

Alberta has a Revenue Problem

The Alberta government has posted a deficit for six straight years. Despite the province's economy being the envy of North America, the government just can't seem to balance the books. The cause isn't overspending – Alberta's in the middle of the pack when it comes to revenues and spending on a per person basis - and it isn't the modest wages and benefits paid to public-sector workers.

The cause is our broken revenue system that leaves government finances to twist in the wind with the ups and downs of bitumen and other non-renewable resource price fluctuations.

Budget after budget, the Alberta government brags how it could be collecting billions more in tax revenue and still be the lowest taxed jurisdiction in Canada. The last budget was the sixth budget deficit in a row.

This year Alberta left \$10.6 billion in tax revenue uncollected. That's \$10.6 billion that could build the Alberta we need today, and invest in the Alberta we want for tomorrow.

This is no way to run a province. A responsible government would ensure there's at least enough revenue to pay its bills. We fear that the Redford government lacks the courage and leadership needed to fix Alberta's deficit problem for the good of today's Albertans and future generations.

Flat tax: boon for the wealth, bane for budgets

Alberta created a flat tax system – one tax rate for all income earners – in 1999. Under this scheme, wealthy Albertans saw their income tax rate *drop*, while poor and middle-income Albertans saw their rates *increase*. Once the dust settled, the government gave up \$1.5 billion in revenues in 2001 – or \$1.9 billion in today's dollar. Since 2001, we're talking a \$19 to \$22 billion revenue loss.

Rock-bottom Royalties: stated policy of the government of Alberta

It is the government's stated policy to charge some of the lowest oil and gas royalties in the North America, if not the world: "Alberta will have a combined royalty and tax rate that is in the top quartile of investment opportunities compared to similar jurisdictions."¹ That's code for low, low royalties.

The government is indeed fulfilling this policy. Alberta has one of the lowest combined royalty and corporate tax regimes for conventional oil and gas in North America.

¹ Government of Alberta, "Budget 2013, Energy: Business Plan 2013-2016,"
<http://www.finance.alberta.ca/publications/budget/budget2013/energy.pdf>

Bitumen now accounts for about 46 per cent of non-renewable resource revenue. That might sound like a lot, but keep in mind that this is a ‘non-renewable’ resource. The government should be getting as much value out of the oil sands as possible on behalf of Albertans, the owners of the resource. Instead, we’re practically giving it away: between 1997 and 2010, the government collected less than \$0.06 of every dollar of revenue from the oil sands.

How does this stack up to the rest of the world? Not great: Angola charges more for its heavy oil resources than Alberta does. Yes, Angola.

Revenue and Spending in Perspective

Despite having an economy that’s the envy of Canada, the Alberta government’s revenue and spending per person is in the middle of the pack. This points to a *revenue* problem, not spending problem.

| 2013 Provincial Budgets | | | | |
|--------------------------------|-----------------|-------------|---------------------------|---------------------------|
| Spending per capita | | Rank | Revenue per capita | |
| Newfoundland and Labrador | \$14,777 | 1 | \$12,858 | Newfoundland and Labrador |
| Manitoba | \$11,384 | 2 | \$10,932 | Manitoba |
| PEI | \$10,848 | 3 | \$10,600 | New Brunswick |
| New Brunswick | \$10,842 | 4 | \$10,455 | Saskatchewan |
| Alberta | \$10,623 | 5 | \$10,394 | Alberta |
| Saskatchewan | \$10,367 | 6 | \$10,336 | PEI |
| Nova Scotia | \$10,078 | 7 | \$9,772 | Nova Scotia |
| BC | \$9,490 | 8 | \$9,324 | BC |
| Ontario | \$9,359 | 9 | \$8,615 | Quebec |
| Quebec | \$8,800 | 10 | \$8,307 | Ontario |

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