



A time to reap:
**Re-investing in Alberta's
Public Services**
A study prepared by
Parkland's Standing Budget Committee



**PARKLAND
INSTITUTE**

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Executive Summary
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The government often appears stuck in yesterday's rhetoric of a debt crisis, too willing to engage in pitched battles with its civil servants, teachers, and nurses; disregarding of the needs of municipalities; and unresponsive to the plight of the poor and homelessness. Far from making genuine public reinvestments, the government seems more interested in maintaining low taxes - a policy that, as our report makes clear, has introduced instabilities into Alberta's financial predictions and that, in terms of distributional fairness, is less progressive than in the past. We are additionally concerned the government appears to see public services not as worthwhile in their own right, but rather as a "Greenfield" for private "entrepreneurs"; hence, for example, its continued interest in promoting and implementing P3s (public private partnerships). We fear, therefore, that Alberta's abundant wealth will be spent on private profit-making or empire building, while placing the public interest at risk.

Highlights

The Alberta Economy:

- Alberta continues to boast the strongest provincial economy in Canada.
- Unemployment rate finished 2003 at 4.9%, compared with Canada's December rate of 7.4%.
- 2003, Alberta's inflation rate is expected to be 4.4% compared with Canada's rate of 2.6%. The major causes of inflation in Alberta are escalating utilities costs (power and gas) and sharp increases in car insurance.
- Wages in the province have not kept up with the cost of living. It is in fact striking that during a period of massive productivity gains that average wages in Alberta are stagnant.

Alberta's Fiscal Situation

- Per capita revenues for 2002-03 were \$5,588, down from \$5,805 in 2001-02
- Per capita expenditures in 2002-03: \$5,149 down from \$5,934 in 2001-02,
- Surplus for 2003-04: close to \$4 billion.
- Debt: \$3.7 billion in March, 2004.
- Net assets: \$20.4 billion in March, 2004.

Concern about the 2003 Sustainability Fund: the fund may be used by the government as a means of sheltering surpluses, thus avoiding investments in crucial government programs.

Comparing 2002-03 to the previous year:

- Consumption taxes in went up nearly \$100 per capita (\$1,035 to \$1,132), and health premiums are up to \$226 per capita from \$188, property taxes declined from \$559 to \$533 and transfers declined from \$604 to \$516

- Personal income taxes increased from \$1,175 to \$1,204 per capita during the year in question, while corporate income tax declined from \$576 to \$488 per capita.

In Alberta, an individual earning:

- \$30,000 would pay \$310 more in 2003 than would the same individual in Ont. and \$340 more than in B.C.
- \$60,000 would pay \$550 more than in Ont. and \$600 more than in B.C.
- \$80,000+ would the new single rate tax provide a benefit over counterparts in Ont. and BC.

Expenditures

Per capita expenditures in real dollars on health and education in 2002-03 were back roughly to levels of the early and mid-1990s, before the cuts, but real spending on welfare remains extremely low.

Health

Total annual health expenditures declined in 2002-03, from \$1,663 to \$1,639.

Education

- In per capita, deflated dollars, there was a decrease overall in education funding for from \$1,538 per capita the year before to \$1,279 per capita in 2002-03.
- The average cost of tuition in Alberta has risen 21% since 1999 and is the 4th highest in Canada, 11.5% above the Canadian average.
- The province is moving in a regressive direction that penalizes lower income and even some middle income students and their families.

Social Services

- There was a decline in workers' compensation during this period from \$121 per capita to \$115 per capita.
- A single parent with one child in Alberta receives income support of \$11,634/yr (current dollars), or 48% of the Low Income Cut off (LICO), the lowest in all of Canada as a percentage of LICO.
- A single employable person requiring social assistance in 2002 received \$5,034/yr. This amount of money represented only 26% of the Low-Income Cutoff (LICO) levels
- Alberta's minimum wage remains the lowest in Canada.

Homelessness

- Homelessness in Alberta continues to rise. In Edmonton from 2000 to 2002, the number increased by 60%
- A 2002 Calgary study found that 50% of the absolutely homeless and 28% of the relatively homeless in Calgary were employed.

Hunger and Food Bank Usage

The number of Albertans using a food bank has increased 29.7% since 1997.

Recommendations

- Private companies contracted by the Alberta government must be made subject to the same reporting procedures and policies as those guiding public agencies and departments.
- Determine funding per student rather than per capita, and should aim for funding at the highest rate per student in Canada.
- Immediately reduce and cap university tuitions at 2000 levels (in real dollars).
- Power once again should be regulated by the government for the benefit of all Albertans.
- Return to a progressive rate structure on taxable income, while maintaining the current level of basic and spousal exemptions adopted in 2001.
- Strike an all-party committee to examine Alberta's current royalty rates on gas and oil and to determine whether Albertans are receiving a fair price for their non-renewable resource in comparison with other similar jurisdictions.
- An annual report should be presented to the legislature on Alberta's royalty rates.

- Commission an arms-length review and synthesis of existing research on P3s. Until such time as such a review has been conducted, all P3 projects should be halted.
- Health care premiums should be eliminated entirely, with health care funded solely out of general government revenues.
- Restore the system of electing members to regional health boards to ensure public input, government accountability, and democratic practice.
- The province's standard minimum wage should be raised to \$7.30 per hour
- Return SFI rates to 1993 benefit levels (in real dollars). Reconsider work requirements for SFI recipients with children below school age and should provide adequate supplements to cover childcare costs, and other costs associated with employment (transportation, clothing, etc.).
- Accept constitutional responsibility to address housing issues and return capital funding for new affordable housing to 1993 levels.
- Implement some of the recommendations coming out of its own 2002 Committee to Review Low-Income Programs.

Conclusion

A great deal could be done for many Albertans with scarcely a dent in government coffers; indeed, the case can be made that distributional fairness is also smart economics, and would further stimulate Alberta's buoyant economy.

A similar case can be made for public services. The very wealthy can always purchase services in private markets. Lower and middle-income earners depend upon good public health care, education, and social services - not to mention drivable roads and safe communities. The circumstances of the very poor are offset by well-funded public services. Good - and affordable - public services make for a civil society. That is why they must be maintained and protected. That is why today in Alberta they require a genuine reinvestment. Will this occur?

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