



# Fiscal Surplus, Democratic Deficit: Budgeting and Government Finance in Alberta







# Fiscal Surplus, Democratic Deficit: Budgeting and Government Finance in Alberta

This report was published by the Parkland Institute,  
May 2006. © All rights reserved.

## Contents

Acknowledgements	ii
About the Parkland Institute	iii
Executive Summary	1
Introduction	3
1. The Budget Process. And the Budget Process in Alberta	5
2. 'Surprise' Surpluses	8
2.1 Underestimates are no surprise	9
2.2 But... isn't it wise to underestimate revenues?	10
2.3 The impact on democracy of underestimating revenues	11
2.4 Where have all the dollars gone?	14
3. Foundations, Endowments and Special Accounts	18
3.1 Accountability	21
4. The vision thing	24
4.1 The government's vision	25
4.2 Public input to strategic planning	27
Conclusions and Recommendations	31
Endnotes	36

To obtain additional copies of the report or rights to copy it,  
please contact:

**Parkland Institute**

University of Alberta

11045 Saskatchewan Drive

Edmonton, Alberta T6G 2E1

Phone: (780) 492-8558 Fax: (780) 492-8738

Web site: [www.ualberta.ca/parkland](http://www.ualberta.ca/parkland)

E-mail: [parkland@ualberta.ca](mailto:parkland@ualberta.ca)

ISBN 1-894949-11-0

## Acknowledgements

This report is the work of the Parkland Institute's Committee on Alberta Finances: Ricardo Acuña, Diana Gibson, Greg Flanagan, Jason Foster, Steve Patten, Jessica Smith and David Thompson. Additional thanks go to Abby Guthrie for research support and to Flavio Rojas for layout and cover design.

## About the Parkland Institute

Parkland Institute is an Alberta research network that examines public policy issues. We are based in the Faculty of Arts at the University of Alberta and our research network includes members from most of Alberta's academic institutions as well as other organizations involved in public policy research. Parkland Institute was founded in 1996 and its mandate is to:

- conduct research on economic, social, cultural, and political issues facing Albertans and Canadians.
- publish research and provide informed comment on current policy issues to the media and the public.
- sponsor conferences and public forums on issues facing Albertans.
- bring together academic and non-academic communities.

## Executive Summary

The Alberta government's formal budgeting process leaves a great deal to be desired in terms of accountability and democracy. The federal process has seriously involved opposition parties in budget deliberation. Alberta's does not; it excludes opposition parties at the most crucial steps - departmental budget planning and advanced budget input. Indeed the Alberta government's formal budget process seems designed to exclude serious legislative scrutiny of the budget, thereby subverting the parliamentary principle and mechanisms of citizen consent to taxation.

Beyond the formal process, the informal democratic scrutiny of budgets - including public debate, and media attention - is further subverted by the government's practice of routinely underestimating revenues, particularly revenues from selling off non-renewable natural resources. The result is a repetitive series of 'surprise' surplus announcements that in fact are no surprise to anyone. These surprise surplus announcements can buy political popularity, as they are accompanied by surprise spending announcements (including unbudgeted spending, rebates and tax cuts). However, these spending announcements occur when media and public attention are not focussed on government spending, and it is impossible to debate about competing priorities, trade-offs and the budget as a whole. At budget time, the government regularly claims it cannot afford this or that public priority - public health care is the latest target - but later in the year finds money for the latest popularity-enhancing road-building or other capital project. Albertans' expectations are managed, and democracy thereby limited.

The wildly swinging revenues of the Alberta government are the result of its policy decision to cut sustainable taxes, and rely instead on increasing yet unsustainable rents from selling off the public's fossil fuels. The expenditure side swings wildly because of the government's ill-conceived balanced budget rule. Balancing revenues and program expenses over the long term is wise, but a rule that spending cannot exceed revenues in any year is both unnecessary and unwise, especially in light of the government's reliance on volatile fossil fuel rents. In the end, the government essentially did away with the balanced budget rule by creating a number of funds, foundations, and special accounts to absorb money in good years and spend in lean years. This socking away of natural capital rents can help reduce revenue volatility and conserve overall capital levels, but there are accountability concerns with the way the government is doing it. Arm's length

foundations can reduce legislative oversight and Ministerial responsibility. And executive-controlled funds and accounts need structure.

All in all, the government seems to be making spending decisions based on the accounting need to distribute bloated revenues, and it seems to have no vision for a prosperous, sustainable Alberta. The government had been blindly pursuing its debt-elimination agenda, and its ruling ideology - cutting public programs - does not lend itself to a guiding vision for a government in fiscal surplus. The government's own Financial Management Commission pointed out the obvious - that Alberta needs a vision and a strategic plan to guide its spending decisions. The government responded by writing one. However, the process of developing it gave short shrift to the notion of stakeholder engagement. The result was a plan that contained significant contradictions, and whose strategies will make it impossible to achieve key goals, like economic diversification. It is too early to tell where the government's strategic plan will take the budgeting process, or whether it could help make it more democratic, but the early signs are not positive.

## Introduction

Alberta's fiscal surplus is no news; the province has been in the black for many years now. The government likes to claim that this is the result of careful budgeting and "prudent fiscal management."<sup>1</sup> Less partial economic commentators have pointed out the obvious - that Alberta's surplus fiscal position comes from high international prices for fossil fuels, which the government is selling off at an unprecedented speed. The government has taken in over \$56 billion in non-renewable resource revenues in the most recent six years, including over \$14 billion in fiscal year 2005-2006 alone. Years and years of surprise surpluses indicate that the government is either incapable of accurately predicting revenues, or is unwilling to do so. Moreover, Alberta's budgeting process has some serious shortcomings in the areas of accountability and democracy.

At a time when revenues and spending are at record levels, accountability and democratic control over public finances are more important than ever. This year's Parkland Institute report on Alberta's finances takes a slightly different tack than previous years' reports. Here, we set aside the detailed analysis of spending priorities and outcomes, and focus instead on the democratic deficit in the government's budgeting process.

Section 1 describes the budget process of the government of Alberta. It concludes that Alberta's budgeting process is far less democratic than those of other governments, which engage the public and the opposition parties in discussion. In section 2, we discuss Alberta's 'surprise' surpluses that nobody is surprised by anymore. We distinguish between prudent revenue cushioning that deals with uncertainty responsibly and in the open, and dishonest under-estimating that conceals uncertainty and fundamentally fails to address it. Moreover we discuss the impact on democracy of surprise surpluses, which result in unbudgeted spending announcements throughout the year, away from the public scrutiny of budget time.

Section 3 points out that the largest recipient of surprise surpluses is the government itself and the various funds and special accounts it has established. While it is prudent and appropriate to invest the proceeds of sale of natural capital instead of spending it, the government's choice of investments raises accountability concerns and shows a lack of vision. Finally, in section 4, we discuss the government's attempt to come up with a vision and a strategic plan to guide its budgeting and planning processes. Not surprisingly,

considering the government's approach to democracy and public debate, the strategic plan lacked democratic input, lacks legitimacy and fails to prioritize the sustainability concerns that need to inform Alberta's budgeting and long-term fiscal planning.

Throughout this report, we have provided recommendations for how Alberta's government could make its budgeting process more democratic. The overall impact of doing so would bring a measure of control and - yes, fiscal responsibility - to the province's finances.



## 1. The Budget Process. And the Budget Process in Alberta

The governmental budgeting process has evolved a great deal since the days when English Kings and Queens would summon the Lords, and later also the Commons, to Parliament in order to obtain from them the funds needed for government operations. Yet the same underlying principle has remained: the need to obtain the consent of the public to finance government operations.

The development of the party system of government has not removed this principle. The people provide their consent to budgets through their elected representatives. And this includes people whose elected representatives are not in the governing party. The government asks for finances, and legislators provide them. It is the legislature, not the government, that decides on budgets.

In times of minority governments, there is an actual need to obtain support of opposition parties, as votes along party lines can defeat a government. In times of majority, the government's proposed budget is routinely passed because party discipline can carry the votes in the legislature. Nonetheless, in recognition of the principles of parliamentary democracy, most governments have taken care to involve opposition parties in the budget process, and also to involve the public directly. The government of Alberta, however, does not take great care to involve either the opposition or the public in the budget process.

In Alberta, the Finance Department initiates the budget process<sup>2</sup> with an economic and fiscal forecast in July. The Government's caucus and the cabinet give general direction in September, and Ministries then prepare business plans to one of six Standing Policy Committees, which have representation only from government MLAs. After Standing Policy Committee review, Alberta's Treasury Board then approves the spending proposals and each Ministry provides its final budget submission to Finance. Finance then compiles an overall budget and tables it in the Legislature for debate. Debate on each department's estimates need be only two hours long.

In contrast, the federal government budget process includes reviews of departmental budget proposals by Parliamentary Standing Committees that include members of the opposition.<sup>3</sup> Because these reviews are held well in advance of the budget, there is adequate time to consider and debate the budget of each department, and the Opposition parties (and the media) also get a preview of the government's budget.

In addition to the Standing Committees process, there are also Federal pre-budget consultations of the House of Commons Standing Committee on Finance, which also includes opposition members. In 1994, changes to the Standing Orders of the House empowered the Standing Committee on Finance to undertake an annual autumn public consultation on what should be in the next Budget.<sup>4</sup> The Committee has the power to call witnesses, and regularly receives testimony and written input from the public.<sup>5</sup> It holds hearings across the country.<sup>6</sup> And when the Committee presents its report on pre-budget consultations, there is a special debate in the Chamber in advance of the presentation of the Budget.<sup>7</sup>

In Alberta's finance committee, there are no Opposition members. And there are no open public pre-budget consultation hearings held across Alberta. And there are no standing committees of the legislature reviewing departmental spending plans. Alberta's Financial Management Commission remarked in 2002:

“[T]he province's budget process does not provide formal opportunities for input at open sessions.... Other elected bodies such as municipalities, school boards, and health authorities typically provide open sessions where people can provide input, listen to the debate, and participate in the budget development process.”<sup>8</sup>

In short, Alberta's budget process is much less democratic than the federal government's budget process, and the processes of lower orders of government within Alberta.

The more democratic nature of the federal budget process, as compared to the Alberta process, also enables greater transparency in the budgeting and policy-making process. Opposition members, the media, and members of the public obtain a preview of departmental and government policy and spending plans. This facilitates a more thorough and wide-ranging public and media discussion of the budget, which provides useful input to the budget. Moreover such transparency signals a healthy democracy - one lacking in Alberta.

As in other sections of this report, we provide recommendations for reform, below. These reforms are far from radical; they would simply bring Alberta up to the level of other jurisdictions in terms of democratizing the budgeting process. A much more democratic process is possible and desirable, but for now we need to put in place the basic elements of democratic control over the taxation and spending process in Alberta.

## Recommendations

- *The Alberta government should disband Standing Policy Committees of the government and replace them with Legislative Standing Committees that include Opposition members and that have powers to investigate departmental spending plans in detail, and issue majority and minority reports independently of government.*
- *The Alberta government should create a Legislative Standing Committee on Finance that includes Opposition members and has a mandate to conduct province-wide hearings and issue majority and minority reports independently of government.*
- *The Alberta government should provide for a lengthier and more in-depth budget debate in the legislature.*

## 2. 'Surprise' Surpluses

*"Budget: the government's estimated income and expenses for a fiscal year."*<sup>9</sup>

The appropriate goal in government budgeting is to present an accurate picture of anticipated revenues and expenses. The goal should not be to bring in 'surprise' surpluses on a regular basis.

There is a major difference between a planned surplus and a surprise surplus. A budget can be created with an expense item of investing, or paying off debts. Such a budget is a planned surplus in the sense that ordinary program spending is less than revenues - the difference going into investment or debt reduction. The Alberta government has been putting forward planned surplus budgets of this sort for the last several years. A surprise surplus is a surplus in excess of the planned surplus.

It is important to recognize that government is not in business; it is not supposed to be providing a profit to shareholders. It should only be obtaining revenues in order to support programs and policies that benefit the public. A surprise surplus simply means that the government has inaccurately predicted revenues on the low side, or spending on the high side, or that it changed its mind halfway through the year. It is not a sign of success, but rather of faulty budgeting.

And yet, surprise surpluses are a hallmark of the Conservatives' fiscal record. The government is typically off the mark on revenues by several billions of dollars.

*"Estimate: To calculate approximately ... to form an opinion about; evaluate."*<sup>10</sup>

Certainly, the government's practice of heavy and increasing reliance on revenues from selling off resources creates a challenge to accurate revenue forecasting. Between 1986/1987 and 1999/2000, resource revenues averaged 19% of total revenues. Between 2000/2001 and 2004/2005 the average was 33%.<sup>11</sup>

International energy prices do fluctuate significantly and thus the rents obtained from selling the public's<sup>12</sup> resource assets fluctuates significantly. However, if the fluctuation of energy prices were the main reason for the inaccuracies we see in the government's budgets,

then we would expect overestimates and underestimates to occur roughly equally. They do not.

“The most troubling aspect of Mclennan’s second budget is the Tory Government’s growing dependence on oil and gas revenue... directly contradicting the stated goal of making spending sustainable when prices fall.”

- Editorial, Edmonton Journal, p.A.18, March 23, 2006.

## 2.1 Underestimates are no surprise

*“Underestimate: To make too low an estimate of the quantity, degree, or worth of”.*<sup>13</sup>

Non-renewable resource revenues have been underestimated for five of the last six budget years.<sup>14</sup> Even including the single overestimated year, the mean annual non-renewable resource revenue underestimate is more than \$3.8 billion.<sup>15</sup> When other revenues are considered, the underestimate is even larger. The mean underestimate for total revenues over the most recent six budget years is over \$4.3 billion.<sup>16</sup>

Table 1 - Alberta government budgeted and actual revenues (\$ millions)

Non Renewable Resource Revenues	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006 <i>3rd quarter projection</i>
Budget	4,048	7,536	3,714	4,776	4,784	7,680
Actual	10,586	6,227	7,130	7,676	9,744	14,362
<i>Difference from Budget</i>	6,538	-1,309	3,416	2,900	4,960	6,682
<b>Total revenue</b>						
Budget	19,075	22,673	19,855	21,928	22,952	27,346
Actual	25,597	22,027	22,681	25,887	29,328	34,606
<i>Difference from Budget</i>	6,522	-646	2,826	3,959	6,376	7,260

Fluctuation of energy prices is not responsible for these inaccuracies. The budget estimates of revenues are systematically low; indeed, statistical analysis suggests that the probability that these underestimates are merely a coincidence is less than 1%.<sup>17</sup>

The overestimate in 2001/2002 was an aberration that is unlikely to be repeated again: “Economic growth slowed more sharply than expected across North America and the world. Alberta farmers faced their worst drought in over a century. Energy prices declined faster than expected. The events of September 11 sent reverberations throughout the economy and society.”<sup>18</sup>

If we look at the longer-term trend, there is even greater evidence that revenues have been systematically underestimated. In twelve of the last thirteen years, revenues have been underestimated.<sup>19</sup>

#### **Underestimating and the real size of the surplus**

“It sometimes seems like the only fiscal issues for Alberta are: 1) how cautious will they be with the oil price assumption, and 2) how large will the surplus really be? ... This year’s budget extended Alberta’s recent practice of revealing a staggeringly large surplus for the fiscal year that just ended, and projecting a much more modest surplus for the new fiscal year.”

- *BMO Nesbitt Burns*<sup>20</sup>

## ***2.2 But... isn't it wise to underestimate revenues?***

No, it isn't wise to underestimate revenues. It is wise to estimate revenues accurately.

Underestimating revenues is not the same as prudently building in a financial cushion; there is a world of difference. Building in a cushion is being open about the fact that revenues may rise or fall, and explicitly allowing for it in the budget. Underestimating, on the other hand, is an attempt to conceal the reality of likely revenues from the legislature, the media, and the public.

Building in a cushion is wise and prudent if there is a good chance of revenues fluctuating. And the government has already built in a cushion - in fact, several large cushions. Alberta's "New Fiscal Framework," created in Budget 2003 after the Financial Management Commission report, points out that the Alberta Sustainability Fund creates a "contingency allowance for in-year spending increases or revenue reduction."<sup>21</sup> When it created the Sustainability Fund, the government reduced its budgetary "Economic Cushion" from 3.5% of revenue to 1%, i.e. from about \$750 million to about \$200 million. However, in comparison to the size of the Sustainability Fund, that is virtually insignificant. By the end of the year after it was established, the Sustainability Fund was already flush with \$2.5 billion,<sup>22</sup> and it is now forecast at \$4.1 billion for the end of fiscal year 2005-2006.<sup>23</sup> And the Sustainability Fund isn't the only cushion; the government also has the Capital Account, forecast to be \$4.2 billion in 2005-2006,<sup>24</sup> and a number of other funds into which it can put money in fat years and from which it can spend in lean years. Indeed the government is now holding net financial assets of over \$21 billion.<sup>25</sup>

These funds and accounts are discussed in greater detail later in this report, but the key point here is that they provide a very significant economic cushion. And that means that the government has no need to consistently lowball revenue predictions in order to be fiscally prudent. Not only is underestimating revenues dishonest; it is unnecessary.

### ***2.3 The impact on democracy of underestimating revenues***

The Canadian Centre for Policy Alternatives has, for several years, pointed out that the federal government has low-balled estimates of budget surpluses. In a recent report, they note that this "has damaged the credibility of the government's fiscal forecasting."<sup>26</sup>

The same can be said of Alberta. Indeed Alberta's underestimating is proportionately far larger than that of the federal government. In the five years between 2000/2001 and 2004/2005, the mean federal surplus underestimate was \$7.74 billion<sup>27</sup> or about \$240 per Canadian. By comparison, the mean Alberta surplus underestimate in those years was almost four times as high per capita, at \$2.86 billion,<sup>28</sup> or about \$953 per Albertan.

However, underestimating carries more serious implications than merely damaging the credibility of the Minister of Finance, the Premier and the Government. It gives the government a rationale for suppressing program spending and for program cuts. When there “just isn’t enough money,” suppressing and cutting program spending is easier. And there have been many cuts over the years - indeed program cuts are another hallmark of the current Alberta Conservative government.

Using underestimating to suppress and cut programs is one way to dodge accountability and curtail public debate around budget time. And then, later in the fiscal year, the revenues “surprisingly” appear. At that point, the government has more flexibility on where to spend them. The programs have already been suppressed or cut, and so this new surplus has no political strings attached. The government has dodged accountability and curtailed debate again, and now has the political freedom to spend the money in a way that maximizes its political popularity. And, through both processes, Albertans have their expectations managed by their government.

All this adds up to yet another blow against democracy in Alberta. As Paul Boothe, Professor of Economics at the University of Alberta, states: “If the government’s forecast of revenue and estimates of spending are not credible, one of the core institutions of our democracy is threatened because legislators and voters cannot trust the plan laid out in the government’s budget.... [A]n essential start to rebuilding credibility... [requires that there be] no more surprise announcements...”.<sup>29</sup>

### **What will the surplus be this year?**

The Alberta government’s 2005/2006 budget predicted a surplus of \$1.5 billion. By the 2nd quarter November 2005 fiscal update the Government was predicting a surplus of about \$5.9 billion. This would have been \$8.7 billion if the government hadn’t excluded over-budget spending of \$1.5 billion and the \$1.4 billion cost of its ‘prosperity cheques’.<sup>30</sup> By the 3rd quarter Fiscal Update in March 2006, the government’s own estimate had risen again, from \$5.9 billion to \$7.4 billion, which would raise the real surplus to over \$10 billion. The final figures will be released in June. Based on the government’s track record of 3rd quarter underestimates (averaging over \$500 million in the last 4 years), we predict the budget surplus will be almost \$11 billion - more than 40% above the government’s budget spending estimates.



The process for making spending decisions part way through the fiscal year is via supplementary estimates. Formally, supplementary estimates follow the same legislative procedure as used for the rest of the budget, i.e. the Government internally makes decisions, presents the budget before the legislature, and the legislature debates it and - because it is dominated by the Conservative party - passes the Government's budget. Then the Government is free to spend the money.

However, in practice, the Government has not followed this scheme. The pattern has emerged in which a minister or the Premier makes an unbudgeted spending announcement to the media, discusses it publicly, perhaps even incurs related costs, and then later seeks approval in the Legislature. This process essentially uses the legislature as a rubber stamp, thereby further demonstrating the Alberta government's contempt for the democratic process and for the public's elected representatives.

Moreover, it neatly bypasses the broader processes that could engage Albertans politically. In the lead up to the actual budget, there is significant attention focused on public policy and government priority setting. The Throne Speech is made. Newspapers provide special reports on the upcoming budget. TV and radio outlets conduct interviews. The Opposition parties provide critical commentary. Others such as business lobbyists and civil society groups speak out on the budget. And so on.

In contrast, a hasty debate and vote on supplementary estimates, perhaps taking place in the summer, does not allow the level of broader public scrutiny and debate as the budget process. Indeed it allows the extra spending decisions to fly under the radar, largely avoiding public discussion.

What discussion remains is seriously constrained by the fact that the in-year spending is not being considered as a whole, and assessed against other public priorities. When it comes to a summertime announcement of spending on the latest educational foundation, who can disagree with education? If that spending was announced at budget time, however, there could be a debate about its relative importance compared to other priorities - health, environment, infrastructure, etc. Budgeting is all about making trade-offs among competing priorities. And Alberta's provincial government regularly makes those trade-off discussions impossible.

Underestimating enables the government to curtail democratic debate at budget time, and then again later in the fiscal year when it is time to spend. Year-by-year, as the government continues to underestimate revenues, it systematically undermines the democratic process of financial and program planning. In the last six years alone, the underestimate for Alberta's surplus has totaled over \$18 billion,<sup>31</sup> or more than \$18,000 per household. That is a lot of Albertans' money being spent in a quiet and undemocratic way.

## ***2.4 Where have all the dollars gone?***

Where has that \$18 billion gone? It is impossible to say with 100% certainty where surprise surplus dollars go because general revenues are fungible - they are not earmarked, and revenues from various sources and various times get mixed in with other revenues before being spent. Nevertheless, two observations can be made about Alberta's allocation of revenues over the last six years: 1) there have been a lot of surprise spending announcements; and 2) there has been a lot of stashing money into funds and accounts.

Alberta's Conservative government has been anything but conservative with its spending announcements. By November 2005, 7 months into the fiscal year, the government had already spent \$1.5 billion over budget.<sup>32</sup> And the fact is that the government has been stashing the money away for years. According to the government's annual reports, net financial assets increased from -\$2 billion at the beginning of 2000/2001 to more than +\$20 billion (projected) at the end of 2005/2006.<sup>33</sup> This means that \$22 billion of surpluses were put into the government's asset base. Over the same time, the government turned surpluses of \$24 billion. There are minor adjustments to be considered, but the big picture is clear; the government has largely stored its surpluses away into financial capital.

There is a good argument that the government should be investing surpluses into some form of capital. The government's revenues over that time include over \$54 billion in non-renewable resource revenues. This represents natural capital that has been removed from the province's asset base for all time. And so converting it into another form of capital is appropriate in terms of sustainability. It is a far more productive, appropriate and economically healthy use for sold-off natural capital than using it to further fuel an overheated economy (e.g. by road-building, resource rebates, tax cuts, and \$400

prosperity cheques) already experiencing a boom in the business cycle. In this respect, it is important to note that less than half of the rents from the sale of Albertans' natural capital - \$22 billion of \$54 billion - were retained as financial capital investments.

And it is important to note what types of capital the resource rents were not converted into. Financial assets include such things as investments in bonds and corporate equities. For a government, they represent deferred activity, or the ability to finance and conduct programs in the future. More to the point, they represent a decision not to conduct these programs now. These programs could include investments that would protect natural capital (e.g. preserve resources, protect ecosystems and air and water quality, and grow our renewable energy economy), promote the development of human capital (e.g. education, skills-building) or social capital (interpersonal equity, cooperation and other factors that contribute to a highly functional society and economy), or create tangible capital (e.g. factories, machinery).

All of these forms of capital investment are economically beneficial. And the government could have made any of these investments over the last several years, instead of accumulating financial assets. So the question is why did the government choose to invest in financial capital, instead of natural, human, social or tangible capital?

The government's decision to invest in financial capital, as opposed to other forms of capital, was a policy decision. It was not fiscally necessary. Certainly, the government's self-styled "elimination of the debt" was completely unrelated to the making of these investments; one stream of cash was flowing into the investments while a separate stream flowed into paying off debt instruments.

#### **Alberta's debt - (when) did it disappear?**

Despite the "debt-free" fanfare in 2005, Alberta's government still carries debt and it still pays interest on it. The government has simply created an account containing funds specially earmarked to pay down the debt instruments as they come due. This is preferable to the foolish policy of paying off the debt before it comes due and thereby incurring penalties for early payment - something that the government had considered. However, it hardly means the government has no debts. The government's claim to debt freedom is little more than an accounting trick; it is the same as saying that because you have savings in the bank, your car loan is not a debt.

And if having enough funds to cover debts did mean that the debts were gone, then the government was actually debt free by the end of fiscal year 2000-2001, when net financial assets rose above zero. If pension obligations are excluded from the calculation then the government was debt free in 1999-2000, as it indeed announced that year.<sup>34</sup> If non-financial assets are included in the calculation, debt freedom actually came several years earlier. Financially, it makes no sense to declare debt freedom more than once, especially when there are still debts on the books. Politically, however, it is expedient.

So the decision to make financial investments, instead of other investments, was a policy decision. What does this policy decision say about the government's priorities? It says one of two things:

- 1) The government likes having money more than it likes serving the priorities of Albertans. The government's policy has been to stash money under the bed rather than contributing to: the education of its citizens; a sustainable and diversified economy; public health care; the environment; the province's infrastructure; cities; support for those who need it; or any of the other priorities identified in the government's own "It's your future" questionnaire.<sup>35</sup>
- 2) The government has no vision and so does not know what to do with the money. The government was obsessed with completely eliminating the debt. Now that the debt bogeyman has been slain, there is a policy vacuum within government.

The accountability problems of money stashes, and the government's (lack of) vision, are dealt with further in the following two sections.

## Recommendations

- *The Alberta government should annually commission a panel of ten independent, credible financial experts to issue public reports predicting non-renewable resource revenue levels, and should justify its own budget forecasts against those reports.*
- *The Alberta government should establish an independent commission to thoroughly examine its pattern of underestimating net revenue, and to issue majority and minority reports including findings and recommendations. This Commission should include representation from the Public Sector Accounting Board, the Auditor General, and the Opposition parties.*
- *The Alberta government should empower the Public Accounts Committee to more thoroughly examine its books and to issue reports (including minority reports) to the Legislature.*
- *The Alberta government should commission an independent, detailed review of its accounting practices to determine whether they comply with Generally Accepted Accounting Principles and the standards of the Public Service Accounting Board of the Canadian Institute of Chartered Accountants.*
- *The Alberta government should ease the breakneck pace of fossil fuel extraction, banking more of Albertans' resources for a secure energy future.<sup>36</sup>*
- *The Alberta government should develop a vision that includes the real priorities of Albertans (see Vision section below).*

### 3. Foundations, Endowments and Special Accounts

In 1995, Ralph Klein's Conservative government passed the balanced budget law - a statute that prohibits the government from having a deficit budget.<sup>37</sup> Balanced budget laws were politically fashionable in the 1990s, at a time of a manufactured media fixation on fiscal deficits. Such laws were passed in many states in the US, and in a number of Canadian provinces. They were trumpeted by their supporters as the height of fiscal prudence, and yet they actually create serious problems for government finances, capital projects that cities and communities depend upon, and the overall economy itself.

Balancing revenues and regular program expenses over the long term is wise. However, requiring that expenses never exceed revenues in any given year is foolish. The reality is that the economy goes through business cycles, and Alberta's economy is particularly prone to ups and downs due to its dependency on global energy prices. Alberta's government revenues swing wildly because of heavy dependence upon rents from the sales of oil and gas.<sup>38</sup> And because Alberta's revenues are unstable, it is much harder to comply with the rule that expenses never exceed revenues.

Furthermore, the balanced budget law means that the Alberta government's expenditures are unstable. If revenues fall during the fiscal year, then expenses have to be slashed. If revenues rise during

Roger Gibbons, President and CEO of the Canada West Foundation, noted that it is often wise for governments to incur public debt, likening it to personal debt: "[There is] little that is reprehensible about debt held as mortgages. ... If we had to save the full purchase price before buying a house, most of us would be renters for life. Some kinds of debt, therefore, are not only acceptable but desirable in that they enable us to achieve goals that otherwise would be next to impossible. The only questions we ask is whether we can afford both the interest and payments on the principle, and if we can weather a future increase in interest rates. If we can, then no moral evil is attached to carrying a mortgage, or perhaps even a car loan." - Calgary Herald, February 10, 2002,<sup>39</sup>

the fiscal year, the spending has to go up in order to reduce the sometimes embarrassing surplus. And indeed this has been the pattern under Alberta's current government. In the words of Michael Percy, Dean of University of Alberta's Business School, "the current means of ensuring balanced budgets also means that revenue volatility is transmitted directly into expenditure volatility."<sup>40</sup>

This has resulted in inefficiencies and higher costs, for instance in capital projects where government financing has been stop-and-go, leading to project delays and deferrals. It has also meant higher government spending when the economy is overheated, thus exacerbating labour and materials shortages, and lower government spending when the economy slows down, exacerbating downturns. According to Tim O'Neill, Chief Economist at the Bank of Montreal this "procyclical" fiscal policy has the effect of "amplifying the business cycle rather than counteracting it."<sup>41</sup>

The problems with balanced budget laws have been recognized in the US, where the laws have been around for longer than in Canada; "U.S. economists and legislators (including conservative ones) warn against inflexible models that don't let governments respond to sudden economic fluctuations."<sup>42</sup> The problem became so acute in Alberta after a year of downturns that the government appointed a Financial Management Commission (FMC) to look into the province's fiscal management.<sup>43</sup> The FMC made a number of recommendations, including recommending that all resource revenues and year-end surpluses go the Alberta Heritage Fund. The Heritage Fund would be allowed to grow, and would provide a nest-egg for a future "when resource revenues decline". The FMC recommended that a fixed amount of money from the Heritage Fund - \$3.5 billion per year - be allocated to general revenues annually.<sup>44</sup> The FMC avoided recommending that the balanced budget law be repealed formally, but the effect is the same in reality; the Heritage Fund would also act as a buffer, enabling the government to run operating surpluses in good years and deficits in bad years.

The government declined to improve and safeguard the Heritage Fund in the manner recommended by the FMC, and notably it failed to make the Heritage Fund into a nest-egg for the future. Instead it created a new Sustainability Fund to act as a short-term revenue buffer, receiving annual surpluses and allowing for spending in years with low revenues or unanticipated expenditures. It essentially lets the government get around the balanced budget rule by allowing it to take in more money in some years and spend more in others.

The Sustainability Fund also receives resource revenues, but the government ensured it could use a portion of those revenues in the current year. The portion that the government allows itself to use currently was at first very deliberately limited to \$3.5 billion:<sup>45</sup> “Resource revenue spending will be fixed at \$3.5 billion, regardless of energy prices.”<sup>46</sup> That “regardless” was short-lived. The government soon notched the limit up to \$4 billion.<sup>47</sup> Less than a year later, the government notched it up again to \$4.75 billion.<sup>48</sup> And, repeating a well-established pattern of being unable to live within its own budget rules, a few months later the government announced its intention to notch it up to \$5.3 billion.<sup>49</sup>

There were also careful limits on what the Sustainability Fund could be spent on: “budget shortfalls”, “disasters”, “emergencies”, or assistance “under the Natural Gas Price Protection Act”.<sup>50</sup> Alberta’s government continued its pattern of changing the rules. It amended the Fiscal Responsibility Act to give itself increased latitude to spend the money in the Fund, e.g. for Alberta’s so-called prosperity cheques.<sup>51</sup>

The government also created a Capital Account, further enabling deposits in flush years and spending in lean years. It is forecast by the government to be at \$4.2 billion in 2005-2006.<sup>52</sup> Other recent endowments include: Advanced Education fund (“Access to the Future Endowment”) (\$750 million); Scholarship Fund (\$250 million); Medical Research Endowment Fund (\$200 million); and Science and Engineering Research Endowment Fund (a.k.a. “Alberta Ingenuity Fund”) (\$100 million).<sup>53</sup> As noted earlier, all told the government’s own projection for net financial assets (i.e. excluding capital assets like buildings and land) at March 31, 2006 is over \$21 billion.<sup>54</sup>

In short, the government’s response to its own balanced budget rule has been to create a long list of exceptions, and then to make those exceptions bigger. The rule itself is quite brief: “Actual expense for a fiscal year must not be more than actual revenue for that year.”<sup>55</sup> However, there is a long list of rules excluding certain expenses from the definition of “actual expense”<sup>56</sup> and excluding certain revenues from the definition of “actual revenue”.<sup>57</sup> Although still on the books formally, the balanced budget law has largely been defined out of existence by the government because balanced budget laws are simply unworkable.



### 3.1 Accountability

Having a means to smooth out annual fluctuations in revenues and expenditures is a good idea. Unfortunately, there are accountability issues. Transferring funds to independent organizations that will spend them later curtails the process for legislative oversight of the final spending decisions. For instance, the Alberta Ingenuity Fund “operates at arm’s-length from government” and is “governed by a Board of Trustees.”<sup>58</sup> And the spending decisions of the Alberta Heritage Fund for Medical Research are also made by an independent board of trustees.<sup>59</sup> Federal Auditor General Sheila Fraser noted accountability concerns in respect of the movement of federal funds into arms-length foundations. Such concerns in Alberta, although far less reported by the media, are no less important. As Fraser noted, effective ministerial oversight is an “essential requirement for accountability.”<sup>60</sup>

Non-independent funds - those controlled by government Ministers – also need to be managed in a democratic and accountable manner. For example, the Access to the Future Fund already enables tens of millions of dollars of spending per year, with all decisions made by the Minister.<sup>61</sup> This will rise in future years to hundreds of millions of dollars per year, as the Fund’s endowment is filled with resource rents and fiscal surpluses. The legislation establishing the Fund provides for regulations to be made to control that spending, and an Advisory Council to make recommendations on the spending. To date, no regulations have been made, and no Advisory Council has been formed. Yet Advanced Education Minister Dave Hancock and the Conservative government have already made spending commitments from the Fund, including for example:

- A \$1million commitment to match a private donation to the University of Alberta<sup>62</sup>
- A \$13.5 million commitment towards NAIT’s Building on Demand expansion program<sup>63</sup>
- A \$25 million commitment to match a private donation to the University of Calgary<sup>64</sup>

Other announcements of spending from the Fund include the University of Alberta’s Centre for Chinese Studies and the University of Calgary’s Lois Hole Digital Library. These commitments all seem like laudable ways to spend the money; that’s not the problem. The problem is that there is no structure to the decision-making, no accountability to the legislature for the spending, and no apparent vision in these announcements.

Certainly, investing for the future is a good idea. Indeed, it is a necessity. As the Financial Management Commission notes, non-renewable resources revenues will decline, and Alberta will need to have transformed its provincial economy by that time. In the meantime, it needs to transform its budget.

The issue is not *whether* to invest resource rents, but *what* to invest in and how to do it. As noted earlier, the government has unwisely spent money on tax cuts and giveaways that promote consumption and drive up prices in an already-overheated part of the business cycle. Investing in long-term education and health care through endowments, in contrast, was laudable in theory. Making such investments in a way that is accountable and democratic would be much more laudable.

## Recommendations

- *The Alberta government should introduce legislation formally repealing the remaining pieces of the balanced budget rules in the Fiscal Responsibility Act.*
- *The Alberta government should re-focus the Heritage Fund, enabling it to grow and become a nest-egg for the future when Alberta's energy resources decline. 100% of non-renewable resource rents should be placed in the Heritage Fund, thus converting natural capital into financial capital and maintaining overall capital. Government should only have access to the interest of this capital investment: all Fund earnings (Fund growth, less resource rent contributions, less inflation-proofing), if any, should be placed in the Sustainability Fund.*
- *The Alberta government should re-focus the Sustainability Fund, formally acknowledging and structuring its role as a counter-cyclical spending mechanism designed to smooth out the ups and downs of the business cycle - i.e. one that receives revenues in good years and spends in lean years. The Sustainability Fund should receive Heritage Fund earnings as described above, and any provincial surpluses remaining after resource revenues have been allocated to the capital of the Heritage Fund. The Sustainability Fund should only spend in years of provincial deficits, and only on maintaining existing programs, as distinct from making surprise spending announcements.*

- *If placing all non-renewable resource rents in the Heritage Fund would create a deficit, the Alberta government should restore taxes to levels necessary to fund existing programs, starting with restoring corporate taxes and replacement of the flat tax with a progressive tax. Further tax revenues, if necessary, should come from taxes on environmentally harmful activities, such as pollution.*
- *The Alberta government should continue the practice of creating endowments for long-term investment in key social priorities, but these endowments should be created in accordance with a proper strategic plan (see Vision section below).*
- *The Alberta government should ensure that major spending decisions - regardless of where they take place - are reviewed and debated in the legislature. And the doctrine of Ministerial Responsibility should govern all major spending decisions.*
- *Where legislation provides for structuring of government spending (e.g. regulation on spending decisions and advisory panel oversight), the Alberta government should ensure that the structure is in place before it makes spending decisions.*

## 4. The Vision Thing

As noted earlier, the aim of governments obtaining revenues should be to support public programs, not to make a profit or accumulate assets. Yet it appears that the Alberta government can't shake the habit - created during its anti-debt crusade - of desperately seeking surpluses. And the result is that Alberta's government now has regular, embarrassingly large surpluses, and a very large and growing pile of assets. These surpluses and assets create a certain tension within Canada's confederation, and calls to resolve the fiscal imbalance among provinces. They also prompt the Alberta public to increasingly wonder why the government needs to be sitting on net assets of over \$33 billion<sup>65</sup> while more than 18,000 Alberta children use food banks.<sup>66</sup> They also create a tension within the Conservative party, in which policy is driven by the ideological belief that public program spending is bad and should be cut, not increased.

The result of these federal and local tensions is that the government makes a lot of spending announcements, and a lot of announcements about creating foundations. Quarter by quarter, as it hastens to distribute its surprise surpluses, the government places accounting aims before the aim of developing a sustainable vision for the province. The revenue tail is now wagging the program dog because the government has been unable to create a compelling vision of an Alberta society beyond elimination of the debt.

"[P]ost-debt Alberta is a different place that needs a different kind of leadership. In recent years, Klein has shown he doesn't really have the vision for it. Indeed he recently admitted that governing in the days of surpluses is harder than when money was tight. As recent budgets clearly show, the Klein government doesn't grasp the importance of planning ahead, and of saving record budget surpluses for Albertans who will live in and build this province when the fossil fuels are gone"

*Editorial: More proof two years too long, Edmonton Journal Sunday March 25, 2006 p.A18.*

The reason for this lack of vision lies partly in the previous budgetary policies of the government. The government has chosen to cut taxes and increasingly rely on rents from the sale of non-renewable resources. These rents are volatile and particularly unsuited to a balanced budget law (although as noted above, Alberta's balanced budget law is now full of holes created by the government). Moreover, non-renewable resource rents are unsustainable in the long run. And the government's increasing reliance upon those unsustainable rents begs the obvious question: what is the government going to do as those rents decline?

The government's own Financial Management Commission recognized:

“the increasingly important need to reduce the province's reliance on non-renewable resource revenues... Those resources are finite and diminishing. A new fiscal framework should provide for a gradual but sustained reduction in our reliance on natural resource revenues and a focused attempt to build financial and other strategic assets.... Alberta needs an economic vision and a strategic plan that prepares the province for the time when resource revenues will decline.”<sup>67</sup>

The FMC specifically recommended that:

“Government should develop and clearly articulate a strategic plan for achieving a sustainable economic vision for the province. The government's business plan should be refocused as a strategic plan to achieve the vision...”<sup>68</sup>

## **4.1 The government's vision**

In response to the FMC recommendations, the government created a Strategic Business Plan. This document includes a vision statement, a 20-year strategic plan, government-wide initiatives and medium-term strategies. The government and ministries continue to prepare 3-year business plans.

It is too early to say whether the government's strategic plan will help achieve the objective of achieving a sustainable economy, and thereby enable democratic budget-making as opposed to revenue-led spending decisions. Superficially, it appears that the strategic plan has a useful structure, in which lower-level business plans are linked to higher-level strategies and goals, at least at the macro levels.

However, it is less clear that the content is appropriate. For instance, the objective of “a more sustainable, innovative and broadly-based economy” includes modest targets for development of investment and other activities to help promote economic diversification.<sup>69</sup>

However, it sets no targets for outcomes on economic diversification or sustainability. The FMC report had repeatedly noted the government’s trend toward 3-year business plans being focussed on activities, and had recommended that planning be focussed more on outcomes.<sup>70</sup>

Moreover, other strategies would seriously undermine development of a diversified and sustainable economy. At the core of the government’s budgetary democratic deficit is its reliance on rents from selling off non-renewable resources. And yet under “Goal #1 - Alberta will have a diversified and prosperous economy”, the first four (and many subsequent) strategies include promoting fossil fuel development.<sup>71</sup> As might be expected, given the government’s track record in promoting fossil fuel development, the strategies in the Plan devote significant attention to that industry. And the more Alberta depends on rents from non-renewable resource extraction, the less diverse and sustainable its economy will be. The more the government’s fossil rent dependency constrains it to react to revenue fluctuations, the less it is free to engage Albertans in a truly democratic process of effective planning and budgeting.

The strategic plan fails to provide a vision for how the government’s fiscal arrangements will contribute to economic sustainability in light of the finite nature of non-renewable resources. In particular it fails to clearly state that rents from non-renewable resources (natural capital) cannot be treated as revenues and must be exclusively transformed into other forms of capital. The plan would need to require the government to maximize its rent collection from resource extraction<sup>72</sup> and invest those rents, instead of frittering them away on rebates and tax cuts that merely serve to promote consumption during the height of the business cycle.

“Some analysts suggest the tax reduction [reduction of corporate taxes from 11.5 to 10%] would even accentuate the challenges already limiting the province’s growth. ‘It could exacerbate some of the problems that Alberta’s facing right now,’ said [Doug] Porter [Economist at BMO Nesbitt Burns]. ‘It could make labour shortages that much more intense and drive up real estate prices much more rapidly’.”<sup>73</sup>

## **4.2 Public input to strategic planning**

Like budget planning, longer-term strategic planning should employ a well thought-out process that engages key stakeholders (i.e. the public in the case of government planning). It is possible, and perhaps essential in this age, to combine leadership with democratic participation. The Financial Management Commission noted that “the planning and budgeting process should be more open,”<sup>74</sup> and recommended that the government gather information from various stakeholder organizations and provide this input to the budgeting process.<sup>75</sup>

Alberta’s strategic plan purports to be vitally important to priority-setting and budgeting:

1. it aims to guide government decision making to the year 2025
2. it sets out “policy initiatives that bring together various ministries to address government-wide issues”
3. it provides goals and objectives that are to be reflected in the detailed 3-year business plans of 24 ministries and of the government itself.

Given the purported significance of this strategic plan to the government’s financial decisions over the next 20 years, one would think that the government would have undertaken, and would be at pains to point out that it had undertaken, a serious public engagement process. Such a process could include:

- scientific polling, focus groups and other in-depth public opinion research to inform the process and gauge Albertan’s priorities for the upcoming 20 years
- province-wide public consultations focussed specifically on the development of the strategic plan, starting with the vision, and moving sequentially to goals, objectives and strategies
- significant advertising and other steps to focus Albertan’s attention on the development of this crucial document
- surveys of ‘experts’ and stakeholders on the relevant sections of the plan
- formation of a stakeholders council to help guide the development of the strategic plan
- in-depth public debate - in the legislature and in legislative committees - on the strategic planning documents

Indeed the very legitimacy of strategic planning and strategic plans is often seen to hinge on stakeholder participation in the process. However, the government's four-sentence description of its public engagement in developing this strategic plan does not inspire great confidence. The defensive first sentence is perhaps revealing:

The 20-year plan has not been developed out of thin air, nor has it been developed without the input of Albertans. In fact, it's based in large part on what the government has heard from Albertans, in different forums, over the last few years. Consultative events such as summits in agriculture and health, discussions with Alberta's Aboriginal communities and opinion gathering activities such as mail-out surveys to Albertans on issues ranging from fiscal planning to the future of the Alberta Heritage Savings Trust Fund, have all helped shape the direction of this plan. And, in 2001, the Future Summit gave Albertans from all walks of life the opportunity to contribute ideas and outline priorities to a long-term vision of Alberta's future.<sup>76</sup>

It is doubtful whether people involved in specific "consultative events" on topics such as agriculture, health or Aboriginal communities regarded their participation in those events as being their input into the province's comprehensive, 20-year strategic plan. And the Future Summit was completed and reported out in May 2002, i.e. prior to the FMC report and before the idea of a strategic plan had been promoted, let alone taken up by government or considered by the public. The Public Consultation on a Debt-Free Alberta, being a voluntary mail-in survey, was far from a scientific poll, and subject to selection bias among other problems. In any event, the questionnaire was limited to a dozen multiple choice questions and one open-ended question; fewer than one in ten Albertans bothered to respond.<sup>77</sup>

Public participation in a strategic planning process needs to be informed with context and background information, and the input process needs to focus on the strategic plan itself, not some particular issue in isolation. It is plainly ridiculous to claim that these "consultative events" and "opinion gathering activities" are sufficient for Albertans to have a say in their province's 20-year strategic plan. It's like a company foregoing Annual General Meetings and telling shareholders that their views on corporate governance were already noted when they made their consumer choices at the supermarket.



Nonetheless, as noted above, it is too early to draw firm conclusions about where the government's 20-year strategic plan will take the budgeting process and outcomes. We will have to wait and see. Long-term strategic planning is important to carry out, especially in a province so heavily dominated by raw resource extraction and exports, and stuck with a colonial-style, underdeveloped local economy. And so the effort to initiate strategic planning is worthwhile. However, the existing plan is not up to the job, and the government has a long way to go in order to make the economy sustainable and the planning and budgeting processes democratic. We will have to wait and see whether it has the courage to make the needed changes.

## Recommendations

- *The Alberta government should start over on its Strategic Planning, and establish a process for soliciting informed and considered public input:*
  - \* People should have had access to background materials and draft documents, and know the input they are providing is for the purposes of a strategic plan that is going to guide government policy budgeting in all departments over the next 20 years
  - \* There should be scientific polling, focus groups and other public opinion research to inform the process and gauge Albertan's priorities for the upcoming 20 years
  - \* There should be province-wide public consultations focussed on the development of the strategic plan documents, starting with the vision, and moving sequentially to goals, objectives and strategies
  - \* There should be significant advertising and other steps to focus Albertan's attention on the development of this crucial document
  - \* 'Experts' and stakeholders should be surveyed on the relevant sections of the plan
  - \* A stakeholders council should be formed to help guide the development of the strategic plan
  - \* There should be in-depth public debate - in the legislature and in legislative committees - on the strategic planning documents
  - \* It should be made clear to all participants (and to the government) that the strategic plan is to focus on outcomes, not activities

- *The Alberta government should focus its Strategic Plan at all levels - vision, goals, objectives, strategies, and targets - on achieving the outcome of sustainability:*
  - \* The Plan should specify to the extent possible what the economy will need to look like as our fossil fuels decline, and should set goals, objectives, and strategies with this in mind
  - \* The Plan should be examined carefully for elements that would conflict with the goal of easing the rate of fossil fuel extraction, and those elements should be removed.
  - \* The Plan should establish a target of 100% of rents from non-renewable extraction being converted into various types of capital investments (social, human, natural etc.) within 5 years (i.e. no rents going into tax cuts, rebates or other consumption-promoting give-aways)
  - \* The Plan should establish a target of restoring regular revenues (i.e. corporate and progressive taxes) to the level where they will sustainably support government programs
  
- *The Alberta government should formalize a process for regularly reviewing the content of the strategic plan, and the process should involve the public input elements above*

## Conclusions and Recommendations

This report has pointed out the many ways in which the Alberta government's budgeting process gets a failing grade in the subject of democracy.

Compared to the federal government and local governments, Alberta's formal mechanisms for budget accountability are underdeveloped, as are the informal means of generating meaningful public debate. And the government's habit of underestimating revenues, particularly from non-renewable resource rents, is unnecessary and unwise, and causes further loss of credibility and democratic accountability.

Stashing the predictable 'surprise' surpluses from non-renewable resource rents into various accounts and funds is preferable to using it for ordinary spending, rebates or tax cuts. However, as pointed out by the Federal Auditor General, it is a practice that would require controls in order to ensure accountability and democratic oversight, and these controls are lacking in Alberta.

Ultimately, spending decisions need to be guided by a vision, one that is developed in a democratic process. The Alberta Conservative government - as pointed out by political and economic commentators across the board - simply has no vision. Having focussed on the debt bogeyman for so many years, and struggling under an ideology that says that all public spending is bad, the government is incapable of rational budgeting and planning - or following budgets and plans - in a prosperous Alberta.

Alberta politicians have made a sport out of denouncing the democratic deficit at the federal level. This may change now that a Calgary Conservative is the Prime Minister, or it may not. In any event, Alberta's government clearly needs to get its own house in order. To help make the Alberta government's budgeting more accountable, more democratic and more sustainable, this report has made a series of constructive recommendations.

These recommendations are neither radical nor particularly novel; they are basic common sense. We hope that the government will respond appropriately, in recognition of the seriousness of the problem, and the importance of democracy and accountability in the budget process.

These recommendations are repeated here.

### **Recommendations on the budget process:**

- The Alberta government should disband Standing Policy Committees of the government and replace them with Legislative Standing Committees that include Opposition members and that have powers to investigate departmental spending plans in detail, and issue majority and minority reports independently of government.
- The Alberta government should create a Legislative Standing Committee on Finance that includes Opposition members and has a mandate to conduct province-wide hearings and issue majority and minority reports independently of government.
- The Alberta government should provide for a lengthier and more in-depth budget debate in the legislature.

### **Recommendations on 'surprise' surpluses:**

- The Alberta government should annually commission a panel of ten independent, credible financial experts to issue public reports predicting non-renewable resource revenue levels, and should justify its own budget forecasts against those reports.
- The Alberta government should establish an independent commission to thoroughly examine its pattern of underestimating net revenue, and to issue majority and minority reports including findings and recommendations. This Commission should include representation from the Public Sector Accounting Board, the Auditor General, and the Opposition parties.
- The Alberta government should empower the Public Accounts Committee to more thoroughly examine its books and to issue reports (including minority reports) to the Legislature.
- The Alberta government should commission an independent, detailed review of its accounting practices to determine whether they comply with Generally Accepted Accounting Principles and the standards of the Public Service Accounting Board of the Canadian Institute of Chartered Accountants.
- The Alberta government should ease the breakneck pace of fossil fuel extraction, banking more of Albertans' resources for a secure energy future.<sup>78</sup>

- The Alberta government should develop a vision that includes the real priorities of Albertans (see Vision section below).

### **Recommendations on foundations, endowments and special accounts:**

- The Alberta government should introduce legislation formally repealing the remaining pieces of the balanced budget rules in the Fiscal Responsibility Act.
- The Alberta government should re-focus the Heritage Fund, enabling it to grow and become a nest-egg for the future when Alberta's energy resources decline. 100% of non-renewable resource rents should be placed in the Heritage Fund, thus converting natural capital into financial capital and maintaining overall capital. Government should only have access to the interest of this capital investment: all Fund earnings (Fund growth, less resource rent contributions, less inflation-proofing), if any, should be placed in the Sustainability Fund.
- The Alberta government should re-focus the Sustainability Fund, formally acknowledging and structuring its role as a counter-cyclical spending mechanism designed to smooth out the ups and downs of the business cycle - i.e. one that receives revenues in good years and spends in lean years. The Sustainability Fund should receive Heritage Fund earnings as described above, and any provincial surpluses remaining after resource revenues have been allocated to the capital of the Heritage Fund. The Sustainability Fund should only spend in years of provincial deficits, and only on maintaining existing programs, as distinct from making surprise spending announcements.
- If placing all non-renewable resource rents in the Heritage Fund would create a deficit, the Alberta government should restore taxes to levels necessary to fund existing programs, starting with restoring corporate taxes and replacement of the flat tax with a progressive tax. Further tax revenues, if necessary, should come from taxes on environmentally harmful activities, such as pollution.
- The Alberta government should continue the practice of creating endowments for long-term investment in key social priorities, but these endowments should be created in accordance with a proper strategic plan (see Vision section next).

- The Alberta government should ensure that major spending decisions - regardless of where they take place - are reviewed and debated in the legislature. And the doctrine of Ministerial Responsibility should govern all major spending decisions.
- Where legislation provides for structuring of government spending (e.g. regulation on spending decisions and advisory panel oversight), the Alberta government should ensure that the structure is in place before it makes spending decisions.

### **Recommendations on vision and strategic planning**

- The Alberta government should start over on its Strategic Planning, and establish a process for soliciting informed and considered public input:
  - \* People should have had access to background materials and draft documents, and know the input they are providing is for the purposes of a strategic plan that is going to guide government policy budgeting in all departments over the next 20 years
  - \* There should be scientific polling, focus groups and other public opinion research to inform the process and gauge Albertan's priorities for the upcoming 20 years
  - \* There should be province-wide public consultations focussed on the development of the strategic plan documents, starting with the vision, and moving sequentially to goals, objectives and strategies
  - \* There should be significant advertising and other steps to focus Albertan's attention on the development of this crucial document
  - \* 'Experts' and stakeholders should be surveyed on the relevant sections of the plan
  - \* A stakeholders council should be formed to help guide the development of the strategic plan
  - \* There should be in-depth public debate - in the legislature and in legislative committees - on the strategic planning documents
  - \* It should be made clear to all participants (and to the government) that the strategic plan is to focus on outcomes, not activities

- The Alberta government should focus its Strategic Plan at all levels - vision, goals, objectives, strategies, and targets - on achieving the outcome of sustainability:
  - \* The Plan should specify to the extent possible what the economy will need to look like as our fossil fuels decline, and should set goals, objectives, and strategies with this in mind.
  - \* The Plan should be examined carefully for elements that would conflict with the goal of easing the rate of fossil fuel extraction, and those elements should be removed.
  - \* The Plan should establish a target of 100% of rents from non-renewable extraction being converted into various types of capital investments (social, human, natural etc.) within 5 years (i.e. no rents going into tax cuts, rebates or other consumption-promoting give-aways)
  - \* The Plan should establish a target of restoring regular revenues (i.e. corporate and progressive taxes) to the level where they will sustainably support government programs
  
- The Alberta government should formalize a process for regularly reviewing the content of the strategic plan, and the process should involve the public input elements above

## Endnotes

- 1 See, for example, Katherine Harding and Dawn Walton "Alberta budget gushes spending, tax breaks" *Globe and Mail* March 23, 2006: "[Alberta Finance Minister] McClellan said earlier that Alberta does not owe its economic position simply to the record-high energy-resource royalties that have been stuffing government coffers. 'This wasn't luck. It was good, prudent fiscal management...'"
- 2 Basic information on Alberta's budget process is provided in "Budget 101" available at [http://www.finance.gov.ab.ca/business/budget/budget\\_101.html](http://www.finance.gov.ab.ca/business/budget/budget_101.html). Accessed January 30, 2006.
- 3 "House of Commons Fact Sheet: The Business of Supply" [http://www.parl.gc.ca/information/about/process/house/Procedural\\_fact\\_sheets/fs\\_supply-e.htm](http://www.parl.gc.ca/information/about/process/house/Procedural_fact_sheets/fs_supply-e.htm). See also See also Maple Leaf Web, "The Budget Cycle" <http://www.mapleleafweb.com/features/economy/budget/Federal-Budget/budget-cycle.html> and "The Modern Budgetary Process" <http://www.mapleleafweb.com/features/economy/budget/Federal-Budget/budget-modern.html>. Accessed February 3, 2006.
- 4 Canadian House of Commons Fact Sheet: The Budgetary Process <http://www.parl.gc.ca/information/about/process/house/Budget/Budget-e.htm>. Accessed February 3, 2006. See also <http://www.mapleleafweb.com/features/economy/budget/Federal-Budget/budget-modern.html>.
- 5 See House of Commons Standing Committee on Finance, "About this Committee", [http://www.parl.gc.ca/committee/CommitteeList.aspx?Lang=1&PARLSES=381&JNT=0&SELID=e20\\_&COM=8977](http://www.parl.gc.ca/committee/CommitteeList.aspx?Lang=1&PARLSES=381&JNT=0&SELID=e20_&COM=8977). Accessed February 3, 2006.
- 6 See, for example Notice re 2005 Pre-Budget Consultations, available at <http://www.parl.gc.ca/committee/CommitteePublication.aspx?COM=&SourceId=125567>. Accessed February 3, 2006.
- 7 Canadian House of Commons Fact Sheet: The Budgetary Process <http://www.parl.gc.ca/information/about/process/house/Budget/Budget-e.htm>. Accessed February 3, 2006.
- 8 [http://www.albertafmc.com/2002\\_0708\\_fmc\\_final\\_report.pdf](http://www.albertafmc.com/2002_0708_fmc_final_report.pdf) at p.36.
- 9 "Parliamentary Terms," Legislative Assembly of Alberta <http://www.assembly.ab.ca/visitor/parlterms.htm#-%20B%20->. Accessed February 1, 2006.
- 10 Dictionary.com <http://dictionary.reference.com/search?q=estimate> Accessed February 1, 2006.
- 11 Source of data: Finance Alberta, "Historical Fiscal Summary 1986-87 to 2004-05" [http://www.finance.gov.ab.ca/publications/annual\\_repts/govt/ganrep05/graphic16.gif](http://www.finance.gov.ab.ca/publications/annual_repts/govt/ganrep05/graphic16.gif). Accessed February 6, 2006.
- 12 In Alberta, as elsewhere in Canada, fossil fuels generally belong to the public, not to the corporations that eventually extract them. As trustee for these resources, the provincial government is supposed to manage them in the best interests of the public, and thus should be obtaining maximum rents possible. As noted in another Parkland Institute report, among many other sources, the government of Alberta has consistently failed to charge the maximum possible rent for these resources. See: Parkland Institute, "Toward an Energy Security Strategy for Canada: A Discussion Paper" (December 2005) <http://www.ualberta.ca/~parkland/research/studies/EnergyPaper.pdf>. (In a small minority of cases, mineral rights are owned by private surface rights holders.)
- 13 Dictionary.com <http://dictionary.reference.com/search?q=underestimate>. Accessed February 1, 2006.
- 14 Budget and actual results for 2000-01 through 2004-05 are available at [http://www.finance.gov.ab.ca/publications/annual\\_repts/govt/index.html](http://www.finance.gov.ab.ca/publications/annual_repts/govt/index.html), and budget and projected (from 2nd quarter) results for 2005-06 are available at [http://www.finance.gov.ab.ca/publications/budget/quarterly/2005\\_2ndq/report.html#2](http://www.finance.gov.ab.ca/publications/budget/quarterly/2005_2ndq/report.html#2). Accessed February 1, 2006. No other years are available on the Finance Alberta website.
- 15 Mean average non-renewable resource revenue underestimate: \$3,864,500,000.
- 16 Mean average total revenue underestimate: \$4,382,800,000.
- 17 0.72% based on a Students t-test, with 5 degrees of freedom (standard deviation = \$2.765 billion).
- 18 Under "Fiscal Responsibility," Government of Alberta Annual Report for 2001-2002 [http://www.finance.gov.ab.ca/publications/annual\\_repts/govt/ganrep02/execsumm.html](http://www.finance.gov.ab.ca/publications/annual_repts/govt/ganrep02/execsumm.html). Accessed February 1, 2006.
- 19 2001/2002 was "the first time in nine years" that actual revenues were less than budgeted. See under "Fiscal Responsibility," Government of Alberta Annual Report for 2001-2002 [http://www.finance.gov.ab.ca/publications/annual\\_repts/govt/ganrep02/execsumm.html](http://www.finance.gov.ab.ca/publications/annual_repts/govt/ganrep02/execsumm.html). Accessed February 1, 2006.
- 20 Douglas Porter and Arlene Kish, "Alberta Budget Highlights" (April 13, 2005) <http://www.bmonesbittburns.com/economics/budget/2005ab>. Accessed February 5, 2006.
- 21 "A New Fiscal Framework for Alberta" at p.146 <http://www.finance.gov.ab.ca/publications/budget/budget2003/fiscalframe.pdf>. Accessed January 31, 2006.
- 22 Government of Alberta 2003-2004 Annual Report [http://www.finance.gov.ab.ca/publications/annual\\_repts/govt/ganrep04/execsumm.html#10](http://www.finance.gov.ab.ca/publications/annual_repts/govt/ganrep04/execsumm.html#10). Accessed February 3, 2006.
- 23 Alberta Finance 2005-06 Quarterly Budget Report: Third Quarter Fiscal Update at [http://www.finance.gov.ab.ca/publications/budget/quarterly/2005\\_3rdq/report.html#2](http://www.finance.gov.ab.ca/publications/budget/quarterly/2005_3rdq/report.html#2). Accessed March 23, 2006.
- 24 See "Net Financial and Capital Assets" Alberta Finance 2005-06 Quarterly Budget Report: Third Quarter Fiscal Update at [http://www.finance.gov.ab.ca/publications/budget/quarterly/2005\\_3rdq/report.html#2](http://www.finance.gov.ab.ca/publications/budget/quarterly/2005_3rdq/report.html#2). Accessed March 23, 2006.
- 25 This does not include a further \$11 billion in capital assets and inventory supplies. See "Balance Sheet" Alberta Finance 2005-06 Quarterly Budget Report: Third Quarter Fiscal Update at [http://www.finance.gov.ab.ca/publications/budget/quarterly/2005\\_3rdq/report.html#2](http://www.finance.gov.ab.ca/publications/budget/quarterly/2005_3rdq/report.html#2). Accessed March 23, 2006.
- 26 Ellen Russell, "Taking the Spin Out of the Economic and Fiscal Update: A Guide to the Numbers" (Nov. 11, 2005) [http://www.policyalternatives.ca/documents/National\\_Office\\_Pubs/2005/afb2006\\_techpaper3\\_EFU\\_guide.pdf](http://www.policyalternatives.ca/documents/National_Office_Pubs/2005/afb2006_techpaper3_EFU_guide.pdf) at p.3. Accessed January 30, 2006.



- 27 For 2000/2001 to 2003/2004, data from CCPA, "Alternative Federal Budget 2005: It's Time" at p.12 [http://www.policyalternatives.ca/documents/National\\_Office\\_Pubs/2005/afb2005.pdf](http://www.policyalternatives.ca/documents/National_Office_Pubs/2005/afb2005.pdf). 2004/2005 data from Finance Canada 2004/2005 Budget <http://www.fin.gc.ca/budget05/pdf/bp2005e.pdf> and 2004/2005 Fiscal Update [http://www.fin.gc.ca/budtoce/2005/ec05\\_e.html](http://www.fin.gc.ca/budtoce/2005/ec05_e.html). Accessed February 2, 2006.
- 28 Budget and actual results for 2000-01 through 2004-05 are available at [http://www.finance.gov.ab.ca/publications/annual\\_repts/govt/index.html](http://www.finance.gov.ab.ca/publications/annual_repts/govt/index.html), Accessed February 1, 2006.
- 29 "Budget credibility taxed: Tories' predictions very inaccurate; no sustainable spending plan evident" Edmonton Journal Sunday March 25, 2006 p.A19.
- 30 Canadian Press "Alberta's budgetary surplus swells to \$5.9B" (November 16, 2005) [http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20051116/alberta\\_surplus\\_051116/20051116?hub=Canada](http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20051116/alberta_surplus_051116/20051116?hub=Canada). Accessed February 6, 2006.
- 31 Total Alberta surplus underestimate for FY 2000/2001 to 2005/2006: \$18,685,000,000. Budget and actual results for 2000-01 through 2004-05 are available at [http://www.finance.gov.ab.ca/publications/annual\\_repts/govt/index.html](http://www.finance.gov.ab.ca/publications/annual_repts/govt/index.html), and budget and projected (from 2nd quarter) results for 2005-06 are available at [http://www.finance.gov.ab.ca/publications/budget/quarterly/2005\\_2ndq/report.html#2](http://www.finance.gov.ab.ca/publications/budget/quarterly/2005_2ndq/report.html#2). Accessed February 1, 2006. No other years are available on the Finance Alberta website.
- 32 Canadian Press "Alberta's budgetary surplus swells to \$5.9B" (November 16, 2005) [http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20051116/alberta\\_surplus\\_051116/20051116?hub=Canada](http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20051116/alberta_surplus_051116/20051116?hub=Canada). Accessed February 6, 2006.
- 33 Budget and actual results for 2000-01 through 2004-05 are available at [http://www.finance.gov.ab.ca/publications/annual\\_repts/govt/index.html](http://www.finance.gov.ab.ca/publications/annual_repts/govt/index.html), and budget and projected (from 2nd quarter) results for 2005-06 are available at [http://www.finance.gov.ab.ca/publications/budget/quarterly/2005\\_2ndq/report.html#2](http://www.finance.gov.ab.ca/publications/budget/quarterly/2005_2ndq/report.html#2). Accessed February 1, 2006.
- 34 The government stated "The province's net asset (net debt) position is the difference between its financial assets and total liabilities, excluding pension obligations. ... Alberta's net debt was eliminated in the 1999-00 fiscal year." 2000-2001 Annual Report, under "Alberta's Net Assets (Net Debt) (at fiscal year end March 31)" <http://www.finance.gov.ab.ca/publications/measuring/measup01/prosper2.html>. Accessed February 13, 2006.
- 35 The Public Consultation on a Debt-Free Alberta, results at [http://www.finance.gov.ab.ca/surveys/itsyourfuture\\_results.pdf](http://www.finance.gov.ab.ca/surveys/itsyourfuture_results.pdf). Accessed February 5, 2006.
- 36 Parkland Institute, "Toward an Energy Security Strategy for Canada: A Discussion Paper" (December 2005) <http://www.ualberta.ca/~parkland/research/studies/EnergyPaper.pdf>.
- 37 Balanced Budget and Debt Retirement Act, S.A. 1995, c. B-0.5. This requirement is now carried in the Fiscal Responsibility Act R.S.A. 2000, c. F-15, available at <http://www.canlii.org/ab/laws/sta/f-15/20051114/whole.html>.
- 38 See Parkland Institute, "Toward an Energy Security Strategy for Canada" (December 2005) <http://www.ualberta.ca/~parkland/research/studies/EnergyPaper.pdf>.
- 39 Quoted in Financial Management Commission, "Moving from Good to Great" at p.61. [http://www.albertafmc.com/2002\\_0708\\_fmc\\_final\\_report.pdf](http://www.albertafmc.com/2002_0708_fmc_final_report.pdf).
- 40 "From the ashes of a deficit rises another surplus: The government needs a better 'set of tools' to allow it to manage expenditures over the economic cycle, while still giving it room to balance budgets and pay down the debt" Edmonton Journal, June 25, 2002, available at [http://www.uofaweb.ualberta.ca/ipe/pdfs/Provincial\\_tools020625.pdf](http://www.uofaweb.ualberta.ca/ipe/pdfs/Provincial_tools020625.pdf). Accessed January 30, 2006.
- 41 "Commentary: Alberta Postpones Tax Cuts As Oil & Gas Revenues Decline" (March 19, 2002) at p.3. Available at <http://www.bmo.com/economic/special/ab2002.pdf>. Accessed February 1, 2006.
- 42 Lisa Phillips, "Trapped by a balanced budget" The Globe and Mail, Tuesday, September 30, 2003 - Page A23 available at <http://osgoode.yorku.ca/media2.nsf/0/c7d12c8d1a5b985485256db1005173ae?OpenDocument>. Accessed January 30, 2006.
- 43 <http://www.albertafmc.com/> Accessed January 31, 2006.
- 44 [http://www.albertafmc.com/2002\\_0708\\_fmc\\_final\\_report.pdf](http://www.albertafmc.com/2002_0708_fmc_final_report.pdf) at p.10 Accessed January 31, 2006.
- 45 "A New Fiscal Framework for Alberta" at p.142 <http://www.finance.gov.ab.ca/publications/budget/budget2003/fiscalframe.pdf>. Accessed January 31, 2006.
- 46 [http://www.gov.ab.ca/home/budget\\_2003/Display.cfm?id=10](http://www.gov.ab.ca/home/budget_2003/Display.cfm?id=10). Accessed January 31, 2006.
- 47 See "Sustainability Fund Transfers," Alberta Finance 2004-05 Quarterly Budget Report: Third Quarter Fiscal Update at [http://www.finance.gov.ab.ca/publications/budget/quarterly/2004\\_3rdq/report.html#4](http://www.finance.gov.ab.ca/publications/budget/quarterly/2004_3rdq/report.html#4). Accessed January 31, 2006.
- 48 See "Sustainability Fund Transfers," Alberta Finance 2005-06 Quarterly Budget Report: Second Quarter Fiscal Update at [http://www.finance.gov.ab.ca/publications/budget/quarterly/2005\\_2ndq/report.html#4](http://www.finance.gov.ab.ca/publications/budget/quarterly/2005_2ndq/report.html#4). Accessed January 31, 2006.
- 49 Alberta Budget 2006, Fiscal Plan <http://www.finance.gov.ab.ca/publications/budget/budget2006/fiscal.html#18>. Accessed March 23, 2006.
- 50 "A New Fiscal Framework for Alberta" at pp.144, 147. <http://www.finance.gov.ab.ca/publications/budget/budget2003/fiscalframe.pdf>. Accessed January 31, 2006.
- 51 See "Sustainability Fund Transfers," Alberta Finance 2005-06 Quarterly Budget Report: Second Quarter Fiscal Update at [http://www.finance.gov.ab.ca/publications/budget/quarterly/2005\\_2ndq/report.html#4](http://www.finance.gov.ab.ca/publications/budget/quarterly/2005_2ndq/report.html#4). Accessed January 31, 2006.
- 52 See "Net Financial and Capital Assets" Alberta Finance 2005-06 Quarterly Budget Report: Third Quarter Fiscal Update at [http://www.finance.gov.ab.ca/publications/budget/quarterly/2005\\_3rdq/report.html#2](http://www.finance.gov.ab.ca/publications/budget/quarterly/2005_3rdq/report.html#2). Accessed March 23, 2006.
- 53 See "Net Financial and Capital Assets" Alberta Finance 2005-06 Quarterly Budget Report: Second Quarter Fiscal Update at [http://www.finance.gov.ab.ca/publications/budget/quarterly/2005\\_2ndq/report.html#4](http://www.finance.gov.ab.ca/publications/budget/quarterly/2005_2ndq/report.html#4). Accessed January 31, 2006.
- 54 As noted above, this does not include a further \$11 billion in capital assets and inventory supplies. See "Balance Sheet" Alberta Finance 2005-06 Quarterly Budget Report: Third Quarter Fiscal Update at [http://www.finance.gov.ab.ca/publications/budget/quarterly/2005\\_3rdq/report.html#2](http://www.finance.gov.ab.ca/publications/budget/quarterly/2005_3rdq/report.html#2). Accessed March 23, 2006.

- 55 Fiscal Responsibility Act R.S.A. 2000, c. F-15, s.2 (1) available at <http://www.canlii.org/ab/laws/sta/f-15/20051114/whole.html>.
- 56 Fiscal Responsibility Act R.S.A. 2000, c. F-15, s.2 (2)(a) available at <http://www.canlii.org/ab/laws/sta/f-15/20051114/whole.html>.
- 57 Fiscal Responsibility Act R.S.A. 2000, c. F-15, s.2 (2)(b) available at <http://www.canlii.org/ab/laws/sta/f-15/20051114/whole.html>.
- 58 [http://www.albertaingenuity.ca/about\\_us/](http://www.albertaingenuity.ca/about_us/) Accessed January 31, 2006.
- 59 <http://www.ahfmr.ab.ca/AnnualReport/2006/pdf/2006AnnualReport.pdf> at p.4. Accessed January 31, 2006.
- 60 <http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20050204ce.html> at para.4.5. Accessed January 31, 2006.
- 61 Access To The Future Act, S.A. 2005, Chapter A-1.5 s.4 (3), available at <http://www.canlii.org/ab/laws/sta/a-1.5/20051114/whole.html>. Accessed January 31, 2006.
- 62 Caitlin Crawshaw, "Scholarship honoring U of A president to be matched with government funds" Office of the President of the University of Alberta News Release, available at <http://www.uofaweb.ualberta.ca/presidentemeritus/news.cfm?story=36421>. Accessed April 5, 2006
- 63 David Howell, "Nait Training Campaign Has \$27m Kickoff" Edmonton Journal October 5, 2005 p.B1, Summary Available At Expressnews [Http://www.expressnews.ualberta.ca/Mediasummaries.Cfm?Id=7002](http://www.expressnews.ualberta.ca/Mediasummaries.Cfm?Id=7002). Accessed April 5, 2006.
- 64 University of Calgary News Release "Faculty of Engineering receives \$50-million boost", available at [http://www.schulich.ucalgary.ca/Press\\_Release/2005/Schulich-PR.pdf](http://www.schulich.ucalgary.ca/Press_Release/2005/Schulich-PR.pdf). Accessed April 5, 2006.
- 65 See "Balance Sheet," Alberta Finance 2004-05 Quarterly Budget Report: Third Quarter Fiscal Update at [http://www.finance.gov.ab.ca/publications/budget/quarterly/2004\\_3rdq/report.html#4](http://www.finance.gov.ab.ca/publications/budget/quarterly/2004_3rdq/report.html#4). Accessed January 31, 2006.
- 66 Over 45,000 Albertans, including over 18,000 children, used food banks in March 2005 alone. Canadian Association of Foodbanks "Hungercount 2005" [http://foodbank.duoweb.ca/documents/hc05\\_eng.pdf](http://foodbank.duoweb.ca/documents/hc05_eng.pdf) at p.11. Accessed February 5, 2006.
- 67 [http://www.albertafmc.com/2002\\_0708\\_fmc\\_final\\_report.pdf](http://www.albertafmc.com/2002_0708_fmc_final_report.pdf) at pp. 4, 7. Accessed January 31, 2006.
- 68 [http://www.albertafmc.com/2002\\_0708\\_fmc\\_final\\_report.pdf](http://www.albertafmc.com/2002_0708_fmc_final_report.pdf) at pp. 4, 7. Accessed January 31, 2006.
- 69 Government of Alberta, "Strategic Business Plan" <http://www.finance.gov.ab.ca/publications/budget/budget2005/govbp.pdf> at p.38. Accessed February 5, 2006.
- 70 Financial Management Commission, "Moving from Good to Great" at pp.6, 44, 63 [http://www.albertafmc.com/2002\\_0708\\_fmc\\_final\\_report.pdf](http://www.albertafmc.com/2002_0708_fmc_final_report.pdf).
- 71 Government of Alberta, "Strategic Business Plan" <http://www.finance.gov.ab.ca/publications/budget/budget2005/govbp.pdf> at p.64. Accessed February 5, 2006.
- 72 See Parkland Institute, "Toward an Energy Security Strategy for Canada: A Discussion Paper" (December 2005) <http://www.ualberta.ca/~parkland/research/studies/EnergyPaper.pdf>.
- 73 Geoffrey Scotton "Provincial Budget Fallout: Tax Cut an Alberta Advantage: But rising real estate, labour costs could offset attraction of lower corporate taxes" Edmonton Journal Friday March 24, 2006 page B1.
- 74 [http://www.albertafmc.com/2002\\_0708\\_fmc\\_final\\_report.pdf](http://www.albertafmc.com/2002_0708_fmc_final_report.pdf) at p.7. Accessed January 31, 2006.
- 75 [http://www.albertafmc.com/2002\\_0708\\_fmc\\_final\\_report.pdf](http://www.albertafmc.com/2002_0708_fmc_final_report.pdf) at p.12. Accessed January 31, 2006. The FMC recommended that this input be gathered by Standing Policy Committees (i.e. government-only MLAs). As noted elsewhere, we feel that the input should be gathered by a range of techniques that are more rigorous, as well as more transparent and non-partisan.
- 76 Government of Alberta, "Strategic Business Plan" <http://www.finance.gov.ab.ca/publications/budget/budget2005/govbp.pdf> at p.15. Accessed February 5, 2006.
- 77 A government news release puts the figure at 290,000: <http://www.finance.gov.ab.ca/whatsnew/newsrel/2004/1019.html>, which is about 9% of Alberta's population of 3.2 million (Alberta Finance, "Alberta Population Report September 29, 2004" [http://www.finance.gov.ab.ca/aboutalberta/population\\_reports/2004\\_2ndquarter.pdf](http://www.finance.gov.ab.ca/aboutalberta/population_reports/2004_2ndquarter.pdf).) Accessed February 5, 2006.
- 78 Parkland Institute, "Toward an Energy Security Strategy for Canada: A Discussion Paper" (December 2005) <http://www.ualberta.ca/~parkland/research/studies/EnergyPaper.pdf>.





11045 Saskatchewan Drive,  
Edmonton, Alberta  
T6G 2E1  
Phone: (780) 492-8558  
Email: [parkland@ualberta.ca](mailto:parkland@ualberta.ca)  
Website: [www.ualberta.ca/parkland](http://www.ualberta.ca/parkland)

ISBN 1-894949-11-0