

Breaking the Myth: Alberta's spending is mediocre at best

by Melville McMillan



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Parkland Institute • October 2009

About the Author

Melville McMillan is a Professor in the Department of Economics and a Fellow of the Institute of Public Economics at the University of Alberta. He served as Chair of the Department from 1987 to 1997. His BA and MSc are from the University of Alberta and his PhD is from Cornell University. McMillan's research and teaching interests are in public economics and, in particular, urban and local economics, fiscal federalism, and the demand for and supply of public goods and services. These interests were the focus of his research while on leaves at the Australian National University, Canberra and at the University of York, England. He has published extensively in these areas and also advised governments and organizations nationally and internationally (e.g., the World Bank). McMillan completed his term on the Editorial Board of the Canadian Tax Journal in 2005. Since 1994, he has been active as a faculty association representative on the Sponsors Working Group of the Universities Academic Pension Plan.



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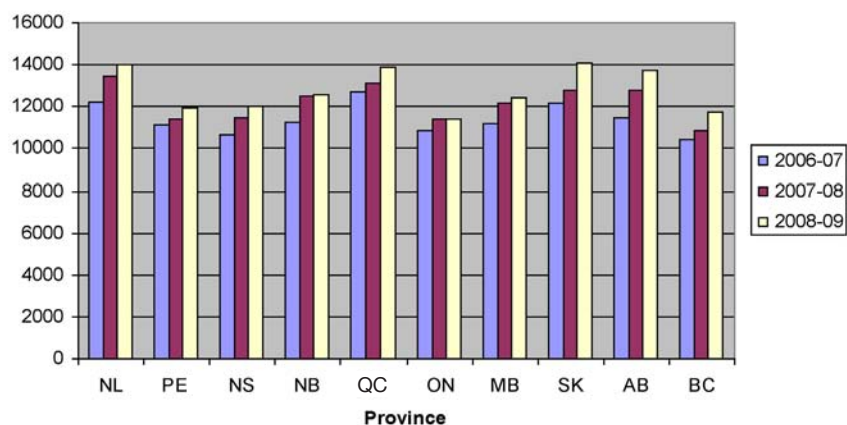
The most recent energy boom enhanced Alberta's prosperity and generated large revenues for the provincial government. Especially now that that boom has collapsed, comments to the effect that the Alberta government has been a big spender, is overspending and has lots of fat to cut from its programs are common. This fact sheet illustrates that the Alberta government is not the highest per capita spender in Canada. It includes comparisons of recent government expenditures in the ten provinces using data from Statistics Canada.¹

Consolidated Provincial-Local Government Expenditures

Consolidated provincial and local government expenditures provide the most accurate comparison across provinces because it accounts for variation between provinces in provincial-local responsibilities. Because provinces differ in population size, we also look at expenditures per capita. No adjustment is made for price changes over the three years.

Per capita consolidated total provincial and local expenditures are shown in Figure 1 for the last three fiscal years. Per capita expenditures have increased in each province since 2006-07. We can see that there are differences in the level of spending among the provinces. For 2007-08, for example, it ranges from \$10,873 per person in BC to \$13,427 per person in Newfoundland & Labrador. Alberta, at \$12,799, was not the highest spending province or the lowest. Alberta ranked third highest in per capita spending in 2007-08 but fourth highest in the other two years. In fact, as shown in Table 1, Alberta typically has ranked fourth since 2000-01 although it has ranged from third to sixth from the highest. Hence, per capita consolidated provincial and local government expenditures in Alberta have been rather middle of the road since the turn of the century.

Figure 1. RECENT CONSOLIDATED PROVINCIAL AND LOCAL GOVERNMENT EXPENDITURES PER CAPITA



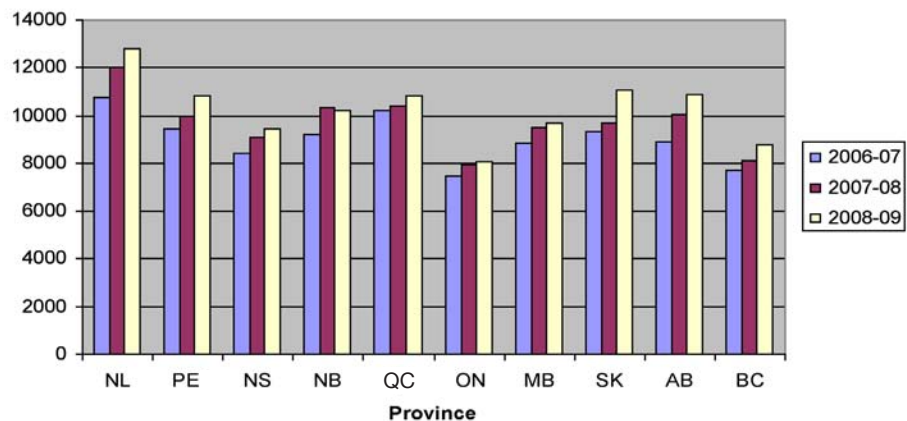
1. Government expenditure data comes from Statistics Canada, CANSIM II Tables 3850001 and 3850002.

| RANKS OF ALBERTA GOVERNMENT PER CAPITA EXPENDITURES RELATIVE TO THOSE OF OTHER PROVINCES | | | | | | |
|--|---|------------------|-------------------|------------------------|---|--------------------------------|
| Fiscal Year | Consolidated Total Provincial and Local | Total Provincial | Provincial Health | Consolidated Education | Consolidated Social Services (excluding QC) | Consolidated Social Assistance |
| 2000-01 | 4 | 7 | 7 | 1 | 3 | 8 |
| 2001-02 | 3 | 4 | 7 | 1 | 3 | 7 |
| 2002-03 | 4 | 8 | 10 | 2 | 3 | 8 |
| 2003-04 | 6 | 7 | 10 | 1 | 5 | 6 |
| 2004-05 | 4 | 7 | 4 | 1 | 5 | 5 |
| 2005-06 | 4 | 6 | 10 | 1 | 4 | 6 |
| 2006-07 | 4 | 6 | 9 | 2 | 5 | 6 |
| 2007-08 | 3 | 4 | 7 | 1 | 5 | 5 |
| 2008-09 | 4 | 3 | 6 | 2 | 5 | 6 |

Provincial Government Expenditures

It is interesting and legitimate to look at what the provincial governments have been doing themselves; that is, separate from local governments. Provincial government total expenditures per capita are shown in Figure 2. Outlays per person are smaller here and the interprovincial differences are larger here than in Figure 1. Ontario, where local government has substantial spending responsibilities has the lowest per capita provincial expenditure while Newfoundland, where local government is “small”, reports the largest amounts. Provincial government per capita expenditure in Alberta ranked between third and sixth highest between 2006-07 and 2008-09, was as low as eighth in 2002-03 (Table 1) and been below ‘average’ in six of the past nine years. Provincial government spending has been even more typical of that elsewhere than consolidated spending.

Figure 2. PROVINCIAL GOVERNMENT TOTAL EXPENDITURE PER CAPITA

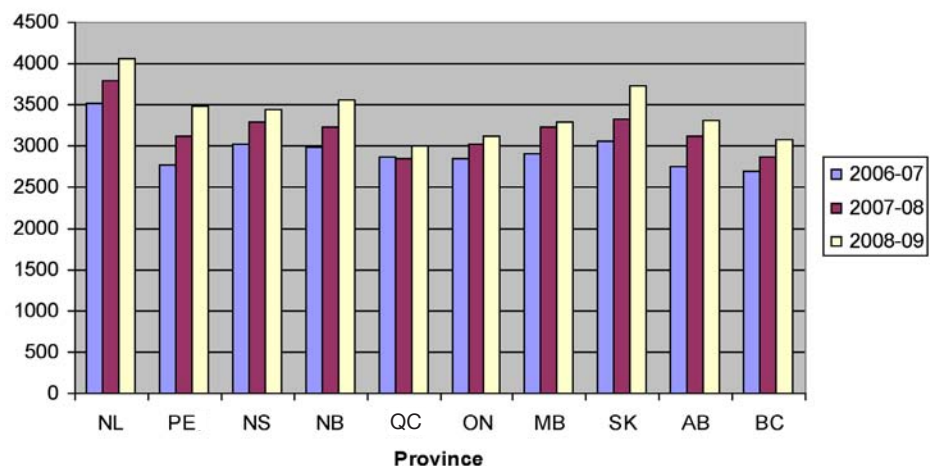


Provincial Government Health Expenditures

Spending on health care, a large item in provincial budgets, receives much attention. The Alberta government is in the process of cutting health spending to meet budget objectives. Have health care expenditures in Alberta been exceptionally high?

Per capita provincial government spending on health is shown in Figure 3. As other expenditures, this too tends to grow over time. Provincial expenditures differ among the provinces. Looking at 2007-08, per person outlays ranged from \$2841 in Quebec to \$3779 in Newfoundland. Newfoundland has reported the highest per capita spending in all three years, followed by SK, but the lowest spending province changes from British Columbia to Quebec. In 2007-08, Alberta spent \$3109 per person. That amount was the seventh largest (or fourth from the lowest) level. Relatively low levels of per capita health expenditure characterize Alberta during the past nine years. As reported in Table 1, Alberta's per person expenditures on health range from the lowest (tenth ranked) in three years to fourth ranked in one. Over the nine years, Alberta's health spending has averaged about eighth spot - that is, the third lowest among the provinces. That position does not change if one considers consolidated provincial and local expenditures on health. Relatively speaking, health spending in Alberta does not seem to be excessive.

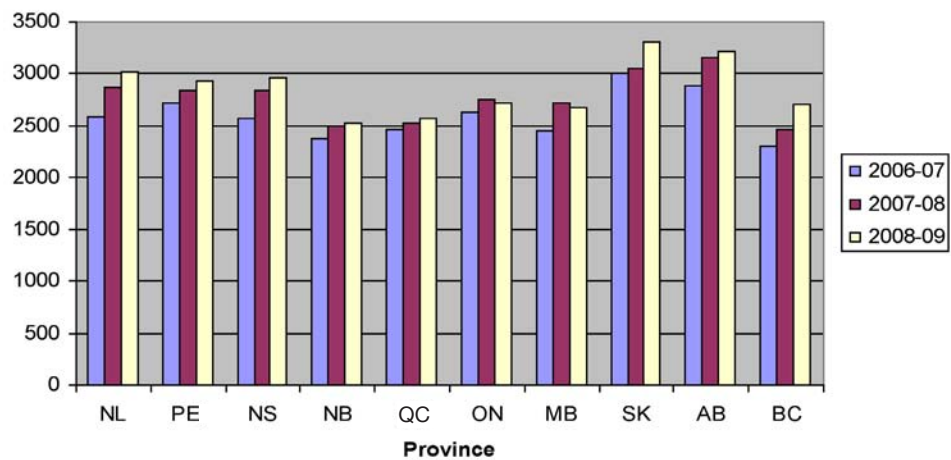
Figure 3. PROVINCIAL GOVERNMENT HEALTH EXPENDITURES PER CAPITA



Expenditures on Education

Education expenditures here cover those for schools, post-secondary and miscellaneous other programs. Substantial interprovincial differences in the importance of local government in funding schooling requires that one consider consolidated provincial and local expenditures when making comparisons. Recent provincial per capita outlays appear in Figure 4. Alberta and Saskatchewan are the large spenders on education at about \$3000 per capita. Alberta's has ranked first or second in per capita expenditure since 2000-01.

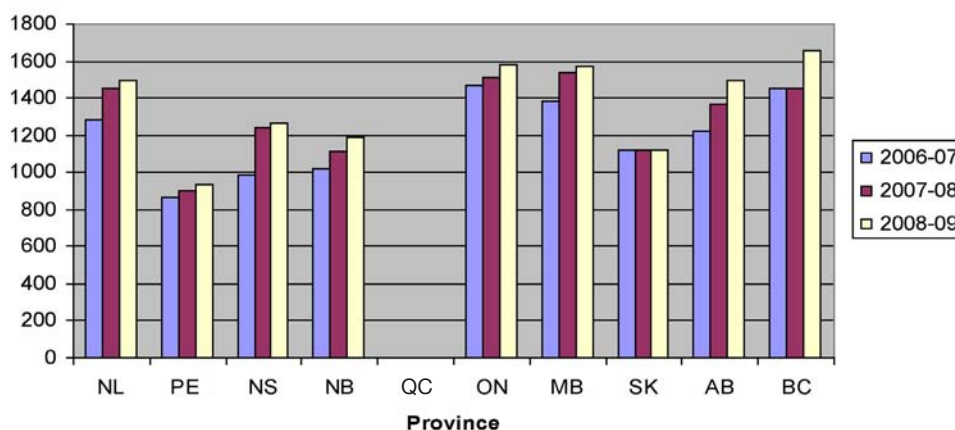
Figure 4. CONSOLIDATED PROVINCIAL AND LOCAL EDUCATION EXPENDITURES PER CAPITA



Social Services

The comparison of expenditures on social services is also made using consolidated provincial and local expenditures. The per capita levels are shown in Figure 5. Those for Quebec are not reported because they are approximately twice as large as in the other provinces because of its agreement with the federal government to assume greater provincial responsibility. There is considerable variation in the per capita spending across the remaining nine provinces - from approximately \$900 in Prince Edward Island to about \$1500 in Ontario, Manitoba and British Columbia. Alberta consistently ranks fifth over these three years.

Figure 5. CONSOLIDATED PROVINCIAL AND LOCAL GOVERNMENT EXPENDITURES ON SOCIAL SERVICES PER CAPITA



Social assistance represents approximately 40 percent of social service spending. Again, there are considerable differences among the provinces; for example, compare Manitoba and Saskatchewan in Figure 6. Differences result from policy and economic conditions. At \$504 per capita in 2007-08, Alberta’s expenditures ranked fifth among the provinces. Social assistance spending has not ranked below sixth since 2003-04.

Concluding Comments

We have examined several indicators of per capita government expenditures across the provinces. By neither of two measures does aggregate government spending in Alberta appear large relative to that in other provinces. Despite the substantial growth of provincial revenues since 2000, total provincial spending per capita has been and is quite average or typical. When comparing major expenditure categories, we find that only in outlays on education is Alberta even at the top in per capita spending and even there, Alberta follows behind Saskatchewan. Most striking given the current cuts to health care is the fact that per capita health expenditures have been remarkably low in Alberta.

With Alberta’s high economic growth and monies flowing in from the rich resource bounty, Alberta should be at the top of per capita spending on social programs. Instead, this report shows that Alberta’s spending on social programs in general has been embarrassingly average. Certainly, Alberta’s level of per capita spending does not justify cuts to social programs.



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