

# Balanced Agenda

2021 Alberta pre-budget submission

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# About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation 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 235,000 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.

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 2019-20, the CTF raised [\\$4.8 million](#) on the strength of 31,655 donations. Donations to the CTF are not deductible as a charitable contribution.



# It's time for Alberta to set a balanced budget.

The United Conservative Party campaigned on a promise it would return fiscal discipline and begin the process of getting back to a balanced budget.

We acknowledge the COVID pandemic required special one-time policy solutions. But the economy is starting to move again and the budget's bottom line is improving.

The finance minister stated in his first quarter update that he would balance the budget when we know the long-term impact of COVID.

Without a plan to balance the budget, the government is flying blind. The government needs to make decisions about post-pandemic spending, health-care pressures and dealing with raising costs due to inflation. It's difficult for a government to decide when there is nothing to guide the consequences of those decisions.

A balanced budget plan will also send a signal to taxpayers, interest groups and unions about what to expect. It keeps those who believe there is unlimited government money that the taps are turned off.

The CTF supports some of the measures mentioned in the minister's letter about the stakeholder engagement acknowledging the need to address the spending problem and the need to get expenses in line with provinces of like size.

This was a major recommendation of the Blue Ribbon Panel on Alberta's finance that said the government would be spending \$10.4 billion less every year if the per person spending was brought in line with comparable provinces such as British Columbia, Ontario and Quebec.

This is especially true when talking about health care, the government's number one expenditure. Alberta has the youngest population and we're spending \$1,000 per person more than people living in Ontario. Yet Alberta's wait time from general practitioner referral to treatment is 12 weeks longer.

## Summary of Recommendations

1. Balance the budget in UCP's first mandate without raising taxes
2. Spending reductions across government departments
3. Continue with health-care rationalization that was begun with Bill 30
4. Reduce corporate welfare
5. Eliminate small business tax
6. Reduce government employee entitlements
7. Eliminate Bracket Creep

## Balancing the Budget

The COVID pandemic bumped the provincial government off the track of a balanced budget.

For too long, the Alberta government has been spending far too much and building up more and more debt on the backs of taxpayers.

In 2004, the government managed to get make Alberta a debt-free province.

But a decade later, that is long gone and just the interest on the debt is the fourth highest expenditure of any department in government.

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. But even when revenues were running high, the government still ran deficits. And when taxpayers needed tax relief during the economic downturn, the New Democrat administration of the day increased spending by 16.5 per cent.<sup>1</sup>

The Blue Ribbon panel on Alberta's finances looked at both Alberta and other large Canadian provinces and found that Alberta's could save approximately \$10 billion.<sup>2</sup>

The budget of 2019 was a good start to getting the fiscal house in order when the government cut program

spending by 2.8 per cent by the end of 2022. That, of course, didn't happen due to the pandemic. Projections showed spending would be \$174 million higher in 2022 than it was under the Alberta NDP.<sup>3</sup>

The Alberta government's spending per-person is the highest in Canada and has consistently been higher than the average of 10 provinces over the last 25 years.

A key issue is the government is not reducing spending in every government department. Spending is not being cut in health or education. Health alone accounts for over 40 per cent of the total provincial budget.

The United Conservative government promised to balance the budget within its first term. We hope that even with the pandemic, the government will move to table a balanced budget before the start of the next election.

As the government moves to a balanced budget situation, it's important to put in measures into the budget that help to prevent the over spending by previous governments in the future. This includes a new mandate: for every \$2 in new revenue, at least \$1 would have to be applied to debt reduction or tax reductions.

### RECOMMENDATIONS

1. Balance the budget in the UCP's first mandate
2. Across department spending reductions

<sup>1</sup> See budget 2016 for 2014 actual spending: <https://open.alberta.ca/dataset/c341d72a-c424-4d6d-8c64-4ff250e50775/resource/4d67f16d-21b5-4bf6-b7d0-ec2ebfc66185/download/fiscal-plan-complete.pdf>; for 2018 actual spending see Budget 2019: <https://open.alberta.ca/dataset/3d732c88-68b0-4328-9e52-5d3273527204/resource/2b82a075-f8c2-4586-a2d8-3ce8528a24e1/download/budget-2019-fiscal-plan-2019-23.pdf>

<sup>2</sup> MacKinnon Report on Government's finances <https://www.alberta.ca/mackinnon-report-on-finances.aspx>

<sup>3</sup> Alberta government, "Fiscal Plan: A plan for jobs and the economy 2019–23," 2019, <https://open.alberta.ca/dataset/3d732c88-68b0-4328-9e52-5d3273527204/resource/2b82a075-f8c2-4586-a2d8-3ce8528a24e1/download/budget-2019-fiscal-plan-2019-23.pdf>

## Reform in Health Care

The Department of Health eats up over 40 per cent of the total provincial budget. It's not realistic to believe that you can achieve major government savings without addressing the issues within the health care system.

The government introduced some very good reforms in Bill 30 – Health Statutes Amendment Act, 2020.

It is our hope that the government will move to implement measures that will facilitate the government's goal of having 30 per cent surgeries performed in private facilities.

Changing the way we do health care is so important and bold steps like this one are a step in the right direction

### RECOMMENDATION

3. Bring in health-care reforms using Bill 30 to improve access to private care with in the public system

## Economic Growth and Corporate Welfare

On reducing taxes and red tape, the government appears to be on the right track to get the economy moving again.

In previous years, when Alberta reduced taxes, such as in 2006 when the government of the day reduced businesses taxes from 15.5 per cent to 10 per cent, the province's average yearly real GDP growth was the highest in Canada from 2001 to 2014. Job gains also outpaces these other regions.<sup>4</sup>

Business tax revenue also increased during this time from \$2.2 billion in 2001 to \$5.8 billion in 2014.

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. The 12 per cent business tax only generated \$4.9 billion in 2018. 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.

Although the government is on the right track, it still hasn't committed to ending all corporate welfare. Specifically, the government has handed out business subsidies through the Alberta Enterprise Corporation.

The TD Bank says that the Alberta economy is set for strong growth provided that the pandemic does not worsen. Given the economy is going to be in a growth position, it's time to scale back on the amount of money that the government spends on business support.<sup>5</sup>

Rather the look to hand money out, let's try to help business particularly small business grow by continuing to lower taxes on businesses to allow them to succeed.

### RECOMMENDATION

4. Reduce spending on corporate welfare
5. Reduce business taxes, eliminate small business tax

<sup>4</sup> Fraser Institute, The End of the Alberta Tax Advantage\*: <https://www.fraserinstitute.org/sites/default/files/end-of-the-alberta-tax-advantage.pdf>

<sup>5</sup> Toronto Dominion Bank, "Economic Forecast" <https://economics.td.com/provincial-economic-forecast>

## Reducing Alberta's ballooning labour costs – Impacts on Labour Market

Alberta's government employee compensation costs represent 55 per cent of its operating budget and its single largest expense. If the government wants to meaningfully rein in its spending, then it will have to address employee compensation.

Rich employee compensation also has an impact on Alberta's labour market. Companies outside of government compete with the government for scarce quality employees.

Prior to the pandemic the number of workers in the private sector took a dramatic hit, but the number of government workers increased. Since the beginning of 2015, the number of private-sector jobs has declined by seven per cent while the number government jobs increased across the province by 17.5 per cent, according to Statistics Canada job numbers.<sup>6</sup>

This has a huge impact on the province's books given there are fewer working Albertans paying taxes to support even more government workers.

This also has an impact on the labour market by making it harder for the private sector to compete for good employees.

### RECOMMENDATION

6. Reduce benefits for new employees entering the public service

## Eliminate Bracket Creep

Bracket creep is a hidden tax that occurs when governments don't move tax brackets with inflation and taxpayers automatically get bumped into a higher tax bracket even though we can't actually afford to buy more.

Leading up to the 2019 budget, Premier Jason Kenney promised Albertans that he would balance the books without increasing taxes. But the budget included bracket creep, which is estimated to cost Albertans \$600 million.

The last thing Albertans need right now is the government taking more income through taxes, especially in today's economy. Furthermore, Alberta has a spending problem now a revenue. As outlined above, the Alberta government brought in more revenue per-person than the B.C. government did last year. And if the Alberta government spent like the B.C. government did, Alberta would spend about \$15 billion less every year.

### RECOMMENDATION

7. Eliminate Bracket Creep