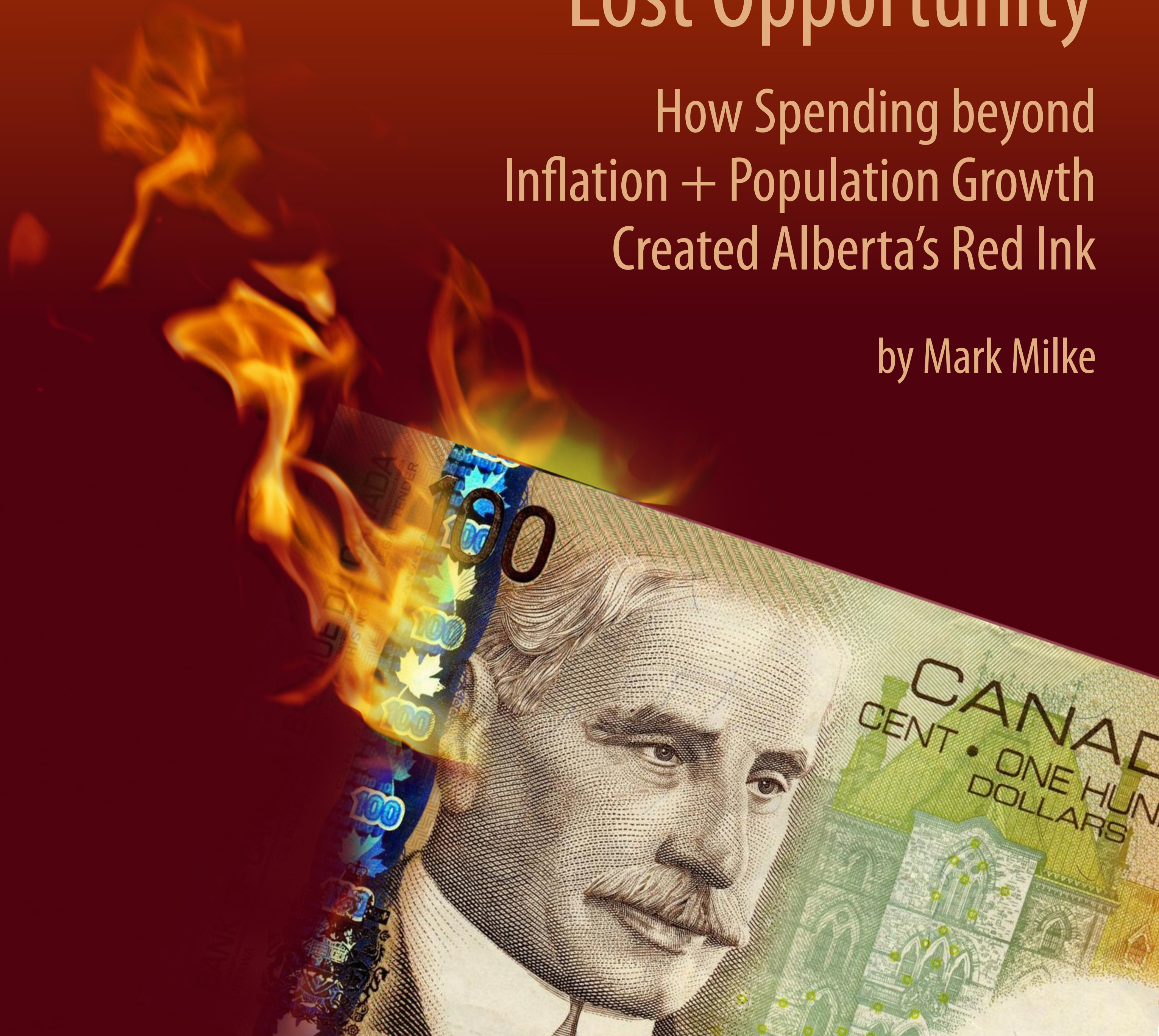
Alberta
Prosperity
Initiative

FRASER INSTITUTE

Alberta’s $22-billion Lost Opportunity

How Spending beyond Inflation + Population Growth Created Alberta’s Red Ink

by Mark Milke



Contents

The focus of this paper

This study focuses on the rate of provincial government program spending since Alberta's recent "boom years" in 2005/06 and 2006/07 and to 2012/13. Specifically, it looks at how increases in program spending that outpaced inflation and population growth have crowded out other fiscal possibilities, including balanced budgets, tax relief, deposits into the Alberta Heritage Savings Trust Fund, and spending on infrastructure.

Executive summary

Great economy in Alberta, lots of red ink. Why?

Alberta has one of the best-performing economies in the country. The provincial government itself has bragged about that state of affairs. The Finance Ministry recently touted how real GDP growth is the highest among all provinces; how employment creation has been "leading all provinces"; how the province has the "lowest unemployment rate in the country"; how housing starts show the "highest increase in the country"; and how retail sales show "the fastest growth among all provinces." However, despite such robust economic indicators, the province of Alberta has been running red-ink budgets ever since the 2008/09 recession, this as if the recession had not ended in in mid-2009—almost four years ago.

Some blame lower oil and gas prices for the province's now-chronic deficits but that is only a partial and an inadequate explanation. The province's approach to its budget has been akin to someone who, instead of spending below their average annual income, instead spends up to their highest-income year, every year. The province of Alberta has thus acted akin to a lucky employee who receives a substantial, Christmas-time bonus in one or two years but assumes such bonuses and high-income years will last forever.

In the case of Alberta, extra-high spending on programs during the boom years—which included above-inflation increases for the public sector—meant a fiscal "crunch" was almost inevitable. Shockingly, had the province increased program spending to "just" inflation + population growth, Alberta would have never run deficits—not even during the 2008/09 recession.

How Alberta got in this mess

Over the past decade, Alberta's government made political choices that exacerbated the budgetary effect of such revenue declines. They did so despite the well-known volatility of resource revenues—revenue drops of the sort not unknown nor unexpected in the history of Alberta. Such policy choices made Alberta's fiscal situation worse. To properly understand the policies needed in the future, Alberta's government, public, and media must clearly understand how poor policy choices *in the past* negatively affected Alberta's finances and constricted present-day choices.

This study focuses on the rate of provincial government program spending since 2005/06 and 2006/07—Alberta's most recent budget "boom" years—when, respectively, resource revenues and own-source revenues flowing into the provincial treasury hit their peak and examines the consequences of this fiscal policy up to the just-ending fiscal year, 2012/13. Specifically, it looks at how increases in program spending that outpaced inflation and population growth have crowded out other fiscal possibilities, including balanced budgets, tax relief, deposits into the Alberta Heritage Savings Trust Fund, and spending on infrastructure.

Program spending is difficult to rein in

Program spending is difficult to rein in, given that a substantial portion of it is tied closely to wages, salaries, benefits, and pensions—often negotiated on a multi-year basis—in the broad public sector.

Provincial program spending since 2005: inflation + population growth + $22.1 billion

Since 2005/06, had the province of Alberta increased program spending—but only in line with population growth and inflation—the province would have spent $22.1 billion less. Additionally, had that occurred, Alberta would have run a surplus budget in every year since 2005/06, including during the 2008/09 recession. In 2012/13 alone, program spending is $3.6 billion higher than it would be had the province increased spending in line with inflation + population growth since 2005/06.

Per-capita spending—up in real terms by 54% from mid-1990s lows

On a per-capita basis, inflation-adjusted program spending rose to an estimated $10,526 by this fiscal year (2012/13) from $9,594 in 2005/06, or 9.7%. In real terms, per-capita program spending is 54.2% higher when compared with 1996/97 low.

How much does the broad public sector cost taxpayers? Good question. We don't know.

In Alberta, the province has not estimated the cost of compensation (wages, salaries, benefits, and pensions) in the broader public sector as a percentage of program spending. However, we can gain some insight into the probable weight that public-sector compensation imposes on overall spending by looking at Ontario. The Commission on the Reform of Ontario's Public Services recently noted that "labour costs account for about half of all Ontario government program spending" across the broader public sector. Therefore, assuming some comparability between provinces with respect to the portion of spending consumed by compensation, roughly half of Alberta's program spending could be made up of pay and benefits for public-sector workers.

Regardless of the exact proportion in Alberta, an obvious and direct link exists between increases in compensation costs across the broader public sector and the provincial bottom line, including and especially, annual program spending. Thus, one sensible option for Alberta's government would be to plan for contracted cost increases in wages and benefits for the public sector that are reasonable, and do not lead to program spending that outpaces inflation and population growth. This is critical if the province wishes to achieve balanced budgets without the need to increase tax rates, and/or to provide fiscal room for other choices.

Recommendations—bring public-sector compensation in line with the private sector

Over the past seven years, Alberta's spending could have been curtailed with more modest wage, salary, benefits, and pension agreements with the broad public sector. The province could also have foregone expenditures on unnecessary, albeit politically symbolic, gestures such as carbon capture and storage. Given the reality of a public-sector wage premium demonstrated over decades and how total compensation for civil servants forms a large proportion of what government spends, any attempt to rectify Alberta's red-ink budgets and to provide other policy options in the future must include rectifying the public-sector compensation premium. Thus, the following policy options are in order:

- annual estimates of public-sector compensation costs in the broad public sector relative to provincial government expenditures;
- a review of overall public-sector compensation with an eye to bringing such compensation in line with the private sector;
- freezing overall spending growth for a time to make up for past increases that far outran population and inflation growth in Alberta, and committing to "inflation + population growth-only" increases when expenditures are again allowed to rise.

A primer on why controlling program spending matters

Program spending is . . . difficult to rein in, given that a substantial portion of it is tied closely to wages, salaries, benefits, and pensions . . .

Program spending is difficult to rein in, given that a substantial portion of it is tied closely to wages, salaries, benefits, and pensions—often negotiated on a multi-year basis—in the broad public sector.

In Alberta, the province has not estimated the cost of compensation (wages, salaries, benefits, and pensions) in the entire (broader) public sector as a percentage of program spending. However, we can gain some insight into the probable weight that public-sector compensation imposes on overall spending by looking at Ontario. The Commission on the Reform of Ontario's Public Services recently noted that "labour costs account for about half of all Ontario government program spending" across the broader public sector (Ontario, 2012: 52). Therefore, assuming some comparability between provinces with respect to the portion of spending consumed by compensation, roughly half of Alberta's program spending could be made up of pay and benefits for public sector workers.

Regardless of the exact proportion in Alberta, an obvious and direct link exists between increases in compensation costs across the broader public sector and the provincial bottom line, including and especially, annual program spending. Thus, one sensible option for Alberta's government would be to plan for contracted cost increases in wages and benefits for the public sector that are reasonable, and do not lead to program spending that outpaces inflation and population growth. This is critical if the province wishes to achieve balanced budgets without the need to increase tax rates, and/or to provide fiscal room for other choices.

We're not in boom-time any more, Toto

Before a look at the missed opportunities due to having allowed program spending to rise beyond increases in inflation and population, consider where revenues have been in the last seven years. (2005/06 is used as a base year because energy-related revenues peaked in that fiscal year.)

Resource revenues If resource revenues are used as a guide, and with reference to the province's fiscal years (which run from April 1 to March 31), the fiscal year 2005/06 was one measure of a peak year (figure 1). That year, adjusted for inflation, Alberta's government reaped $17.1 billion in resource revenues ($14.3 billion in nominal terms), a total not surpassed in the years since (Alberta, 2012a: 130; Alberta, 2012c: 20).

Own-source revenues If total own-source revenues (that is, excluding federal transfers) are used as the measuring stick, 2006/07 was the peak year of the last boom (figure 2), with $40.1 billion in such revenues flowing into provincial coffers ($35 billion in nominal terms) (Alberta, 2012a: 130; Alberta, 2012c: 20).

Why Alberta's cupboard is bare

Alberta's government made political choices that exacerbated the budgetary effect of revenue declines . . . Such policy choices made Alberta's fiscal situation worse.

Despite faltering resource revenues, Alberta's government made political choices that exacerbated the budgetary effect of such revenue declines. They did so despite the well-known volatility of resource revenues—revenue drops of the sort not unknown nor unexpected in the history of Alberta. Such policy choices made Alberta's fiscal situation worse. To properly understand the policies needed in the future, Alberta's government, public and media must clearly understand how poor policy choices *in the past* negatively affected Alberta's finances and constrict present-day choices.

Problematically, it is clear from public statements that, beyond rhetorical affirmation of the need to keep spending within reasonable bounds, actions to such an end have been rare. Most often, when the possibility of red ink has arisen, the possibility (or reality) of the same has been blamed solely on the revenue side of the budget—that revenues are not high enough. Consider the following statements from the last eight Alberta budgets.

Budget 2005 In Budget 2005, Finance Minister Shirley McClellan trumpeted increases in program spending and the "substantial" increase in infrastructure spending. She also cautioned that "our spending must continue to be based on what is affordable over the longer term. So as we look ahead, the increases planned for future years will continue to be tied to the growth in our economy and we'll avoid the temptation to let temporary spikes in oil and gas prices drive our spending decisions" (Alberta, 2005: 3).

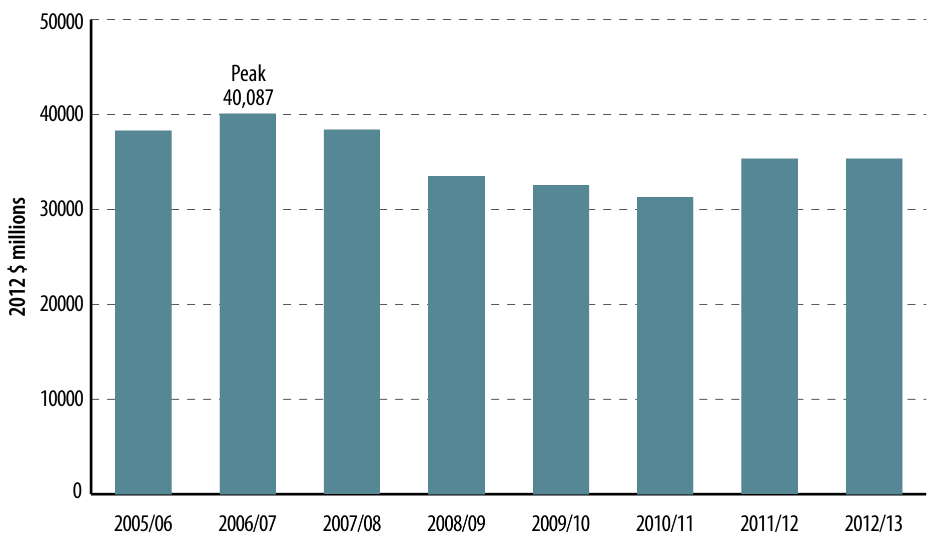
Budget 2006 In Budget 2006, Minister McClellan attributed a forecast $4-billion surplus to "continuing high prices for oil and gas". McClelland thus ignored the expenditure side of the ledger. However, she did betray some understanding that spending mattered for the budgetary balance when she announced an 8.3% increase in base operating spending that year but remarked that "I'll be honest and say I wish spending was lower" (Alberta, 2006a: 2).

Budget 2007 In Budget 2007, Finance Minister Lyle Oberg announced a 10% increase in spending and seemed to recognize that even higher energy prices would not sustain a balanced budget if spending increases continued at such a rapid pace:

Figure 1: Alberta—Non-renewable Resource Revenue (2012$ millions), 2005/06–2012/13

Notes: [1] Amounts adjusted for inflation to 2012 dollars; inflation calculated using Alberta-specific inflation statistics from Statistics Canada 2012a, 2012b. [2] Estimate for 2012/13 from 2012/13 provincial budget.
Sources: Alberta, 2012a: 130; 2012c: 20; calculations by author.

Figure 2: Alberta—Total Own-Source Revenue (2012$ millions), 2005/06–2012/13



Notes: [1] Amounts adjusted for inflation to 2012 dollars; inflation calculated using Alberta-specific inflation statistics from Statistics Canada 2012a, 2012b. [2] Estimate for 2012/13 from 2012/13 provincial budget. [3] Peak year: in nominal terms, fiscal year 2007/08 saw slightly higher revenues accrue to the provincial treasury but, once inflation adjustments are factored in, the peak year for own-source revenues was 2006/07.
Sources: Alberta, 2012a: 130; 2012c: 20; calculations by author.

> We just can't keep raising our spending at these levels—even if strong energy prices and economic growth continue … We can't get where we're going if we forget where we've been. Albertans haven't forgotten the downturn of the 1980s, or the government deficits that followed. We must reduce our spending increases, to match Alberta's economic growth. My colleagues and I are committed to holding that line. This requires more disciplined fiscal management. (Alberta, 2007a: 12).

Budget 2008 In Budget 2008, Finance Minister Iris Evans announced a 9.7% increase in spending (including capital spending) that she said reflected inflation and population growth, as well as "*new and expanded services*" (emphasis added). Unlike the finance ministers of the previous three budgets, Evans did not offer even a rhetorical nod to the need to rein in spending if the economy deteriorated further or energy prices fell even lower (Alberta, 2008a: 2, 5).

Budget 2009 In Budget 2009, Minister Evans again focused on the revenue side of the ledger as the reason for a deficit, and took no notice of past dramatic spending increases: "Our income is lower," said Evans in the second sentence of her budget speech that year—the year in which Alberta would report its first deficit in 14 years (Alberta, 2009a: 2). Evans did promise "fiscal austerity" of $215 million in spending reductions that year and a further $2 billion in the next budget year, 2010, if necessary (Alberta, 2009a: 4).

. . . overall program spending would jump in . . . 2010/11 by almost $1.5 billion

Budget 2010 In Budget 2010, Finance Minister Ted Morton made reference to "past fiscal prudence" that permitted the province to avoid paring back spending in *his* budget. With reference to the previous budget commitment to cut $2 billion, Morton claimed that $1.3 billion in savings had already been achieved (Alberta, 2010a: 5, 9). However, as later budget documents now reveal, total program expenses were reduced by just $128 million in the fiscal year that was just ending under Morton's watch (2009/10) when compared with the previous fiscal year (2008/09). Also, it would turn out that overall program spending would *jump* in "Morton's" budget year (2010/11) by almost $1.5 billion (Alberta, 2012d: 20). With the exception of the $128-million reduction in (nominal) spending in 2009/10, the provincial government never did rein in spending to account for lower energy revenues. Morton, as had previous ministers, blamed the deficit on the revenue shortfall: "The high Canadian dollar and fluctuating financial markets and energy prices create volatility in government revenues" (Alberta, 2010a: 3).

Budget 2011 In Budget 2011, Finance Minister Lloyd Snelgrove said his budget included "restraint" as a guiding principle and was a "practical, responsible budget that respects the economic lessons of the past." (Alberta 2011a, 1, 4).

Budget 2012 In Budget 2012, Finance Minister Ron Liepert mentioned resource prices or resource revenues 14 times in his budget speech as reason for concern and with reference to the province's budgetary balance. In his 14-page speech, there was no mention of how past program spending had zoomed past inflation and above population growth and thus was a significant, contributing factor to the province's red ink predicament (Alberta, 2012d: 4–6, 10–13).

Alberta's record on program spending

Some analysis is in order. During the period from 2005 to 2012, the Alberta government's record was mixed on holding spending to inflation + population growth: inflation-adjusted per-capita spending jumped to $10,754 per person in 2008/09 from $9,594 in 2005/06. *After* 2008/09, the range has been between a low of $10,492 and a high $10,666 per capita, still higher than most past years over the past three decades (figure 3) but at least evidence that the province has begun to hold per-capita program spending to inflation and population growth in the last few years.

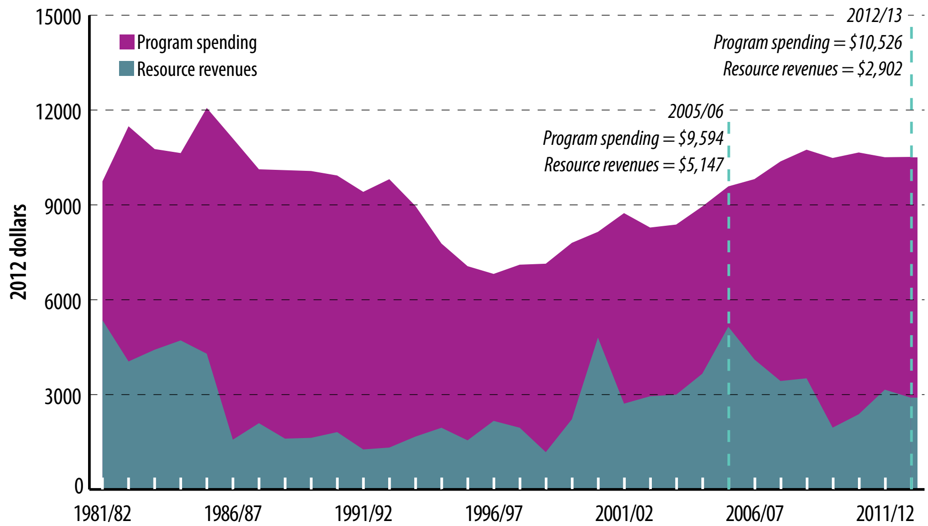
However, with a forecast[1] to the end of the 2012/13 fiscal year, consider this scenario: had the government kept increases in program spending within the bounds of population growth and inflation since 2005/06, the province would be spending $37 billion annually on programs in 2012/13 and not, as forecast, $40.6 billion. That is a $3.6-billion difference in 2012/13 alone. To be clear, even under "just" an inflation + population growth scenario in program spending since 2005/06, overall program spending would still have risen in real terms from $31.9 billion in 2005/06 to $37 billion in 2012/13 (Alberta, 2012a: 130; 2012c: 20; all figures adjusted for inflation to 2012 dollars).

Spending from 2005/06 to 2012/13: inflation + population growth + $22.1 billion.

In total, between 2005/06 and 2012/13 (est.), the cumulative difference between extra spending required to match inflation + population growth and what the province did spend was $22.1 billion (table 1) (Alberta, 2012a: 130; 2012c: 20). In other words, if you tally the difference between what the province actually spent on programs between 2005/06 and 2012/13 and what it would have spent had it kept increases constrained to the rate of population growth + inflation, there is a difference of $22.1 billion. That $22.1 billion is fiscal room that could have been used to help balance the budget; for deposits into the Heritage Fund; for tax relief; for capital expenditures; or for some combination of all of these.

1. The forecast is based upon the numbers provided in the 2012 provincial budget, with subsequent calculations derived from the sources noted.

Figure 3: Alberta—Program Spending and Resource Revenues per Capita, 1981/82–2012/13



Notes: [1] Amounts adjusted for inflation to 2012 dollars; inflation calculated using Alberta-specific inflation statistics from Statistics Canada 2012a, 2012b. [2] Estimate for 2012/13 from 2012/13 provincial budget.
Sources: Canada, Dep't of Finance, 2000, 2012; Alberta, 1997: 50; Alberta, 2012c: 130; 2012d: 20; calculations by author.

Table 1: Alberta—Program Spending, 2005/06–2012/13

Fiscal year	Actual program spending, (nominal $ millions)	Actual program spending, inflation-adjusted (2012 $ millions)	Program spending if kept to inflation and population growth since 2005/06 (2012 $ millions)	Annual difference between actual spending and inflation-adjusted and population-controlled spending (2012 $ millions)
2005/06	26,743	31,875	31,875	—
2006/07	29,292	33,607	32,825	782
2007/08	33,374	36,471	33,702	2,769
2008/09	36,455	38,626	34,461	4,165
2009/10	36,327	38,522	35,228	3,295
2010/11	37,797	39,689	35,700	3,989
2011/12	38,773	39,742	36,261	3,482
2012/13	40,618	40,618	37,025	3,593
Total for all years				22,075

Notes: [1] Adjusted for inflation, in 2012 dollars. [2] Estimate for 2012/13 from 2012/13 provincial budget. [3] Inflation calculated using Alberta-specific inflation statistics from Statistics Canada 2012a, 2012b.
Sources: Alberta, 2012a: 130; 2012c: 20; calculations by author.

Per-capita program spending since the mid-1990s

In real terms, per-capita program spending is 54.2% higher . . .

On a per-capita basis, inflation-adjusted program spending rose to an estimated $10,526 by this fiscal year (2012/13) from $9,594 in 2005/06, or 9.7% (figure 3). In real terms, per-capita program spending is 54.2% higher when compared with the low point in 1996/97, with much of the increase occurring between 1998/99 and 2001/02 (a jump of $1,600 in real per-capita program spending) and between 2003/04 and 2008/09 (a jump of $2,368).

As a glance at figure 3 will reveal, the province was slow to respond to the decline in resource and other own-source revenues. While from 2008/09 onward, the province has mostly kept program spending growth in line with population growth and inflation, it still has not significantly corrected for earlier, dramatic increases in spending that outpaced inflation and population growth. As figure 3 indicates, even the provincial government under Don Getty in the mid-to-late 1980s responded more swiftly to a decline in resource revenues.

The province's approach to its budget is akin to that of someone who spends up to or near their highest income year, not, as prudence might dictate, some target below such outliers. In the case of the provincial government then, a fiscal "crunch" was almost inevitable given the volatility of resource prices and the possibility of a recession, both of which are not unknown in history (Canada, Department of Finance, 2000, 2010; Alberta, 2012a: 130; Alberta, 2012c: 20; Statistics Canada, 2012a, 2012b).

Where the increases have occurred

Health care spending and social services spending have been the two most significant drivers in boosting overall program spending . . .

More recently, as table 2a illustrates, since 2005/06, spending on health care and social services have been the two most significant drivers in boosting overall program spending beyond what inflation and population growth would have required. On an inflation-adjusted per capita basis, the results are as follows for the period from 2005/06 to 2012/13:[2]

- Spending on social services has risen to $1,225 from $971 per capita, or 26.1%, after accounting for inflation and population growth between 2005/06 and 2012/13.
- Spending on health care has risen to $4,365 from $3,483 per capita, or 25.3% higher.

2. Note that 2012/13 figures are based on provincial government estimates in the 2012 budget.

Table 2a: Alberta—Spending per Capita (2012 $), by function, 2005/06–2012/13

Fiscal year	Health	Basic/Advanced Education	Social Services	"Other" Program Expense
2005/06	3,483	2,475	971	2,665
2006/07	3,649	2,621	965	2,588
2007/08	3,822	2,764	970	2,826
2008/09	3,866	2,776	1,008	3,103
2009/10	3,807	2,755	1,100	2,831
2010/11	4,243	2,618	1,133	2,673
2011/12	4,221	2,514	1,129	2,651
2012/13	4,365	2,445	1,225	2,490
Percentage increase (decrease) since 2005/06, in addition to inflation and population growth	25.3%	(1.2%)	26.1%	(6.5%)

Notes: [1] Adjusted for inflation, in 2012 dollars. [2] Estimate for 2012/13 from 2012/13 provincial budget. [3] Inflation calculated using Alberta-specific inflation statistics from Statistics Canada 2012a, 2012b.

Sources: Alberta, 2012a: 130; 2012c: 20; calculations by author.

- "Other" program expenses have decreased to $2,490 from $2,665 per capita, or a decrease of 6.5%.

- When Advanced Education and Basic Education spending are *combined* (as per provincial fiscal summaries presented in its annual budgets), total spending on education decreased over the period to $2,445 from $2,475 per capita, or a decrease of 1.2%. However, that overall decrease is due solely to a decrease in "other" education spending resulting from an anomaly in 2005/06. When Basic and Advanced Education are separated out from total education spending, both recorded increases above the rate of inflation and population growth combined (table 2b). Thus, over the period, spending on Basic Education increased to $1,696 per capita from $1,650 per capita, or an increase of 2.7%, while spending on Advanced Education increased to $687 per capita from $618 per capita, or 11.2% beyond inflation and population growth for the period from 2005/06 to 2012/13.

Sources: Canada, Department of Finance, 2000, 2012; Alberta, 1997: 50; 2012c: 130; 2012d: 20; 2012g: 127; Statistics Canada, 2012a, 2012b.

Table 2b: Alberta—Spending per Capita (2012 $) for Basic, Advanced, and "Other" Education, 2005/06–2012/13

Fiscal year	Basic Education	Advanced Education	"Other" Education
2005/06	1,650	618	208
2006/07	1,767	776	80
2007/08	1,748	934	82
2008/09	1,740	946	90
2009/10	1,765	900	90
2010/11	1,689	853	76
2011/12	1,724	727	64
2012/13	1,696	687	62
Percentage increase (decrease) since 2005/06, in addition to inflation and population growth	2.7%	11.2%	(70.0%)

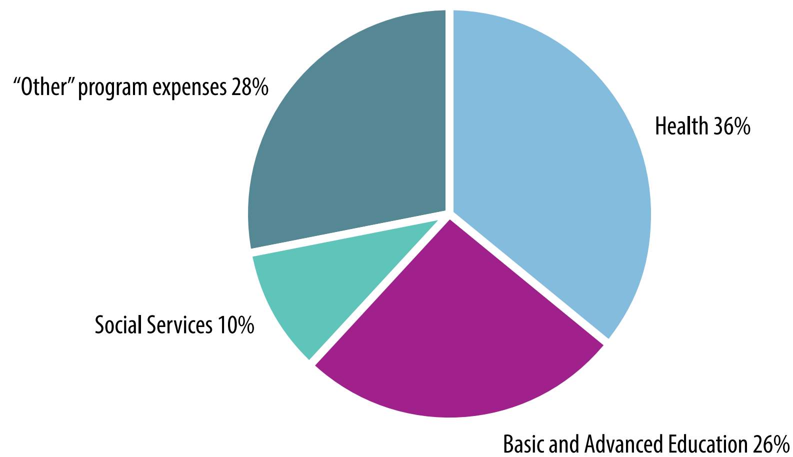
Notes: [1] Adjusted for inflation, in 2012 dollars. [2] Estimate for 2012/13 from 2012/13 provincial budget. [3] Inflation calculated using Alberta-specific inflation statistics from Statistics Canada 2012a, 2012b.

Sources: Alberta, 2006b: 20; 2007c: 20; 2008b: 19; 2009c: 19; 2010b: 13; 2011c: 13; 2012b: 130; 2012f: 13; calculations by author.

Health care and social services absorb increasing shares of program spending

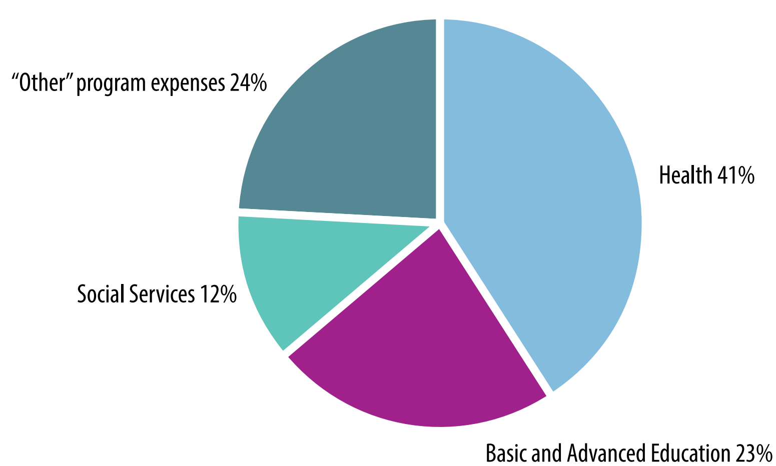
Given the trends in health care and social services since 2005/06, it is no surprise that in 2012/13 their share of total program spending was larger (figures 4, 5). Health care now accounts for 41% of provincial program expenditures compared to 36% in 2005/06; the share absorbed by spending on social services is up to 12% from 10% (Alberta, 2012a: 130, 2012c: 20).

Figure 4: Alberta—Program Expenditures in 2005/06, by Function, as a Percentage of Total Program Spending



Sources: Alberta, 2012a: 130; 2012c: 20.

Figure 5: Alberta—Program Expenditures in 2012/13, by Function, as a Percentage of Total Program Spending



Sources: Alberta, 2012a: 130; 2012c: 20.

What spending control would have meant

Long before the decline in resource and own-source revenues, or before the 2008/09 recession, the province was repeatedly warned about its tendency to budget on boom-time revenues without regard for the exceptional nature of such years. The list of cautionary warnings includes those of Paul Boothe (1995), Ronald Kneebone (2002, 2006); the province's own Alberta Financial Investment and Planning Advisory Commission (Alberta, 2007b); and J.C. Herbert Emery and Ronald Kneebone (2009).

The result of ignoring such advice is that Alberta is now in its fifth deficit year (Alberta, 2012c: 20) (table 3). If the province had kept spending in line with inflation and population growth, and even with the chronicled revenue decline, Alberta would have run a surplus budget in every single year since 2005/06. Even in the midst of the 2008/09 recession, Alberta would have produced an almost $3.3-billion surplus instead of the (inflation-adjusted) $903-million deficit it did record. Thus, by the present budget year, the province would have had 19 consecutive straight surplus budgets and no red ink budgets (Alberta, 2012a: 130, 2012c: 20; Statistics Canada, 2012a, 2012b).

. . . not five recent deficits but 19 straight surplus years.

Table 3: Alberta—Surpluses (Deficits), 2005/06–2012/13

Fiscal year	Surplus (Deficit) (nominal $ millions)	Surplus (Deficit) inflation-adjusted (2012 $ millions)	Additional program spending beyond growth in population and inflation since 2005/06 (2012 $ millions)	Surplus (Deficit) if population growth + inflation applied since 2005/06 (2012 $ millions)
2005/06	8,551	10,192	—	10,192
2006/07	8,510	9,764	782	10,545
2007/08	4,581	5,006	2,769	7,775
2008/09	(852)	(903)	4,165	3,262
2009/10	(1,032)	(1,094)	3,295	2,200
2010/11	(3,410)	(3,581)	3,989	408
2011/12	(23)	(24)	3,482	3,458
2012/13	(886)	(886)	3,593	2,707

Notes: [1] Adjusted for inflation, in 2012 dollars. [2] Estimate for 2012/13 from 2012/13 provincial budget. [3] Surpluses and deficits calculated using Alberta-specific inflation statistics from Statistics Canada 2012a, 2012b.

Sources: Alberta, 2012a: 130; 2012c: 20; calculations by author.

A healthy economy—and a lot of red ink

As additional proof that past budgeting to the highest-income year—and beyond inflation and increases in population—was the primary cause for the ongoing deficits, consider that Alberta's forecast deficit for 2012/13 took place in the context of a very healthy provincial economy. The province itself, in its August 2012 update, boasted about how the following economic indicators signal a vibrant Alberta economy:

- real GDP growth at 3.8%—the highest among all provinces; manufacturing shipments up 10.6% in the first half of the year and behind only Newfoundland & Labrador and Saskatchewan;
- farm cash receipts up by a "record" 28.3% in the first quarter over this the previous year;
- employment up 3.2% in the first seven months of 2012 compared to the same period last year, "leading all provinces";
- the "lowest unemployment rate in the country at 4.6%";
- housing starts up by 46%, "the highest increase in the country";
- retail sales up by 8.8% in the first half of 2012 over last year, "the fastest growth among all provinces" (Alberta, 2012e).

Thus, despite relatively strong economic conditions, the province has still not balanced the provincial books and will not do so in 2012/13. Instead, as detailed previously (Milke and Angevine, 2012) and as admitted by the province in August 2012, the forecast $886 million deficit will instead be higher (Alberta, 2012e). Thus, even a rapid, post-recession recovery in Alberta, and the best economic performance in the country, has not counteracted the effects of past spending choices upon the budget.

Examples of past choices

In the past, from "small" budgetary choices to much more fiscally dramatic ones, the provincial government has spent money on a number of items that contributed to the deterioration of its fiscal balance. It is critical to understand past choices that could have been avoided if similar, sub-optimal choices are to be avoided in Alberta's fiscal future. Here is a sampling.

Alberta Enterprise Corporation

On choices that were "small" in terms of dollars but revealing, in its 2008 budget there was a $100 million addition to the Alberta Enterprise Corporation, that is, increased funding for corporate welfare (Alberta, 2008a: 6).

Contract with teachers

On choices that were significant for the budget, consider how, in 2007, the province signed a five-year contract with Alberta's teachers. The deal meant that teachers' salaries, as described by the province itself, would grow at "nearly double the rate of inflation over this period" (Alberta, 2011b: 31).

teachers' salaries . . . would grow at "nearly double the rate of inflation over this period."

Collective agreement with nurses

As another example of how collective agreements can outpace inflation, consider nurses in Alberta. In 2005, a "Year 1" registered nurse was paid $27.12 per hour and $34.31 by 2012. However, had the 2005 hourly rate been raised only to account for inflation, by 2012 the hourly rate would have been $32.32. Similarly, a "Year 9" nurse in 2005 earned $35.60 and $45.03 in 2012; an inflation-only raise would have led to a $42.43 "year 9" hourly rate by 2012. In both cases, the raises outpaced inflation by 6.1% (United Nurses of Alberta, undated: 37–41; Alberta-specific inflation statistics from Statistics Canada, 2012a, 2012b; inflation calculations by author).

The above does not mean that nurses are not valuable practitioners, or that in selected instances, it may not be desirable to pay compensation above that of other provinces or to award above-inflation raises in specific instances. However, in past studies, it was found that 75% of the cost of running a hospital is due to wage and benefit costs (this in the case of British Columbia) (Esmail, 2002: 31). In another study examining Ontario hospitals, nurses formed the largest part of the compensation bill in hospitals (with doctors second) (Mullins, 2004: 2). Thus, unless there is some unknown and dramatic departure in Alberta from the above nationwide trends, including how taxpayers pay for much health care, the link between what health-care employers pay and the provincial budget is unmistakably tight. That has consequences for provincial budgets.

Carbon capture and storage

In 2008, on the capital side, the province committed $2 billion to carbon capture and storage projects. The justification was that the province was "protecting the significant economic benefits these industries create for Albertans" by addressing carbon emissions (Alberta, 2008c, d). Be that as it may, if the province views carbon emissions as an industry-created problem, the prudent course of action is to make the emitters pay and not the taxpayers.

Compensation in the public sector

In general, Kenneth Boessenkool and Ben Eisen concluded in early 2012 that, since 2000, increases in the costs of public-sector compensation in Alberta consumed "95 percent of the increase in provincial revenues over the past decade". They concluded that public-sector wages previously at par with such wages across the country "are now higher (in many cases very substantially) across all public sector categories)" (Boessenkool and Eisen, 2012: 1).

An analysis of one very expensive choice

Consider one last example of an expensive public-policy decision that crowded out other fiscal policy options. In 2007, the province agreed to take over the remaining one-third liability in the Teachers' Pension Plan. This was in addition to a 1992 decision that already committed the province to be responsible for two-thirds of the unfunded liabilities in the Teachers' Pension Plan for service incurred pre-1992 (Alberta, 2008b: 53).

Before that 2007 agreement, the government's share of "pre-" and "post-1992" pension liabilities amounted to $4.6 billion (in 2006/07). By 2011/12, the liabilities in both plans stood at $8.4 billion due to both the assumption of all pre-1992 liabilities by the province and subsequent revisions of actuarial assumptions—and this despite a $1.2 billion special payment against that liability in 2009/10 (Alberta, 2006b: 51, 2007c: 49, 2008b: 53, 2009c: 55, 2010b: 59, 2011c: 54, 2012g: 57).

In short, the decision to assume 100% liability for pre-1992 pension liabilities of teachers—and the double-inflation raise in the period from 2007 to 2012—have both diverted tax dollars from other possibilities. The province could have settled on an inflation-only salary increase, and/or assumption of liabilities. It did not have to do both (table 4).

Remedies going forward

. . . over the past seven years, services could have been preserved but spending curtailed . . .

In his 2010 budget speech, then Finance Minister Morton asserted: "It's not about spending too much or spending too little. It's about spending the right amounts in the right places" (Alberta, 2010a: 4). However, the provincial government has consistently spent money in the wrong places and missed an obvious possibility: that over the past seven years, services could have been preserved but spending curtailed with more modest wage, salary, benefits, and

Table 4: Taxpayers' Share ($ millions) of Liabilities of the Alberta Teachers' Pension Plan, 2005/06–2011/12

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Pre-1992 Liabilities	Pre- and post-1992 liabilities recorded together prior to 2007/08		6,776	8,478	7,387	7,540	7,916
Post-1992 Liabilities			79	300	327	418	503
Total for Alberta Teachers' Pension Plan	4,424	4,567	6,855	8,778	7,714	7,958	8,419

Notes: In 2007/08, the province assumed the remaining one-third liability (32.65% to be precise) in the Teachers' Pension Plan for pre-1992 service, thus the rise in liabilities to $6.855 billion from $4.567 billion the year previous. In 2008/09, the discount rate for liabilities was reduced to 5.0% from 7.25%, thus boosting the value of the liability to $8.778 billion from $6.855 billion the year previous. In 2007/08, the province began recording pre- and post-1992 obligations separately. Also, in 2009/10, the province repaid $1.186 billion towards the pre-1992 liability.

Sources: Alberta, 2006b: 51; 2007c: 49; 2008b: 53; 2009c: 55; 2010b: 59, 61; 2011c: 54; 2012g: 57.

pension agreements with the broad public sector. The province could also have foregone expenditures on unnecessary albeit politically symbolic gestures such as carbon capture and storage.

To bring the budget into balance, and to open up fiscal room for other possibilities including balanced budgets, deposits into the Alberta Heritage Savings Trust Fund, and possibilities for capital spending without borrowing, the most obvious choice for reform should be public-sector compensation. Problematically, such choices are not clearly evident to the public and media and perhaps not even to elected officials. Alberta's budgets provide no estimate of the size of the costs of public-sector compensation (in the broader sector and not just direct government employees) relative to provincial government expenditures. However, in Canada's largest province, Ontario, that proportion is calculated at half the provincial budget (Ontario, 2012: 52).

Public sector wage and benefit premiums

Is there room to restrain and reform public-sector compensation? It is clear from a large number of theoretical and applied-research analyses of the wage bargaining process, and comparisons of actual public- and private-sector wage values, that public-sector workers in Canada already receive wage premiums relative to the private sector. These studies have found that a different dynamic is at work—the wage process is largely determined by political factors in the public sector, while the private sector is guided by market forces and profit constraints. Also, these differences consistently translate into wage premiums for workers in the public sector compared to their private-sector counterparts.

In 2013, my colleagues Amela Karabegović and Jason Clemens found that public-sector workers located in Alberta enjoyed, on average, a 10% wage premium over private-sector colleagues,[3] this based on Labour Force Survey data from Statistics Canada (Karabegović and Clemens, 2013). On non-wage comparisons, they also found an advantage for the public sector on pensions (including the type of pension), the average retirement age, and the likelihood of job losses.

> As of 2011, 81.4 percent of public sector workers in Alberta were covered by a registered pension compared to 21.5 percent of private sector workers. In addition, 97.2 percent of the Alberta public sector workers who were covered by a pension enjoyed a defined benefit pension plan … compared to 43.5 percent of private sector workers. On average, between 2007 and 2011, public sector workers in Alberta retire 2.0 years earlier than private sector workers. Finally, in 2011, job losses were greater in Alberta's private sector than in the public sector: 2.5 percent of private sector workers lost their jobs compared to 0.7 percent of public sector workers (Karabegovic and Clemens, 2013: 5–6).

Their findings replicate what has been discovered in past studies on the public sector wage and benefit premiums, including University of Toronto Professor Morley Gunderson's seminal study (1979); Gunderson, Douglas Hyatt, and Craig Riddell (2000); Richard Mueller (2000), and more recently, Raaj Tiagi (2010).

3. Note that the wage premium is an average across the entire public sector in Alberta—federal, provincial and municipal. Figures for just provincial public-sector workers were not available from Statistics Canada.

Policy options

Given the reality of a public-sector wage premium demonstrated over decades, and given how total compensation for civil servants forms a large proportion of what government spend, any attempt to rectify Alberta's red-ink budgets and to provide other policy options in the future must include rectifying the public-sector compensation premium. Thus, the following policy options are in order:

- annual estimates of public-sector compensation costs in the broad public sector relative to provincial government expenditures;
- a review of overall public-sector compensation with an eye to bringing such compensation in line with the private sector;
- freezing overall spending growth for a time to make up for past increases that far outran population and inflation growth in Alberta, and committing to "inflation + population growth-only" increases when expenditures are again allowed to rise.

References

Alberta (1997). *Consolidated Fiscal Summary—Updated 1996/97*. Alberta Finance. <http://finance.alberta.ca/publications/budget/budget1997-2000/1997/FISCAL.PDF>, as of December 31, 2012.

Alberta (2005). *Budget Speech*. Honourable Shirley McClellan, April 13, 2005. Alberta Finance. <http://www.finance.alberta.ca/publications/budget/budget2005/speech.pdf>, as of November 1, 2012.

Alberta (2006a). *Budget Speech*. Honourable Shirley McClellan, March 22, 2006. Alberta Finance. <http://www.finance.alberta.ca/publications/budget/budget2006/speech.pdf>, as of November 1, 2012.

Alberta (2006b). *Consolidated Financial Statements 2005/06*. Alberta Finance. <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep06/confinst.pdf> and <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep06/execsumm.pdf>, as of November 5, 2012.

Alberta (2007a). *Budget Speech*. Dr. Lyle Oberg, April 19, 2007. Alberta Finance. <http://www.finance.alberta.ca/publications/budget/budget2007/speech.pdf>, as of November 1, 2012.

Alberta (2007b). *Preserving Prosperity: Challenging Alberta to Save. Report and Recommendations.* Alberta Financial Investment and Planning Advisory Commission. <http://www.finance.alberta.ca/fipac/fipac_final_report.pdf>, as of January 15, 2013.

Alberta (2007c). *Consolidated Financial Statements 2006/07*. Alberta Finance. <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep07/confinst.pdf> and <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep07/execsumm.pdf>, as of November 5, 2012.

Alberta (2008a). *Budget Speech*. Honourable Iris Evans, April 22, 2008. Alberta Finance. <http://www.finance.alberta.ca/publications/budget/budget2008/speech.pdf>, as of November 1, 2012.

Alberta (2008b). *Consolidated Financial Statements 2007/08*. Alberta Finance. <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep08/confinst.pdf> and <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep08/execsumm.pdf>, as of November 5, 2012.

Alberta (2008c). *Alberta's CCS Projects*. Alberta Energy. <http://www.solutionsstarthere.ca/24.asp>, as of November 6, 2012.

Alberta (2008d). *Why Do We Need CCS?* Alberta Energy. <http://www.solutionsstarthere.ca/20.asp>, as of November 6, 2012.

Alberta (2009a). *Budget Speech*. Honourable Iris Evans, April 7, 2009. Alberta Finance. <http://www.finance.alberta.ca/publications/budget/budget2009/speech.pdf>, as of November 1, 2012.

Alberta (2009b). *Consolidated Financial Statements 2008/09*. Alberta Finance. <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep09/confinst.pdf> and <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep09/execsumm.pdf>, as of November 5, 2012.

Alberta (2010a). *Budget Speech*. Honourable Ted Morton, February 9, 2010. Alberta Finance. <http://www.finance.alberta.ca/publications/budget/budget2010/speech.pdf>, as of November 1, 2012.

Alberta (2010b). *Consolidated Financial Statements 2009/10*. Alberta Finance. <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep10/confinst.pdf> and <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep10/execsumm.pdf>, as of November 5, 2012.

Alberta (2011a). *Budget Speech*. Honourable Lloyd Snelgrove, February 24, 2011. Alberta Finance. <http://www.finance.alberta.ca/publications/budget/budget2011/speech.pdf>, as of November 1, 2012.

Alberta (2011b). *Spending Plan: Budget 2011*. Alberta Finance. <http://www.finance.alberta.ca/publications/budget/budget2011/fiscal-plan-spending.pdf>, as of November 5, 2012.

Alberta (2011c). *Consolidated Financial Statements 2010/11*. Alberta Finance. <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep11/goa-2010-11-annual-report-financial-statements.pdf> and <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep11/goa-2010-11-annual-report-executive-summary.pdf>, as of November 5, 2012.

Alberta (2012a). *Fiscal Plan Tables. Budget 2012*. Alberta Finance. <http://www.finance.alberta.ca/publications/budget/budget2012/fiscal-plan-tables.pdf>, as of October 25, 2012.

Alberta (2012b). *Economic Outlook. Budget 2012*. Alberta Finance. <http://www.finance.alberta.ca/publications/budget/budget2012/fiscal-plan-economic-outlook.pdf>, as of October 25, 2012.

Alberta (2012c). *Consolidated Financial Statements of the Government of Alberta (Accountability Statement, Preface and Executive Summary). Annual Report 2011-2012*. Alberta Finance. <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep12/goa-2011-12-annual-report-executive-summary.pdf> as of October 25, 2012.

Alberta (2012d). *Budget Speech*. Honourable Ron Liepert, February 9, 2012. Alberta Finance. <http://www.finance.alberta.ca/publications/budget/budget2012/speech.pdf>, as of November 1, 2012.

Alberta (2012e). *Alberta Economy Stays Strong amid Global Uncertainty*. Backgrounder (August 30). <http://alberta.ca/acn/201208/32894784EFA57-04C8-CA1D-09E8077C1100C4EA.html> (scroll down), as of November 5, 2012.

Alberta (2012f). *Consolidated Financial Statements 2011/12*. Alberta Finance. <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep12/goa-2011-12-annual-report-executive-summary.pdf>, as of November 5, 2012.

Alberta (2012g). *Consolidated Financial Statements of the Government of Alberta. Annual Report 2011-2012*. <http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep12/goa-2011-12-annual-report-financial-statements.pdf>, as of January 14, 2013.

Alberta (2012h). Letter to the Alberta Medical Association from Alberta Health Minister Fred Horner, November 16, 2012. Alberta Ministry of Health. <http://www.health.alberta.ca/documents/Backgrounder-Nov16-12-Letter-AMA.pdf>, as of January 14, 2013.

Boessenkool, Kenneth, and Ben Eisen (2012). *Public Sector Wage Growth in Alberta*. SPP Research Papers 5 (1) (January). University of Calgary School of Public Policy. <http://www.policyschool.ucalgary.ca/sites/default/files/research/boesenkool-public-wage-growth.pdf>, as of January 14, 2013.

Boothe, Paul (1995). *The Growth of Government Spending in Alberta*. Canadian Tax Foundation.

Canada, Department of Finance (2000). *Fiscal Reference Tables (September)*. <http://www.fin.gc.ca/afr-rfa/2000/frt00e.pdf>, as of November 6, 2012.

Canada, Department of Finance (2012). *Fiscal Reference Tables (October)*. <http://fin.gc.ca/frt-trf/2012/frt-trf-12-eng.asp>, as of November 6, 2012.

Emery, J.C. Herbert, and Ronald D. Kneebone (2009). *Will It Be Déjà Vu All Over Again?* SPP Research Papers 2 (1) (April). University of Calgary School of Public Policy. <http://www.policyschool.ucalgary.ca/sites/default/files/research/spp-briefing-paper-kneebone-emery-final-apr-09.pdf>, as of January 14, 2013.

Esmail, Nadeem (2002). Labour Costs in the Hospital Sector Revisited. *Fraser Forum* (January): 31. <http://www.fraserinstitute.org/research-news/research/display.aspx?id=13125>, as of January 15, 2013.

Gunderson, Morley (1979). Earnings Differentials between the Public and Private Sectors. *The Canadian Journal of Economics* 12. 2: 228–242.

Gunderson, Morley, Douglas Hyatt, and Craig Riddell (2000). *Pay Differences between the Government and Private Sectors: Labour Force Survey and Census Estimates*. Human Resources in Government Series, CPRN Discussion Paper No. W10. Canadian Policy Research Networks. <http://www.cprn.org/documents/15680_en.pdf>, as of January 15, 2013.

Karabegović, Amela, and Jason Clemens (2013). *Comparing Public and Private Sector Compensation in Alberta*. Alberta Prosperity Series. Fraser Institute.

Kneebone, Ronald D. (2002). Recent and Not So Recent Trends in Provincial Government Spending in Alberta. In L.S. Wilson (ed.), *Alberta's Volatile Government Revenues: Policies for the Long Run* (Institute for Public Economics): 25–52.

Kneebone, Ronald D. (2006). *The Government of Alberta's Fiscal Future: Possibilities and Pitfalls*. Alberta Energy Futures Project, paper no. 16. University of Calgary Institute for Sustainable Energy, Environment and Economy. <http://www.iseee.ca/media/uploads/documents/AB%20Energy%20Futures/policypapers/16-The%20Government%20of%20Alberta's%20Fiscal%20Future_Possibilities%20and%20Pitfalls.pdf>, as of January 15, 2013.

Milke, Mark, with Gerry Angevine (2012). *Alberta's 2012 Fiscal Time Bomb: A Higher Deficit and a Steep Decline in Financial Assets*. Fraser Alert. Fraser Institute. <http://www.fraserinstitute.org/uploadedFiles/fraser-ca/Content/research-news/research/publications/albertas-2012-fiscal-time-bomb.pdf>, as of January 15, 2013.

Mueller, Richard E. (2000). Public- and Private-Sector Wage Differentials in Canada Revisited. *Industrial Relations* 39, 3: 375–-400.

Mullins, Mark (2004). *Where Does the Money Go?* Fraser Alert. Fraser Institute. <http://www.fraserinstitute.org/research-news/display.aspx?id=13598> as of January 15, 2013.

Ontario (2012). *Commission on the Reform of Ontario's Public Services: Executive Summary*. <http://www.fin.gov.on.ca/en/reformcommission/chapters/executive-summary.pdf>, as of November 6, 2012.

Statistics Canada (2012a). Population by broad age groups and sex, 2006 counts for both sexes, for Canada, provinces and territories. Web data table. <http://www12.statcan.gc.ca/census-recensement/2011/dp-pd/hlt-fst/as-sa/Pages/highlight.cfm?TabID=1&Lang=E&Asc=1&PRCode=01&OrderBy=999&Sex=1&View=2&tableID=21&queryID=1>, as of October 24, 2012.

Statistics Canada (2012b). Population by broad age groups and sex, 2011 counts for both sexes, for Canada, provinces and territories. Web data table. <http://www12.statcan.gc.ca/census-recensement/2011/dp-pd/hlt-fst/as-sa/Pages/highlight.cfm?TabID=1&Lang=E&Asc=1&PRCode=01&OrderBy=999&Sex=1&View=1&tableID=21&queryID=1>, as of October 24, 2012.

Tiagi, Raaj (2010). Public Sector Wage Premium in Canada: Evidence from Labour Force Survey. *Labour* 24, 4: 456–473.

United Nurses of Alberta (2012, July). *Appendix of Nursing Salaries in Alberta 1948–2013*. United Nurses of Alberta. <http://www.una.ab.ca/files/130/2012-07-04_Appendix_of_Nursing_Salaraies_in_Alberta_1948-2013.pdf>, as of January 15, 2013.

About the Author

Mark Milke is a Senior Fellow at the Fraser Institute and also Director of Alberta Policy Studies. He is the author of four books including his most recent, *Stealth Confiscation—How Governments Regulate, Freeze and Devalue Private Property without Confiscation*. Dr. Milke's public-policy papers include a comparison of oil-producing countries on human rights, federal-provincial transfer payments, automobile insurance, taxpayer subsidies for political parties, the flat tax, corporate welfare, airline competition, and the Canada Pension Plan. In addition, he has also published papers with Washington, DC-based institutes such as the American Enterprise Institute, the Competitive Enterprise Institute, and the Heritage Foundation and the Brussels-based Centre for European Studies.

Dr. Milke's columns have appeared Canada-wide in the *National Post*, *Toronto Star*, *Globe and Mail*, *Ottawa Citizen*, *Montreal Gazette*, *Vancouver Sun*, and *Winnipeg Free Press*, among others, as well as in the Brussels-based *European Voice*. He is regularly interviewed by Canadian media, including the CBC, CTV, SUN-TV, Charles Adler, and Dave Rutherford. Dr. Milke is also chairman of Canada's journal of ideas—*C2C Journal.ca*, an occasional lecturer in Political Philosophy and International Relations at the University of Calgary, and a Saturday columnist for the *Calgary Herald*.

Mark Milke has a Master's degree from the University of Alberta where his MA thesis analyzed human rights in East Asia; he also has a Ph.D. from the University of Calgary where his doctoral dissertation analyzed the rhetoric of Canadian-American relations. He lives in Calgary and his non-policy life includes an interest in architecture and history; he is a regular hiker, skier, and runner.

Acknowledgments

Thank you to Jason Clemens, Milagros Palacios, Ronald Kneebone (University of Calgary) and a reviewer who wishes to remain anonymous for their review of early drafts of this paper. Any remaining errors or omissions are the sole responsibility of the author.

I would also like to express my gratitude to those who donated to the Institute's Alberta Prosperity Initiative, without whose donations this project would not have been possible.

Publishing Information

Distribution

These publications are available from <http://www.fraserinstitute.org> in Portable Document Format (PDF) and can be read with Adobe Acrobat® 7 or Adobe Reader®, versions 7 or later. Adobe Reader® XI, the most recent version, is available free of charge from Adobe Systems Inc. at <http://get.adobe.com/reader/>. Readers who have trouble viewing or printing our PDF files using applications from other manufacturers (e.g., Apple's Preview) should use Reader® or Acrobat®.

Ordering Publications

For information about ordering the printed publications of the Fraser Institute, please contact the publications coordinator:

- e-mail: sales@fraserinstitute.org
- telephone: 604.688.0221 ext. 580 or, toll free, 1.800.665.3558 ext. 580
- fax: 604.688.8539.

Media

For media enquiries, please contact our Communications Department:

- telephone: 604.714.4582
- e-mail: communications@fraserinstitute.org.

Copyright

Date of Issue

February 2013

Citation

Milke, Mark (2013). *Alberta's $22-billion Lost Opportunity: How Spending beyond Inflation + Population Growth Created Alberta's Red Ink*. Alberta Prosperity Initiative. Fraser Institute. <http://www.fraserinstitute.org>.

Cover Design

Bill Ray

Cover Images

©bioraven, Bigstock® (burning dollars)
©Dwags, Bigstock® (Canadian $100 bill)
©Travisbell, Flickr® (banner image of Calgary)

Supporting the Fraser Institute

To learn how to support the Fraser Institute, please contact

- Development Department, Fraser Institute
  Fourth Floor, 1770 Burrard Street
  Vancouver, British Columbia, V6J 3G7 Canada
- telephone, toll-free: 1.800.665.3558 ext. 586
- e-mail: development@fraserinstitute.org

Lifetime Patrons

For their long-standing and valuable support contributing to the success of the Fraser Institute, the following people have been recognized and inducted as Lifetime Patrons of the Fraser Institute.

- Sonja Bata
- Charles Barlow
- Ev Berg
- Art Grunder
- Jim Chaplin
- Serge Darkazanli
- John Dobson
- Raymond Heung
- Bill Korol
- Bill Mackness
- Fred Mannix
- Jack Pirie
- Con Riley
- Catherine Windels

Purpose, Funding, and Independence

The Fraser Institute provides a useful public service. We report objective information about the economic and social effects of current public policies, and we offer evidence-based research and education about policy options that can improve the quality of life.

The Institute is a non-profit organization. Our activities are funded by charitable donations, unrestricted grants, ticket sales, and sponsorships from events, the licensing of products for public distribution, and the sale of publications.

All research is subject to rigorous review by external experts, and is conducted and published separately from the Institute's Board of Trustees and its donors.

The opinions expressed by the authors are those of the individuals themselves, and do not necessarily reflect those of the Institute, its Board of Trustees, its donors and supporters, or its staff. This publication in no way implies that the Fraser Institute, its trustees, or staff are in favour of, or oppose the passage of, any bill; or that they support or oppose any particular political party or candidate.

As a healthy part of public discussion among fellow citizens who desire to improve the lives of people through better public policy, the Institute welcomes evidence-focused scrutiny of the research we publish, including verification of data sources, replication of analytical methods, and intelligent debate about the practical effects of policy recommendations.

About the Fraser Institute

Our vision is a free and prosperous world where individuals benefit from greater choice, competitive markets, and personal responsibility. Our mission is to measure, study, and communicate the impact of competitive markets and government interventions on the welfare of individuals.

Founded in 1974, we are an independent Canadian research and educational organization with locations throughout North America and international partners in over 85 countries. Our work is financed by tax-deductible contributions from thousands of individuals, organizations, and foundations. In order to protect its independence, the Institute does not accept grants from government or contracts for research.

Nous envisageons un monde libre et prospère, où chaque personne bénéficie d'un plus grand choix, de marchés concurrentiels et de responsabilités individuelles. Notre mission consiste à mesurer, à étudier et à communiquer l'effet des marchés concurrentiels et des interventions gouvernementales sur le bien-être des individus.

Peer Review: Validating the Accuracy of Our Research

The Fraser Institute maintains a rigorous peer review process for its research. New research, major research projects, and substantively modified research conducted by the Fraser Institute are reviewed by experts with a recognized expertise in the topic area being addressed. Whenever possible, external review is a blind process. Updates to previously reviewed research or new editions of previously reviewed research are not reviewed unless the update includes substantive or material changes in the methodology.

The review process is overseen by the directors of the Institute's research departments who are responsible for ensuring all research published by the Institute passes through the appropriate peer review. If a dispute about the recommendations of the reviewers should arise during the Institute's peer review process, the Institute has an Editorial Advisory Board, a panel of scholars from Canada, the United States, and Europe to whom it can turn for help in resolving the dispute.

Editorial Advisory Board