

# The Elephant in the Room

*With natural resource revenue drying up, Albertans need to face the reality that we'll need to start paying something closer to Canadian mainstream taxes if we want Canadian mainstream services*

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For most of the 40-year period from the first oil “crisis” in 1974 until the collapse in crude oil prices in 2014, Alberta relied heavily on revenue from the oil and gas sector to fund the province’s operating budget. The revenue from Alberta’s resource base enabled successive provincial governments to maintain pan-Canadian standards of public services while at the same time supporting what was termed the “Alberta Advantage” – a revenue system which featured the lowest taxes in the country, highlighted by Alberta’s position as the only province in Canada without a sales tax.

While resource revenue played an important role in Alberta’s budget policy throughout the period, its role expanded substantially during the crude oil price boom between 2003 and 2014. At the peak in 2005-6, resource revenue exceeded \$14 billion and accounted for 41% of total government revenue. Between 2005-6 and the end of the boom in 2014-15 resources accounted for between 21% and 41% of total revenue, averaging 27% during that period.

A resource-reliant fiscal strategy for Alberta is no longer viable, even without considering the fiscal prudence and intergenerational ethics of supporting current spending through the depletion of the public asset represented by Alberta’s resource wealth. Current budget projections show resource revenue contributing 9.3% of provincial government revenue. And with fossil fuel prices expected to remain “low for long” in the future, it is unreasonable to expect the hole in Alberta’s budget created by the collapse in oil prices in 2014 to be filled by a rebound to pre-2014 fossil fuel prices.

This situation has evoked two responses. The first is to mischaracterize the problem as an expenditure problem and to propose a massive attack on the province’s public services. The other response is to wait and see, betting that stronger energy prices, additional growth from a diversifying Alberta economy, and spending restraint will gradually restore the budget to balance over time.

Neither approach is sustainable or responsible.

The first response is inconsistent with the long-term interests of Albertans. It would deny to the people of Alberta services that are enjoyed by other Canadians living in provinces with more robust and sustainable revenue systems. Jumping to the conclusion that the deficit must be eliminated through massive cuts to public services without considering the underlying causes is irresponsible.

The second response is risky, resting as it does on a long-odds bet on world oil prices and assumptions about the province’s future economic and revenue growth. It also risks a default back to the first option. By avoiding the structural problem with Alberta’s revenue system that is the real cause of the province’s fiscal problems, it invites a shift in focus to the expenditure side of the budget. In its reliance on a modest degree of fiscal restraint, this response risks damaging the province’s public services through attrition, rather than through direct attack. In choosing an extended delay rather than addressing the structural issues in Alberta’s revenue system, it risks more drastic cuts in the future. And by delaying fiscal recovery, this response means mounting debt and constrained options for the future, effectively foreclosing the debate on critical issues for Alberta’s economic future such as broadening access to child care, expanding medicare to include prescription drugs, reducing obstacles to participation in post-secondary education, and renewing the province’s public infrastructure.

Now with Alberta set to return to Canada-wide leading economic growth in 2018, a key decision needs to be made to address the structural problems within Alberta’s revenue regime. Instead of

contemplating the abandonment of an economic recovery plan that is clearly working for an expenditure management strategy for deficit reduction that is doomed to fail, the government should be preparing the ground for a public debate in Alberta over how best to repair the province's revenue system, whose excessive dependence on resource revenue has undermined its fiscal capacity.

Our submission will explore Alberta's outlier public finances compared to other provinces, and discuss some of the different means of solving our structural revenue problem. An analysis of the facts shows that Alberta does not have a spending problem; it has a revenue problem. The analysis shows that Alberta is an outlier among Canadian provinces, spending less, relative to GDP, than any other province and raising less revenue, relative to GDP, than any other province. Alberta's revenue shortfall is not cyclical, it is structural – the province is heavily dependent on a stream of resource revenue which is not likely to recover and it has a non-resource revenue system that is well outside the mainstream of Canadian provinces.

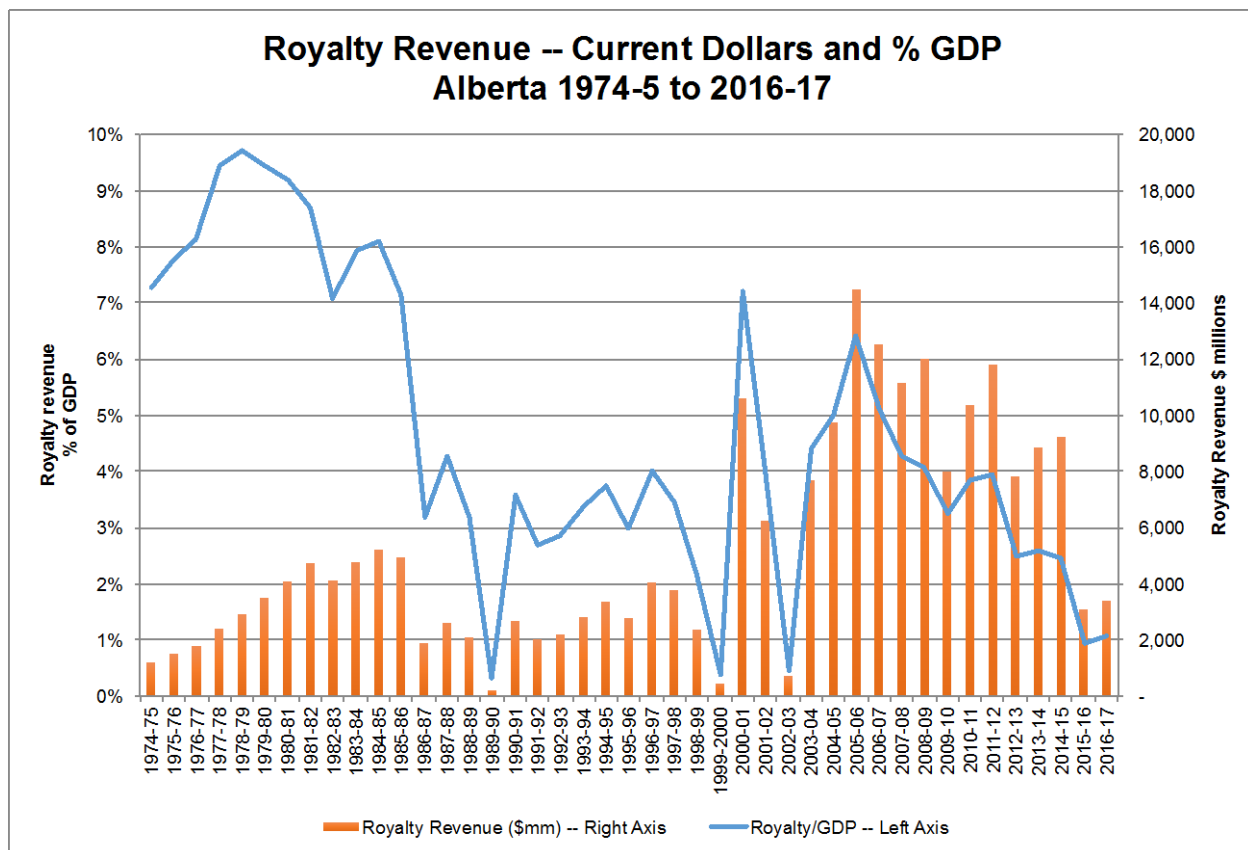
That conclusion is fully consistent with the periodically updated long-term views of Canada's fiscal system prepared by the Parliamentary Budget Office in Ottawa. And it is confirmed in the commentary about Alberta's finances issued by the major bond rating agencies which have cited revenue issues as the key drivers behind the rating downgrades in 2017.

It is our assertion that Alberta needs to resist “compassionate belt tightening” and a path to balance that only involves cuts. Alberta needs to begin the process of revenue reform, to ensure our finances become sustainable and capable of funding our valuable public services for future generations to come.

## *Alberta's finances have been vulnerable to resource revenue fluctuations for many years*

The modern era for resource royalties in Alberta began in 1974 with the formation of the Organization of Petroleum Exporting Countries and the associated sustained increase in crude oil prices.

Chart 1 shows resource revenue in current dollars and as a percentage of GDP from 1974-5 to 2016-17.<sup>1</sup>



Both in current dollars and as a percentage of provincial GDP, Alberta's royalty revenue has fluctuated substantially over the period from 1974 to 2016. Current royalty revenue is lower as a share of GDP than in every year since 1974 except for the price slump years of 1989-90, 1999-2000 and 2002-03. In absolute dollars, royalty revenue is comparable to the levels that prevailed in the 1990s, when royalty income was in the 3-4% range as a share of GDP compared with 1% of GDP in 2016-17.

<sup>1</sup> Sources:

Royalties prior to 1981-2 -- Estimated from 2016 Royalty Review Figure 1 p. 21

Royalties 1981-2 to 2004-05 -- Alberta Budget Summaries, various years, reproduced in Reforming Alberta's Heritage Fund: Lessons from Alaska and Norway, Fraser Institute, March 2013

Royalties 2005-06 to 2016-17 -- Alberta Budget Summaries, various years

GDP 1981 to 2016 -- CANSIM 384-0038

GDP 1974 to 1980 -- Economic Spotlight, Alberta Finance, Office of Budget and Management, October 12, 2006

The combination of Alberta's significant reliance on royalty income in the provincial budget and the volatility of royalty income over that period made royalty income the primary driver of Alberta's budget balances over that period.

A focus on the period since 2005 in Chart 2 illustrates clearly the impact of resource revenue on Alberta's budget.

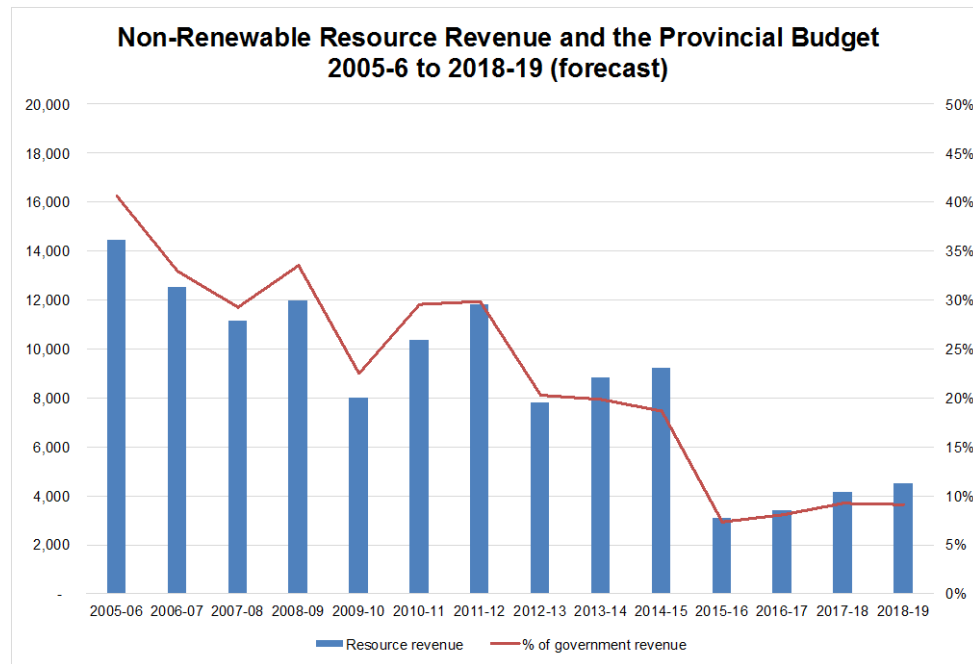
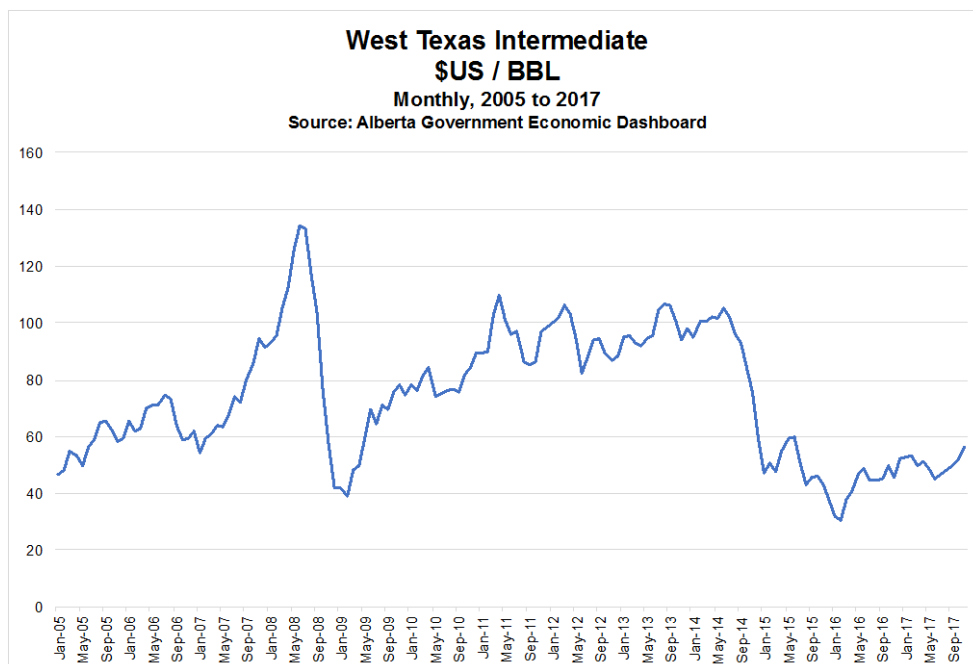


Chart 3 shows the West Texas Intermediate crude oil price over the same time period.

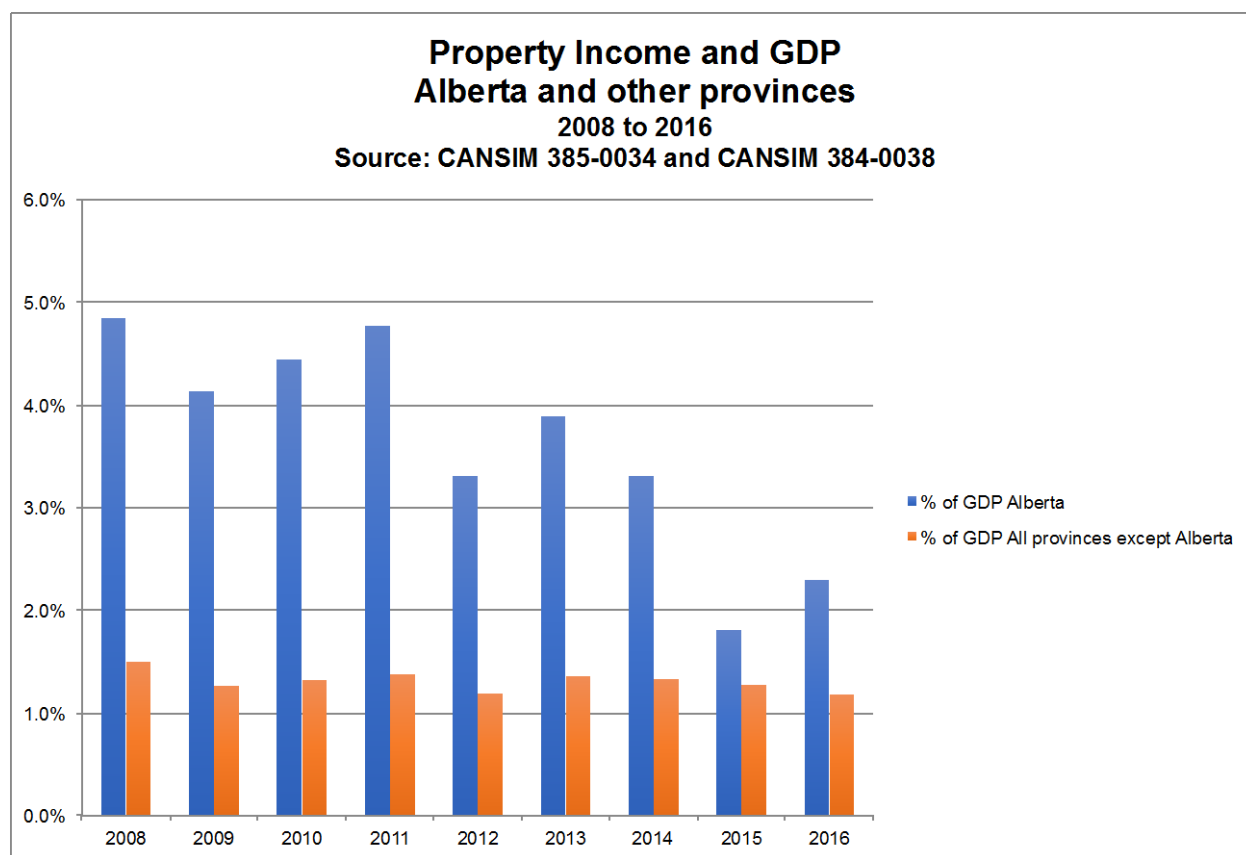


Charts 2 and 3 illustrate clearly that while the collapse in crude oil prices in 2014 produced a dramatic shift in the province's royalty revenue and finances, it was actually a continuation of a downward trend in nominal royalty revenue and the share of royalty revenue in total provincial revenue from the peak year of 2005-6. It also shows, by inference, that provincial governments over that period did nothing to respond to the decline in royalty revenue. Nominal royalty revenue and royalty revenue as a share of provincial revenue followed essentially the same downwards track, indicating that the decline in resource revenue was not offset by any substantial increase in other sources of revenue.

***Alberta's history of reliance on resource revenue has made it an outlier among Canadian provinces – more dependent on resources; less revenue overall.***

Both as a share of GDP and as a share of total provincial government revenue, Alberta's reliance on resource revenue stands out among other provinces.<sup>2</sup>

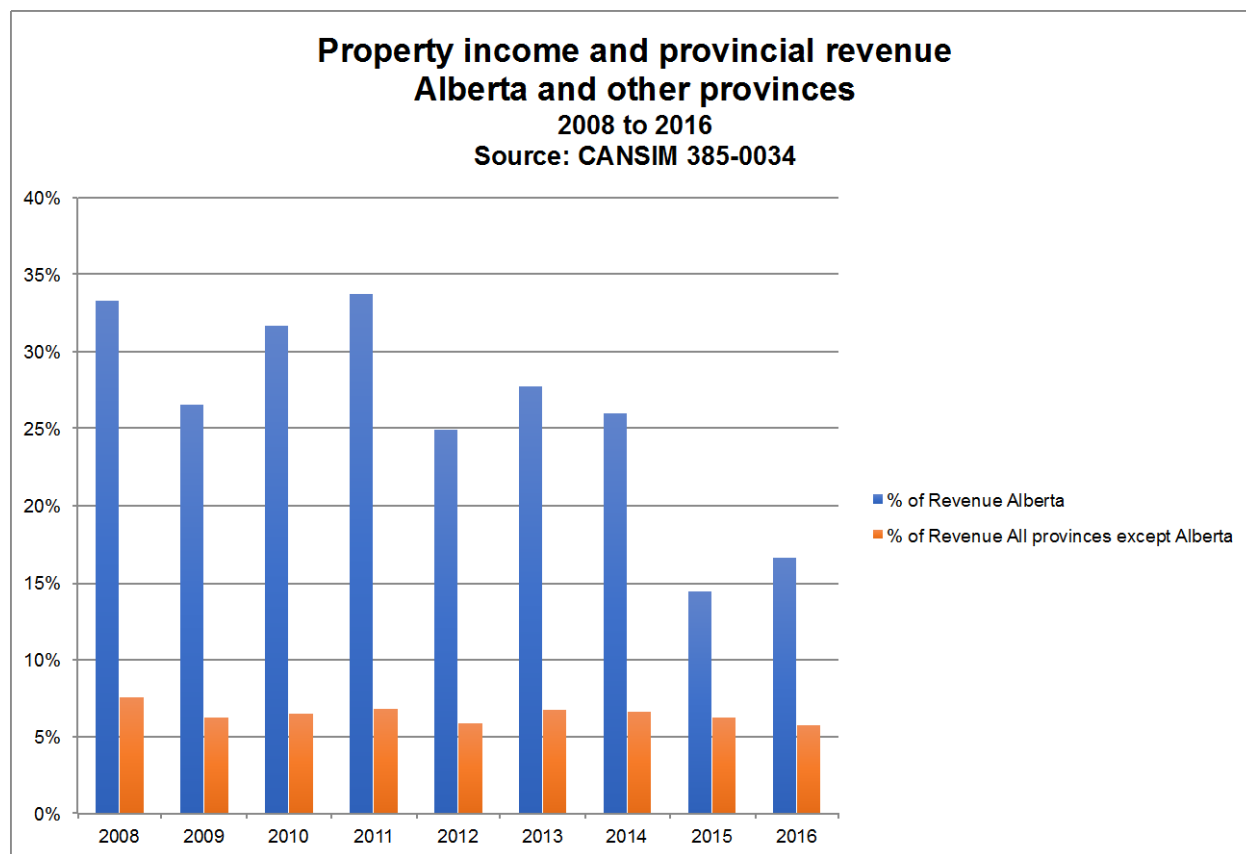
Chart 4 shows resource revenue as a share of GDP in Alberta and in the other provinces combined.



Property income – the revenue category that includes resource income – has made up a relatively stable and much smaller share of GDP in the other provinces compared with Alberta.

<sup>2</sup> Statistics Canada changed its methodology for reporting government revenue and expenditures in 2008. Resource revenue is now reported as “property income” in the relevant data series, reported in CANSIM 385-0034.

Chart 5 shows resource revenue as a share of provincial revenue for Alberta and the other provinces combined.



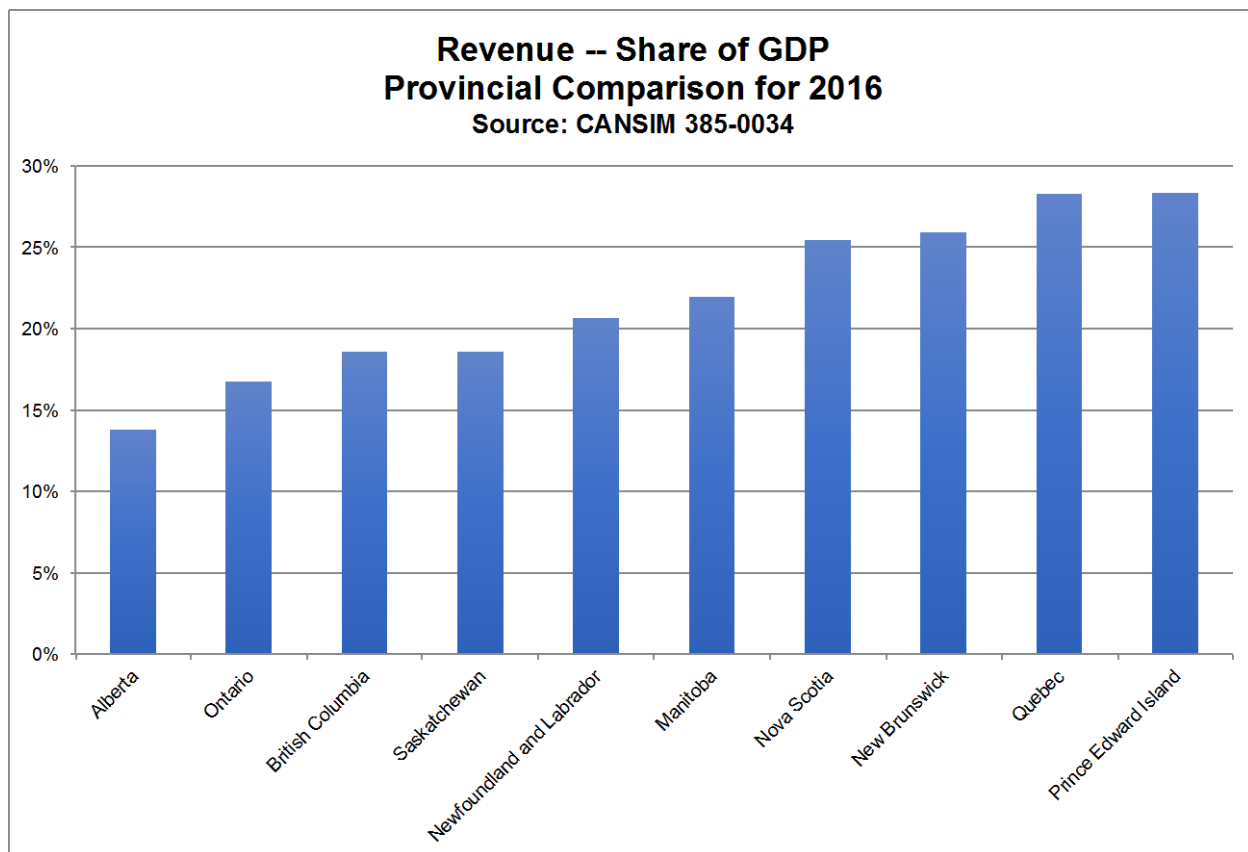
Even after the oil price collapse in 2014, Alberta is still nearly three times as reliant on property income as a revenue source as the other Canadian provinces combined.

At the peak of the resource price cycle in the 2008 to 2014 period, Alberta was between five and six times as reliant on resource revenue as a share of total revenue as the average of the other provinces.

Furthermore, because Alberta has used its resource revenue to underwrite low levels of taxation in other areas, Alberta's total revenue relative to GDP is an outlier among Canadian provinces, on the low side.

Chart 6 compares total provincial revenue as a share of GDP for the ten provinces.

It is evident that Alberta is an outlier at the low end of the range of GDP shares.<sup>3</sup>



To put this comparison into perspective, 1% of Alberta's GDP in 2016 was \$3.15 billion. The difference between Alberta's revenue raising as a share of GDP – 13.8% -- and the next lowest – Ontario – was 2.9% of GDP, equivalent to \$9.1 billion in Alberta terms. Compared with the provinces most often compared to Alberta – British Columbia and Saskatchewan at 18.5% of GDP and 18.6%, respectively compared with Alberta's 13.8%. The difference -- 4.7% -- would translate to additional revenue of \$14.8 billion, significantly in excess of Alberta's current budgetary deficit.

### ***Alberta's public spending is not out of line with that of the rest of Canada***

The data indicates that Alberta's expenditure on public services, relative to that of other provinces, is not a contributor to Alberta's current fiscal situation.

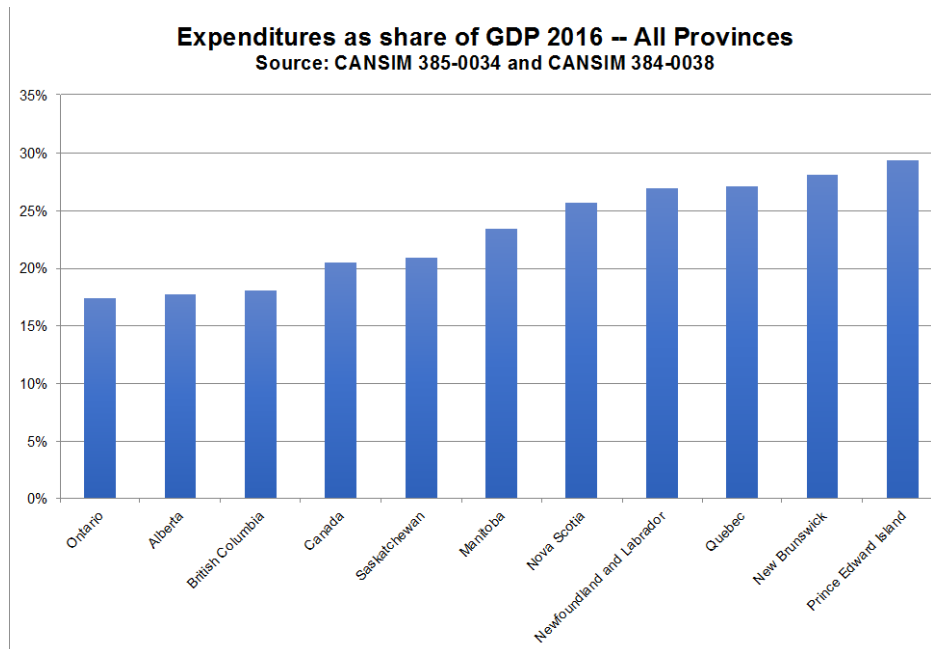
Two primary measures are commonly employed in comparisons of public expenditures among jurisdictions: expenditures as a share of GDP; and expenditures per capita.

Chart 7 compares provincial government expenditures as a share of GDP.

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<sup>3</sup> The GDP ratio is the generally accepted basis for comparing fiscal systems across jurisdiction. It is used, for example, by the Organization for Economic Cooperation and Development as the basis for its international comparisons. On the revenue side, it effectively measures tax effort relative to the size of the economy. On the expenditure side, it measures the size of the public sector relative to the size of the economy.

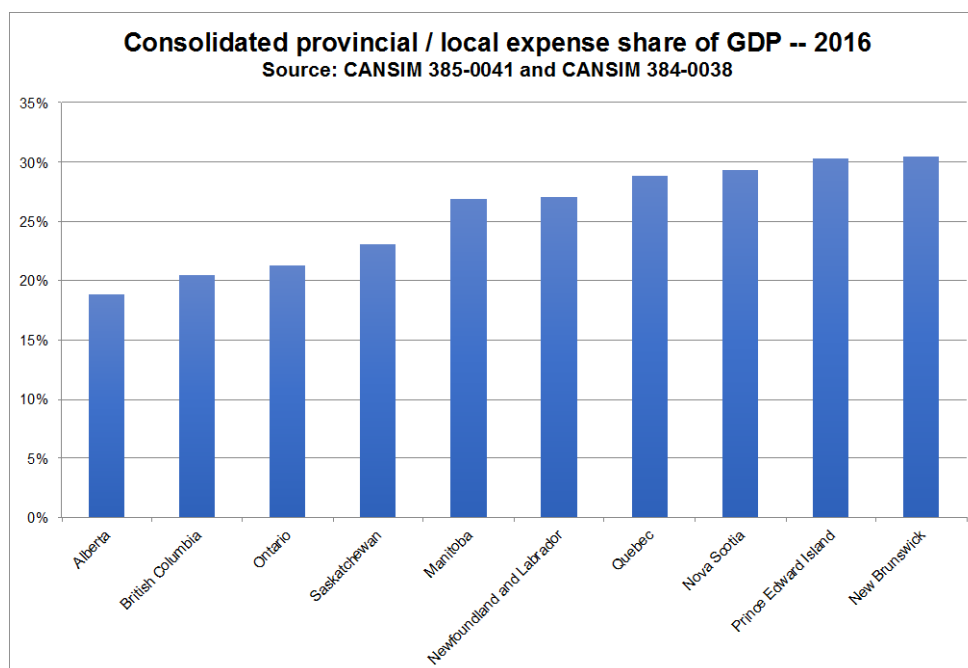




Alberta's public expenditures make up the second-to-smallest share of GDP among Canadian provinces. Only Ontario has public expenditures lower as a share of GDP than Alberta.

One factor that contributes to differences among provinces is the extent to which provinces rely on local governments for the financing and delivery of public services under provincial jurisdiction. Statistics Canada's data Consolidated Government Functions series (CANSIM 385-0041) takes these differences into account by consolidating the expenditures of provincial and local governments, by province.

Chart 8 shows how the provinces compare on this measure.

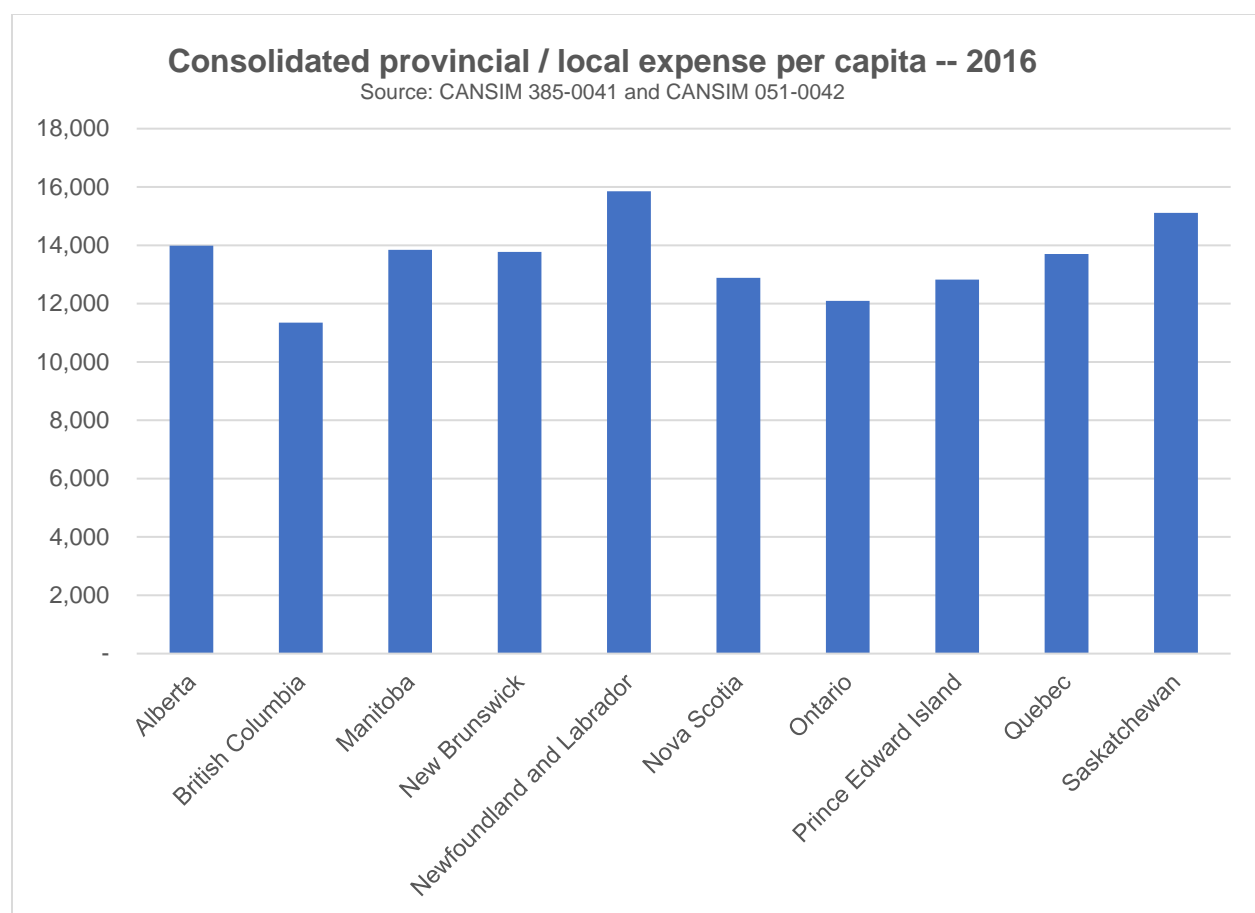


When one accounts for interprovincial differences in the allocation of responsibilities between provincial and local governments, Alberta's consolidated provincial/local expenditures are the lowest among Canadian provinces as a share of GDP.

The advantage of expenditure as a share of GDP as a basis for comparison is that it measures expenditures on public services relative to overall economic activity in the province. The disadvantage is that the GDP ratio cannot distinguish between the impact of costs of delivering a given level of public services (which would affect both the numerator and the denominator of the ratio) and the impact of differences in the cost-adjusted general standard of living (which would affect only the denominator of the ratio). Thus, other things equal, one would expect a province with a higher cost-adjusted standard of living to show a lower expenditure to GDP ratio.

The other commonly-used basis of comparison is independent of general cost-adjusted living standards, but cannot take into account differences in the cost of delivering a common level of public services.

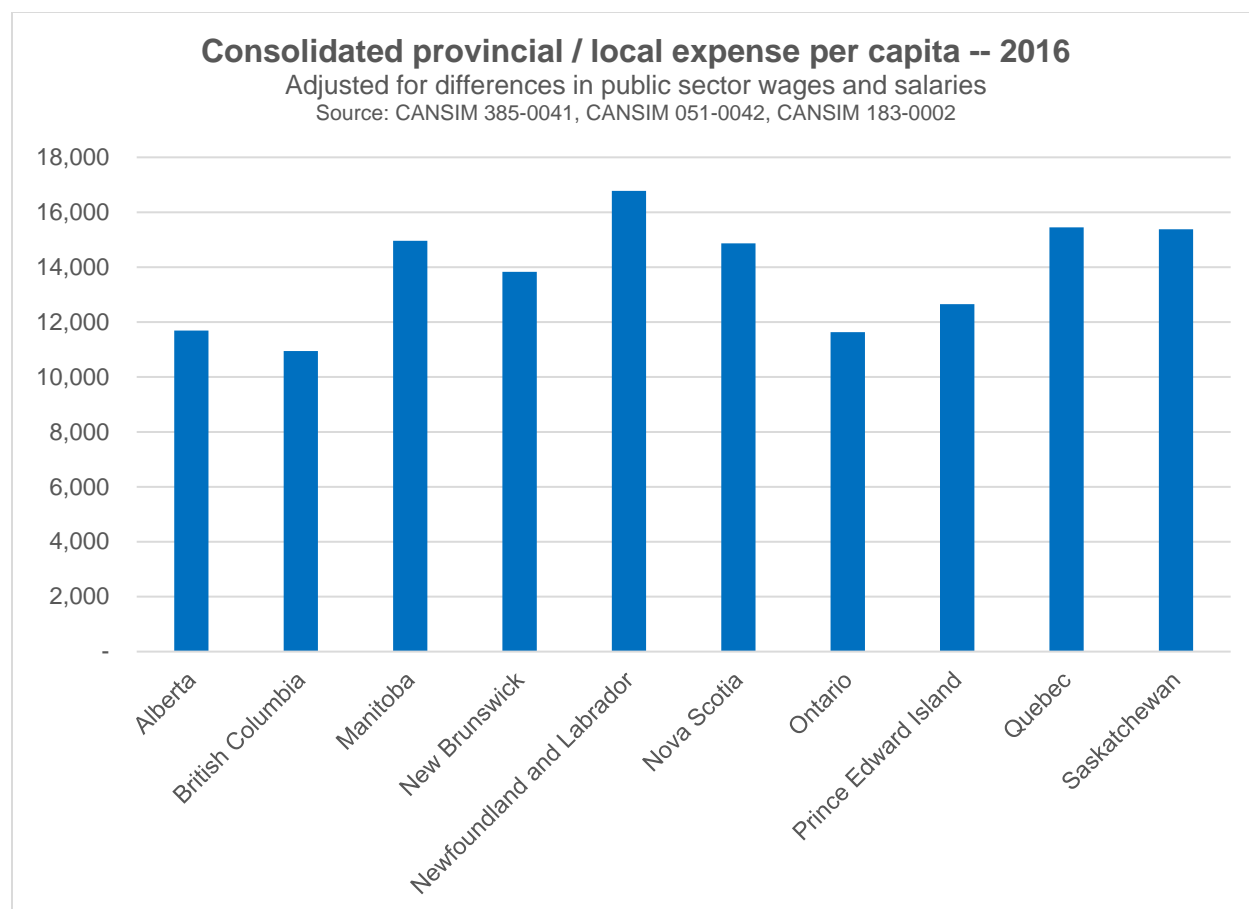
Chart 9 compares per-capita spending on public services in 2016 for the ten Canadian provinces.



Alberta's per capita spending ranks third in Canada, roughly \$1,000 per capita higher than the overall weighted Canadian average.

Interestingly, most of that difference is attributable to the fact that spending in Alberta in the category “Economic Affairs” – essentially financial support for business – is nearly \$1,000 per capita higher than the Canadian average.<sup>4</sup>

For a more realistic comparison, it is necessary to adjust for differences in the cost of delivering a given level of public services. Since a significant proportion of the cost of public services is made up of wages and salaries, it makes sense to adjust for differences in public sector wages and salaries among provinces. Chart 10 compares per capita spending after adjusting per capita spending to Canadian average public sector wages and salaries.



After adjusting for cost, Alberta’s public spending per capita ranks 8<sup>th</sup> in Canada, higher only than British Columbia and Ontario.<sup>5</sup>

<sup>4</sup> The average for the 9 provinces other than Alberta in spending on “Economic Affairs” in 2016 was \$1,139 per capita, compared with a figure for Alberta of \$2,112 per capita. Source: CANSIM 385-0041 (consolidated provincial/local expenditures) and CANSIM 051-0042 (population). The expenditure category “Economic Affairs” refers to all government expenditure related to private sector economic activity and includes support for industry as well as labour standards and labour relations administration.

<sup>5</sup> Per capita spending found in CANSIM 385-0041 and CANSIM 052-0042 was adjusted to reflect Canadian average public sector labour costs by creating an index of average public sector salaries and wages with the Canadian average = 100 and adjusting per capita spending amounts in relation to that index. For example, the index value for Alberta is 119, indicating that 19% of Alberta’s per capita spending relative to that of the rest of Canada actually reflects higher costs to provide the same services rather than greater public sector activity.

## ***What does this mean for Alberta's current fiscal situation?***

The data indicates clearly that Alberta's current fiscal situation cannot be attributed to abnormal levels of spending either relative to the size of Alberta's economy or on a per capita basis, especially if cost differences are taken into account. Relative to GDP, Alberta's own spending is second-to-lowest in the country. Combined provincial and local spending in Alberta is the lowest in the country.

Per-capita spending, after adjusting for cost differences, is also amongst the lowest in the country, ranking 8<sup>th</sup>.

The data also point directly to the cause of Alberta's deficit problem. Between 2005 and 2011, royalty income in Alberta dropped from 6% of GDP to 4% of GDP. And from 2011 to 2016, that revenue dropped further from 4% of GDP to 1% of GDP. That drop alone accounts for \$9.45 billion (or over 90%) of the projected \$10.3 billion deficit for 2017-18.

Finally, the data indicates clearly that relative to every other province in the country, Alberta has the revenue potential to repair the damage to its fiscal system created by the post-2014 structural change in the oil and gas sector that has given rise to the "low for long" consensus on crude oil prices.

## ***What others have to say – the bond rating agencies and the Parliamentary Budget Office***

In recent months, considerable attention has been paid to credit rating downgrades issued by three of the four major bond rating agencies.

While the announcement of a credit downgrade is hardly a positive development, it is important to keep such announcements in perspective.

First, although the Alberta Government credit rating has been downgraded, the province's credit rating still ranks third among Canadian provinces, behind only BC and Saskatchewan.

Second, the impact of a downgrade on a provincial government's cost of capital tends to be both small and highly variable. A review of 13 provincial government downgrades conducted in support of an affidavit filed in connection with a court challenge in Ontario in 2014 found as follows:

"An analysis of ratings changes and yield spreads between Ontario and Canada 10-year yields reveals that no such systematic relationship exists. In the five Standard and Poor's downgrades experienced by Ontario in the 1989 to 2013 period, the spread between Government of Canada and Ontario yields actually dropped between the two months before the downgrade and the two months after the downgrade. The average decline was 0.13% or 13 basis points. This effect is opposite to what would be expected if an impact is to be ascribed to ratings changes.

In the 13 downgrades for provincial government securities in Canada in the 1989 to 2013 period, the overall result is the same. On average, the spread between provincial government 10-year yields and Government of Canada 10-year yields actually narrowed between the two

months before the downgrade and the two months after the downgrade, by an average of 4 basis points.”<sup>6</sup>

This apparently paradoxical pattern reflects the reality that the agencies’ ratings changes are based on the same events that affect bond markets directly, so that by the time a rating change has been issued, the data that gave rise to the change has already been priced into the market. It also demonstrates that the impact on borrowing costs is small relative to the normal day to day and month to month changes in yield.

Third, a review of bond yields for provinces with different bond ratings indicates little meaningful change—despite varying bond ratings. The following table compares yields on fixed income securities issued by Alberta, British Columbia, Ontario and Saskatchewan as of the close of business on Friday, December 15 2017.<sup>7</sup>

Table 1  
Canadian Provincial Government Bond Yields  
15-Dec-17  
Bond maturity years with data for Alberta and at least one other province

	Alberta	BC	Ontario	Sask
2020	1.78	1.79	1.78	1.80
2022	2.05	2.03	2.02	
2024	2.25	2.26	2.20	
2025	2.33	2.22	2.29	
2029	2.59	2.45	2.54	2.52
2031	2.66	2.49	2.58	2.59
2033	2.74		2.65	
2040	2.83	2.65		2.78

It is noteworthy that the differences in yields are very slight and, in some instances, appear to be unrelated to the relative bond ratings of the provinces considered. The expected difference in yields between Alberta and the higher-rated provinces of BC and Saskatchewan in 10-year plus securities range from 14 to 18 basis points in the case of BC and from 5 to 7 basis points in the case of Saskatchewan. Interestingly, although Ontario has a lower bond rating than Alberta, its current bond yields are actually lower by between 5 and 9 basis points than the corresponding yields for Alberta – the opposite of what one would expect from the ratings differential.

What is perhaps of more interest is the commentary issued by each of the rating agencies in association with their most recent rating summaries.

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<sup>6</sup> Sources: Standard and Poor’s; Bank of Canada, compiled in Ontario Secondary School Teachers Federation et al. and Her Majesty the Queen in Right of Ontario, 2<sup>nd</sup> Reply Affidavit of Hugh Mackenzie, August 2013.

<sup>7</sup> Source: CanadianFixedIncome.ca; <http://www.pfin.ca/canadianfixedincome/Default.aspx>

Moody's Investors Service<sup>8</sup>

#### "FISCAL CAPACITY TO RAISE REVENUES

Alberta has leeway to address its fiscal problems through revenue measures. In 2015, the government increased the corporate income tax rate to 12% from 10%, and introduced a progressive tax system for personal incomes above CAD125,000 (but maintained a 10% flat personal income tax rate under CAD125,000). To ease the reliance on oil royalty revenues, which historically supported expenditure growth during periods of high oil prices, the province has taken steps to raise tax revenues, including raising the income tax brackets and introducing a carbon levy. The carbon levy is expected to generate a combined CAD3.9 billion over the next three years. Alberta's tax regime remains competitive relative to the majority of its provincial peers which affords it significant fiscal flexibility. However, we note that the province has been reluctant to fully utilize its taxation powers through other tax measures, including implementing a provincial sales tax."

Standard & Poor's<sup>9</sup>

"Although it possesses strong tax advantages, compared with other Canadian provinces, that could be tapped, we believe it has yet to use these in a significant way to improve its fiscal position."

DBRS<sup>10</sup>

"However, given their reluctance to use additional tax room and the continued focus on maintaining services and funding growth, this objective is highly uncertain since it relies on a sustained recovery in economic activity buoyed by higher oil prices."

In their recent ratings releases, all three of the main rating agencies highlighted Alberta's reluctance to use the fiscal capacity available to it to increase revenue as a key basis for their negative outlooks for provincial finances.

Parliamentary Budget Office<sup>11</sup>

For several years, the Parliamentary Budget Office has been reviewing medium and long-term fiscal sustainability issues facing the Federal government and the provinces and territories. In past reports, it has highlighted the long-term challenges faced by provincial governments in dealing with climate change, an aging population, and growing income inequality in the context of constrained revenue

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<sup>8</sup> Moody's Investors Service, Province of Alberta: Credit Opinion Update Following Assignment of Short-Term Debt Rating, 2 August 2017

<sup>9</sup> S & P Global Ratings, RatingsDirect, "Province of Alberta Downgraded To 'A+' From 'AA', 26 May 2017

<sup>10</sup> DBRS Bond Rating News Release, "DBRS Downgrades the Province of Alberta to AA and Confirms R-1 (high), All Trends Negative", 29 November 2017 <https://www.dbrs.com/research/319633/dbrs-downgrades-the-province-of-alberta-to-aa-and-confirms-r-1-high-all-trends-negative>

<sup>11</sup> Office of the Parliamentary Budget Officer, Fiscal Sustainability Report 2017, 5 October 2017, p. 72

raising capacity. In its 2017 Fiscal Sustainability Report, it commented province-by-province on urgent fiscal issues. With respect to Alberta, it had the following to say:

“Current fiscal policy in Alberta is not sustainable over the long term. PBO estimates that permanent tax increases or spending reductions amounting to 4.6 per cent of provincial GDP (\$14.1 billion in current dollars) would be required to achieve fiscal sustainability.”

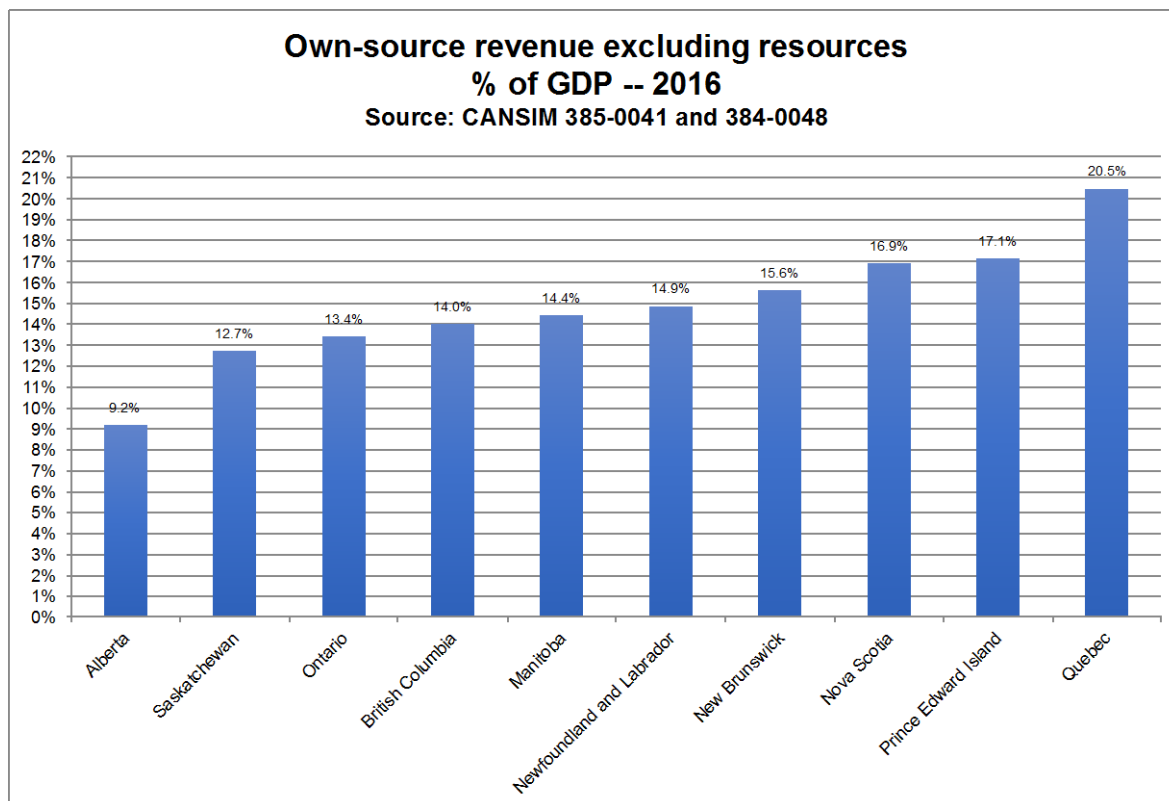
Taken together, these comments point in the same direction as the data cited earlier in this report: Alberta’s fiscal problems are on the revenue side of the budget and are tied directly to expected long-term lower prices for oil and natural gas.

### ***Alberta’s revenue gap***

“Own-source revenue” is a measure of revenue raised by a provincial government from revenue sources that it controls and for which it is politically responsible. It differs from total revenue in that it excludes transfer payments from the Federal Government. Eliminating Federal transfer payments from the comparison removes the effect of fiscal equalization measures built into the design of Federal transfer payment system. As a result, own-source revenue is a pure measure of a province’s fiscal capacity and, in comparison with other provinces, its relative fiscal effort.

Comparative data highlights the fact that, when it comes to non-resource revenue capacity utilization, Alberta is well outside the Canadian provincial government mainstream.

Chart 11 compares 2016 own-source revenue, net of resource-related income (classified by Statistics Canada as revenue from provincial government property) as a share of GDP.



At 9.2% of GDP, Alberta's own-source revenue net of resource revenue is 3.5% of GDP below that of the next-lowest province, Saskatchewan, and 4.8% below British Columbia.

In other words, if Alberta's non-resource related fiscal effort, relative to GDP, were the same as that of the Government of British Columbia, Alberta would have an additional revenue base of \$15.1 billion, far more than would be required to offset the revenue gap identified by the Parliamentary Budget Office and well in excess of the currently projected deficit for 2017-18 of \$10.3 billion.

If, alternatively, Alberta matched the non-resource related fiscal effort of the Government of Saskatchewan, Alberta's revenue base would be higher by \$11 billion, again, more than enough to offset the currently-forecasted 2017-18 deficit.

### ***Alberta's revenue-raising gap with comparable provinces – looking at the details***

In Table 2, below, we present a breakdown of Alberta's own-source revenue by source of revenue and in comparison, with BC, Saskatchewan and Ontario, the provinces that are typically compared with Alberta.

Alberta's own-source revenue in total was 11.47% of GDP in 2016, compared with an average of 14.67% for the comparator provinces for a differential of 3.2% of GDP. Net of revenue from resources, Alberta's own-source revenue was 9.17% of GDP compared with an average of 13.67% for the comparator provinces, for a differential of 4.2% of GDP. As noted above, Alberta's differential relative to all other Canadian provinces taken as a whole was somewhat higher, at 5.0% of GDP for total own-source revenue and 6.1% of GDP for own-source revenue net of resource revenue.

Although Alberta's own-source revenue as a share of GDP is below that of the comparator provinces in many revenue categories, the most significant differences are in personal income tax, corporate income tax, payroll tax and general sales taxes.



Table 2 – Breakdown of revenue sources as % of GDP – Alberta, BC, Ontario and Saskatchewan, 2016

Sources: CANSIM 385-0034; CANSIM 384-0038

	Alberta	BC	Ontario	Sask.	Alberta Rank	Average	Differential
Taxes on income, profits and capital gains payable by individuals (x 1,000,000)	3.42%	4.65%	4.31%	3.44%	4	4.13%	-0.72%
Taxes on income, profits and capital gains payable by corporations and other enterprises (x 1,000,000)	1.18%	1.24%	1.71%	1.20%	4	1.38%	-0.20%
Taxes on payroll and workforce (x 1,000,000)	0.00%	0.00%	0.74%	0.00%	2	0.25%	-0.25%
Taxes on property (x 1,000,000)	0.70%	1.66%	0.43%	0.20%	2	0.77%	-0.06%
General taxes on goods and services (x 1,000,000)	0.00%	2.51%	3.34%	1.74%	4	2.53%	-2.53%
Liquor taxes (x 1,000,000)	0.00%	0.00%	0.00%	0.12%	2	0.04%	-0.04%
Tobacco taxes (x 1,000,000)	0.30%	0.28%	0.15%	0.35%	2	0.26%	0.04%
Gasoline and motive fuel taxes (x 1,000,000)	0.43%	0.51%	0.42%	0.65%	3	0.53%	-0.10%
Other excise taxes (x 1,000,000)	0.02%	0.01%	0.09%	0.02%	3	0.04%	-0.02%
Remitted liquor profits (x 1,000,000)	0.27%	0.41%	0.29%	0.33%	4	0.34%	-0.07%
Remitted profits on games of chance and other (x 1,000,000)	0.45%	0.50%	0.29%	0.47%	3	0.42%	0.03%
Taxes on specific services (x 1,000,000)	0.22%	0.23%	0.21%	0.23%	3	0.22%	-0.01%
Motor vehicle taxes (x 1,000,000)	0.14%	0.17%	0.19%	0.23%	4	0.20%	-0.06%
Other taxes on use of goods and on permission to use goods or perform activities (x 1,000,000)	0.31%	0.49%	0.10%	0.40%	3	0.33%	-0.02%
Other taxes on goods and services (x 1,000,000)	0.02%	0.01%	0.00%	0.52%	2	0.18%	-0.16%
Social contributions (x 1,000,000)	0.33%	0.57%	0.62%	0.40%	4	0.53%	-0.20%
Property income (x 1,000,000)	2.29%	1.66%	0.25%	1.99%	1	1.30%	0.99%
Administrative fees (x 1,000,000)	0.09%	0.14%	0.15%	0.18%	4	0.16%	-0.06%
Other sales of goods and services (x 1,000,000)	1.05%	0.54%	0.30%	0.59%	1	0.47%	0.57%
Fines, penalties and forfeits (x 1,000,000)	0.05%	0.05%	0.04%	0.03%	1	0.04%	0.02%
Miscellaneous revenue (x 1,000,000)	0.18%	0.01%	0.00%	1.60%	2	0.54%	-0.36%
Own-source revenue	11.47%	15.65%	13.63%	14.72%	4	14.67%	-3.20%

## Personal income tax

Alberta's personal income tax raises the lowest revenue as a share of GDP of any of the comparator provinces – 3.42% compared with an average of 4.13% for the comparators.

The fact that the structure of Alberta's personal income tax is somewhat different from those of the other provinces complicates any comparison.

Table 3 – Income thresholds and marginal rates 2018  
(includes Ontario Surtaxes)

Alberta Threshold Income		BC Threshold Income	
-	10.00%	-	5.06%
128,145	12.00%	39,676	7.70%
153,777	13.00%	79,353	12.29%
205,031	14.00%	91,107	14.70%
307,547	15.00%	110,630	16.80%
		150,000	16.80%
Single credit	18,915	Single credit	10,208
Saskatchewan Threshold Income		Ontario Threshold Income	
-	10.50%	-	5.05%
45,225	12.50%	42,960	9.15%
129,214	14.50%	75,687	10.98%
Single credit	16,065	85,923	13.39%
		91,107	17.41%
		150,000	18.97%
		220,000	20.53%
		Single credit	10,354

Alberta's personal income tax has a wide income range with a flat rate of tax of 10%. Saskatchewan's is also relatively flat, but maintains the 10% rate to an income of \$45,225 compared with Alberta's \$128,145.

Because the tax structures are so different, it is difficult to compare them based on system designs. Rather, it makes more sense to compare tax obligations based on a simple return for a single person.

Table 4 – personal income tax compared at various income levels.

Income	Tax Payable				AB Rank
	AB	BC	SK	ON	
\$25,000	609	748	938	740	4
\$50,000	3,109	2,286	3,659	2,291	2
\$75,000	5,609	4,211	6,784	4,578	2
\$100,000	8,109	7,298	9,909	8,008	2
\$125,000	10,609	11,275	13,034	12,360	4
\$150,000	13,546	15,475	16,574	16,712	4
\$175,000	17,014	19,675	20,199	21,455	4
\$200,000	20,264	23,875	23,824	26,197	4
\$250,000	26,701	32,275	31,074	36,150	4
\$300,000	33,701	40,675	38,324	46,415	4
\$350,000	41,126	49,075	45,574	56,680	4
\$400,000	48,626	57,475	52,824	66,944	4
\$1,000,000	138,626	158,275	139,824	190,122	4

Because Alberta's tax system has a relatively high personal amount that qualifies for a non-refundable credit, tax in Alberta is the lowest among the four provinces at an income of \$25,000, although the difference between Alberta and the highest-tax province (Saskatchewan) at this income level is quite small.

At incomes of \$50,000, \$75,000 and \$100,000, Alberta's flat tax is slightly higher than that of the comparators, except for Saskatchewan.

At incomes above \$100,000, taxes in Alberta are the lowest among the comparator provinces. Ontario levies the highest taxes of the four on incomes above \$100,000. BC's revenue is significantly higher than Alberta's at all income levels above \$100,000. Saskatchewan's taxes are about 20% higher than Alberta's until the highest income levels are reached, at which point Alberta's tax catches up with Saskatchewan's.

Those differences in rates levied at the top of the income scale have a significant revenue impact. Based on detailed tax data by taxable income range from the Canada Revenue Agency<sup>12</sup>, at Ontario's tax rates on incomes above \$100,000, Alberta would raise an estimated \$3.6 billion in additional revenue from personal income tax.

At the rates applicable in British Columbia, Alberta's additional revenue would reach an estimated \$2.4 billion.

And at the low end of the comparison, at Saskatchewan's rates, Alberta would raise an additional \$0.97 billion.

<sup>12</sup> Canada Revenue Agency, Income Statistics 2016 (2014 tax year) Final Table 2 for Alberta – All returns by total income class

## ***Corporate income tax***

With Alberta's post-election increase in the general corporate tax rate from 10% to 12%, Alberta's rate is now at the level which represents the norm in Canada. Four provinces – Nova Scotia, New Brunswick, Newfoundland and Labrador and Prince Edward Island – have higher rates (16%, 14%, 14% and 16%, respectively). An increase beyond 12% would give Alberta the highest rate of corporate tax west of Nova Scotia.

Based on current estimates of revenue for 2018-19, Alberta raises \$340 million for each percentage point of in the general corporate income tax rate.<sup>13</sup>

Both the recent largely unsuccessful Federal Government effort at tax reform and commentary from University of Calgary economist Jack Mintz have highlighted the problems with Canada's approach to the taxation of small business income. The Federal Government's recent initiative highlighted the extremely poor targeting of the preferential tax regime for small businesses, demonstrating that a significant proportion of the benefit flows to business entities that have nothing to do with the stated objective of small business preferences of stimulating job growth. Mintz, on the other hand, has challenged the premise of small business preferences altogether, arguing that if the objective is to stimulate economic activity and promote job creation, support tied to business size is misplaced.

Mintz and others have criticized the system of special preferential tax rates for small business on two grounds. First, it is argued that by tying the tax preference to businesses with net incomes below a threshold amount, the system actually provides a powerful incentive for a business to stay small in order to continue to qualify for the preference – the opposite of the incentive that we should be providing in Canada's overall economic interest.<sup>14</sup>

Second, because the preferential rate is not tied to meaningful economic activity, the small business taxation system is employed extensively by Canada's tax avoidance industry to assist wealthy individuals in sheltering income from personal income taxation.

This tax preference is very expensive. The cost of Alberta's low rate of tax on small business relative to the general corporate tax rate is \$1.9 billion per year, based on projected 2018-19 corporate tax revenue and estimates of the cost of the most recent reduction in Alberta's small business tax rate.

Given a public policy interest in supporting the growth of Alberta businesses that generate employment and economic activity, there are far more effective options available that could be implemented at a fraction of the cost to the Alberta treasury.

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<sup>13</sup> Estimate based on projected total corporate income tax revenue for 2018-19 of \$4,464 million, of which an estimated \$390 million is from the small business tax levied at 2%. Alberta Budget 2017-18 Fiscal Plan, p. 27 and p. 33.

<sup>14</sup> See, for example, Duanjie Chen and Jack Mintz, "Small Business Taxation: Revamping Incentives to Encourage Growth", School of Public Policy Research Papers, University of Calgary, Volume 4, Issue 7, May 2011.

## ***Sales tax***

The most obvious difference between Alberta and the other provinces is that Alberta is the only province in Canada without a retail sales tax either levied as an independently-administered tax on retail sales or as part of a Harmonized Sales Tax integrated with the federal GST.

On average, provinces other than Alberta raise 3.3% of GDP in revenue from sales taxes. BC's sales tax revenue is 2.5% of GDP; Saskatchewan's is 1.75% and Ontario's is 3.4%.

Table 5 – Provincial tax regimes and rates.

	Rate	Type
NL	8%	HST
PEI	9%	HST
NS	10%	HST
NB	8%	HST
QC	9.975%	HST QC Adm.
ON	8%	HST
MB	8%	PST
SK	5%	PST
AB	0%	nil
BC	7%	PST

Five provinces are classified as “participating provinces” under the GST/HST. Their sales taxes are administered by the federal government as part of the HST. Quebec's harmonized tax is administered by the Province of Quebec.

The three Western Provinces that have sales taxes administer their own separate retail sales taxes.

Although Alberta does not have a retail sales tax to use as the basis for estimating potential revenue from a sales tax in the province, data for federal revenue from the GST is available, broken down by province.<sup>15</sup>

Average GST net tax collected in Alberta in the five years 2010 to 2014 was \$3.56 billion from GST levied at 5% or \$711 million per percentage point of tax.

With reference to the rates applicable in other provinces, the table 6 illustrates the potential revenue for Alberta from a sales tax at the levels in other provinces.

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<sup>15</sup> CRA GST/HST Statistics Tables (2010 to 2014 calendar years), Table 2, Value of Net Tax by Jurisdiction, 2010 to 2014

		Expected Alberta Revenue (\$mm) Average 2010 to 2014	Expected Alberta Revenue Inflation Adjusted to 2018
	Sales tax rates		
NL	8%	5,696	6,166
PEI	9%	6,408	6,936
NS	10%	7,120	7,707
NB	8%	5,696	6,166
QC	9.975%	7,102	7,688
ON	8%	5,696	6,166
MB	8%	5,696	6,166
SK	5%	3,560	3,853
AB	0%	0	0
BC	7%	4,984	5,395

At the rate applicable in BC, Alberta could generate an estimated \$5.4 billion from a sales tax in 2018. At the Saskatchewan rate, revenue could be \$3.8 billion. At the Ontario rate of 8%, expected revenue would be \$6.2 billion.<sup>16</sup>

### ***Payroll tax***

Four provinces currently levy payroll taxes, which tend to be linked politically to health care funding as a consequence of having been introduced as a substitute for health insurance premiums.

Quebec's payroll tax rate is 4.26%. The others (Ontario, Manitoba and Newfoundland and Labrador) tax payroll in the 2% range (1.95%, 2.15% and 2%, respectively).

Total wages and salaries in Alberta in 2016 came to \$142 billion.<sup>17</sup> A payroll tax at a 1% rate with no exemptions would generate \$1.4 billion; 2% would generate \$2.8 billion.

Another way to look at revenue potential would be to look to the underlying basis for the payroll taxes in other jurisdictions – as a replacement for health insurance premiums. When the premium system was eliminated in 2009 in Alberta, the government estimated the revenue impact at \$1.3 billion. At the rate of inflation since 2009 of approximately 19%, that would translate to revenue on a 2018 basis of \$1.55 billion.

### ***Fuel tax***

The most recent increase in fuel taxes brought Alberta's fuel tax to 13 cents per litre, still somewhat below the norm for provincial fuel taxes in Canada.

<sup>16</sup> In estimating GST revenue in Alberta, we used the average of the five years 2010 to 2014 as reported by the Canada Revenue Agency rather than a single-year data point because the report revenue is highly volatile from year to year. Assuming that the average is representative of the actual for 2014, one would expect the revenue base to have increased at the rate of inflation for the four years since 2014, or approximately 8% and the revenue estimates in each case would be increased by 8%.

<sup>17</sup> CANSIM 384-0037

Table 7  
Fuel tax rates and potential revenue

	Rate (cents/litre)	Differential to Alberta (cents/litre)	Potential additional revenue (\$mm)
NL	16.5	3.50	380
PEI	13.1	0.10	11
NS	15.5	2.50	271
NB	15.5	2.50	271
QC	19.2	6.20	673
ON	14.7	1.70	185
MB	14.0	1.00	109
SK	15.0	2.00	217
AB	13.0	-	-
BC	21.17	8.17	886
Alberta revenue per cent/litre <sup>18</sup>	108.4		

Potential additional revenue from further fuel tax increases is significant only if rates were increased to match the highest rates in Canada – in BC and Quebec – and even at that, would generate less than \$1 billion.

### ***Another way to close the Revenue Gap: Alberta's vintage taxation system***

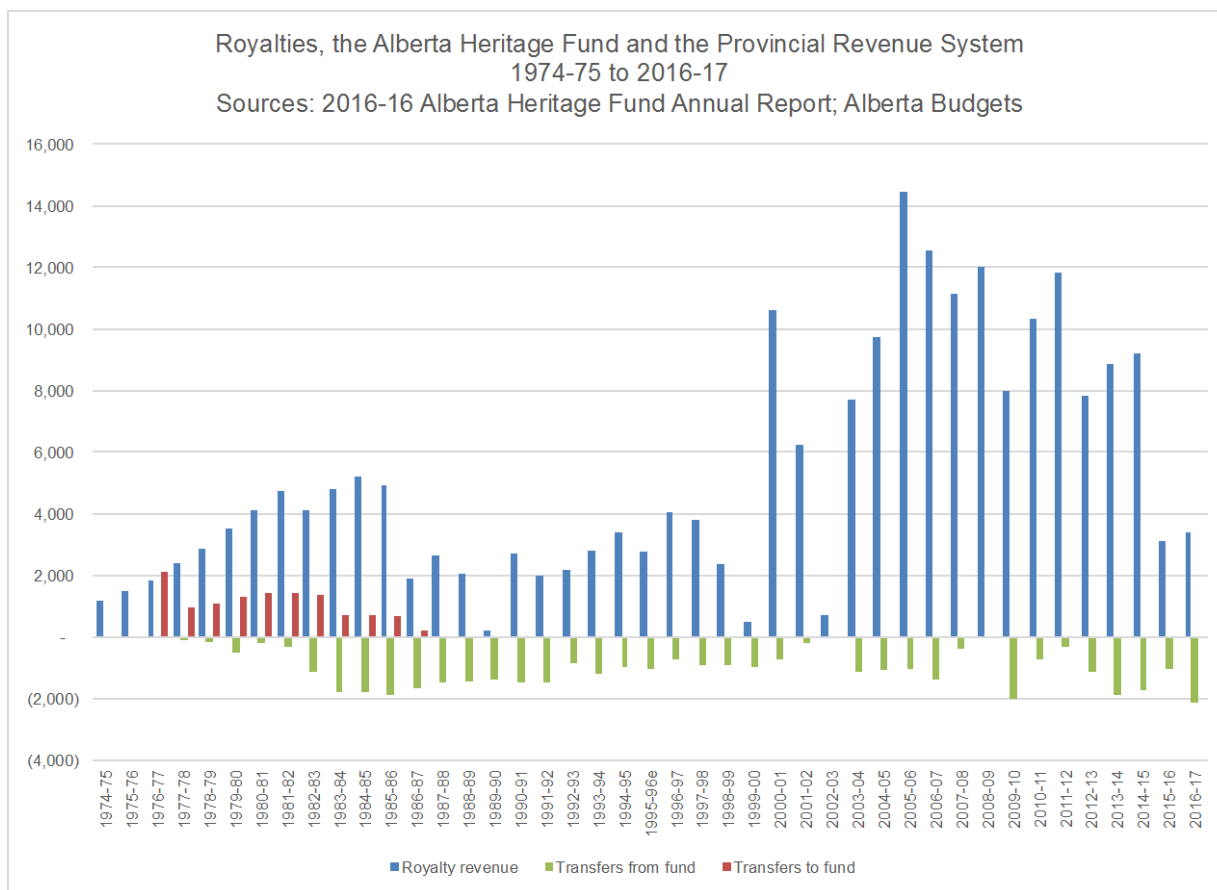
A comparison between the own-source revenue-raising effort and expenditures of the Alberta and that of other Canadian provinces highlights the reality that Alberta's fiscal problem is actually a revenue problem. As we have noted, if Alberta were to adopt the revenue-raising capacity of either the Province of British Columbia or the Province of Saskatchewan – the two provinces most commonly compared with Alberta, the province's current budgetary deficit would disappear.

The role of oil and gas prices and the resulting tax and royalty revenue to the province points clearly to the role that increased resource revenue played in enabling the province to fund the services required by a dynamic economy and a growing population base without resorting to increases in non-resource related revenue sources.

Alberta's weak revenue system did not, however, arise automatically from the growth in the province's resource revenue base. It arose from a series of explicit political decisions over the years to use that revenue to avoid tax increases and to fund specific tax and revenue-reduction measures.

In the chart below, we can see the inflection points in provincial resource revenue and resource revenue management that enabled these tax measures.

<sup>18</sup> Alberta Budget 2015-16 Budget Plan Tax Plan, October 2015 p.91



In the chart above, the blue columns show Alberta’s annual revenue from resources; the red columns show contributions to the Alberta Heritage Fund; and the green columns show withdrawals from the Heritage Fund.

In the resource boom of the 1970s, the province was able to benefit from a significant revenue boost to the provincial budget while at the same time setting aside some of that revenue for future generations through contributions to the Alberta Heritage Fund. Once resource revenue growth began to level off in the late 1970s, the province’s approach to resource revenue and the Heritage Fund changed. Beginning in 1982-83, the province had begun to withdraw a substantial proportion of the investment earnings from the Fund and allocate the funds to the provincial budget. Annual contributions to the Fund from resource revenue were de-coupled from resource revenue in the early 1980s and were ultimately ended in 1986-87.

Resource revenue remained essentially flat during the 1990s, rebounding at the end of the 1990s and reached a record level in 2000.

At this point, the Government of Alberta led by Ralph Klein, responded to the substantial increase in resource revenue with a series of significant cuts in personal income taxes, corporate income taxes, health care premiums and provincial education property taxes which the government of the time and subsequent Alberta governments have touted as the “Alberta Advantage”.



Those tax cuts – introduced in the early 2000s to soak up the windfall additional revenue from oil and gas – today account for a substantial proportion of Alberta’s budget deficit.

### **Personal income taxes**

In its 2000-01 budget, the provincial government introduced a series of personal income tax cuts built around the adoption of a flat tax to replace the previous system under which Alberta’s taxes were based on a percentage of Federal income tax.

At the time, the government estimated that the revenue lost from the cuts would come to \$758 million on a 2000-01 revenue base of \$5,122 million for a cut of 14.5%. Based on current government estimates of personal income tax revenue for 2018-19, that 14.5% cut in income taxes amounts to a revenue loss of \$1,720 million.

### **Corporate income taxes**

In the early 2000s, Alberta’s corporate income tax rates were a 15.5% general rate; a reduced 14.5% rate on profits from manufacturing and processing; and a 6% rate on the profits of corporations that qualified as small businesses.

Even after the post-2016 change in corporate income tax rates, current rates are 12% for corporations generally and 2% for corporations that qualify as small businesses.

Based on current per-point revenues from the general and small business tax rate, the revenue loss in 2018-19 from corporate tax cuts introduced based on a resource revenue windfall in the early 2000s comes to \$1,505 million.

### **The Alberta health premium**

In 1997, Alberta’s health premium generated revenue sufficient to cover 15% of the cost of Alberta’s health care system.

At that rate in relation to Alberta’s health care expenditures, the cancellation of the health care premium currently reduces the province’s revenue potential by \$3,290 million per year in 2018-19.

### **Provincial school property taxes**

In 1997, school property taxes covered 41% of the cost of elementary and secondary education in the province. Maintaining that share of costs as an alternative to school property tax cuts as part of the “Alberta Advantage” would generate additional revenue of \$920 million.

### **A Hole in the Budget: The real legacy of Ralph Klein**

The following table summarizes the vintage Alberta taxation solution to the province’s current revenue problem.

	Additional revenue (\$ million)
Personal income tax	1,720
Corporate income tax	1,505
Health premium	3,290
School property tax	920
	7,435

While the apparent cause of the deterioration in Alberta's fiscal position is the disappearance of a resource revenue windfall that persisted for most of the period from 2000 to 2010, the data show that Alberta's fiscal problem is a home-grown problem and that a return to a tax system more appropriate to the economy of pre-windfall Alberta would largely resolve the problem.

It also reveals a legacy of economic mismanagement by previous conservative governments, primarily that of Ralph Klein. By attempting to replace stable sources of government revenue with an inherently volatile source of revenue, Klein set a financial timebomb for Alberta. One that leaves Alberta with massive revenue holes in every recession and every drop-in oil prices, precisely when Albertans most need strong and well-funded government services. If the government of the day had shown greater prudence in maintaining our revenue sources, we would have an additional \$7.4 annually—enough to wipe out most of the current deficit without spending cuts. Moreover, the province could have returned to the practice of using windfalls from royalties to make contributions to the Alberta Heritage Savings Fund, ensuring that future Albertans would also share in the unprecedented wealth Alberta had received.

### ***How can we make Alberta's Finances Sustainable and Fair***

In light of Alberta's structural revenue problem and below average expenditures, the challenge is to create a new approach to Alberta's finances that will foster fiscal sustainability and support the strong public services Albertans rely upon. There is no great mystery to be solved here. Look to the west, to British Columbia or to the east, to Saskatchewan, and the answers are obvious. The only viable option is for the province to move Alberta's non-resource fiscal effort relative to GDP to Canadian norms. The gap between Alberta's non-resource fiscal effort and that of even the lowest of the other provinces would more than wipe out the current deficit.

If Alberta were to model its fiscal effort, relative to GDP, on British Columbia's, its revenue base would be higher by more than \$15 billion.

If Alberta were to model its fiscal effort, relative to GDP, on Saskatchewan's, its revenue base would be higher by approximately \$11 billion.

In both cases, if Alberta were to raise revenue like our neighbors—both of whom have been governed by conservative governments for the past decade—Alberta would be running budgetary surpluses without any budget cuts.

Alberta could also look to its vintage pre-2000 tax system as a solution to our self-imposed fiscal challenges, with a potential to increase the province's revenue base by \$7.4 billion.

The challenge is to get past a backward-looking public policy inertia to renew Alberta's revenue system to meet the challenges of the future.

Alberta's government must take the lead in fostering a realistic public debate about the province's fiscal options.

- 1. Acknowledge the reality that Alberta's fiscal problem is a revenue problem, not an expenditure problem, and that it has its roots in decisions made by previous conservative governments.**

Successive governments ignored the lessons learned in resource-dependent jurisdictions around the world and year after year increased the dependency of Alberta's revenue system on the resource sector. The risks associated with depending on resource revenue for day-to-day government operations were recognized at the outset of Alberta's modern-day resource boom by Progressive Conservative Premier Peter Lougheed, whose government mandated the creation of, and annual contributions to, the Alberta Heritage Fund. That Fund had two key objectives: to spread the gains from Alberta's resource wealth across future generations; and to act as a bulwark against governments tempted to sell the family silver to avoid making tough political decisions.

The Progressive Conservatives' history since the 1970s amounts to a repudiation of Lougheed's legacy.

Progressive Conservative governments in the 1980s, 1990s and 2000s used the province's resource wealth to create a revenue system that was well outside the Canadian mainstream. The highly-touted "Alberta Advantage" was little more than a raid on the well-being of future generations of Albertans. It was underpinned by increasingly wishful thinking about the future of world oil and gas markets and about Alberta's ability to exploit those markets. Each time a general economic slowdown put pressure on Alberta's revenue base, Conservative governments responded by digging even deeper into the province's resource piggy-bank.

Those governments' increasing reliance on resources for the funding of day to day government operations rather than challenge their phony "Alberta Advantage" was the height of irresponsibility. And Albertans are now paying the price.

No government, regardless of political stripe, will be able to balance the books in Alberta without either an unlikely return to \$100 per barrel oil or deep and savage cuts that would transform Alberta into a "have-not" province when it comes to public services.

- 2. Tell Albertans the truth about Alberta's fiscal problems and their origins in a revenue system that underperforms significantly the revenue systems in every other province in Canada.**

The choices open to Alberta in response to the new normal in world energy markets are not pleasant. Albertans have been encouraged by self-serving politicians and the interests for which they speak to believe that the so-called "Alberta Advantage" will go on forever, and to react with hostility to any suggestion for change. In the current environment, the provincial budgetary deficit has become a political flash point and those interests that stand to lose the

most in a normalization of Alberta's fiscal system have sought to narrow the debate to the deficit and to attribute the cause to expenditures on public services.

It is essential that the debate be broadened.

The government should sponsor a province-wide initiative to inform and stimulate an open debate about Alberta's fiscal future – a debate that highlights the underlying root causes of the current situation.

### **3. Commit to putting alternatives in front of Albertans for consideration.**

Alberta faces a set of important decisions that are anything but “business as usual” decisions. It has been decades since Alberta had a thorough and open review and debate about the province's fiscal system.

The province should establish a blue-ribbon commission of experts to study Alberta's fiscal capacity issue, tour the province seeking public input and make recommendations for change.

Such a review will take time, and will not be complete before the next provincial election. Accordingly, the government should commit to proposing a specific package of changes in response to the commission's report and to submit that package of changes to the people of Alberta in a referendum.

## **Conclusion**

Alberta has historically enjoyed an extended period in which significant revenue arising from the extraction of the province's natural resource wealth enabled Albertans to benefit from public services consistent with general Canadian standards while paying the lowest personal taxes in the country.

Alberta's heavy reliance on resource revenue has for decades exposed the provincial budget to volatility in oil and gas prices and their impact on provincial resource revenue streams. Recurring downward cycles in oil and gas prices have given rise to recurring cycles of significant expenditure restraint which have hampered long-term planning and imposed short-term hardship on Albertans who rely on the province's public services. In the past two decades, the fact that prices have rebounded quickly following these downward cycles has mitigated the negative impact of budgetary restraint and underwritten the default “wait until markets improve” strategy followed by successive governments confronted by weakening provincial revenues.

Structural changes in fossil fuel markets around the world and in North America in particular raise significant questions about the future viability of this strategy. The combination of weakening demand, as our economies respond to the challenges posed by climate change and the technologically driven expansion of supply has given rise to a consensus view that oil and gas prices will not rebound to anything like the highs experienced a decade ago and are set to be “low for long”. What this means is that the probability that Alberta's resource revenue will recover to pre-collapse levels has become vanishingly small.

Of the current projected deficit of \$10.3 billion, fully 90% of that amount is directly attributable to the collapse in oil and gas prices from their post-2008 peak.

Alberta has a revenue problem. Interprovincial comparisons make it clear that in spending on public services as a share of GDP, Alberta is not an outlier on the high side; it is an outlier on the low side. Furthermore, the problem is not cyclical, it is structural. The resource price and revenue boom that underwrote Alberta's tax advantage has ended, and is not likely to recur.

The traditional default strategy of waiting until energy prices and associated revenues rebound sounds like a viable path of least resistance. But it is not free. Even the modest restraint measures introduced to buy time until a recovery wipes out the deficit have a corrosive effect on the quality of public services available to Albertans. And it risks much more drastic and harmful cuts in future as the passage of time and/or changes in government challenge the reasonableness of incurring substantial budgetary deficits in the hope that revenue will recover in the future without the need for any substantial change. It also forecloses opportunities open to Alberta to become a leader in Canada on issues like pharmacare, child care, income inequality, support for the elderly, and adjustment to climate change.

Alberta is the only province in Canada that does not have a sales tax. It is among the provinces in Canada that does not levy a payroll tax earmarked for the funding of the health care system. Its personal income tax system raises the smallest percentage of GDP in revenue in the country – by a substantial margin. It provides very generous support for small corporations without any clear line of sight to identifiable economic benefits.

These features of Alberta's tax system make up what has been termed the "Alberta Advantage". What the energy economy of the past few years has made clear, however, is that the Alberta Advantage is actually a resource-bonanza advantage. And the bonanza is over.

There is no "business as usual" solution to Alberta's revenue problem.

The available options for avoiding the problem are not attractive.

For conservatives, the budget deficit represents an opportunity to cut back on important public programs at great cost to the well-being of Albertans and to the province's medium and long-term economic future. All they have to do is ignore the obvious cause of the problem of which they are trying to take advantage.

The conservative alternative – years and years of austerity while the province waits in the hope that the salad days of high oil prices will return – is both risky and destructive and ultimately irresponsible. Risky, because it is unlikely that oil prices will return to the \$100+ per barrel that would be needed to make the province's fiscal problems go away for another day. Destructive because a steady drip of expenditure cuts would undermine the effectiveness of the province's system of public services, reverse Alberta's efforts to renew the province's public infrastructure and foreclose opportunities for major improvements in the province's public services. Irresponsible, because there is no winning outcome of a bet on resource revenue recovery. If the bet does not pay off, Alberta will have built up significant public debt for no purpose, and the province will be facing

exactly the same problem it faces today in a decade. If the bet does pay off, Alberta will be going right back to a resource revenue strategy which essentially picks the pockets of future generations so that the current generation can avoid making tough decisions.

Alberta's government must choose a better path, one that involves a significant and meaningful strategy of revenue reform while rejecting strategies that focus solely on expenditures. To accomplish this strategy, the Government must be straightforward with Albertans about the unique problems that have saddled Alberta's finances and identify solutions. Albertans should be empowered to choose a new path that ensures sustainability and robust public services for future generations of Albertans.