

Executive Summary

Albertans expect their government to live within its means. They also expect their government to ensure that their tax dollars are spent carefully on key priorities such as health, education, infrastructure, seniors, policing and other core social services.

The Redford PC's Budget 2012 does neither. It is a reckless election campaign document with unrealistic revenue projections and irresponsible spending promises. Given the tepid and fragile world economic recovery, Budget 2012 is nothing short of a blueprint for eliminating the province's last remaining savings or raising taxes for Albertans.

There is another way. The objective of the Wildrose Balanced Budget Alternative 2012 is to show how a Wildrose government would have balanced the budget this year while increasing operational funding by nearly \$1 billion for the critical front line services Albertans depend on.

The Wildrose Balanced Budget alternative would **result in a \$1.6 billion budget surplus and a \$16 million cash surplus for 2012-13.**

The Wildrose Balanced Budget Alternative 2012 would:

1. **Invest \$4.121 billion in new infrastructure (a per capita amount significantly higher than BC, Ontario, and Saskatchewan).** These capital dollars would be focused primarily on the building of high priority road projects such as the Calgary and Edmonton ring roads, twinning Highway 63, long-term care facilities for seniors, and urgently needed schools, while delaying capital projects for which the government has no money to fully staff or maintain. This will **save Albertans \$1.623 billion** compared with the proposed Budget 2012.
2. **Increase operational spending by \$854 million – a 2.5% increase over Budget 2011.** In comparison, the PCs Budget 2012 increased spending by over \$2.3 billion or 6.9%. This will **save Albertans \$1.5 billion** compared with the proposed Budget 2012.

3. **Ensure the vast majority of the nearly \$1 billion in new operational funding be sent directly to the front lines.** This will be done by freezing all public sector wages for one year, implementing a hiring freeze of all non-front line staff, and directing all new funding as follows:
 - a. Hire **1,425** new teachers, teaching assistants and support staff for students with special needs: **\$114 million**
 - b. **1,000** new senior care support workers for home care, long term care, and assisted living: **\$50 million**
 - c. Increase AISH Payments by **\$400** a month: **\$270 million**
 - d. Increase funding for mental health: **\$50 million**
 - e. **1,000** new nurses, technicians, and other health support staff: **\$80 million**
 - f. Improve access to emergency rooms and family doctors: **\$100 million**
 - g. Increase funding for additional publicly funded health procedures as follows:
 - i. **1,000** knee surgeries: **\$17 million**
 - ii. **1,000** hip surgeries: **\$20 million**
 - iii. **8,000** cataract surgeries: **\$10 million**
 - iv. **50,000** MRIs, CT scans and other diagnostic tests: **\$40 million**
 - h. Hire **300** new police officers, corrections officers, and sheriffs, including **5** dedicated checkstop teams: **\$53 million**
 - i. Budget to plan better for emergencies and natural disasters: **\$100 million**

4. **Eliminate wasteful PC Government spending:**
 - a. Cut the **\$2 billion** Carbon Capture and Storage corporate granting program
 - b. Begin dismantling the Alberta Health Superboard and its middle management, and return control of health care delivery back to local communities and hospital boards
 - c. Implement zero-based budgeting immediately and identify hundreds of millions through in-year savings
 - d. Through attrition and buy-outs, increase the manager-to-worker ratio from 4:1 to 10:1
 - e. Cut all management bonuses for at least one year
 - f. Roll back Cabinet salaries by 30%
 - g. Cut MLA severance packages by over 67%

Background

How did we get here?

In the nine years preceding this budget, the PCs raised spending by 91% - that's almost double the rate of inflation plus population growth. Although they reined in capital spending slightly this year, they've increased operating expenses in their Budget 2012 at a staggering rate of 6.9%.

The Wildrose Caucus has presented simple and straightforward alternatives to the last two deficit PC Budgets. Had the PC caucus followed the Wildrose plan for either of the last two years, we would be coming off of a significant budget surplus last year instead of finding a way to climb out of another budget deficit.

Looking a little farther back, had the PCs merely restrained spending to the rate of inflation plus population growth starting as late as 2007, Alberta would not even have run a deficit during the economic troubles of 2009, to say nothing of recent years when revenues – especially resource royalties - have rebounded.

Given Alberta's healthy revenues, particularly from oil royalties and land sales, Alberta should not be running a deficit. Unfocused and irresponsible spending increases over the past decade have resulted in repeated record deficits and cash shortfalls, depletion of our Sustainability and Heritage Funds, as well as a return to debt and increased long-term liabilities.

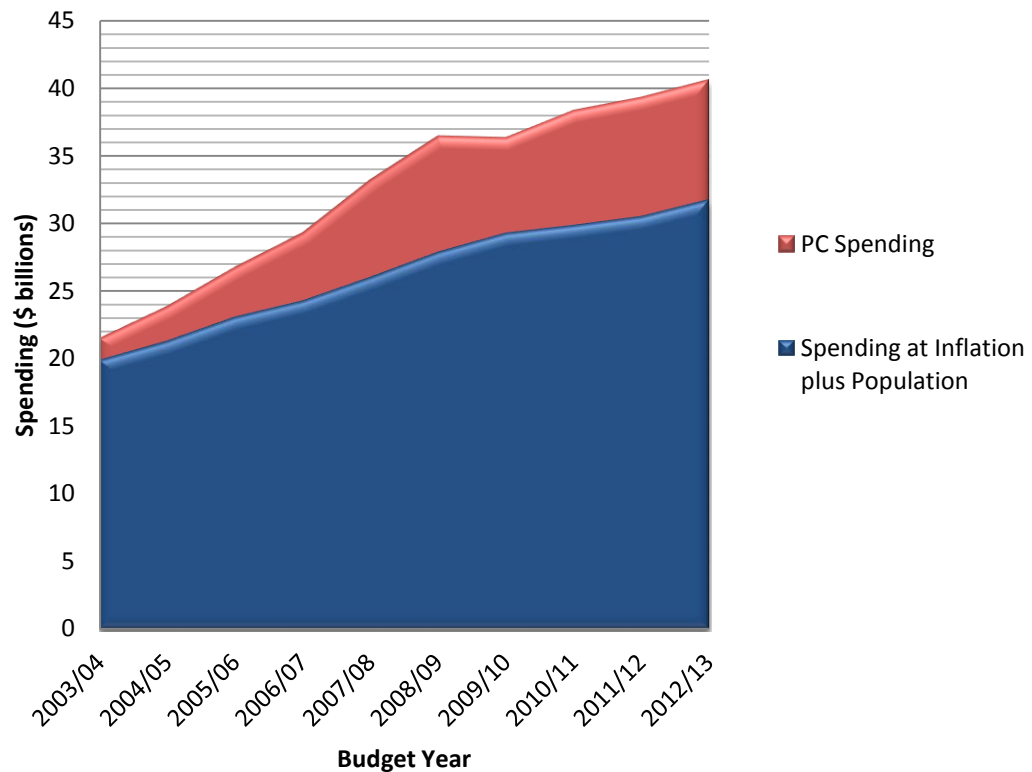
Had the PC Government historically adhered to the **Wildrose Spending Restraint Rule** of limiting annual spending increases to the rate of inflation plus population growth, Albertans would have enjoyed continued provincial surpluses throughout the recent economic downturn and current recovery.

Alberta once proudly led the nation in fiscal responsibility, but now the opposite is true. Figure 1 [next page] illustrates the extent to which PC spending has become bloated in the past decade, and why analysts like Ken Boessenkool, for example, claim that Alberta's spending would have to be reduced by \$5 billion to fall back in line with the provincial average.¹

Given this reality, we do not believe that increasing spending to the cap is necessary at this time. Rather, a 2.5% increase to program spending is more than adequate to provide high quality services to Albertans.

¹ Boessenkool, Ken, February 2010. *Does Alberta Have a Spending Problem?* Calgary, The School of Public Policy.

Figure 1: Actual vs. Restrained Total Spending*



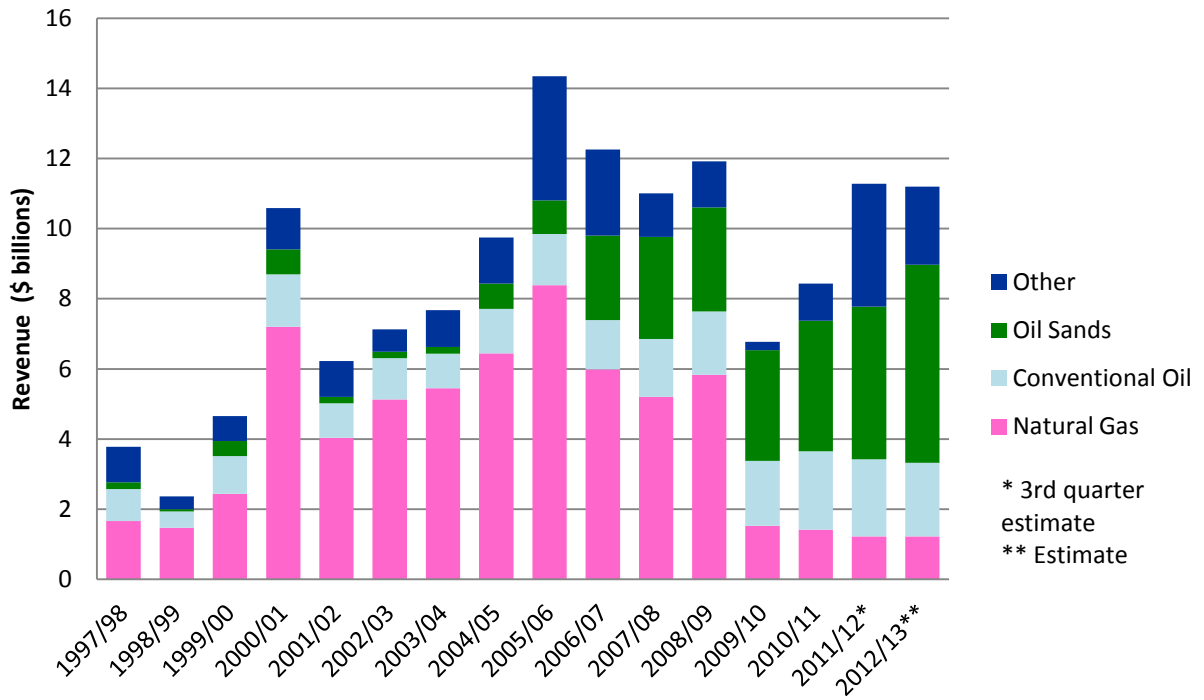
*Does not include spending on "Capital Investments" that lie outside official budget projections

As Figure 2 [next page] makes clear, oil prices have settled in at historically high levels and production from Alberta's vast oilsands has never been higher, even though royalties from natural gas are lower, at least in comparison with the anomalous price spikes seen from 2006 to 2008.

As a result, resource royalties from 2010 onward are expected to remain above \$10 billion. To put this in perspective, the Canadian provincial record for resource revenues collected in a single year by a province other than Alberta was British Columbia's \$4.567 billion in 2005-06 (DBRS 2011, p.79). Even at the low point of the 08-09 recession, Alberta dropped to just under \$7 billion in resource revenue off a high of over \$14 billion in 2006.

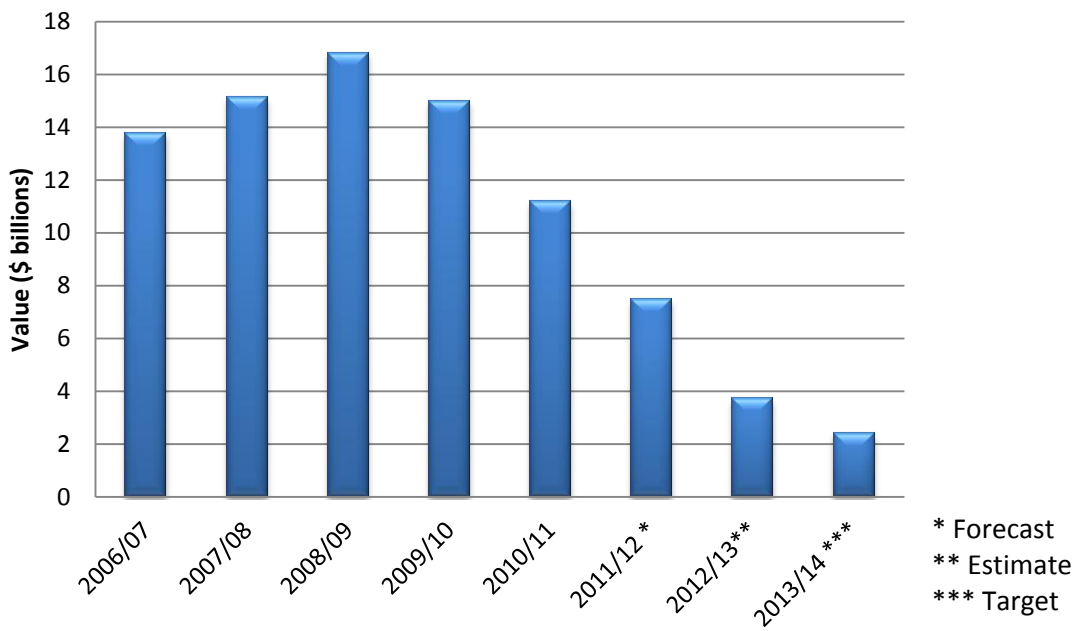
It is hard to believe the PC government cannot balance the books with sustained record royalties. Alberta does not have a revenue problem; the PC Government has a spending addiction.

Figure 2: Non-Renewable Resource Revenue



The Royalty chart above is all the more striking compared against the precipitous decline in the Sustainability Fund outlined in Figure 3 below. The contrast between the two starkly illuminates the spending addiction the PC government has developed.

Figure 3: Sustainability Fund

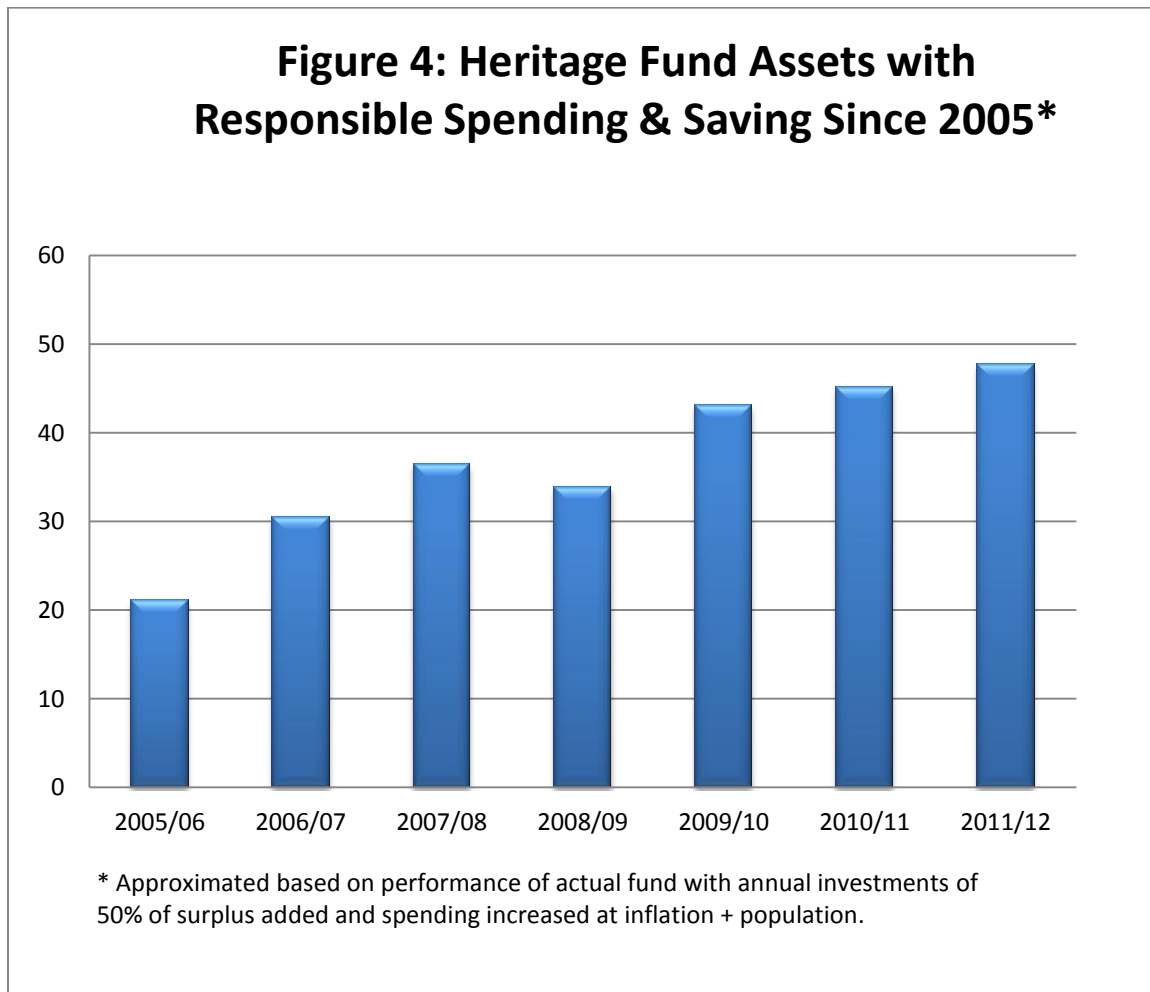


Albertans have rallied behind the initiative to put away some money to offset temporary and unexpected declines in oil and gas revenues. The Sustainability Fund – Alberta’s so-called ‘Rainy Day’ fund – surpassed \$16 billion as recently as the 2009/2010 fiscal year. It is now projected to plunge to \$3.7 billion this year, during a time when oil prices have never been consistently higher. When the Sustainability Fund runs dry the PCs will be forced into choosing between cuts to core services, increased debt, or higher taxes (or perhaps a combination of all three).

The draining of our Sustainability Fund is made all the more alarming given the sorry state of the Alberta Heritage and Savings Trust Fund.

As Kevin Taft points out in his book *Follow the Money*, the Heritage Fund is worth less per capita today than when Peter Lougheed started it in 1976. While some argue that higher taxation is the answer to this problem, we have shown here that Alberta’s high spending levels are the source of the disconnect between our revenues and our savings.

In fact, as the chart below shows, our combined savings could easily be surpassing \$50 billion this fiscal year if the PC Government had held spending to the rate of inflation + population increase and not raided the interest from it each year.



Balancing the provincial budget does not require cuts to frontline health services, education or funding for the vulnerable. In fact, the opposite is true: we can increase spending on these important government services while being fiscally prudent and saving for our children's future.

But it does require a government that is able to prioritize those programs and services that effectively deliver services to Albertans, and one that refrains from elaborate and expensive vote-buying schemes that do nothing to improve the lives of Albertans.

*What **should** we be spending on?*

Capital investment & targeted program spending

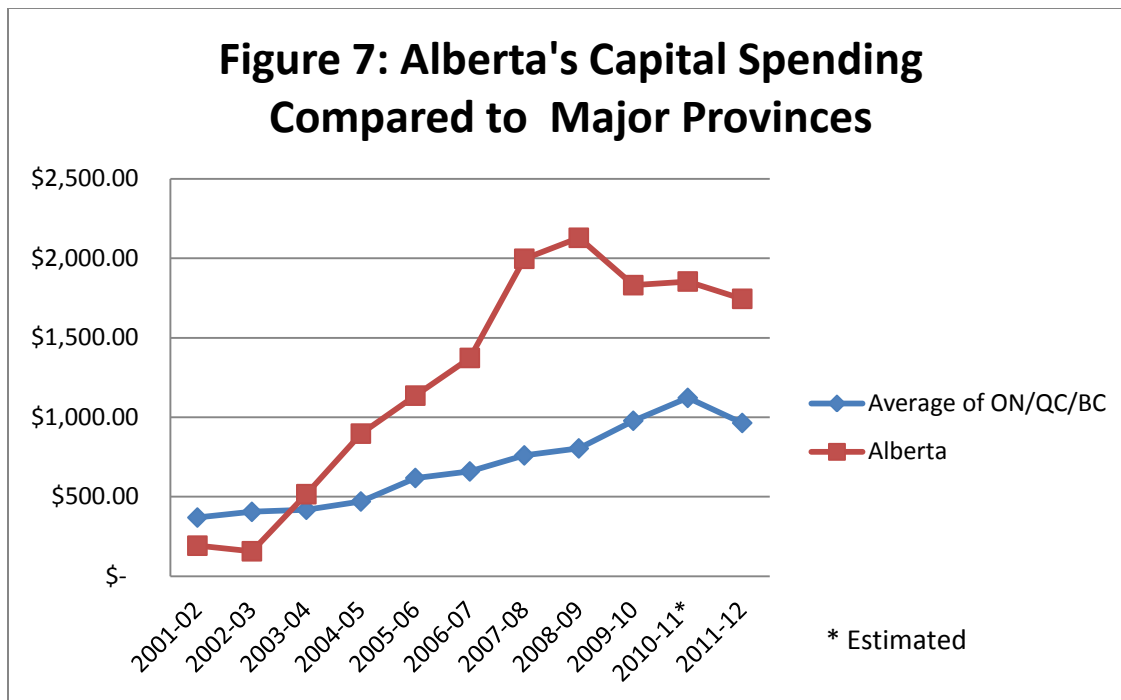
Albertans understand the importance of investing in key infrastructure projects. We need new schools, health facilities and other capital projects to accommodate our province's continued growth.

However, as every Albertan running a household budget well knows: we can't buy everything we want whenever we want it. We have to live within our means, especially in economically uncertain times. This means we need to prioritize between the things we need and those which are unaffordable luxuries. It means ensuring the car we purchase won't cost too much to insure or maintain. It requires careful thought as to the size of the mortgage we enter into, remembering to factor in the costs of utilities, taxes and upkeep.

The same considerations need to be respected when it comes to provincial budgeting. The PC government is on an infrastructure spending binge without provincial or national precedent. Over the past 5 years, they have spent almost double (per person) that of other provinces. The results have been predictably harmful. We have billions in health infrastructure (in particular new hospitals and surgical centres) with absolutely no funding to staff them and a shortage of qualified professionals to hire even if the money was available.

Figure 7 below shows the degree to which per capita capital spending in Alberta has outstripped such spending in BC, Ontario and Quebec.

Figure 7: Alberta's Capital Spending Compared to Major Provinces



Extend Alberta’s Capital Plan from 3 to 4 years

It is critical that the Alberta government implement a sustainable long term capital plan focusing on prioritizing infrastructure projects in the order of greatest benefit. There is no reason that our capital expenditures should substantially exceed the average per person capital expenditures of Ontario (\$901) Quebec (\$1,101) and BC (\$891) (DBRS 2011).

To achieve this average level of infrastructure spending, Alberta would have to spend \$3.66 billion in Budget 2012. The Wildrose is proposing a more generous investment of \$4.121 billion. Bringing our province’s capital spending more in line with the other 3 major provinces would save Alberta taxpayers roughly \$1.623 billion in 2012-13.

In order to achieve these savings, the Wildrose Balanced Budget Alternative recommends the government extend the timeline for its current capital plan from 3 years to 4 years.

This means that no planned projects would need to be cancelled, only that some would be slightly delayed.

	Total	2012-13	2013-14	2014-15	2015-16
PC Capital Spending	16.483	5.744	5.723	5.016	
Wildrose Capital Spending	16.483	4.121	4.121	4.121	4.121

Road work, or “horizontal” infrastructure, should be largely maintained, particularly for projects like the ring roads in Calgary and Edmonton and twinning Highway 63 to Fort McMurray. This transportation infrastructure is critical to economic productivity and affects the lives of millions of Albertans each day.

The building of “vertical” infrastructure needs to be much more carefully prioritized than it has been to this point. In the current government’s haste to cut ribbons on buildings, they have not adequately planned or budgeted for the qualified staff necessary to operate these new facilities.

The PCs are falling into the same trap they did under Premier Don Getty 20 years ago when they sought to restore their popularity across the province by embarking upon an unsustainable capital spending spree. As it did then, the lack of foresight by today’s PC government will place undue strain on the province’s finances for many years to come, and this PC government has already indicated an interest in raising taxes on Albertans rather than tighten their belts.

An egregious example of this government’s mismanagement are the billions of dollars being spent on new acute care facilities that the province is unable to open due to a shortage of qualified staff and funding. Ironically, the government would be able to open up hundreds of acute care beds at a fraction of the cost using existing infrastructure if it would adequately invest in long-term care beds for seniors currently housed in overcrowded hospitals.

There are also communities in the province that need new schools and health facilities immediately. Schools and urgently needed long-term care facilities should go ahead as planned. The Wildrose increases to front-line teachers and seniors care professionals will ensure we have the staff for them.

Targeted Front-line Funding Increases

The Wildrose will use the 2.5% increase in operational spending (\$854 million) on the following urgent priorities of Albertans.

Health

- **Hire 1,000 nurses, technicians and support staff: \$800 million**
 - Our health professionals are the glue holding our health care system together. However, due to a growing strain on our health resources, they've been asked to carry too heavy a load. The 2012 Balanced Budget Alternative would fix that and put a priority on the hiring needs of our hospitals.

- **Improve access to emergency rooms and family doctors: \$100 million**
 - In our major urban centres Albertans are being underserved with long wait times in emergency rooms while many rural Albertans have trouble accessing a family doctor. The 2012 Balanced Budget Alternative would start tackling these problems to better serve Albertans.

- **Increase surgeries as follows**
 - **1,000 Knee Surgeries: \$17 million**
 - **1,000 Hip Surgeries: \$20 million**
 - **8,000 Cataract Surgeries: \$10 million**
 - **50,000 MRIs, CT scans, and other diagnostic tests: \$40 million**
 - The number one issue for many Albertans is waiting times for surgeries and procedures that will improve their quality of life. By prioritizing spending on what matters most, a Wildrose budget would dramatically decrease wait times.

- **Increase funding for mental health and addictions: \$50 million**
 - It is important as we continue to learn more about the impacts of mental illness that we increase funding for research and patient care for mental health in our province. Sustained efforts at preventative care in this field can go a long way to improving lives and reducing costs down the road.

Education

- **Hire 1,425 new teachers, teaching assistants, and support staff for students with special needs: \$114 million**
 - By spending our resources on hiring more teachers and support staff, especially for students with special needs, parents and their children can be assured they will have access to the education they deserve.

Seniors

- **1,000 senior care support workers for home care, long term care and assisted living: \$50 million**
 - According to the most recent figures there are 675 seniors in acute care beds waiting for a long-term care bed. The 2012 Balanced Budget Alternative would put the care of seniors first and finally accommodate them in the long term care beds they need.

Social Supports

- **Increasing AISH Payments by \$400 a month: \$270 million**
 - For too long Albertans with disabilities have been asked to live off a monthly allowance that makes it difficult to meet their basic needs with the rising costs of inflation. The \$400 increase will give these vulnerable Albertans the resources they need to live with dignity.

Security

- **Hire 300 police, corrections officers, and sheriffs with a specific focus on increasing checkstops: \$53 million**
 - The number one role for government is to ensure the safety and protection of their citizens. By hiring more police and sheriffs as well as increasing checkstops Albertans can be assured that their streets will be kept safe.
- **Budget to better prepare for emergencies and natural disasters = \$100 million**
 - A government needs to be prepared for any natural disasters when they strike to make sure the communities are given recovery funds as quickly as possible. Every year there is some kind of emergency or disaster in our province; it is misleading and irresponsible not to budget for it.

Living within our means

Below is a list of proposals the Wildrose would pursue to help increase our surplus, free up money for any other priorities that emerge in the 2012 budget year or into the future, and establish a cushion for the budget if the Government's revenue projections fall short:

Freeze public sector salaries

We know that our front line workers are the best in the country and are the glue that holds the system together. A recent report released revealed that Alberta's public sector continues to be the best paid in Canada with salaries 50% higher than the average in the rest of Canada. Considering we already have the highest paid public sector in the country, we believe it is important to re-direct the hundreds of millions in savings made from freezing salaries to services in priority areas like health care and education.

30% cabinet salary rollback

Albertans were shocked when this government, including the current Premier, voted themselves a 34% pay raise in 2008 – immediately after an election and at the beginning of a recession. This type of wasteful spending needs to be rolled back immediately, not just for the savings, but more importantly to restore the credibility of political leaders in Alberta when they call for fiscal restraint in the rest of the public service.

Reduce government worker-to-manager ratio

This PC government spends more than any other in Canada on social services, yet Albertans don't receive quality services commensurate with their high level of spending. In some cases, in fact, services in Alberta are notably poorer. Part of the problem is that too much money is spent on middle-management and not enough on the front-lines. Through retirement and natural attrition, the worker to manager ratio can be increased from 4:1 to 10:1 (the ratio in the private sector can be as high as 25:1). This will save Albertans approximately \$35 million this year alone.

Freeze management bonuses

All bonuses for health and other government managers and executives should be frozen until taxpayers are assured of transparent and objective goals related to such bonuses. This should create \$40 million in savings for Budget 2012.

Reduce cabinet from 20 to 16 ministries

The current size of government ministries at 20 remains too bloated and inefficient to be effective for Alberta taxpayers. A Wildrose government would amalgamate several of these ministries to achieve a Cabinet of 16, thereby cutting waste and unnecessary duplication, saving taxpayers \$15 million annually.

Eliminate the Alberta Enterprise Corporation

The Wildrose believes that when government grants tax dollars to directly subsidize companies, it has a negative effect on the marketplace as a whole. As a province, we should aim to create the most attractive tax and regulatory jurisdiction possible, thereby allowing us to attract and retain the world's best entrepreneurs, workers and businesses without the need for corporate subsidies and tax-sponsored handouts.

The Alberta Enterprise Corporation is yet another example of the PC Government's obsession with picking winners and losers using Albertan's hard earned tax money. Wildrose would eliminate this \$103 million program.

Cut Public Affairs Bureau budget in half

Cutting the government's communications budget in half will save taxpayers \$7 million. This will still leave \$7 million for government communications.

Dismantle Alberta Health Services

The centralization of our health care system came as a surprise to most Albertans and has cost us hundreds of millions of dollars in inefficiencies. By returning to local decision making and giving authority to local health boards we will be able to redirect those wasted tax dollars to the front lines where Albertans need it.

Cut MLA severance packages

MLA severance provisions should be in line with those afforded to Albertans in the private sector. By reducing the large dollar amounts attached to these luxurious send off packages from the Legislature, Alberta taxpayers will be spared millions.