD-oYLYvxlq0wxCSSgNCFJzljnmJ0>.

¹⁰¹ Jasmin Guénette and Julie Frappier, “Private Medicine in Quebec,” Montreal Economic Institute 2013, http://www.iedm.org/sites/default/files/pub_files/note1213_en.pdf.

¹⁰² Bacchus Barua, Jason Clemens, and Taylor Jackson, “Health Care Reform Options for Alberta,” Fraser Institute 2019, <https://www.fraserinstitute.org/sites/default/files/health-care-reform-options-for-alberta.pdf>

¹⁰³ Supreme Court of Canada, “Jacques Choulli and George Zelioti v. Attorney General of Quebec and Attorney General of Canada,” <https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/2237/index.do>.

Prioritizing infrastructure

Spending Target: Reduce spending by \$1.6 billion annually.

With the Alberta government debt increasing by \$1.7 million every hour, it needs to prioritize capital spending to remove the red ink.

In Alberta we have relatively new and a high cost level of infrastructure. The Alberta government's infrastructure spending per person has been above the provincial average over the past 20 years, according to the Blue Ribbon Panel. In 2017, the provincial government's net capital stock per capita was 19 per cent above the 10-province average and the municipal governments' stock was 81 per cent above the average, bringing the combined provincial-municipal measure to 44 per cent above the national average.¹⁰⁴

Given the young age, high cost and current fiscal situation, now is the perfect time to begin reducing government spending on infrastructure. Reducing the cost of Alberta's infrastructure to the national average would result in \$15.6 billion reduction in the capital plan over the next decade, or \$1.56 billion annual savings.

Capital grants to municipal governments make-up a quarter of Alberta's infrastructure spending. The Alberta government spends \$440 per person on capital grants to municipal governments, which is above the national weighted average of \$357 per person. Bringing Alberta's spending on municipal infrastructure grants down to the national average would save roughly \$360 million every year.

In addition to costly infrastructure spending, the Alberta government's spending has also fluctuated widely since 1990. "Real net capital stock per capita fell from over \$17,500 in 1990 to \$15,000 in 2000 before increasing to over \$22,500 per capita in 2017," explains the Blue Ribbon Panel.¹⁰⁵ To avoid this cyclical spending, the Alberta government should establish a

stable and sustainable level of infrastructure spending. One way to do this is to have legislative limits on how much the government can spend every year, which will be discussed in a later section (see Alberta taxpayer charter of rights).

Recommendation: Reduce spending by \$1.6 billion annually by bringing the cost of Alberta's infrastructure in line with the national average. Bringing spending on municipal infrastructure grants in line with the national average would reduce spending by \$359.9 million annually.

Alberta taxpayer charter of rights

It's not enough to rely on politicians' promises of fiscal responsibility and accountability, Alberta needs a taxpayer charter of rights including the following three principles:

1. Spending limits;
2. Expanded taxpayer protections; and,
3. Recall and initiative

Spending limits

Alberta's balanced budget laws were initially successful in balancing the books. And while balanced budget laws are good, they're not enough as these laws allow politicians to pull a bait-and-switch on taxpayers. In essence, a balanced budget law allows politicians to continue their spending spree as long as they increase taxes.

Colorado provides a good example of how spending limitations can work. The Independent Institute in Colorado explains, "The Taxpayer's Bill of Rights requires that excess government revenues [annual increase above inflation-plus-

¹⁰⁴ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 53, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

¹⁰⁵ Blue Ribbon Panel on Alberta's Finances, "Report and Recommendations," 2019 pg. 52, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

population growth] be refunded to taxpayers, unless taxpayers vote to let the government keep the revenue.”¹⁰⁶ Given Alberta's situation, the provincial government should dedicate all revenue beyond inflation-plus-population (not extracted through a new or higher tax) be used towards paying down the debt.

Colorado's law has saved taxpayers thousands of dollars. If the Colorado government had continued to spend at the same rate as the decade before its passage (1983-1992), the average Coloradan would have paid an additional \$442 in taxes in 2012. The cumulative two-decade savings per Coloradan has been \$6,173—or more than \$24,000 for a family of four.¹⁰⁷

Expanded taxpayer protections

Currently, the Alberta Taxpayer Protection Act only requires majority support in a referendum before a provincial sales tax can be introduced. While this has been successful in keeping Alberta governments from imposing a sales tax, politicians have been able to increase their taxpayer-take without earning public buy-in.

There have been proposals from previous politicians to limit the government's ability to increase taxes without support from Albertans. In 1997, the Klein government proposed (but never passed) the No Tax Increase Act,¹⁰⁸ which would have required a referendum before tax rate hikes. In 2018, then-Opposition leader Jason Kenney proposed to make carbon tax hikes illegal without the consent of Albertans.¹⁰⁹

While both proposals are steps in the right direction, neither go far enough in limiting the government's ability to extract taxpayer funds. As we have seen over the last few years,

the government of Alberta has increased taxes on income, businesses, tobacco, train fuel and alcohol. To limit excessive political consumption, the Alberta government should expand taxpayer protections to ensure a vote is held before the government can increase revenue through higher tax rates, new taxes or an expansion or addition of new government revenue tools (i.e., fees, tolls, etc.).

Recall and initiative

According to the Routledge Handbook to Referendums and Direct Democracy, at least 25 countries have legal provisions to activate direct recall at the national or subnational level. British Columbia's recall legislation came into force in 1995.¹¹⁰ MLA Paul Reitsma got caught sending fake letters-to-the-editor and resigned just before a recall campaign could push him out.¹¹¹ When the B.C. government tried to raise taxes while harmonizing provincial and federal sales taxes, voters forced a referendum and defeated the legislation.¹¹²

Critics worry that recall legislation would result in a never-ending cycle of elections, but this hasn't happened in B.C. Only one politician has been booted by recall legislation in almost 25 years and he voluntarily resigned when he saw the writing on the wall. In the U.S., 38 state legislator-recall elections have occurred, which isn't an overwhelming figure when you consider recall was first introduced at the state level in 1908.¹¹³

There are mechanisms that Alberta can copy from other jurisdictions to ensure political chaos doesn't ensue. For example, B.C.'s recall process can't be initiated until 18 months after the politician is elected. Further, recalls aren't easy to execute. B.C. requires more than 40 per cent of eligible voters to sign a petition to initiate a byelection. In reality, a politician's behaviour has to be outrageous to generate thousands of

¹⁰⁶ Fred Holden, "Two Decades of Colorado's Taxpayer's Bill of Rights," Independent Institute May 2016, https://i2i.org/wp-content/uploads/2015/01/IP-4-2016_b.pdf.

¹⁰⁷ Fred Holden, "Two Decades of Colorado's Taxpayer's Bill of Rights," Independent Institute May 2016, https://i2i.org/wp-content/uploads/2015/01/IP-4-2016_b.pdf.

¹⁰⁸ Philip Kaye, "Overview of Federal/Provincial/Territorial Referendum Legislation," Legislative Assembly of Ontario, <http://www.ontla.on.ca/library/repository/mon/2000/10294137.htm#N8>.

¹⁰⁹ Clare Clancy, "Meeting federal carbon tax price relies on Trans Mountain breaking ground, says Alberta premier," Edmonton Journal March 2018, <https://edmontonjournal.com/news/politics/alberta-opposition-to-introduce-bill-on-carbon-tax-referendum>.

¹¹⁰ Yanina Welp, "Recall Referendum Around the World: Origins, Institutional Designs and Current Debates," Routledge Handbook to Referendums and Direct Democracy December 2017, http://www.academia.edu/34481857/Recall_referendum_around_the_world_origins_institutional_designs_and_current_debates.

¹¹¹ CBC News, "Disgraced B.C. MLA Reitsma Seeks Political Redemption," September 2011, <https://www.cbc.ca/news/canada/british-columbia/disgraced-b-c-mla-reitsma-seeks-political-redemption-1.1028847>.

¹¹² CBC News, "HST costing B.C. families \$350 a year," May 2011, <https://www.cbc.ca/news/canada/british-columbia/hst-costing-b-c-families-350-a-year-1.990684>.

¹¹³ National Conference of State Legislatures, "Recall of State Officials," 2016, <http://www.ncsl.org/research/elections-and-campaigns/recall-of-state-officials.aspx>.

petition signatures and even then, the issue goes to final arbitration at the ballot box.

Along with recall legislation, the Alberta government should also adopt similar rules to B.C.'s "initiative," where voters can propose a new law or changes to existing laws.¹¹⁴ Albertans already have the right to initiate public votes on issues at the municipal level¹¹⁵ and this should be extended provincially.

Recommendation: After the budget is balanced, limit all program spending increases to the combined rates of inflation-plus-population growth unless majority vote in referendum favours greater spending.

Recommendation: Expand the Alberta Taxpayer Protection Act to require a majority support in a referendum before the Alberta government can increase revenue through higher tax rates, new taxes or an expansion or addition of new government revenue tools (i.e., fees, tolls, etc.)

Recommendation: Implement recall and citizen initiative and extend recall to the municipal level.

¹¹⁴ B.C. Government, Initiative, <https://elections.bc.ca/recall-initiative/initiative/>.

¹¹⁵ Alberta Government, "Petition to Your Council: Information for the General Public, Elected Officials and Municipal Officers," <http://www.municipalaffairs.alberta.ca/documents/Petition%20to%20Your%20Council.pdf>.