



Alberta's Road Map to Scaling Back Government: 2019 Pre-Budget Submission

Franco Terrazzano

Alberta Director - Canadian Taxpayers Federation

403.918.3532 | fterrazzano@taxpayer.com

ABOUT THE CANADIAN TAXPAYERS FEDERATION



Canadian Taxpayers Federation
PO Box 14043 Richmond Road PO,
Calgary, AB
T3E 7Y7

Franco Terrazzano,
CTF Alberta Director

Mailing address: PO Box 14043 Richmond Road PO,
Calgary, AB T3E 7Y7

Phone: 403.918.3532

Email: fterrazzano@taxpayer.com

Twitter: [@franco_nomics](https://twitter.com/franco_nomics)

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 145,000 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.

TABLE OF CONTENTS

Summary of Recommendations	1
Introduction	2
Understanding the Problem: Where Are We and How Did We Get Here?	2
Alberta Taxpayer Charter of Rights	4
Balance the Budget	4
Repay the Debt	5
Control Spending	6
No Tax Increase Without Taxpayers' Consent	7
Introduce Recall and Initiative`	8
Constitutionally Entrench Alberta Taxpayer Charter of Rights	9
Alberta's Ballooning Bureaucracy	10
Rethinking Health Care	14
Economic Development Without Corporate Welfare	16
Where to Cut?	17

SUMMARY OF RECOMMENDATIONS

Alberta Taxpayer Charter of Rights

Recommendation 1: Require the budget to be balanced within the next government's first term through spending reductions while also outlawing future deficits.

Recommendation 2: Require all yearly revenue increases above inflation-plus-population growth to be allocated towards debt repayment until the debt is paid off.

Recommendation 3: 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 4: Require 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 5: Introduce recall and citizen initiative legislation.

Recommendation 6: Constitutionally entrench recommendations 1-5 in Alberta's taxpayer charter of rights.

Alberta's Ballooning Bureaucracy

Recommendation 7: Reduce total government employee compensation by 10 per cent. This would result in roughly \$2.7 billion in taxpayer savings.

Recommendation 8: Outlaw defined-benefits pension plans for government employees. Options for reform should include putting new employees in a defined-contribution plans.

Recommendation 9: Reduce government employees by 10 per cent not including teachers, doctors and nurses. This would result in \$722 million in total taxpayer savings.

Rethinking Health Care

Recommendation 10: Allow for greater private sector health-care delivery.

Economic Development Without Corporate Welfare

Recommendation 11: Eliminate corporate welfare which includes providing businesses with direct subsidies, grants, loans and loan guarantees.

Recommendation 12: Grow the economy through broader competitiveness measures such as scrapping the carbon tax, reducing business and income taxes and eliminating red tape.

Where to Cut?

Recommendation 13: Liquidate the Alberta Enterprise Corporation's assets.

Recommendation 14: End Alberta's energy diversification handouts.

Recommendation 15: Eliminate the Alberta Media Fund.

Recommendation 16: Eliminate government tourism and marketing spending.

Recommendation 17: Eliminate Travel Alberta.

Recommendation 18: Eliminate spending on energy efficiency projects.

Recommendation 19: End funding for GreenTRIP.

Recommendation 20: Postpone non-essential capital projects.

Recommendation 21: Immediately review the services offered by Economic Development and Trade and eliminate corporate welfare programs offered by the department.

Recommendation 22: Do not provide funds for a professional hockey arena in Calgary.

Introduction

Despite the tough times — the thousands of layoffs and stubbornly high unemployment, the empty towers and the giant sucking sound of tax dollars leaving households and businesses — there is an industry in Alberta that marches on like the good times never left: government.

To fuel the booming government industry, families and businesses have been hammered with higher business taxes, income taxes, a rising government debt bill and a new tax on the heat for our homes and fuel for our cars.

The Canadian Taxpayers Federation's Alberta supporters have had enough of higher taxes and are ready for government to take less. In the CTF's 2019 supporter survey, 94 per cent of respondents agreed that scrapping the carbon tax should be a priority for the Alberta government. Likewise, about 75 per cent believe the government should prioritize bringing back the 10 per cent flat income tax rate and returning the business tax rate to 10 per cent.

Greater tax burdens are essentially the symptom rather than the disease. The true disease is the expansion of government. 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 pre-budget submission will highlight areas where the government is overspending, where the government shouldn't be spending money at all, where the government should specifically cut spending and offer ways to guard against future out-of-control government growth.

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

1. Understanding the Problem: Where Are We and How Did We Get Here?
2. Alberta Taxpayer Charter of Rights
3. Alberta's Ballooning Bureaucracy
4. Rethinking Health Care
5. Economic Development Without Corporate Welfare
6. Where to Cut?

Understanding the Problem: Where Are We and How Did We Get Here?

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 and the Alberta government is heading towards a budget nightmare. Its budget deficit is over \$7 billion with debt ballooning to over \$50 billion – equivalent to a debt tab of over \$10,000 per Albertan.

Sadly, there doesn't appear to be clear skies anywhere on the horizon. According to a report issued by the Parliamentary Budget Office,¹ if the government continues down its path the debt tab will exceed \$100 billion by 2021 and \$1 trillion by 2051.²

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 with its net debt-to-GDP ratio reaching all time highs. By 2040, Tombe predicts that interest payments could rise to over \$20 billion, equivalent to 17 per cent of the government's total revenues.³

How did the government's books get this way?

The inherent ups and downs of a resource economy, along with the overreliance on resource revenues are typically blamed for the province's poor balance sheets. Prior to the oil price collapse, the Alberta government had a surplus of net financial assets. Now, after a few years of depressed non-renewable resource and tax revenues, the province's debt tab is increasing by over \$1 million every hour.

However, Alberta's budget finances began to unravel long before resource revenues declined, and, in fact, started deteriorating while revenues were on high.

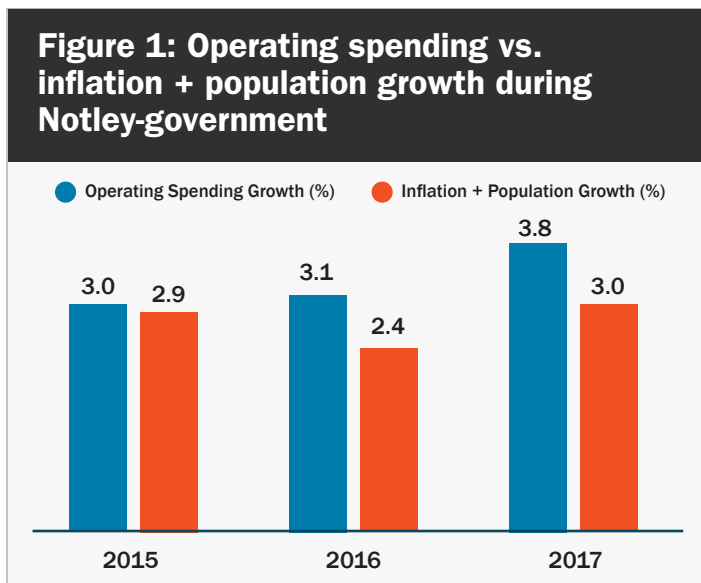
¹ Office of the Parliamentary Budget Officer, "Fiscal Sustainability Report 2018," September 2018, https://www.pbo-dpb.gc.ca/en/blog/news/FSR_September_2018.

² Trevor Tombe, "Alberta's Aging Population is a Fiscal Time Bomb," September 2018, <https://www.cbc.ca/news/canada/calgary/trevor-tombe-aging-population-1.4841679?cmp=rss>.

³ Trevor Tombe, "Alberta's Long-Term Fiscal Future," The School of Public Policy November 2018, <https://www.policyschool.ca/wp-content/uploads/2018/11/AB-Fiscal-Future-Tombe.pdf>.

Between 2004 and 2015, the Alberta government's program spending doubled. At an average growth rate of 7.1 per cent, 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.⁴

While inheriting a difficult situation, the current Alberta government has continued the spending spree by increasing program spending by 11 per cent between 2015 and 2017.⁵ As illustrated in the figure below, operating spending has increased beyond inflation-plus-population growth in every year of the current government's mandate.



Government of Alberta, Budget 2018; 2017 forecast

“If the government had taken a different course—simply holding nominal spending at 2015/16 levels—Alberta would have likely balanced the budget this year,” wrote Lafleur and Eisen.⁶

Comparing the Alberta government's per person spending levels with those in other large provinces shows the magnitude of Alberta's spending problems. According former Saskatchewan finance minister Janice MacKinnon and University of Calgary economist Jack Mintz:

“Every year Alberta spends \$3,175 per capita more than the average per capita spending of comparable provinces. Thus, if Alberta were to develop a plan to bring its per capita spending to levels half closer to the average of comparable provinces [British Columbia, Ontario and Quebec], it could eventually reduce its spending by \$6.6 billion annually.”⁷

With similar population, British Columbia can be a useful benchmark to test whether the Alberta government is offering services efficiently. As illustrated in the table below, even with half a million fewer people, the Alberta government's 2018 budget expenses are billions of dollars larger than B.C.'s.

Table 1: Alberta vs. B.C. per person spending (Budget 2018)

	Alberta	BC
Spending	\$56,181,000,000	\$53,624,000,000
Population 2017	4,286,134	4,817,160
Per person Spending	\$13,108	\$11,132

Government of Alberta, Total Spending 2018, Budget 2018; Government of British Columbia, Total Spending 2018, Budget 2018; Statistics Canada, Population at a Glance 2017; Author's calculations.

The Alberta government could have guarded against its current fiscal woes with a simple strategy, as Fraser Institute's Steve Lafleur and Ben Eisen outlined.

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

⁵ Steve Lafleur and Ben Eisen, “Another Alberta Fiscal Update, Another Increase in Spending,” Fraser Institute September 2018, <https://www.fraserinstitute.org/article/another-alberta-fiscal-update-another-increase-in-spending>.

⁶ Steve Lafleur and Ben Eisen, “Another Alberta Fiscal Update, Another Increase in Spending,” Fraser Institute September 2018, <https://www.fraserinstitute.org/article/another-alberta-fiscal-update-another-increase-in-spending>.

⁷ Janice MacKinnon and Jack Mintz, “Putting the Alberta Budget on a New Trajectory,” The School of Public Policy, October 2017, <https://www.policyschool.ca/wp-content/uploads/2017/10/AB-Budget-New-Trajectory-MacKinnon-Mintz-final.pdf>.

In fact, if Alberta spent the same per person as British Columbia, total spending would be \$8.5 billion less and the Alberta government would be in a surplus position.

Table 2: If Alberta government spent like B.C.	
	Alberta
2018 Alberta Government Revenues	\$47,879,000,000
Alberta Spending Like B.C.	\$47,712,687,479
Budget Surplus	\$166,312,521

Government of Alberta, Total Spending 2018, Budget 2018; Government of Alberta, Total Revenue 2018, Budget 2018; Author's calculation.

The interprovincial comparison illustrates two key points. First, the Alberta government spends too much. Second, the sky would not fall if the Alberta government were to reduce spending. B.C. and other provinces are able to deliver services at a lower cost than the Alberta government and, as will be illustrated below, do so while achieving better outcomes in some areas.

When asked how the province is doing, 91 per cent of Alberta CTF supporters said the province is heading down the wrong track. Fortunately, the Alberta government has the ability to put the province back on the desired fiscal path. Overspending is what got the government into its mess and addressing spending is what's needed to get the government out of this mess. The rest of the budget submission will outline how the Alberta government should balance the books and begin paying down the debt through fiscal restraint.

Alberta Taxpayer Charter of Rights

It's not enough to rely on politicians' promises of fiscal responsibility. As history has shown, the ever-present temptation to spend other people's money is powerful. Limits on total government growth is a necessary first step to getting the province's fiscal house in order. Alberta needs a taxpayer charter of rights, ensuring the government:

1. Will live within its means;
2. Will not burden future taxpayers;
3. Will control spending;
4. Will not increase taxes without taxpayers' consent;
5. Will reaffirm the role of the citizen as the authority for politicians; and,
6. Will ensure these principles apply to future governments.

The government will live within its means (balance the budget)

When asked whether it's important for the Alberta government to balance the budget within the government's next term, 77 per cent of Alberta CTF supporters agreed that it should be a priority.

The Alberta government provided an outline of its plan to balance the books in 2023 in its last budget. However, the budget plan only commits to limiting spending increases and relies on optimistic revenue projections to bring the books to balance. The government's balanced budget plan includes the following optimistic assumptions:

- Economic growth that is higher than private sector forecasts every year throughout the years 2018-21 (see page 117);
- 174 per cent increase in non-renewable resource revenue (see page 86);

- Housing starts that are higher than private sector forecasts (see page 120); and,
- An unemployment rate that is lower than private sector forecasts in all but one year (see page 119).⁸

As the oil price collapse and current pipeline situation is illustrating, relying on rosy revenue assumptions is fiscally irresponsible. Rather than hoping for a boom to balance the books the Alberta government needs to take a more prudent approach and address its spending problem. This sentiment is shared by the majority of the CTF's Alberta supporters. When asked how the government should balance the books, 66 per cent agreed that the government should provide tax relief while getting its own fiscal house in order.

As illustrated above, the Alberta government spends thousands of dollars more per person than other comparable provinces. Rather than a multi-billion dollar deficit, the Alberta government would be enjoying a surplus if it spent at the same per person level as British Columbia. This illustrates that there is ample waste to cut to bring the books into balance. The Alberta government should begin reducing the burdens it has placed on taxpayers by (further detail below):

- Scaling back total government employee compensation and job growth;
- Reforming the health-care system to allow for a greater number of private options;
- Committing to an economic development strategy that doesn't include corporate welfare;
- Liquidating government bodies such as the Alberta Enterprise Corporation;
- Ending energy diversification and energy efficiency handouts;
- Eliminating Travel Alberta;
- Ending the Alberta Media Fund;
- Postponing non-essential capital projects; and
- Eliminating corporate welfare programs delivered by Economic Development and Trade.

The government should illustrate its commitment to balancing the books by legislating strict balanced budget laws as has been done in Alberta's past. Under the Deficit Elimination Act, 1993, and the Balanced Budget and Debt Elimination Act, 1995, the Alberta government balanced the books and outlawed future deficits. Fiscal restraint in the 1990s laid the foundation for what became famously known as the "Alberta Advantage." The current government should look to restore sound fiscal management by following in the footsteps of its 1990s predecessor.

Recommendation 1: Require the budget to be balanced within the next government's first term through spending reductions while also outlawing future deficits.

The government will not burden future taxpayers (repay the debt)

Only a few short years ago the Alberta government could boast about its net financial assets. Now the debt is increasing by over \$1 million every hour, which is equivalent to a government debt bill of over \$10,000 for the average Albertan. Reports by the Parliamentary Budget Office⁹ and the University of Calgary's School of Public Policy¹⁰ illustrate the fiscal mess the government is heading towards if tough decisions are not made. Using the Parliamentary Budget Office's Fall 2018 report, University of Calgary economist Trevor Tombe brought to light the fact that if the government continues down its path, the debt tab will exceed \$100 billion by 2021 and \$1 trillion by 2051.¹¹

⁸. Government of Alberta, "Budget 2018: A Recovery Built to Last," <https://open.alberta.ca/dataset/8beb5614-43ff-4c01-8d3b-f1057c-24c50b/resource/68283b86-c086-4b36-a159-600bcac3bc57/download/2018-21-fiscal-plan.pdf>

⁹. Office of the Parliamentary Budget Officer, "Fiscal Sustainability Report 2018," September 2018, https://www.pbo-dpb.gc.ca/en/blog/news/FSR_September_2018.

¹⁰. Trevor Tombe, "Alberta's Long-Term Fiscal Future," The School of Public Policy November 2018, <https://www.policyschool.ca/wp-content/uploads/2018/11/AB-Fiscal-Future-Tombe.pdf>.

¹¹. Trevor Tombe, "Alberta's Aging Population is a Fiscal Time Bomb," September 2018, <https://www.cbc.ca/news/canada/calgary/trevor-tombe-aging-population-1.4841679?cmp=rss>.

It's clear that the Alberta government needs to prioritize getting its fiscal house in order. Fortunately, a successful roadmap from the province's past can be used to pay down the debt. In 1999, the Klein government introduced the Financial Responsibility Act, which set out a plan to retire the debt over a maximum of 25 years and required 75 per cent of all revenue that exceeded the budget estimate to be used to pay down the debt.

The Alberta government should legislate a similar commitment to ensure the debt is retired. However, instead of recommending a certain portion of every surplus be allocated to paying down the debt, the CTF recommends all revenue growth over-and-above inflation-plus-population growth be allocated towards debt repayment.

Recommendation 2: Require all yearly revenue increases above inflation-plus-population growth to be allocated towards debt repayment until the debt is paid off.

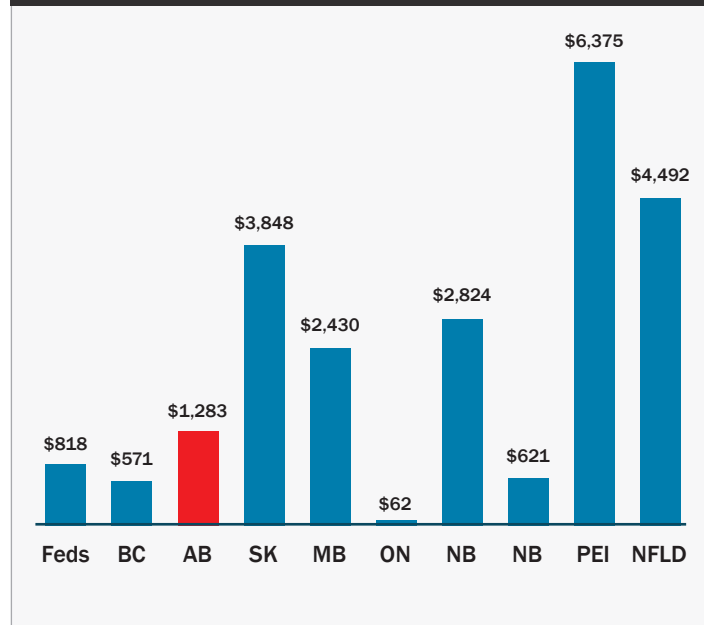
The government will control spending

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.

We've seen this story play out in Canada. As the Fraser Institute pointed out, balanced budget laws have gone hand-in-hand with greater government spending. Seven of the eight provinces with balanced-budget legislation experienced growing governments after balanced budget laws were implemented. In Alberta, Saskatchewan and Manitoba, the average growth rate of per person government spending declined in the five years prior to the introduction of balanced budget laws in each province and increased once the legislation was enacted.¹²

An effective restriction on government growth, and therefore burden on taxpayers, would need to limit overall spending increases. As illustrated in the figure below, Canadian taxpayers could have saved significant money had governments only been able to increase spending to keep up with inflation-plus-population growth after balancing their books

Figure 2: Per person savings with government holding real per person spending constant (post balancing budget – 2002)



Jason Clemens, Todd Fox, Amela Karabegović, Sylvia LeRoy and Niels Veldhuis, "Tax and Expenditure Limitations: The Next Step in Fiscal Discipline," Fraser Institute 2003.

Spending limits have been successful in other countries including in the United States. A 2000 study examined the fiscal performance of 49 states between 1969 and 1994. The study found that states that maintained spending limits, super-majority voting requirements, balanced budget laws, term limits and citizen-initiative legislation (discussed below) spent \$473 per person less than states that did not.¹³

Another benefit of a spending limit is that it reduces the ability of special interest groups to receive their much-coveted taxpayer handouts. By tying the hand of government,

¹² Jason Clemens, Todd Fox, Amela Karabegović, Sylvia LeRoy and Niels Veldhuis, "Tax and Expenditure Limitations: The Next Step in Fiscal Discipline," Fraser Institute 2003, <https://www.fraserinstitute.org/sites/default/files/TaxandExpenditureLimitations.pdf>.

¹³ Dale Bails and Margie A. Tieslau, "The Impact of Fiscal Constitution on State and Local Expenditures," Cato journal 2000, <https://object.cato.org/sites/cato.org/files/serials/files/cato-journal/2000/11/cj20n2-7.pdf>.

politicians are forced to abide by the same rules that face every household and business. They will be forced to prioritize!

Recommendation 3: 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.

The government will not increase taxes without taxpayers' consent

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. The vast majority of the CTF's Alberta supporters – 90 per cent – believe expanding taxpayer protections to require a referendum before implementing new or higher taxes should be a priority for the Alberta government.

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,¹⁴ which would have required a referendum before tax rate hikes. In 2018, Opposition leader Jason Kenney proposed to make carbon tax hikes illegal without the consent of Albertans.¹⁵

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.).

Strict limits on a government's ability to increase revenue has been successful in Colorado. The Independent Institute in Colorado explains, "The Taxpayer's Bill of Rights requires that excess government revenues [annual increase above inflation-plus-population growth] be refunded to taxpayers, unless taxpayers vote to let the government keep the revenue."¹⁶ Given Alberta's situation, the provincial government should allow 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.¹⁷

Putting strict limits on the amount the government can extract would encourage efficiency in service delivery, which is a serious concern for Alberta taxpayers who pay thousands of dollars more for government services than our counterparts in other comparable provinces.

When ordinary people want more income, they need to convince their bosses or customers that they deserve the pay increase. It's time for politicians to meet the same standard. If politicians want to increase their taxpayer-take, they should be required to earn public buy-in through a referendum.

Recommendation 4: Require 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.).

¹⁴. 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>.

¹⁵. 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>.

¹⁶. 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.

¹⁷. 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.

The government will reaffirm the role of the citizen as the authority for politicians (recall and initiative)

If politicians work for the people, the people should be able to give politicians pink slips for poor performance. If legislation belongs to the people, the people should be able to repeal it if it goes against our wishes.

This idea is not new and has been used in various countries around the world. Referred to recall and initiative legislation, this tool allows voters to launch a petition, and if it gets the required number of signatures, citizens can then go to the ballot box to decide whether to recall a politician in a byelection or deal with legislation in a vote. When asked whether citizens should have this ability, 86 per cent of Alberta CTF supporters agreed that the government should prioritize the implementation of 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 1995.¹⁸ MLA Paul Reitsma got caught sending fake letters-to-the-editor and resigned just before a recall campaign could push him out.²⁰ When the B.C. government tried to raise taxes while harmonizing provincial and federal sales taxes, voters forced a referendum and defeated the legislation.²¹

In the United States, 55 per cent of recall proceedings against state legislators have been successful.

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 1908.²²

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

Consider some examples.

Consider former premier Alison Redford. It took six weeks of mounting political pressure over expense scandals, including a \$45,000 taxpayer-funded trip, for internal political machinery to finally force her to step down from the premier's seat. In the wake of a damning auditor general's report, Redford finally resigned after collecting paycheques as an MLA for another five months. Surely a recall process would have been better than months of backroom political brokering.²³

Consider the Lethbridge city councillor Darlene Heatherington's refusal to step down after being charged with fabricating a story about a stalker. Surely a recall process would have been better for both citizens of Lethbridge and the troubled councillor.²⁴

Consider Alberta's carbon tax. The province's politicians never bothered asking voters whether they supported the tax.

¹⁸ 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.

¹⁹ Election BC, "Recall and Initiative," <https://elections.bc.ca/recall-initiative/recall/>.

²⁰ 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>.

²¹ 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>.

²² National Conference of State Legislatures, "Recall of State Officials," 2016, <http://www.ncsl.org/research/elections-and-campaigns/recall-of-state-officials.aspx>.

²³ Calgary Herald, "Timeline: The Rise and Fall of Alison Redford," N.D., <https://calgaryherald.com/uncategorized/timeline-the-rise-and-fall-of-alison-redford>.

²⁴ Billings Gazette, "Canadian 'self-stalker' found guilty in Alberta after vanishing from Montana," June 2004, https://billingsgazette.com/news/state-and-regional/montana/canadian-self-stalker-found-guilty-in-alberta-after-vanishing-from/article_b6c3bbba-8251-551f-b3b9-11523ec33eb7.html.

Instead, they implemented their new revenue tool conveniently after being elected, and in doing so, completely circumvented democratic checks and balances. There's a clear contrast with Washington State where voters have had the opportunity to reject a carbon tax in two consecutive referendums. Recall legislation would have given Albertans the opportunity to repeal the carbon tax or punish politicians for not including the tax in their platform.²⁵

And here lies a reason some push back against recall tools: it's much more difficult for government to rule paternalistically and push its interests if citizens can hit the eject button. There are ways for the Alberta government to implement recall legislation responsibly. The province needs politicians that are willing to reaffirm the role of the citizen as the boss.

Recommendation 5: Introduce recall and citizen initiative.

The government will ensure these principles apply to future governments (constitutionally entrenching Alberta's taxpayer charter of rights)

Alberta's balance budget law, flat taxes and protections of the heritage fund have been circumvented by simple majority votes in the legislature. The failure of taxpayer protections stem from the fact that politicians can simply repeal the laws when ever the temptation to increase their spending and taxpayer-take becomes too strong. Fortunately for taxpayers, there is a way to guard against future politicians who seek to increase their take without seeking consent.

"If the next Alberta government wants to make fiscal responsibility a permanent feature of its budgets, then it will need to constitutionally entrench a set of fiscal and budgetary rules that cannot be easily changed by simple majority votes in the legislature," explains former Alberta finance minister Ted Morton.²⁶

There are essentially two ways that the Alberta government can constitutionally entrench a taxpayer charter of rights.

"While the ambiguities surrounding provincial constitutions may complicate the matter of entrenching binding provincial tax and expenditure limitations, it does not make it impossible ... The amending formulas contained in sections 43 and 45 give provinces flexibility to initiate amendments to their own constitutions," according to a Fraser Institute report.²⁷

Section 43 of the Constitution Act, 1982, allows for a bilateral amendment to the Constitution. If the Alberta government wants to change aspects of the constitution affecting it alone, it would have to pass the amendment through the federal parliament and its own legislative assembly. One of the main benefits of using this approach is that it requires two levels of government to approve the amendment and also increases the difficulty of making subsequent reversals.²⁸

The second option is available under section 45 and is a unilateral amendment to the constitution of the province.²⁹ However, under the section 45 avenue, a future provincial government could repeal the taxpayer charter of rights through a simple majority vote in the legislature. As such, unilateral action to constitutionally entrench a taxpayer charter of rights would require what's known as "symmetrical entrenchment." Any restrictions to make it harder for a future government

²⁵. Hal Bernton and Michelle Baruchman, "Washington state voters reject carbon-fee initiative," Seattle Times November 2018, <https://www.seattletimes.com/seattle-news/politics/voters-rejecting-carbon-fee-in-first-day-returns/>.

²⁶. Ted Morton, "Why Alberta Needs a Fiscal Constitution," School of Public Policy September 2018, <https://www.policyschool.ca/wp-content/uploads/2018/09/Fiscal-Constitution-Morton-final.pdf>.

²⁷. Jason Clemens, Todd Fox, Amela Karabegović, Sylvia LeRoy and Niels Veldhuis, "Tax and Expenditure Limitations: The Next Step in Fiscal Discipline," Fraser Institute 2003, <https://www.fraserinstitute.org/sites/default/files/TaxandExpenditureLimitations.pdf>.

²⁸. Jason Clemens, Todd Fox, Amela Karabegović, Sylvia LeRoy and Niels Veldhuis, "Tax and Expenditure Limitations: The Next Step in Fiscal Discipline," Fraser Institute 2003, <https://www.fraserinstitute.org/sites/default/files/TaxandExpenditureLimitations.pdf>.

²⁹. Jason Clemens, Todd Fox, Amela Karabegović, Sylvia LeRoy and Niels Veldhuis, "Tax and Expenditure Limitations: The Next Step in Fiscal Discipline," Fraser Institute 2003, <https://www.fraserinstitute.org/sites/default/files/TaxandExpenditureLimitations.pdf>.

to repeal the charter of rights would require the same action to implement it. For example, the government would require a successful super-majority vote in the legislator and referendum to ensure future governments must meet these requirements to repeal the charter of rights.³⁰

Recommendation 6: Constitutionally entrench recommendations 1-5 in Alberta’s taxpayer charter of rights.

Alberta’s Ballooning Bureaucracy

It pays well to be a government employee in Alberta. At \$27 billion, total government employee compensation makes up over half of annual operating expenses. If the Alberta government wants to meaningfully rein in its spending it will have to begin with addressing employee compensation. And there’s good reason to address this aspect of the budget as Alberta’s government employees tend to earn higher salaries and more lucrative benefits than their counterparts in business and in other comparable provinces.

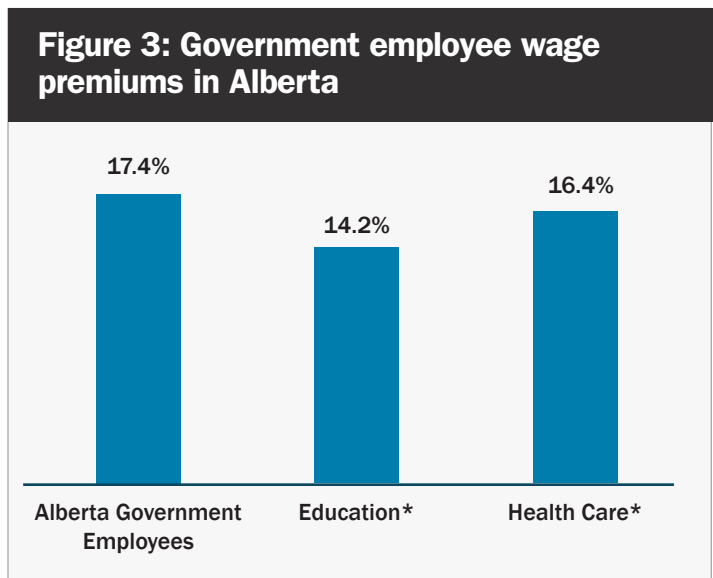
A 2018 Fraser Institute report looked at compensation and benefit gaps in Alberta between government employees and those working in the business community. After controlling for factors such as gender, age, marital status, education, tenure, size of firm, job permanence, industry, occupation and full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

Table 3: Alberta’s compensation gap – government (federal, provincial, local) vs. business sector

Category	Business	Government
Salary differential		+9.6%
Workers with workplace pension	24.2%	72%
Workers with most expensive pension, defined benefits plan	29.3%	95.3%
Probability of losing job	4.2%	0.7%
Lost work for personal reasons	6.5 days	11.8 days
Retirement		1.7 years earlier

Milagros Palacios, David Jacques, Charles Lammam and Steve Lafleur, “Comparing Government and Private Sector Compensation in Alberta,” Fraser Institute August 2018.

The findings are consistent with the Canadian Federation of Independent Business’ Wage Watch reports. The CFIB’s 2015 report calculated a 17 per cent wage premium for Alberta’s civil servants when factoring in both salaries and benefits.



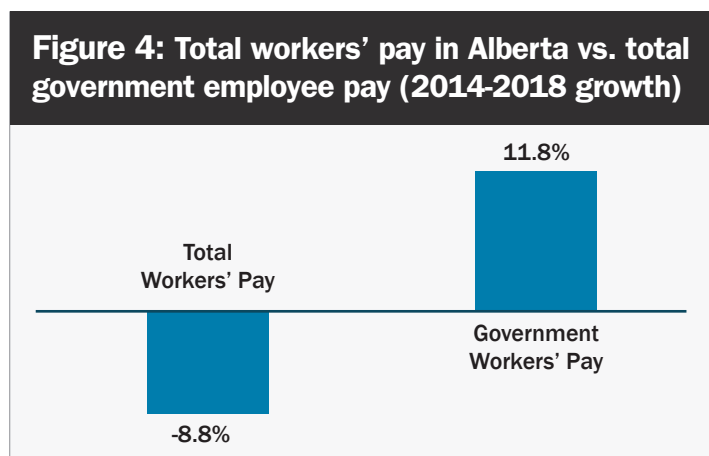
Ted Mallett, “Wage Watch,” Canadian Federation of Independent Business March 2015.
 * The most common education occupations within the study include: Janitors, caretakers and building superintendents; Administrative assistants; Administrative officers; General office support workers; Computer network technicians; Early childhood educators and assistants; Information systems analysts and consultants; Accounting and related clerks; User support technicians; Senior management occupations.
 ** The most common health-care occupations within the study include: Registered nurses and registered psychiatric nurses; Nurse aides, orderlies and patient service associates; Licensed practical nurses; Social and community service workers; Light duty cleaners; Administrative assistants; Managers in health care; General office support workers; Administrative officers; Paramedical occupations.

³⁰. Ted Morton, “Why Alberta Needs a Fiscal Constitution,” School of Public Policy September 2018, <https://www.policyschool.ca/wp-content/uploads/2018/09/Fiscal-Constitution-Morton-final.pdf>.

³¹. Government of Alberta, “Budget 2018: A Recovery Built to Last,” <https://open.alberta.ca/dataset/8beb5614-43ff-4c01-8d3b-f1057c-24c50b/resource/68283b86-c086-4b36-a159-600bcac3bc57/download/2018-21-fiscal-plan.pdf>.

³². Ted Mallett, “Wage Watch,” Canadian Federation of Independent Business March 2015, <https://www.cfib-fcei.ca/sites/default/files/article/documents/rr3348.pdf>.

Total government employee compensation has taken a significantly different course than total workers' pay in the province. As illustrated in Figure 4, total workers' pay in the province has decreased, while total payments to government employees has been on the rise.



Total Workers' Pay compares total compensation of employees in the province of Alberta in October 2014 (pre-recession high) with September 2018 (most recent available date); Statistics Canada, Table: 36-10-0205-01, Seasonally Adjusted. Government Workers' Pay compares total public-sector compensation in 2014 with 2018; Alberta 2018 budget estimate, 2014 Actual (Budget 2016).

Government employees tend to have the costliest type of pension plan – defined benefits plan – which is scarcely available to workers outside of government. The golden benefits are especially burdensome for taxpayers when employer contributions to provincial pensions plans explode as they have with the Local Authorities Pension Plan. Employer contributions to this plan have increased by 188 per cent over the last decade, growing from \$476 million in 2007 to \$1.4 billion in 2017.³³

It is hardly fair for taxpayers to keep paying more in taxes to bail out government employee pension plans through higher and higher contributions each year. This sentiment is shared by the CTF's Alberta supporters. When asked how important it is to replace defined-benefit pensions with matching RRSP-style funds for government employees, 89 per cent of supporters agreed this should be a priority.

One way to address the pension problem is to transition to a defined-contribution plan while grandfathering current employees in the existing plan. Saskatchewan's NDP government used this approach in the late 1970s – it simply started putting new employees in a less costly defined-contribution plan.

Not only are Alberta's bureaucrats highly paid compared to workers in the business community, they are also overpaid compared to government employees in other provinces.

"Alberta could have saved around \$2.1 billion in 2016, if public sector salary levels were the same as the average of the three biggest provinces (British Columbia, Ontario and Quebec)," stated MacKinnon and Mintz.³⁴

The table below illustrates the difference in government employee earnings in Alberta with those in other provinces across different occupations.

Table 4: Government employee compensation in 2016 – average weekly earnings

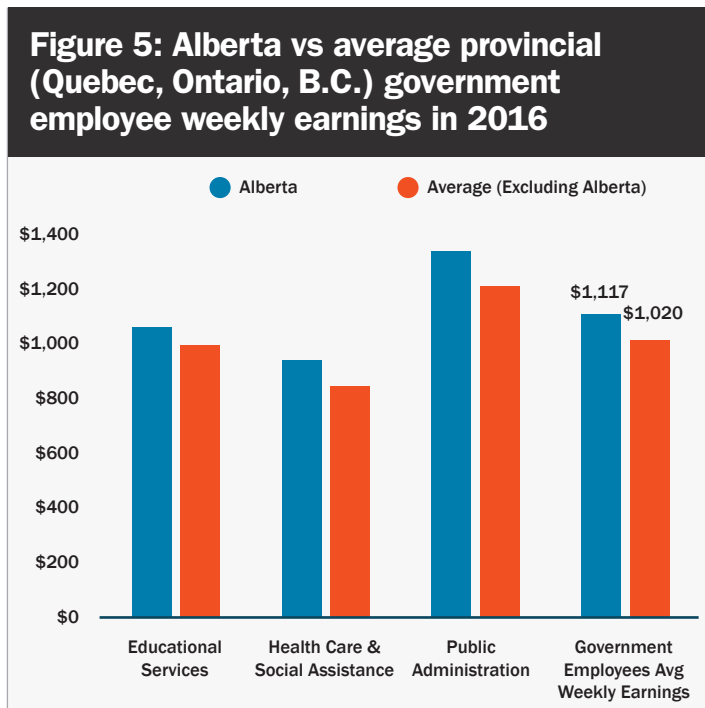
Occupation	QC	ON	BC	AB
Educational Services	\$940	\$1,066	\$981	\$1,063
Health Care & Social Assistance	\$812	\$891	\$850	\$944
Public Administration	\$1,119	\$1,285	\$1,239	\$1,345
Government Employees Avg Weekly Earnings	\$957	\$1,081	\$1,023	\$1,117

Janice MacKinnon and Jack Mintz, "Putting the Alberta Budget on a New Trajectory," The School of Public Policy, October 2017. Benefits are not included.

³³ Local Authorities Pension Plan, 2007 and 2017 Annual Reports, <https://www.lapp.ca/page/annual-reports>.

³⁴ 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>.

As illustrated in Figure 5, in all government-sector occupations examined – education, health and social assistance, public administration – Alberta’s government workers are paid more than the average of comparable provinces.

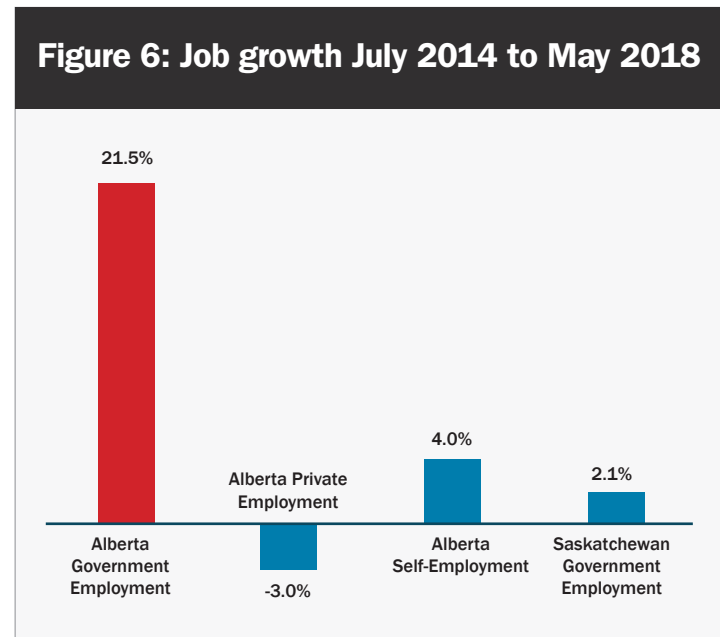


Janice MacKinnon and Jack Mintz, "Putting the Alberta Budget on a New Trajectory," *The School of Public Policy*, October 2017. Benefits are not included.

This divergence in government employee pay across provinces is illustrated clearly when comparing the earning of Alberta’s big-city teachers with those in B.C. Collective agreements for teachers in the Edmonton and Calgary public school boards show teachers – with 10 years of experience and five years of post-secondary education – earn \$97,319 and \$97,372 respectively.³⁵ Conversely, a teacher at the top of the pay scale in Vancouver earns roughly \$85,000 per year.³⁶ This gap is particularly astonishing when you consider Vancouver has a much higher cost of living and a provincial sales tax.

Along with higher compensation costs, Alberta taxpayers have been burdened with supporting a growing number of

government employees. According to a 2018 Fraser Institute report, total government jobs in the province exploded upwards between 2014 and 2018, while the number of jobs outside of government declined. Figure 6 illustrates the disparity between job growth in Alberta’s government and business sectors.



Charles Lammam and Hugh MacIntyre, "The Illusion of Alberta’s Jobs Recovery: Government vs. Private Sector Employment," August 2018.

Given the cost of government employee compensation and the difference between government employee contribution in Alberta with what has happened in the business community and in other provinces, it is clear that the Alberta government needs to make some changes.

A 10 per cent reduction in total compensation would result in \$2.7 billion savings for taxpayers. Similarly, large savings can be achieved by reducing the government workforce (excluding teachers, nurses and doctors) by 10 per cent. This would result in \$722 million worth of savings for taxpayers.

A confidential Public Service Commission report obtained by the CTF through freedom of information notes: "as of March 31, 2016, 35 per cent of Deputy Ministers and Assistant

³⁵ Alberta Teachers Association, "Edmonton Public School District No 7 (2012 - 2016)," December 2014, <https://www.teachers.ab.ca/SiteCollectionDocuments/ATA/For%20Members/Salary-Benefits-Pension/Collective%20Agreements/Edmonton%20School%20District%20No%207%202012-2016.pdf>.; Alberta Teachers Association, "Calgary School District No 19 (2012 - 2016)," 2014, [https://www.teachers.ab.ca/Public%20Education/CollectiveAgreements/Pages/Calgary-School-District-No-19-\(2012-2016\).aspx](https://www.teachers.ab.ca/Public%20Education/CollectiveAgreements/Pages/Calgary-School-District-No-19-(2012-2016).aspx).

³⁶ Vancouver Teachers’ Federation and Vancouver Board of Education. "Provincial and Local Matters Collective Agreement." n.d. <http://vsta.ca/wp-content/uploads/2016/02/2013-2019-Final.pdf>.

Deputy Ministers were over the age of 62 or met the 80/85 factor [threshold at which management employees could retire with a full pension].”³⁷

This is important information as it shows the civil service could be scaled back through attrition. As positions are vacated over the coming years, the government could terminate many of these positions without rehiring. The retirements happening in government also means more cost-effective compensation packages could be provided for new hires.

It will also take strong political leadership to make these necessary cuts. When Klein became premier, government employees agreed to a five per cent rollback of their wages and salaries. This was not an easy task with collective agreements having already been established. However, Klein threatened to deliver five per cent less in the budgets and would allow employees decide whether they preferred layoffs or wage rollbacks. A similar strategy will likely be needed now.

There's good reason for Alberta's elected officials to be tough with government employees. It's important to remember that many outside government have undergone significant struggles over the last few years and continue to face hard times. Thousands of people have been laid off, total workers' compensation still remains below pre-recession levels³⁸ and Calgary has the highest unemployment rate among Canada's major cities.³⁹ Cuts are not only needed, they are warranted.

Recommendation 7: Reduce total government employee compensation by 10 per cent. This would result in roughly \$2.7 billion in taxpayer savings.

Recommendation 8: Outlaw defined-benefits pension plans for government employees. Options for reform should include putting new employees in a defined-contribution plans.

Recommendation 9: Reduce government employees by 10 per cent not including teachers, doctors and nurses. This would result in \$722 million in total taxpayer savings.

³⁷. Government of Alberta, “Alberta Public Service Key Facts,” June 2016, <https://www.taxpayer.com/media/FOI-Retirements.pdf>.

³⁸. Statistics Canada, Table: 36-10-0205-01, Wages, Salaries and Employers' Social Contributions for September 2018, <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610020501#timeframe>.

³⁹. Statistics Canada, Table: 14-10-0294-02, Labour Force Survey for December 2018, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410029402&pickMembers%5b0%5d=2.5>.

Rethinking Health Care

Making up more than 40 per cent of annual operating spending,⁴⁰ any discussion of taxpayer savings must include the Alberta government's health-care delivery. Health-care reform is especially warranted given Alberta's aging demographics which will place additional strain on the government's health-care finances. With the understanding of the government's fiscal situation, 75 per cent of CTF Alberta supporters believe allowing more private options in health care should be a priority for the government.

When comparing the Alberta government's health-care offerings with other provinces, it is clear that the provincial system needs reform. According to MacKinnon and Mintz, "Alberta spends \$3.8 billion more than the average [per person spending] of Ontario, British Columbia and Quebec on health care."⁴¹

But with Alberta's relatively young population and absence of chronic diseases "health-care costs should be lower, not higher, than provinces like British Columbia."⁴²

According to a Conference Board of Canada study,⁴³ Alberta's health outcomes lag behind B.C., Ontario and Quebec, even though the province spends hundreds of dollars more per person. In 2016, Albertans also endured longer wait times for treatment than the national average. All of this adds up to an unacceptable conclusion.

"Provinces like Ontario and British Columbia spend less on health care, even though their populations are older and less

healthy, but they have better outcomes," wrote MacKinnon and Mintz.⁴⁴

Where can the Alberta government find taxpayer savings and improve the health-care system?

Hospitals are the biggest expense in health care and the most expensive place to treat patients. This does not bode well for Alberta taxpayers as the province spends more per person on hospitals than any other province.⁴⁵

Private clinics should be used to help reduce the burdens on Alberta's hospitals. In 2010, the government of Saskatchewan transferred 34 day-procedures from hospitals to private clinics as part of a strategy to reduce wait times and tax bills. Performing the 34 procedures in clinics was 26 per cent less expensive than performing them in hospitals.⁴⁶

"More use of private clinics, home care and long-term chronic care facilities would produce more appropriate and affordable care than hospitals," stated 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."⁴⁷

Increasing the number of private health facilities would result in savings by providing an option that is not taxpayer-funded and reducing waste. As MacKinnon notes, "If even a small part of what patients and taxpayers paid for health care was related to their use of the system, there would be some restraint on the demand for services."⁴⁸

⁴⁰ Government of Alberta, "Budget 2018: A Recovery Built to Last," <https://open.alberta.ca/dataset/8beb5614-43ff-4c01-8d3b-f1057c-24c50b/resource/68283b86-c086-4b36-a159-600bcac3bc57/download/2018-21-fiscal-plan.pdf>.

⁴¹ Janice MacKinnon and Jack Mintz, "Putting the Alberta Budget on a New Trajectory," The School of Public Policy October 2017, <https://www.policyschool.ca/wp-content/uploads/2017/10/AB-Budget-New-Trajectory-MacKinnon-Mintz-final.pdf>.

⁴² Janice MacKinnon and Jack Mintz, "Putting the Alberta Budget on a New Trajectory," The School of Public Policy October 2017, <https://www.policyschool.ca/wp-content/uploads/2017/10/AB-Budget-New-Trajectory-MacKinnon-Mintz-final.pdf>.

⁴³ Conference Board of Canada, "Health," February 2015, [https://www.conferenceboard.ca/\(X\(1\)S\(cxc514wuwtxzciok5qzr0qmu\)\)/hcp/provincial/health.aspx?AspxAutoDetectCookieSupport=1](https://www.conferenceboard.ca/(X(1)S(cxc514wuwtxzciok5qzr0qmu))/hcp/provincial/health.aspx?AspxAutoDetectCookieSupport=1).

⁴⁴ Janice MacKinnon and Jack Mintz, "Putting the Alberta Budget on a New Trajectory," The School of Public Policy October 2017, <https://www.policyschool.ca/wp-content/uploads/2017/10/AB-Budget-New-Trajectory-MacKinnon-Mintz-final.pdf>.

⁴⁵ Janice MacKinnon and Jack Mintz, "Putting the Alberta Budget on a New Trajectory," The School of Public Policy October 2017, <https://www.policyschool.ca/wp-content/uploads/2017/10/AB-Budget-New-Trajectory-MacKinnon-Mintz-final.pdf>.

⁴⁶ Janice MacKinnon and Jack Mintz, "Putting the Alberta Budget on a New Trajectory," The School of Public Policy October 2017, <https://www.policyschool.ca/wp-content/uploads/2017/10/AB-Budget-New-Trajectory-MacKinnon-Mintz-final.pdf>.

⁴⁷ 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-26m9xyPhz97EOZ6717eTth36P-cD-oLYVxIqOwxCSSgNCFJzJnmJO>.

⁴⁸ 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-26m9xyPhz97EOZ6717eTth36P-cD-oLYVxIqOwxCSSgNCFJzJnmJO>.

Furthermore, private clinics have the added advantage of labour cost savings. Private clinics are generally not unionized, which allows greater flexibility in staffing and reduces the administrative costs required to manage union contracts and grievances.⁴⁹

Physician's salaries in Alberta are 23 per cent higher than in comparable provinces.⁵⁰ A core issue, however, isn't just overall salary costs, but restrictions on what services health-care workers are allowed to provide. While this may sound like a public safety measure, the true rationale behind this restriction is to limit competition. Because health care is largely outside the market system, taxpayers are left paying for this protectionism.

"Another way to reduce health-care compensation costs is to allow other professionals like nurse practitioners to perform services previously reserved for physicians and to have less costly healthcare professionals, like licensed practical nurses (LPN), perform some duties currently assigned to registered nurses. While Alberta has more highly paid doctors and nurses than comparable provinces, it has fewer LPNs," explain MacKinnon and Mintz.⁵¹

On the notion of interest groups that are making taxpayer-friendly reforms difficult, MacKinnon notes:

"In Canada, relative to other areas of social policy, health care has many powerful interest groups – from doctors, nurses, and technicians to public sector unions – and academics who see themselves as the intellectual gatekeepers of the current health care system. When the use of competition or other market mechanisms are advocated ... public sector unions cry that private sector delivery amounts to privatization

of health care, while the intellectual gatekeepers argue that health care is a 'public good' as opposed to 'a market-driven commodity'."⁵²

Truly reforming health care and reducing the growing taxpayer bill will take more than simple platitudes of "finding efficiencies and cost savings." The only true solution is to allow more competition and freedom in patient choice. Governments must allow private clinics to compete with hospitals and more flexibility for workers.

While the majority of this section has focused on the potential taxpayer-savings from private health-care clinics, it is important to note the real "human benefits" that can be achieved through greater competition and choice. Private clinics in Saskatchewan have reduced wait times, are more convenient than hospitals and there is less risk that patients will come into contact with hospital-based infections or the flu.⁵³

The private sector should not be feared, but embraced. The Supreme Court of Canada ruling in *Chaoulli v. Quebec* made this perfectly clear when it declared:

"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."⁵⁴

Recommendation 10: Allow for greater private sector health-care delivery.

⁴⁹ 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-26m9xyPhz97EOZ67I7eTth36PcD-oLYYxIqOwxCSSgNCFJzIjmJQ>.

⁵⁰ Janice MacKinnon and Jack Mintz, "Putting the Alberta Budget on a New Trajectory," The School of Public Policy October 2017, <https://www.policyschool.ca/wp-content/uploads/2017/10/AB-Budget-New-Trajectory-MacKinnon-Mintz-final.pdf>.

⁵¹ Janice MacKinnon and Jack Mintz, "Putting the Alberta Budget on a New Trajectory," The School of Public Policy October 2017, <https://www.policyschool.ca/wp-content/uploads/2017/10/AB-Budget-New-Trajectory-MacKinnon-Mintz-final.pdf>.

⁵² 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-26m9xyPhz97EOZ67I7eTth36PcD-oLYYxIqOwxCSSgNCFJzIjmJQ>.

⁵³ 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-26m9xyPhz97EOZ67I7eTth36PcD-oLYYxIqOwxCSSgNCFJzIjmJQ>.

⁵⁴ Supreme Court of Canada, "Jacques Chaoulli and George Zeliotis v. Attorney General of Quebec and Attorney General of Canada," <https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/2237/index.do>.

Economic Development Without Corporate Welfare

When asked how important it is to stop corporate welfare such as subsidies for private businesses, 80 per cent of CTF Alberta supporters agreed this should be a priority for the government.

Historically, government-led economic development projects have been extremely costly. Alberta's North West Upgrader has become a prime example of a government project becoming a taxpayer boondoggle.

As former finance and energy minister Ted Morton explained, the processing agreements between the government and the refinery "effectively transferred the risk of upgrading to the government ... investors were assured of recovering all costs—both construction and operations— plus a fixed return. All these costs would be included in the cost-of-service tariffs paid by the GOA (75 per cent) and CNRL (25 per cent)."⁵⁵

With taxpayers on the hook, it's not surprising that costs have escalated from \$4 billion to nearly \$10 billion.⁵⁶

The North West Upgrader is not a one-off, but follows the general rule that taxpayers get burned when governments get into the business of business. The Alberta government has a history of costly and failed development projects, including: 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. In fact, between 1973 and 1993, Alberta government's "diversification" projects cost taxpayers over \$2 billion.⁵⁷

There have been attempts by previous Alberta governments to shield taxpayers from politicians doling out corporate welfare. Former premier Ralph Klein sought to get "government out of the business of business" by implementing the Business Finance Assistance Limitations Statutes Amendment Act, 1996. The Act was an attempt to stop governments from giving loans, loan guarantees and direct subsidies to businesses (the exception being small businesses).⁵⁸

Over time the Act has lost its teeth. This is illustrated perfectly by the government's recent announcement (January 22, 2019) to provide Value Creation Inc. with a \$440 million loan guarantee for an upgrading facility.⁵⁹ With the provincial debt-tab currently increasing by over \$1 million every single hour, now is the perfect time for the Alberta government to commit to eliminating the practice of corporate welfare.

Furthermore, with Alberta's economic engine still failing to fire on all cylinders, the Alberta government should put more emphasis on a bottom-up economic development strategy. Corporate welfare is often advocated for as a way to grow or diversify the economy. While it's important for the Alberta government to continue to focus on growing the economy, corporate welfare is the wrong tool. Instead, the government should focus on attracting investment and encouraging development through broader business competitiveness measures including scrapping the carbon tax, reducing business and income taxes and eliminating red tape.

Recommendation 11: Eliminate corporate welfare which includes providing businesses with direct subsidies, grants, loans and loan guarantees.

Recommendation 12: Grow the economy through broader competitiveness measures such as scrapping the carbon tax, reducing business and income taxes and eliminating red tape.

⁵⁵ Ted Morton, "The North West Sturgeon Upgrader: Good Money After Bad?" School of Public Policy April 2015, <https://www.policyschool.ca/wp-content/uploads/2016/03/north-west-sturgeon-upgrader-morton.pdf>.

⁵⁶ Brian Livingston, "Taxpayers on the hook for over-budget upgrader," Calgary Herald November 2018, <https://calgaryherald.com/opinion/columnists/opinion-taxpayers-on-the-hook-for-over-budget-upgrader>.

⁵⁷ Ted Morton and Meredith McDonald, "The Siren Song of Economic Diversification: Alberta's Legacy of Loss," School of Public Policy March 2015, <https://www.policyschool.ca/wp-content/uploads/2016/03/siren-song-economic-diversification-morton-mcdonald.pdf/>

⁵⁸ Ted Morton and Meredith McDonald, "The Siren Song of Economic Diversification: Alberta's Legacy of Loss," School of Public Policy March 2015, <https://www.policyschool.ca/wp-content/uploads/2016/03/siren-song-economic-diversification-morton-mcdonald.pdf/>

⁵⁹ Government of Alberta, "Made-in-Alberta Plan Moves \$2-Billion Investment Forward," January 2019, <https://www.alberta.ca/release.cfm?xID=62390A3DE94CA-AFF0-E94F-6F8DAF7D02EE63A6>.

Where to Cut?

There are many different areas, programs and services that the Alberta government is currently involved in that should be cut. While this list isn't exhaustive, it highlights some of the areas where the government should cut spending and illustrates the potential taxpayer savings associated with the government ending these services and programs.

Liquidate the Alberta Enterprise Corporation – \$164 million

To put it simply, the AEC uses money taken from Alberta taxpayers to give to venture capital funds so they can invest in companies. This is corporate welfare plain and simple; taxpayers shouldn't be forced to give up their money to fund venture capitalists.

According to Budget 2018, the Alberta government's AEC financial assets will total \$164 million in 2019. The government should dispose of these assets to realize one-time savings.

Recommendation 13: Liquidate the Alberta Enterprise Corporation's assets.

End Alberta's energy diversification handouts – \$2.6 billion

The Alberta government is attempting to use corporate welfare to diversify the province's energy sector through three programs:

- Partial Upgrading Program (\$1 billion) – The \$1 billion is broken into \$200 million in grants and \$800 million in loan guarantees.⁶⁰

- Petrochemicals Diversification Program (\$1.1 billion) – Round 1 of the program is already completed with \$500 million in royalty credits being allocated to two companies. If we assume this \$500 million as a sunk cost, the government can still “save” taxpayers \$600 million by ending this program.⁶¹
- Petrochemicals Feedstock Infrastructure Program (\$1 billion) – Gives up to \$1 billion to companies that build facilities to supply natural gas liquids feedstock required for petrochemical manufacturing. The types of subsidies within this program include grants and loan guarantees.⁶²

Recommendation 14: End Alberta's energy diversification handouts.

Eliminate the Alberta Media Fund – \$46 million

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 other words, the government takes taxpayers' money and hands it out to various businesses in the global billion-dollar movie and television industry. There's no doubt that many Albertans love and chose to regularly support these types of businesses, but as consumers not taxpayers.

The types of grants within the AMF include the Screen-based Production Grant, the Post-Production, Visual Effects and Digital Animation Grant, the Project Script Development Grant, the Cultural industry grants and the Alberta Production Grant.

In 2018, at least \$46 million was allocated to the AMF through lottery revenue.

Recommendation 15: Eliminate the Alberta Media Fund.

⁶⁰. Government of Alberta, “Partial Upgrading Program,” <https://www.alberta.ca/partial-upgrading-program.aspx>.

⁶¹. Government of Alberta, “Petrochemicals Diversification Program,” <https://www.alberta.ca/petrochemicals-diversification-program.aspx>.

⁶². Government of Alberta, “Petrochemicals Feedstock Infrastructure Program,” <https://www.alberta.ca/petrochemicals-feedstock-infrastructure-program.aspx>.

Eliminate government tourism development and marketing spending – \$56 million

Tourism and marketing spending is another form of corporate welfare. Dollars are taken from Albertans and are used to encourage travellers to frequent local businesses. Businesses should pay for their own advertising and this includes tourist attraction.

Furthermore, with the government subsidizing this type of marketing it's downplaying the role of civic organizations, such as a local Chambers of Commerce, in society. Without government interfering and using tax dollars for tourism marketing, this role would likely – and should – fall to local business and community organizations.

If tax dollars had to be spent on tourism, at the very least, it should be municipal governments that make those spending decisions. While in theory taxpayers could end up paying the same amount (or more) for tourism, this type of decision should be as decentralised as possible given the fact that municipalities will differ greatly in how much their citizens demand tourism marketing and the extent to which they benefit. As an example, it doesn't make sense for a citizen of Bonnyville to spend the same amount as a resident of Banff for tourism when one citizen is much more likely to demand and benefit from those tourism dollars. As such, the burden of tourism spending should fall to the municipal level.

According to Budget 2018, the Alberta government earmarked \$56 million for "tourism development and marketing."⁶³

Recommendation 16: Eliminate government tourism and marketing spending.

Eliminate Travel Alberta – \$55 million

Travel Alberta is essentially corporate welfare.

According to its 2017 Annual Report,⁶⁴ Travel Alberta has four lines of business including industry development, finance and corporate administration, consumer marketing and business development. These lines of business are a form of in-kind corporate welfare. As such, they should be funded by individual businesses, or community organizations such as local chambers of commerce.

Looking at the breakdown of Travel Alberta's operating expenses also illustrate its purpose as an in-kind corporate welfare marketing organization. According to its 2017 Annual Report, 56 per cent of funding goes to "International Marketing and Business Development" and 16 per cent goes to "Industry Development and Coop Marketing Investment."

According to the 2017 Annual Report, it's revenue from the Alberta government was \$48.1 million and its Sustainability Fund balance totaled \$6.4 million.

Recommendation 17: Eliminate Travel Alberta.

Eliminate spending on energy efficiency projects – \$265 million

The Alberta government is currently taking dollars from Albertans' left pocket to give to Albertans' right pocket with its energy efficiency projects. Of course, the impact of the program is worse than this as tax dollars are not distributed back to taxpayers in an even manner as dollars are lost to administration.

Budget 2018 projects \$265 million worth of spending on energy efficiency projects in 2019.

Recommendation 18: Eliminate spending on energy efficiency projects.

⁶³ Government of Alberta, "Budget 2018: A Recovery Built to Last," <https://open.alberta.ca/dataset/8beb5614-43ff-4c01-8d3b-f1057c-24c50b/resource/68283b86-c086-4b36-a159-600bcac3bc57/download/2018-21-fiscal-plan.pdf>.

⁶⁴ 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>.

End funding for GreenTRIP – \$180 million

GreenTRIP provides funding for municipalities to pay for “sustainable public transit projects.”⁶⁵ The dollars for this program were initially allocated from a previous budget surplus. Since the Alberta government is far from the heydays of large surpluses and soaring oil prices, it would stand to reason that dollars from a non-existent surplus should no longer be allocated.

Budget 2018 projects \$180 million worth of GreenTRIP spending in 2019.

Recommendation 19: End funding for GreenTRIP.

Postpone non-essential capital expenditures until the books are balanced – \$62 million

With the debt growing by over \$1 million every hour, the government needs to prioritize capital projects if it hopes to remove the red ink.

K-12 education or cancer treatment facilities can be considered core services and are the types of projects that should receive funding. However, non-core capital projects should be put on hold. Non-priority capital projects include (estimated funding in 2019 in parenthesis):

- Jubilee Auditoria Back-of-House Upgrades (\$4 million)
- Reynolds – Alberta Museum Wetaskiwin (\$18 million)
- Royal Alberta Museum Edmonton (\$9 million)
- Royal Tyrell Museum of Paleontology Expansion Drumheller (\$2 million)
- Telus World of Science Edmonton (\$4 million)

- Vivo for Healthier Generations Calgary (\$5 million)
- William Watson Lodge (\$1 million)
- Winspear Centre Edmonton (\$4 million)
- Parker Lower Athabasca Regional Implementation (\$5 million)
- Parks South Saskatchewan Regional Plan Implementation (\$10 million)

Recommendation 20: Postpone non-essential capital projects.

Eliminate corporate welfare services and programs within Economic Development and Trade

The Department of Economic Development and Trade is focused on growing Alberta's economy – a noble objective. However, rather than the top-down approach to development, a true economic development and trade department would focus on lowering taxes and reducing regulations. This type of department would not require hundreds of millions of taxpayer dollars. The Alberta government should immediately conduct a review of Economic Development and Trade with the objective to eliminate corporate welfare programs offered by the department.

Recommendation 21: Immediately review the services offered by Economic Development and Trade and eliminate corporate welfare programs offered by the department.

⁶⁵Government of Alberta, “GreenTRIP Fact Sheet Green Transit Incentives Program,” February 2016, <https://open.alberta.ca/dataset/d928053a-9589-4e8b-be21-a2012027adb9/resource/f86d9043-c1e5-4d53-a99b-457c5b7771e7/download/greentrip3rdcallfactsheet.pdf>.

No funding for a professional arena in Calgary

The Alberta government should not use tax dollars to fund any business. This principle applies to professional sports teams. If a business wants to expand its production or build a new facility it shouldn't be relying on taxpayers. If owners or investors believe they can profit from expansion, let them pay for it.

Proponents will suggest there are major benefits from funding a professional sports team. Evidence from independent academic research, however, suggests the contrary. According to economics professors Brad Humphreys and Dennis Coates:

“Both academic economists and consultants reach a conclusion about the economic impact of professional sports franchises and facilities, but these two groups reach opposite conclusions. The clear consensus among academic economists is that professional sports franchises and facilities generate no ‘tangible’ economic impacts in terms of income or job creation and are not, therefore, powerful instruments for fostering local economic development. The clear consensus among consultants who produce ‘economic impact studies’ is that professional sports franchises and facilities generate sizable job creation, incremental income increases, and additional tax revenues for state and local governments.”⁶⁶

According to Flames Nation, 14 current NHL teams built their arena privately including Vancouver, Winnipeg, Toronto, Ottawa and Montreal.⁶⁷ Similar to these jurisdictions, the Alberta government should not provide tax dollars for the funding of a new professional arena in Calgary.

Recommendation 22: Do not provide funds for a professional hockey arena in Calgary.

⁶⁶ Dennis Coates and Brad R. Humphreys, “Do Economists Reach a Conclusion on Subsidies for Sports Franchises, Stadiums, and Mega-Events?” Econ Journal Watch September 2008, <https://ideas.repec.org/p/spe/wpaper/0818.html>.

⁶⁷ Ryan Pike, “Here’s how every NHL arena was funded,” Flames Nation September 2017, <https://flamesnation.ca/2017/09/13/heres-how-every-nhl-arena-was-funded/>. Flames Nation recognizes that even private arenas have been tax-breaks, infrastructure tie-ins or land. Flames Nation considers an arena to be built privately if government bodies don’t “fork over a significant portion of the capital outlay for the building.”