

Alberta's deficit and the truth about the so-called “Alberta Advantage”

Gil McGowan

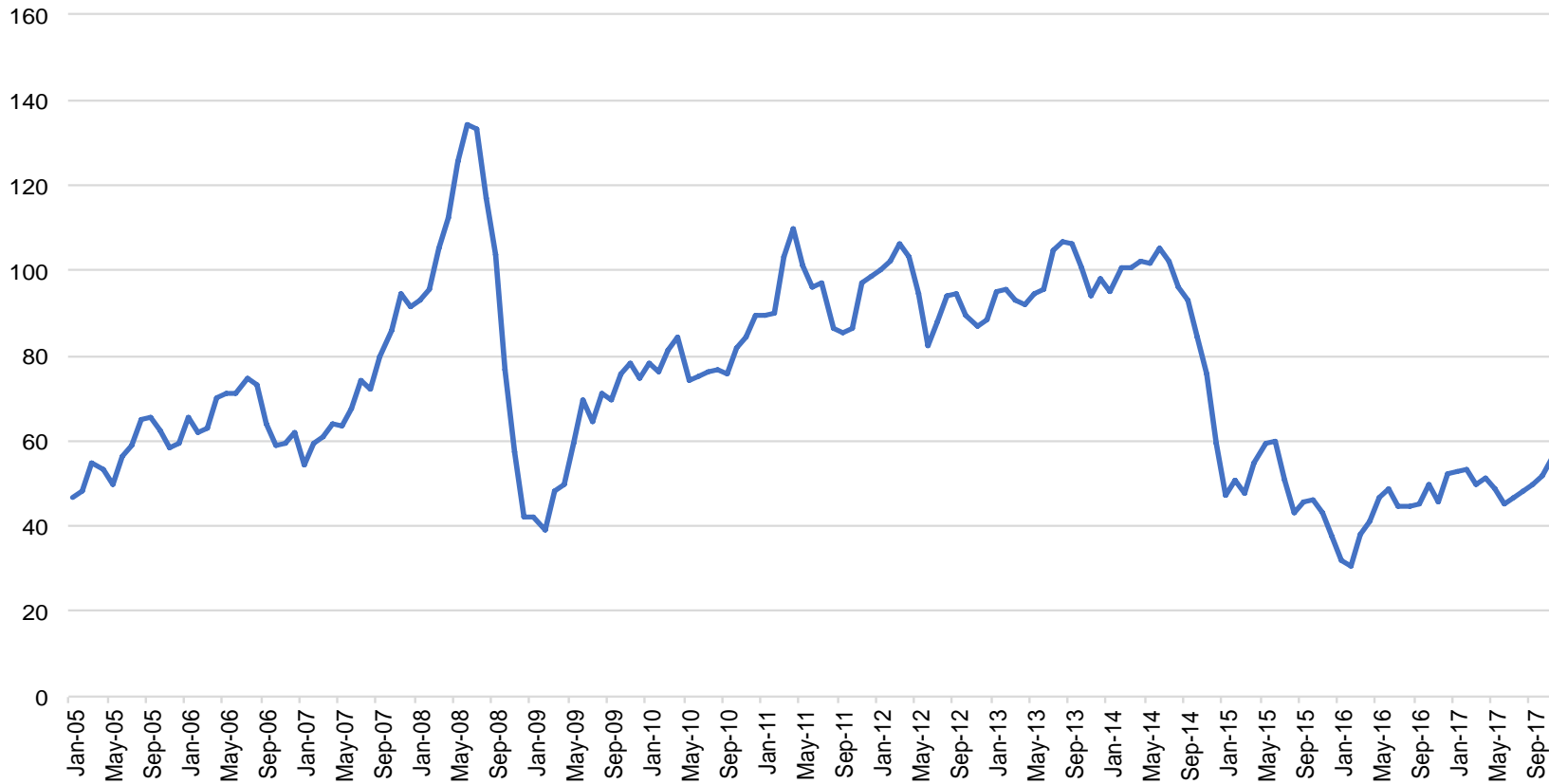
President

Alberta Federation of Labour

*Alberta
Federation
of Labour*



West Texas Intermediate
\$US / BBL
Monthly, 2005 to 2017
Source: Alberta Government Economic Dashboard







HISTORICAL SUMMARY OF OPERATIONS

May 19, 1976 to March 31, 2017

(See Note 5 to the Financial Statements)

(in \$millions)

| Fiscal Year | Net Income (Loss) ^a | TRANSFERS TO THE FUND | | | TRANSFERS FROM THE FUND | | | Fund Equity (at cost) |
|----------------------|--------------------------------|-----------------------------|--------------|---|--|------------------------------|-----------------|-----------------------|
| | | Resource Revenue Allocation | Deposits | Advanced Education Endowment ^b | Investment Income Transfers ^c | Capital Project Expenditures | Other Transfers | |
| 1976-77 | 88 | 2,120 | - | - | - | (36) | - | 2,172 |
| 1977-78 | 194 | 931 | - | - | - | (87) | - | 3,210 |
| 1978-79 | 294 | 1,059 | - | - | - | (132) | - | 4,431 |
| 1979-80 | 343 | 1,332 | - | - | - | (478) | - | 5,628 |
| 1980-81 | 724 | 1,445 | - | - | - | (227) | - | 7,570 |
| 1981-82 | 1,007 | 1,434 | - | - | - | (349) | - | 9,662 |
| 1982-83 | 1,482 | 1,370 | - | - | (867) | (296) | - | 11,351 |
| 1983-84 | 1,467 | 720 | - | - | (1,469) | (330) | - | 11,739 |
| 1984-85 | 1,575 | 736 | - | - | (1,575) | (228) | - | 12,247 |
| 1985-86 | 1,667 | 685 | - | - | (1,667) | (240) | - | 12,692 |
| 1986-87 | 1,445 | 217 | - | - | (1,445) | (227) | - | 12,682 |
| 1987-88 | 1,353 | - | - | - | (1,353) | (129) | - | 12,553 |
| 1988-89 | 1,252 | - | - | - | (1,252) | (155) | - | 12,398 |
| 1989-90 | 1,244 | - | - | - | (1,244) | (134) | - | 12,264 |
| 1990-91 | 1,337 | - | - | - | (1,337) | (150) | - | 12,114 |
| 1991-92 | 1,382 | - | - | - | (1,382) | (84) | - | 12,030 |
| 1992-93 | 785 | - | - | - | (785) | (84) | - | 11,946 |
| 1993-94 | 1,103 | - | - | - | (1,103) | (71) | - | 11,875 |
| 1994-95 | 914 | - | - | - | (914) | (49) | - | 11,826 |
| 1995-96 ^f | 1,046 | - | - | - | (1,046) | - | - | 11,826 |
| 1996-97 | 932 | - | - | - | (756) ^d | - | - | 12,002 |
| 1997-98 | 947 | - | - | - | (922) ^d | - | - | 12,027 |
| 1998-99 | 932 | - | - | - | (932) | - | - | 12,027 |
| 1999-00 | 1,169 | - | - | - | (939) ^d | - | - | 12,257 |
| 2000-01 | 706 | - | - | - | (706) | - | - | 12,257 |
| 2001-02 | 206 | - | - | - | (206) | - | - | 12,257 |
| 2002-03 | (894) | - | - | - | - | - | - | 11,363 |
| 2003-04 | 1,133 | - | - | - | (1,133) | - | - | 11,363 |
| 2004-05 | 1,092 | - | - | - | (1,092) | - | - | 11,363 |
| 2005-06 | 1,397 | - | 1,000 | 750 | (1015) ^d | - | - | 13,495 |
| 2006-07 | 1,648 | - | 1,000 | 250 | (1365) ^d | - | - | 15,028 |
| 2007-08 | 824 | - | 918 | - | (358) ^d | - | - | 16,412 |
| 2008-09 | (2,574) | - | - | - | - | - | - | 13,838 |
| 2009-10 | 2,006 | - | - | - | (2,006) | - | - | 13,838 |
| 2010-11 | 1,080 | - | - | - | (720) ^d | - | - | 14,198 |
| 2011-12 | 798 | - | - | - | (344) ^d | - | - | 14,652 |
| 2012-13 | 1,316 | - | - | - | (1155) ^d | - | - | 14,813 |
| 2013-14 | 2,109 | - | - | - | (1916) ^d | - | - | 15,006 |
| 2014-15 | 1,678 | - | - | - | (1468) ^d | - | (255) | 14,961 |
| 2015-16 | 1,238 | - | - | - | (1029) ^d | - | - | 15,170 |
| 2016-17 | 2,333 | - | - | - | (2151) ^d | - | - | 15,352 |
| TOTAL | 40,778 | 12,049 | 2,918 | 1,000 | (37,652) | (3,486) | (255) | 15,352 |

^a The net income of the Fund and its assets and liabilities, net of consolidation adjustments, is included in the consolidated financial statements of the Ministry of Treasury Board and Finance and the Government of Alberta.

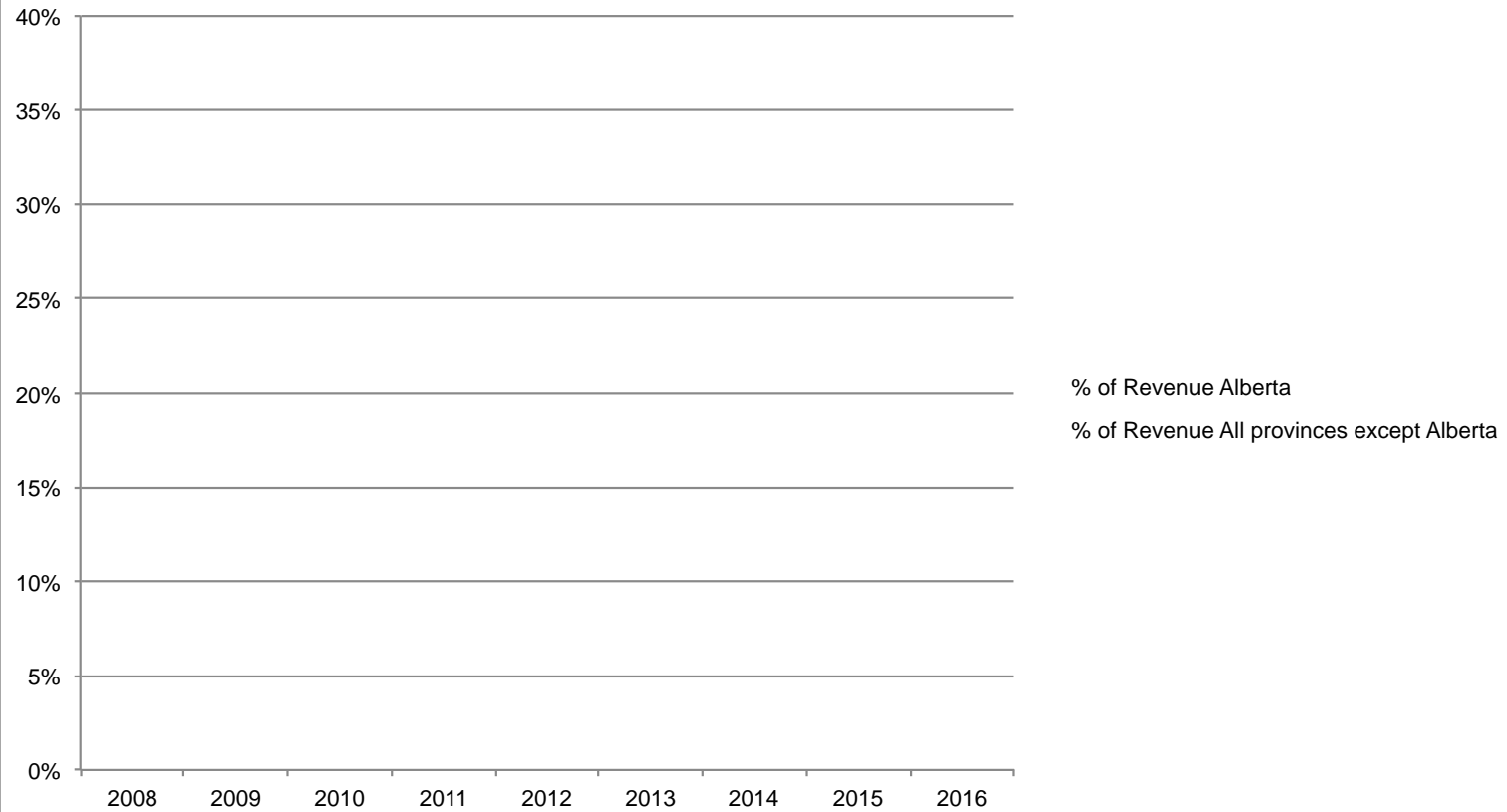
^b The Access to the Future Act allows for a maximum of \$3 billion to be transferred into the Fund to support the advanced education endowment.

^c In accordance with section 3(2) of the Alberta Heritage Savings Trust Fund Act, the net income of the Fund, less any amount retained in the Fund to maintain its value from inflation, shall be transferred to the CRR, annually in a manner determined by the Minister of Finance.

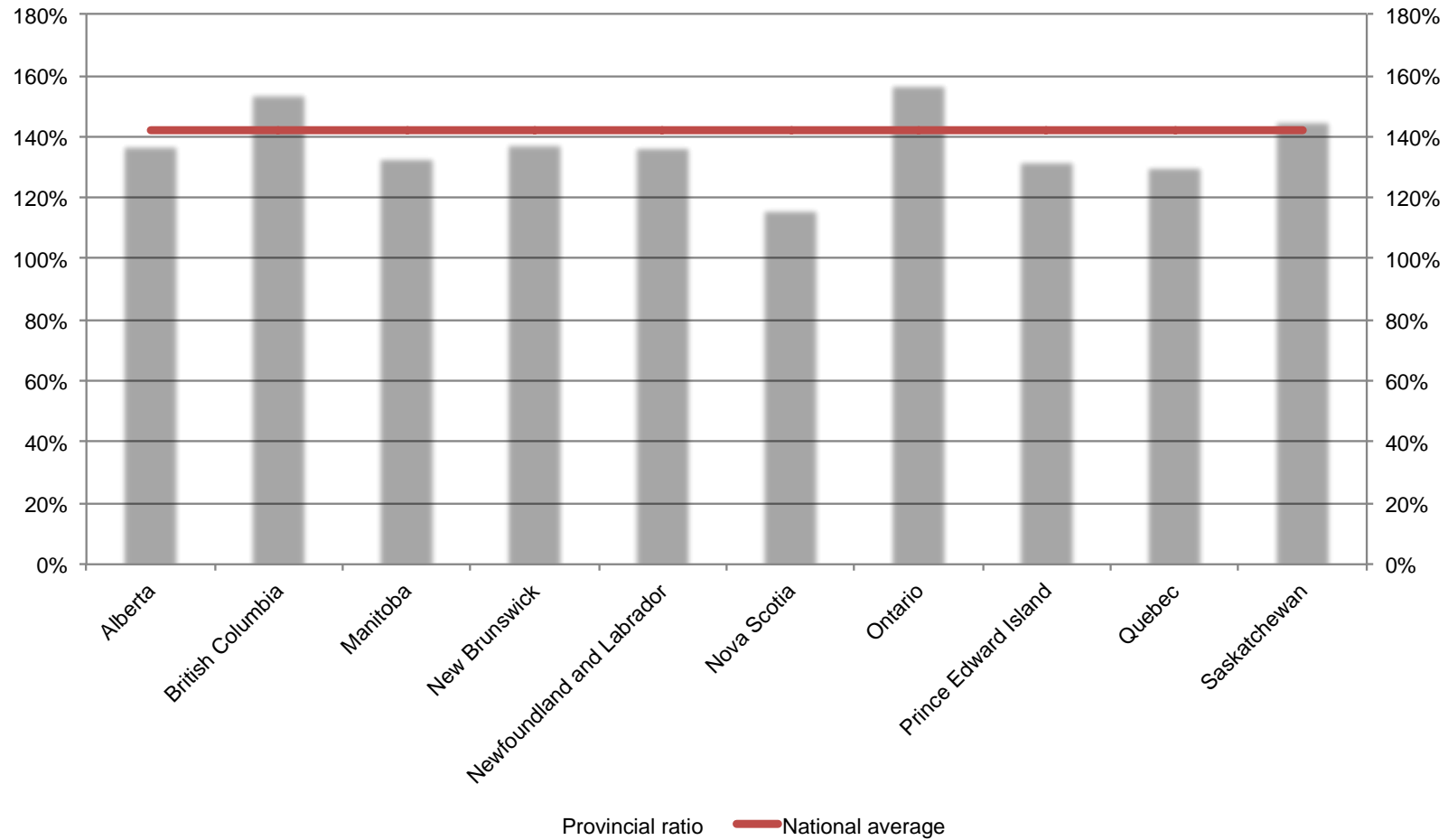
^d At March 31, 2017 the accumulated amount retained in the Fund for inflation-proofing was \$3,331 million (2016: \$3,149 million).

^e March 31, 1996 marked the end of the old structure of the Heritage Fund. In 1996-97, the Fund commenced a structuring process under a new framework. The new framework, provided for a transition into more market based investments, inflation proofing the Fund and a long-term investment horizon providing for the greatest financial returns on investments.

**Property income and provincial revenue
Alberta and other provinces
2008 to 2016
Source: CANSIM 385-0034**

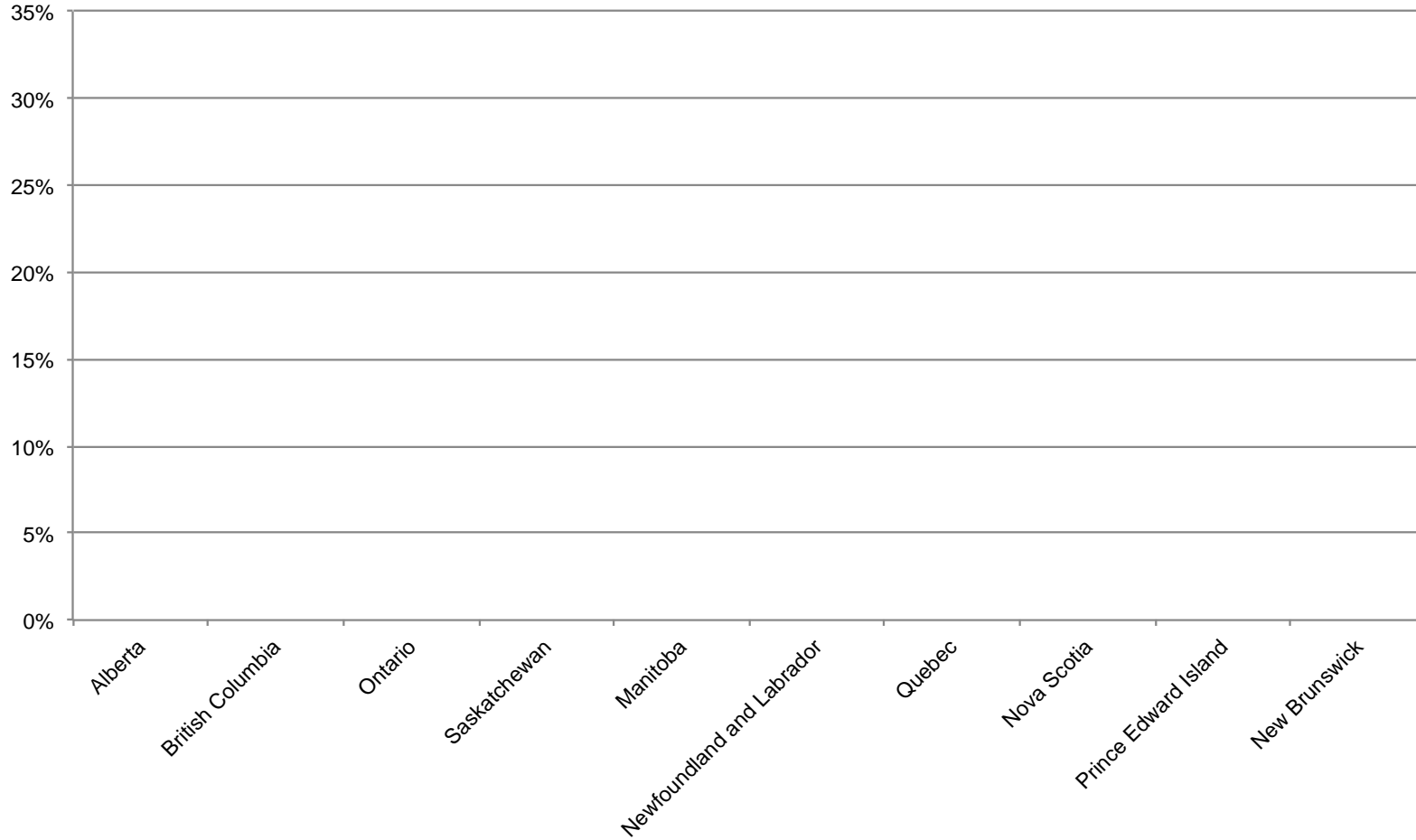


Provincial public service pay as % of average provincial pay 12 months ending September 2016



Consolidated provincial / local expense share of GDP -- 2016

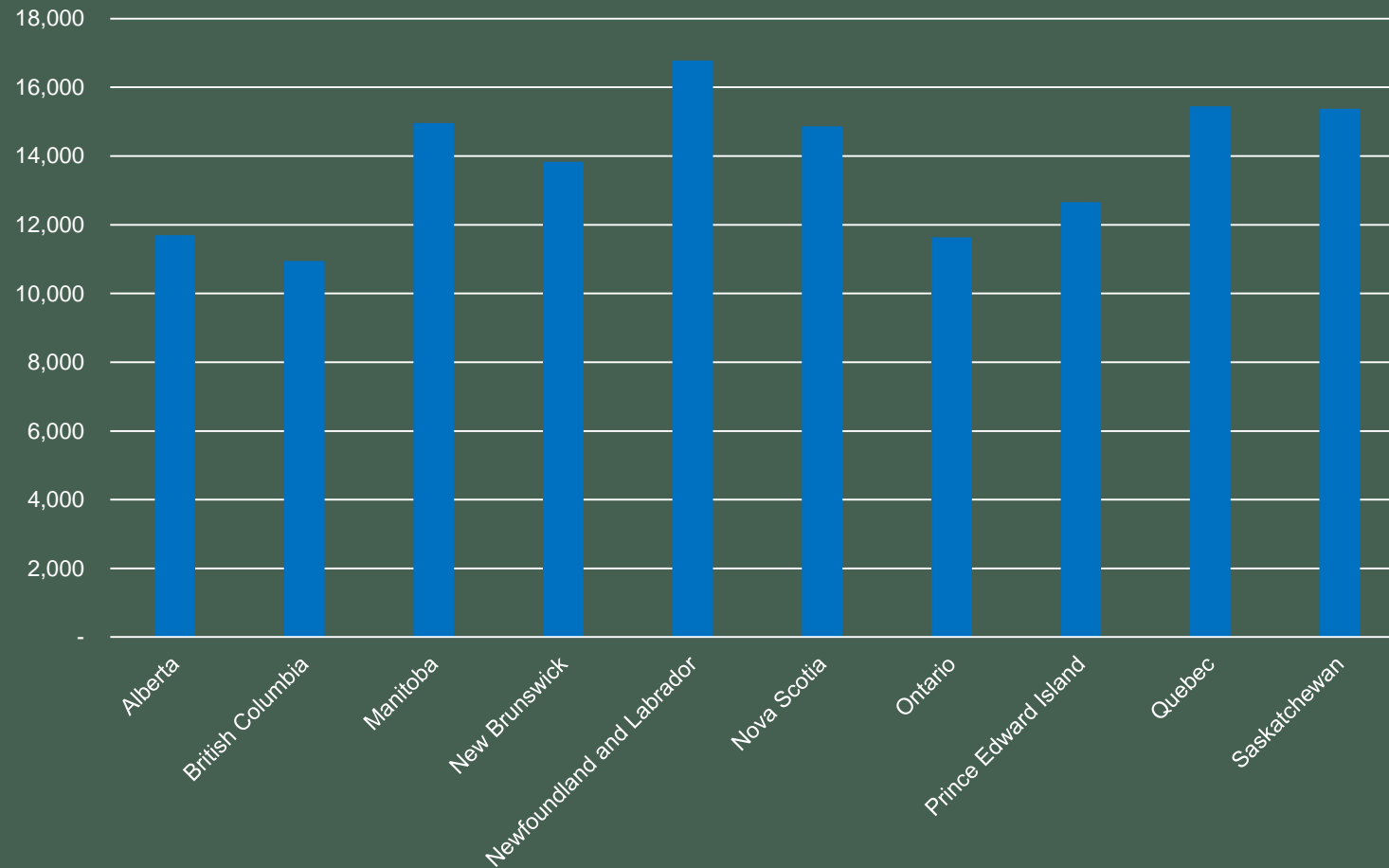
Source: CANSIM 385-0041 and CANSIM 384-0038



Consolidated provincial / local expense per capita -- 2016

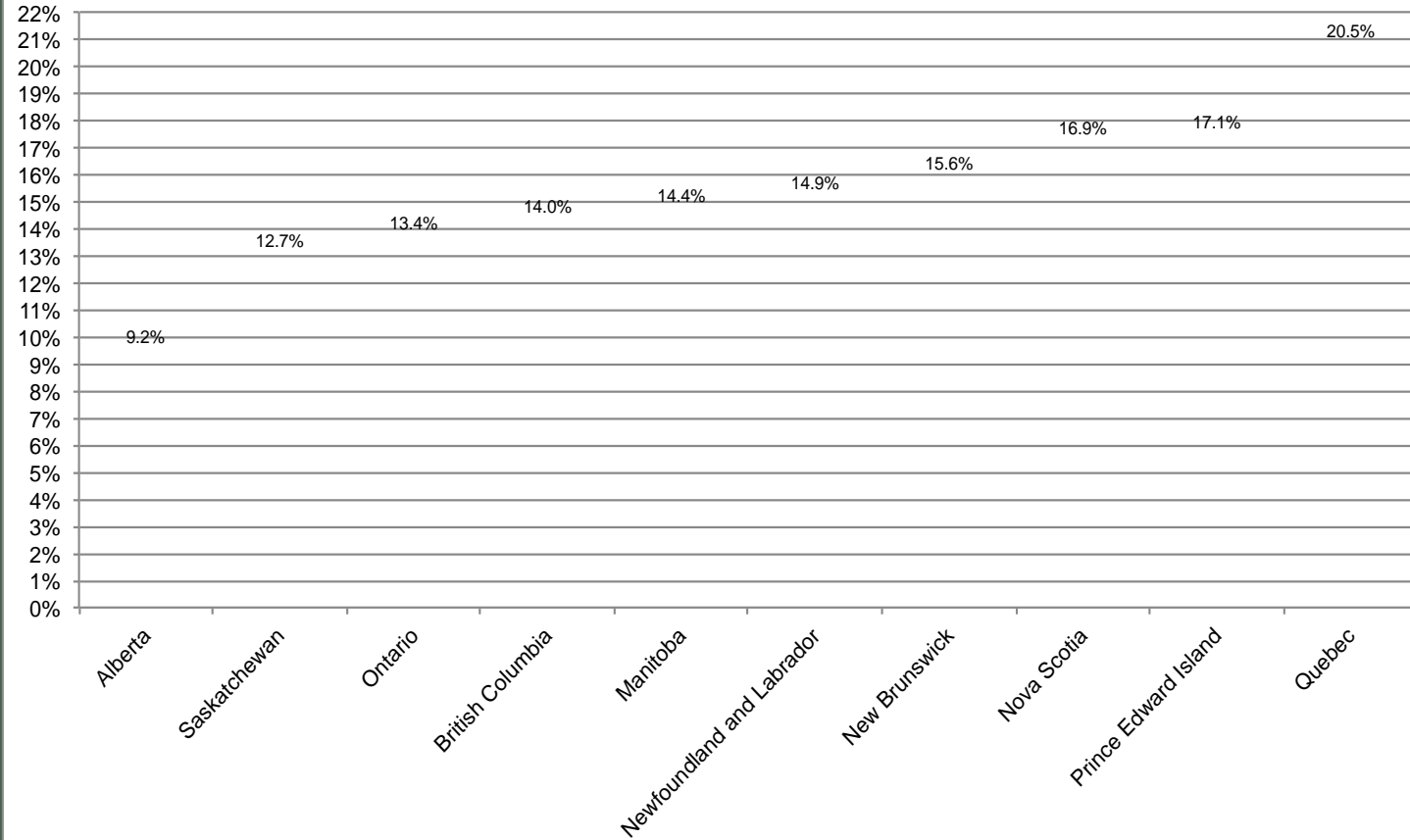
Adjusted for differences in public sector wages and salaries

Source: CANSIM 385-0041, CANSIM 051-0042, CANSIM 183-0002



Own-source revenue excluding resources % of GDP -- 2016

Source: CANSIM 385-0041 and 384-0048



It's about revenue, stupid...

- Moody's
- Standard and Poor
- DBRS
- Parliamentary Budget Office

If we taxed like (x, y, or z) we'd raise how much more?

- B.C. \$15 Billion
- Sask \$11 Billion
- Ralph (before the flat tax) \$7.4 Billion

Personal Income Tax (over incomes of \$100 000)

- Ontario \$3.6 Billion
- B.C. \$2.4 Billion
- Sask \$1 Billion

Corporate Tax

Eliminate the preferential tax for small business...

\$1.9 Billion

Sales Tax

Based on revenue raised in Alberta from GST, we know a PST would raise

\$711 million

for each tax point.

If we had a sales tax like...

- Sask (5%) \$3.8 Billion
- B.C. (7%) \$5.4 Billion
- Ontario (8%) \$6.2 Billion

Why I can't advocate for a sales tax...

- Albertans don't want it
- It's regressive
- Perception that it's the political suicide tax (PST)
- We don't do those kinds of things to friends

What we're asking for...

- Name and explain the problem
- Commit to educating the public
- Commit to putting alternatives to Albertans for consideration