

How the Government Fudged Per-Capita Spending Figures

The government claims that “**Alberta’s per capita program spending is roughly \$1,300 above the national average.**”¹ This factoid’s been bandied about by a parade of PC politicians to justify deep cuts to public spending, but is it true?

Not really.

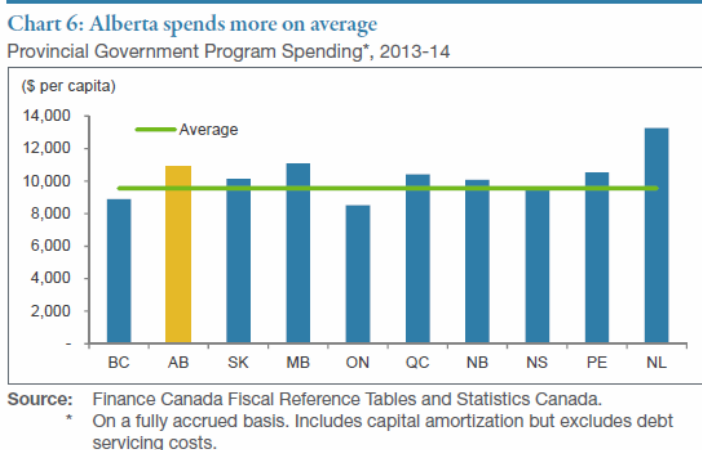
The Alberta Federation of Labour (AFL) recreated the government’s figures using the sources supplied in its 2015 budget backgrounder. We found that the government fudged the figures in two ways:

- 1) The government’s figures include at least \$3.55 billion in spending on the 2013 floods, or \$886 per person.
- 2) The government says it uses a "national average." But they should have used a province-to-province comparison. Meaning, the government used the wrong method. Using the right method drops the average by \$770.

Taking these two points together, we find that Alberta’s per-capita program spending is not \$1,300 above the national average. It is, in fact, below the national average.

Let's break this down.

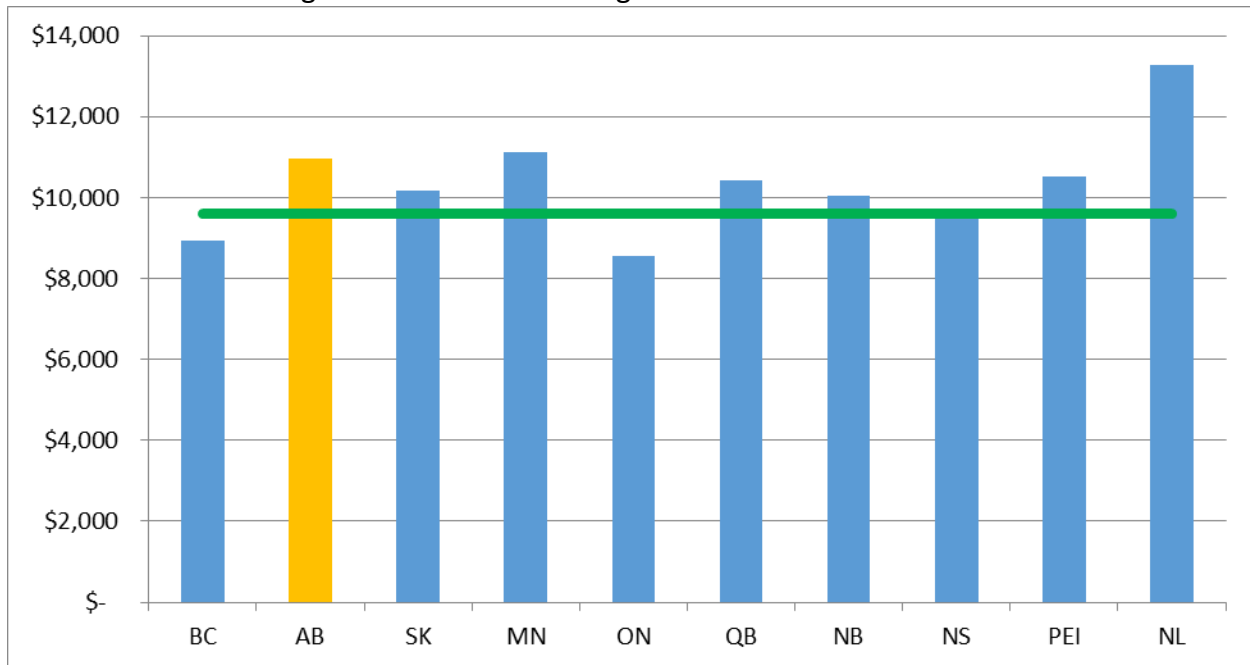
Here's the government's chart from the budget backgrounder:



(Source: Government of Alberta, “Backgrounder on Alberta’s Fiscal Situation,” January 2015, <http://finance.alberta.ca/publications/fiscal/spotlights/2015-0115-Backgrounder-on-Alberta-Fiscal-Situation.pdf>)

¹ Government of Alberta, “Backgrounder on Alberta’s Fiscal Situation,” <http://finance.alberta.ca/publications/fiscal/spotlights/2015-0115-Backgrounder-on-Alberta-Fiscal-Situation.pdf>

The AFL recreated the government's chart using the same sources.



There's something odd about the government's "average" number

We used the same sources and the same methods as the government, but we found something odd: the government fudged the average to drive it lower.

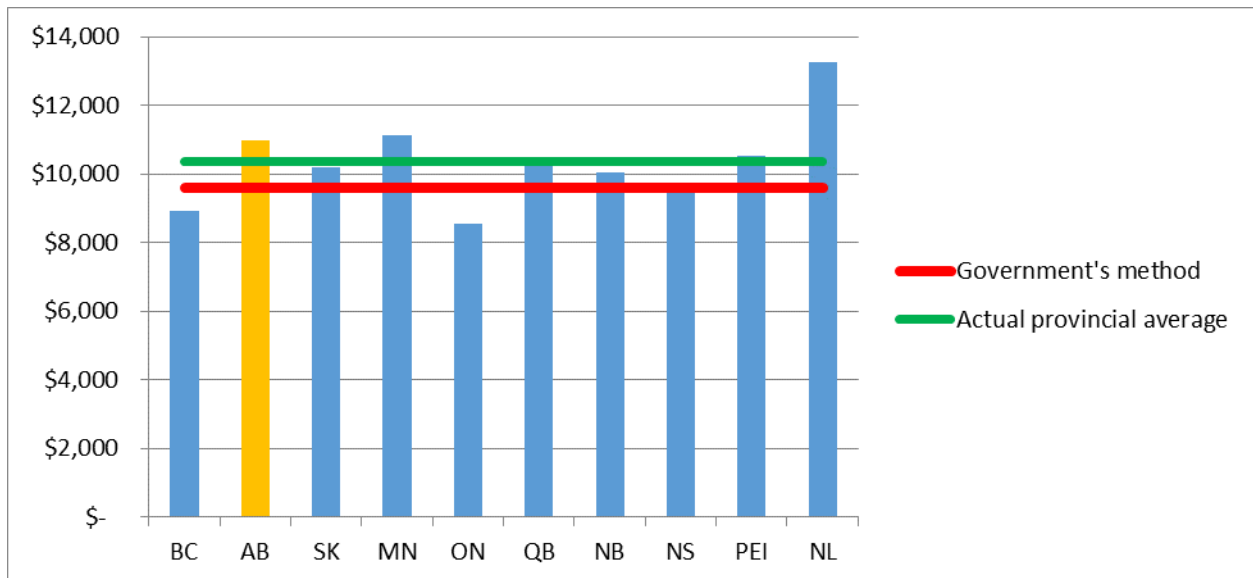
In order to compare spending on a province-to-province basis, one should find the provincial per-capita spending levels, add them together, and divide by the number of provinces.

The government didn't do that. Instead, it took *all* provincial spending divided by the population. This method *drives down* the average because some more populous provinces, benefiting from what economists call 'economies of scale,' have lower numbers than Alberta.

The difference amounts to the difference between an average of the provinces, which is what the government chart purports to show, and a national average, which is what the average line shows.

Actual average versus government's average

Here's the chart with the actual average and the government's average. The difference between the two ways of averaging works out to around \$770.



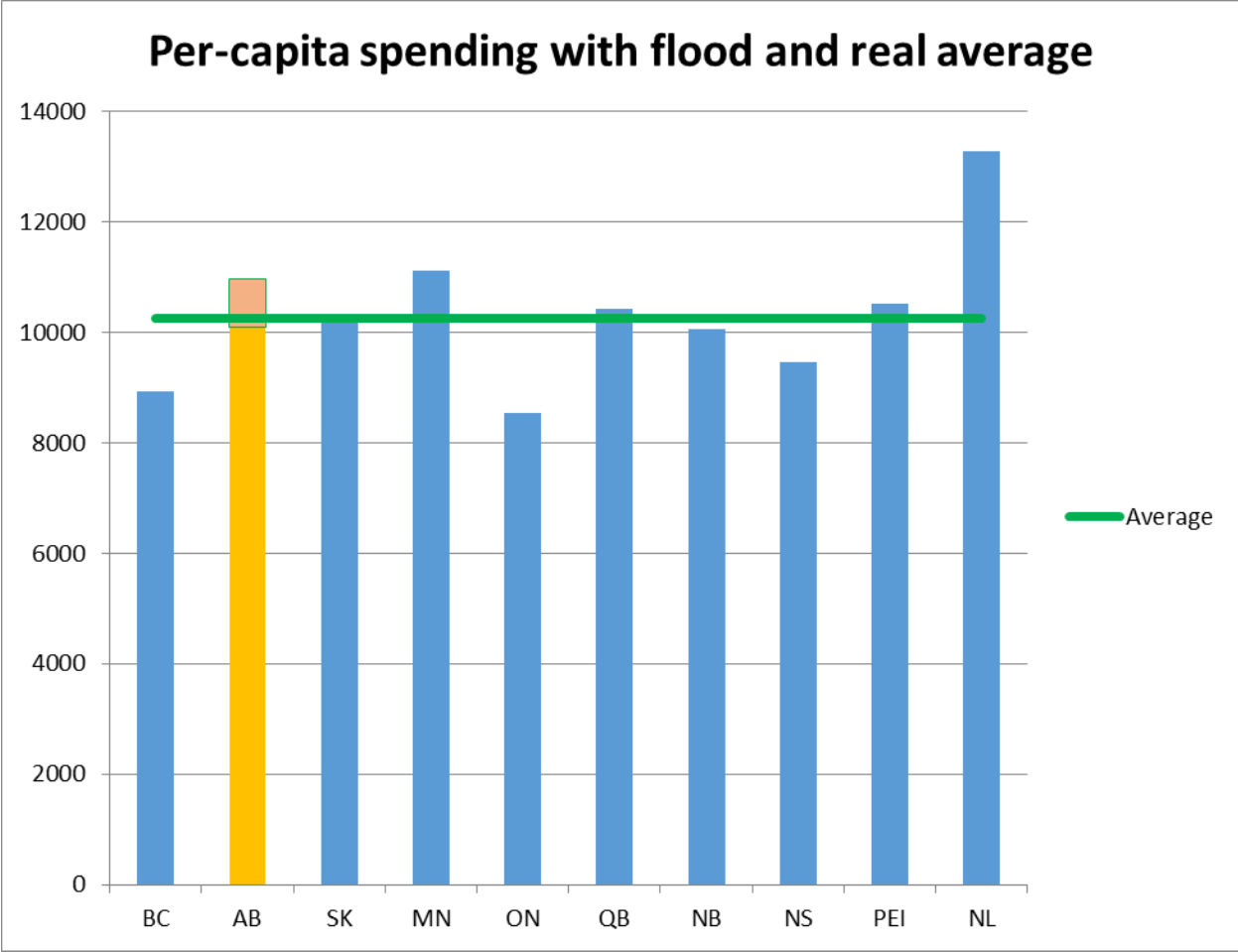
Flood spending included in figures

The 2013-14 budget also included spending on the 2013 floods, a major catastrophic event. The government should spend public funds to help people deal with these sorts of disasters.

But the flood funding – \$3.55 billion – is in the books for that year as program spending, so it ended up on the government's chart. This works out to an additional \$886 per person.

This funding is not on-going program spending: it's one-off spending due to a natural disaster. Because it's included in program spending, the government includes it in its case for cuts to public spending.

Here's the government's chart without the \$3.55 billion in flood spending and with the *proper* way of calculating an average.



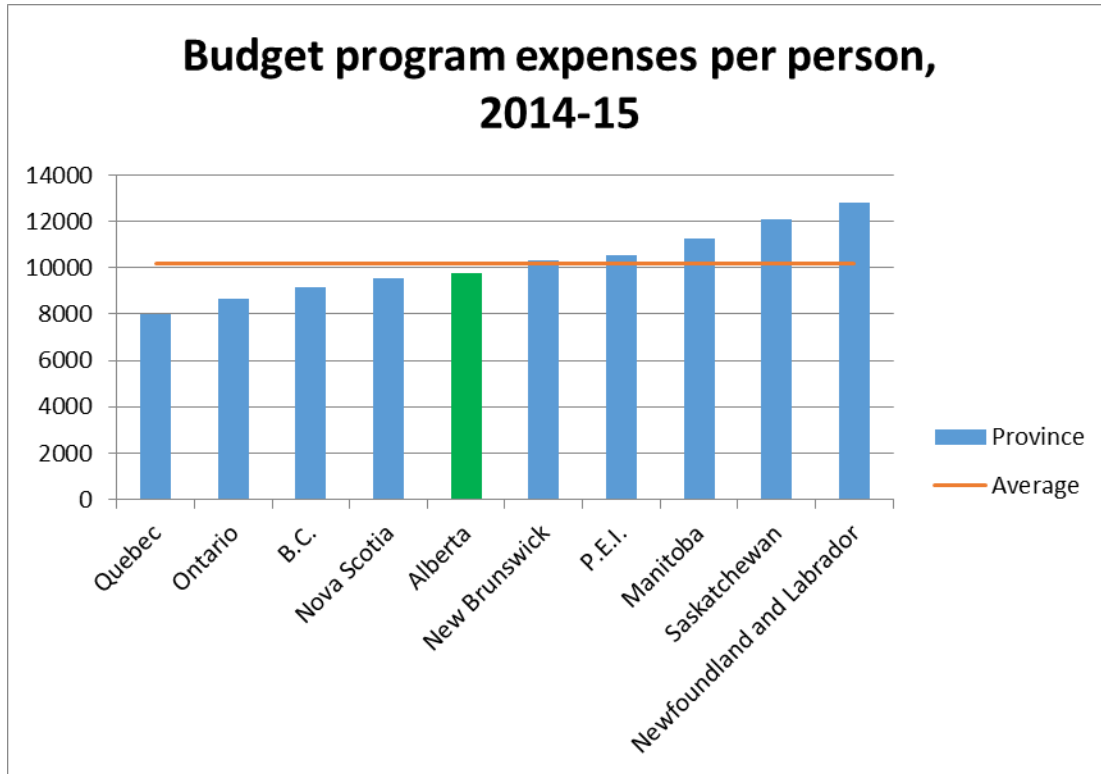
The chart above, using the same sources as the government with the proper method for averaging, shows Alberta's per-person spending with and without spending on the floods.

With flood spending, Alberta's per-person spending is higher than the average of the provinces.

Without flood spending, Alberta's per-person spending is below that average of the provinces.

Why not use the latest data?

More up-to-date figures from the 2014-15 budget year also show Alberta's spending is *below* the national average. At \$9,786 per-person, the most recent figures show Alberta spends \$434 less than the national average of \$10,200



(Source: RBC Economics, "Canadian Federal and Provincial Fiscal Tables," Feb. 24, 2015, http://www.rbc.com/economics/economic-reports/pdf/provincial-forecasts/prov_fiscal.pdf)

The chart above is from RBC Economics' Canadian Federal and Provincial Fiscal Tables.² The figures are taken directly from provinces' most recent fiscal documents and updated quarterly.

The government doesn't use up-to-date figures. Instead, it relies on old figures inflated by flood spending with a shoddy method for calculating the average to make its case for deep cuts to public services.

² RBC Economics, "Canadian Federal and Provincial Fiscal Tables," Feb. 24, 2015 [updated quarterly], http://www.rbc.com/economics/economic-reports/pdf/provincial-forecasts/prov_fiscal.pdf

Sources

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