

Alberta Party

A Path Forward

Shadow Budget 2022

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Letter from Leader Barry Morishita

Now more than ever Albertans need alternatives to the same old approach to budgeting. The poor processes and decisions over the last several years have led to a debt of 100 billion dollars. The compound costs associated with financial mismanagement strain our resources and create unnecessary hardships for everyone. The lack of leadership and innovative thinking has the priorities of Albertans being neglected, and sadly, we are falling further behind.

The Alberta Party shadow budget offers better options than the old ways. We present significant changes designed to rebuild our fiscal strength as a province. Our proposals are progressive. They provide certainty and long term sustainability for key services including health care, education, seniors care and social services. The changes we are asking you to consider are bold but thoughtful and they provide a pathway to confidently secure the future for you and the entire province.

Previous and current governments have used the gift of resource revenue to pay the way for political success, disregarding the finite nature of this asset and often wasting the advantage it should deliver for this generation and the generations to come. We need to reconcile our revenue issues in relation to the services Albertans want and need. We must balance this equation so that we can invest windfall revenues to pay down the debt and restore the Heritage Trust Fund to the financial legacy it was meant to be.

We all know that ignoring financial reality is a terrible way to manage a household or business, yet the previous governments did it with our province. We will increase the services we provide and improve the bottom line if we embrace the changes the Alberta Party presents for you. Financial strength will allow us to properly fund the services Albertans set as priorities.

In my 16 years as a Mayor and City Councilor, our municipality always delivered a balanced budget. As a municipal entity, we changed how we budgeted, we revisited priorities to stay within budget and together we still managed to build a great community. This hard work and accountability is how true fiscal responsibility is achieved.

I ask you to review our Shadow Budget document. Provide your thoughts and ideas. Let us know if your visions align with our fiscal plan. Bring to our attention those that don't and suggest ideas that we have not yet highlighted. Together, we will do this. We will rebuild Alberta.

Together, everything is possible.

Barry Morishita



Letter from Party President Sue Timanson

I am incredibly proud of our volunteer team who pulled this together for Albertans to consider, our eighth consecutive Shadow Budget, a path to a new way forward. And I am proud we continue to offer Albertans a different way to do politics.

The Alberta Party is committed to changing the political conversation, to provide solutions, to offer alternative ideas, and to make decisions in the best interest of those we serve - the people of Alberta. We will offer hope, to elevate the discussion, to seek out subject experts who can inform decisions, and to illuminate a path forward. Albertans deserve compassionate, principled, authentic Leadership, and we intend to demonstrate what that would look like under an Alberta Party government.

This Shadow Budget is presented in that spirit. Although we critique decisions previous governments have made, we do so from the position of 'this is how we would do it'.

Together we have faced adversity before, we do so now and, with the right leadership, I know we will emerge stronger than ever. But we have difficult decisions and tougher discussions ahead. Over the past few years, we've all had those talks around our kitchen tables, we've had them in boardrooms both large and small, now we need to have them at the provincial level.

The Alberta Party will lead the way initiating discussions on issues most important to Albertans.

- Sustainable revenue
 - Tax structure
 - Made-in-Alberta environmental policy
- Responsible spending
 - Empowering decision-makers and service providers
 - Education / Health care / Municipalities
 - Identifying priorities thru new processes
- Debt and Savings and long term planning for the future



We know a strong economy is based on strong community, so as we get our fiscal house in order it is important for us to ensure no Albertans are left behind as we build a prosperous future. This pandemic hit some of the most vulnerable in our communities particularly hard; women, parents, disadvantaged individuals, and the disabled community. We are committed to making these Albertans a priority.

Join us in the conversations, lead with us in charting new paths... together everything is possible.

Sue Timanson

Introduction to the 2022 Alberta Party Shadow Budget

The 2022 Alberta Party Shadow Budget, A Path Forward, marks the 8th year we have released a shadow budget. This follows a long tradition of not only believing government should be held accountable for their decisions but that effective opposition should propose alternatives to those choices.

This year's shadow budget is a bit of a departure from our previous works in that we have not included spreadsheets, tables and a full breakdown of each budget line item. The reason for this is two-fold.

First, we do not have the support of a department full of dedicated employees that can spend countless hours reviewing detailed financial statements. And second, we don't want to get lost in the minutiae of a numbers exercise. As we move forward to the next election in 2023, the Alberta Party believes we need to start a conversation about the long-term fiscal stability of our province. It is our intention that this shadow budget and the resulting conversation, will lead us into our next policy convention. This is where we can propose sound fiscal policies that help form our election platform to lead the province forward.

Successive governments have based their financial decisions on their ideological backgrounds, choosing to either spend recklessly or cut deeply without a view to the future stability of the province. The Alberta Party believes we need to engage in a discussion about how to address the shortcomings of continuously relying on a boom-and-bust approach to budgeting. When elected, the Alberta Party would be the first to bring in long-term fiscal planning; budgets that enact policies not only for today but also 5, 10 and 20-years into the future.

The ideas we propose in this shadow budget are based on our values of being socially as well as fiscally responsible.

We believe in solving problems through pragmatic and practical solutions and having discussions that maybe uncomfortable, but are necessary and the right thing to do. We believe in the pioneering spirit of the people of Alberta, that when faced with a problem we roll up our sleeves and make the tough



choices that need to be made for the benefit of future generations. And we believe that empowering people and communities is the way towards a bright future and that future has to start by proposing alternatives and having conversations about what needs to be done to set Alberta up for future success.

Let the conversation begin.

Reviewing Alberta's Current Fiscal Situation

Looking back, no one could have predicted the pandemic and the resulting chaos it has bestowed on economies around the world. Trying to predict oil prices, inflation, and supply chain issues (just to name a few economic variables) would be next to impossible given the circumstances we've seen over the past two years. That being said, we can still manage how we respond to a crisis and then try to learn from what was done.

Let's review some key budget areas and how the current government has done when compared to Budget 2021.

Revenues

Total revenue in Budget 2021 was forecast at \$43.7 billion dollars. In its mid-year fiscal update, this number was revised to \$57.9 billion, a \$14.2 billion increase.



The current government is hailing their Recovery Plan as the reason for this drastic increase in revenues, as they claim increased investment in Alberta is the reason the economy is getting stronger. However, a closer look at the revenue numbers tells a different story.

- Bitumen royalty revenue was predicted in Budget 2021 to be \$1.5 billion but has been revised to \$7.6 billion, a \$6.1 billion increase.
- Other non-renewable resource revenue was forecast at \$1.37 billion and is now predicted to be \$3.3 billion; a \$1.9 billion increase.
- Corporate Income Tax was forecast at \$1.9 billion, revised to \$2.9 billion, a \$1 billion increase.
- Personal Income Taxes were forecast at \$11.6 billion and now revised to \$13 billion, a \$1.4 billion increase.

As we can see, it is not the governments Recovery Plan that is driving the change in fiscal fortune for Alberta, but another boom in resource revenues and the resulting increase in tax revenue. Is this good news for the province? Definitely. Is it anything that the current government has done or should be taking credit for? No. It is simply relying on the same bail out we always have, another oil boom. Long term changes in how we manage our finances in Alberta are necessary, we simply can't rely on resource revenues bailing us out forever.

Expenses

Total expense in Budget 2021 was forecast at \$61.9 billion and has been revised to \$63.7 billion, a \$1.8 billion increase. Some expense highlights:

- Operating expenses (program spending) was forecast at \$48.3 billion while the revised forecast is \$48.9 billion, a modest increase of less than \$1 billion.
- Covid-19 spending was forecast at \$2.9 billion and has increased to \$3.3 billion, mainly due to increased capital spending.
- The government continues to spend almost \$1 billion on the crude by rail provision (the policy reversal on the previous governments plan to purchase rail cars to ship crude oil).
- Total Capital spending was targeted at \$8.1 billion and remains stable at \$8.2 billion.

As we can see, the current government has done well to keep expenses fairly consistent with their budget.

This government started their mandate with a 'blue ribbon panel' which produced the MacKinnon report in 2019, a review of the province's fiscal situation. This report had some good insights on the current fiscal situation of the province but chose to focus on what could be done on the expense side of the budget. Primarily it looks at reductions in spending as the key means to fix our fiscal imbalance. The current government, pre-pandemic, used this report as a rationale to decrease spending in certain areas and also cut spending by default, by not keeping up with population growth and inflation.

While we believe there is room to increase our efficiency in some areas, it is short sighted to believe that we can fix our financial problems by only concentrating on one side of the budget.



Debt and Savings

Total taxpayer supported debt, which does not take into account other debt such as pension liabilities, was forecast in Budget 2021 at \$110 billion and has been revised to \$101 billion, a \$9 billion decrease.

The budget deficit was forecast at \$18.2 billion and has been revised to \$5.8 billion, a \$12.4 billion decrease.

Savings, comprised primarily of the Heritage Trust Fund, currently sits at just over \$21 billion with a modest increase projected due to investment income. No funds have been added to the Heritage Trust Fund or are forecast to be made.

As was discussed in the review of the provinces revenues, the decrease in debt and the current deficit is due almost exclusively to the current boom in oil and natural gas resource revenues. The current government will however use this positive outcome to promote their Recovery Plan as the reason why our current fiscal situation is improving but we can see this is not the case. As the current pandemic crisis starts to fade and the economy returns to a more balanced state, including a reduction in the price of non-renewable resources, the fiscal situation in the province will start to show the ongoing issues we have seen in the past.

It is time to start the discussion on ways to correct the structural, financial problems we have in Alberta or we will continue to face fiscal challenges as we rely on boom-and-bust revenues to sustain our social programs.



Policy Discussion – Raising Revenue

Albertans have relied on cyclical resource revenues to pay for programs for decades, spending more in the boom times and incurring deficit and debt when the economy busts. Successive governments have been too scared politically to look at how we raise money to pay for services, instead hoping that the next energy boom will save us. The current government went so far as to review expenses by commissioning a blue-ribbon panel to make spending recommendations but ignored anything to do with how we pay for those services. This reluctance to address revenue generation continues to lead us to an unsustainable future.

The Alberta Party believes we must restructure how we raise revenues that pay for core services and gain the maximum revenue with the minimum cost to Albertans and future economic growth.



Supporting Small Business

Small businesses are the economic driver of our province and employ the most people. To support job creation and the entrepreneurial spirit, the Alberta Party would reduce the income tax burden on small businesses by increasing the income tax deduction limit as a start. This would reduce the amount of taxes paid by small businesses so they could re-invest in themselves and their employees.

Corporate Tax Stability

In Alberta, we see large business as a partner in our economic future and we are not afraid to make sure they have the stability they need to invest in our province. We understand that to plan large projects and make investments, corporations need to have economic certainty and tax stability. It is not necessarily the lowest tax rate that attracts investment but the most stable policy and the best standard of living for employees that attracts corporate investment. We also know that corporate income taxes are the least effective form of tax when compared to other forms of taxation.

While we believe corporations should pay their fair share, political ideology should not be the basis for decision making. That is why we would leave corporate tax rates at current levels for now, as we transition our tax structure, so business can plan future projects and make those investments in our province that are important to generating employment.

Transitioning our Tax Structure

People should not be penalized for working hard, however the tax structure in Alberta does just that. By avoiding a consumption tax and relying heavily on personal income taxes, we reward people for spending and penalize them for working harder. We want to start the transition away from income taxes so people are rewarded for hard work and saving for the future.

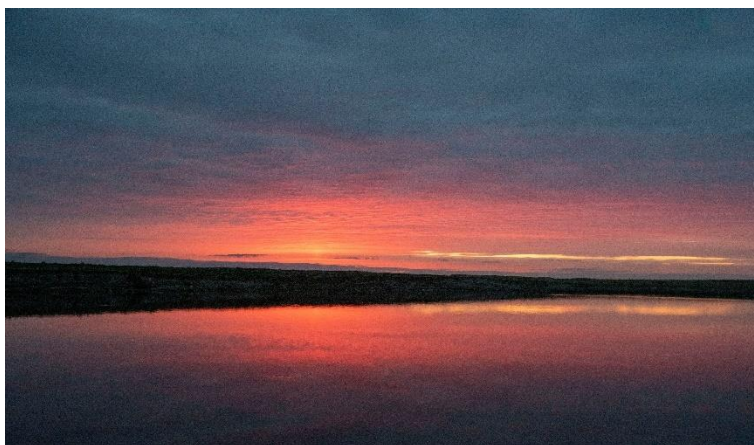
To do this, we believe that any discussion about the fiscal future of the province must include a discussion about a sales tax. For years this conversation hasn't happened because political parties are afraid of doing the right thing, instead continuing to do the popular thing.

A sales tax would generate approximately \$1 billion for every 1% of tax implemented. This revenue would go a long way to smoothing out the fiscal instability we face and would help transition the province away from volatile resource revenues.

A sales tax is also the most efficient form of tax, generating the most money with the least amount of government administration, especially when compared to corporate income taxes. Taxes, if anything, should be collected as efficiently as possible, therefore the Alberta Party would make a sales tax Harmonized with the federal GST, as that has less administrative cost than a new Provincial Sales Tax.

A sales tax in Alberta would also capture lost revenue from tourists and workers that continue to live in other provinces while working and collecting income from our province. If we were to implement a sales tax, it would have the same rebates for low-income individuals as the current GST and **it would not be implemented until the effects of the current pandemic are over.**

Finally, we also believe that people should know where their money is being spent, so we would direct a portion of any sales tax directly to paying down the debt that has been accumulated.



Lowering Personal Income Taxes

To help offset any new form of tax, we would reduce personal income tax rates on low- and medium-income earners by first increasing the basic personal tax exemption and next by adjusting the tax rate brackets. This would have the dual effect of removing more people from paying income tax and lowering the total amount of taxes that Albertans pay.

The Environment

In 2015 the provincial government implemented the Climate Leadership Plan which included a provincial carbon tax. The revenue from this tax was kept in the province and used to fund expenses, including programs geared towards reducing carbon emissions made from the burning of fossil fuels. In 2019, the current government eliminated the provincial carbon tax and sued the federal government in an effort to block the implementation of their carbon tax. The lawsuit was costly, ultimately unsuccessful, and ever since we have been needlessly sending money to Ottawa.



The Alberta Party would re-introduce a made-in-Alberta, provincial carbon tax in order to keep these funds in our province and under our control. It would include a rebate for low-income Albertans, and importantly, municipalities, school boards, and farm fuel would be exempt. The funds would be used exclusively for green energy programs and projects that will reduce carbon emissions, keeping Alberta and our industries as a global energy leader.



Policy Discussion – Responsible Spending

Like most Albertans, we believe we should receive fair value for our tax dollars and that they be spent as efficiently as possible. The current government commissioned a study on expenditures with the sole aim of using it as justification to cut spending. Using the study, they needlessly started fights with some of our most important service providers including health care workers, doctors, teachers and post-secondary institutions. We believe that our public sector employees want the same outcomes of good service as we do and want to be a partner in the process, not a combatant.

The Alberta Party believes the government should be as efficient as possible in our spending and work to prioritize the front-line workers that deliver services.

Empowering the Service Providers

Centralizing services has led to a decrease in effective outcomes and added unnecessary layers of administration to government departments. We believe we need to keep the focus on front-line workers in local communities and let them do the job and get the results Albertans want.

The Alberta Party would reduce the number of middle managers across the public sector by attrition and by empowering front-line employees in all departments to make the decisions necessary to best deliver services.

We also believe that elected officials and people in decision making roles, that are closest to the problems, are the best people to make decisions for their communities. Making grant and support programs difficult to understand and layered with unnecessary reporting has also added administration to government.

That is why the Alberta Party would support and work directly with municipal and school division leaders to make their own decisions based on the knowledge they have about their local needs. This would also remove unnecessary layers of bureaucracy and red tape, saving the province money.

Picking our Priorities

There are limited tax dollars available and as everyone knows, there is only one taxpayer. There are processes that can help us make better decisions on where to spend our limited dollars.

The Alberta Party would investigate other ways of fiscal decision making such as priority-based budgeting to make sure we identify key areas for spending.

Policy Discussion – Debt and Saving for the Future

For years, past governments have relied on boom-and-bust revenues to fund services. **When times were bad, we borrowed. When times were good, we spent. When times were really good, we gave the money away.** This has led us to a point where even future good times may not bail us out of a fiscal mess. We are now spending millions of dollars on servicing debt we didn't have a short while ago. We believe we shouldn't continue to place the burden of paying for our needs on future generations of Albertans.

Through the budget process, the Alberta Party would use conservative estimates for non-renewable resource revenues that are used to pay for services. As we transition ourselves away from reliance on these revenues, we would apply any excess revenues (over and above budgeted amounts) to pay down our debt and save for the future.

We would apply 50% of excess amounts to the reduction of debt and 50% to the Heritage Trust Fund.

Thank you for reading Shadow Budget 2022, A Path Forward.

Please join the conversation about how we can work together for a more prosperous future for all Albertans and join us at www.albertaparty.ca



Alberta Party

References

At the Alberta Party we know we are not the experts in every field and understand that to solve problems means relying on experts. Therefore, we gratefully acknowledge the following works and information sources that have helped produce this document.

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