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Boom-bust lesson seems lost on Alberta: Frittering away everything we learned about fiscal prudence may be Klein's legacy

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Byline: Lorne Gunter

Column: Lorne Gunter

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For everything else that can be said about the provincial government's budgets of late -- too rich, unsustainable, visionless -- Alberta's remain the most comprehensive and readable budget documents of any government, provincial or federal.

Everything is in them. Nothing is hidden (or not too much). If you want to find out where Alberta's government revenue is coming from and where its public expenditures are going, you can, if you take the time.

If more Albertans looked inside the provincial budget released Wednesday by Finance Minister Shirley McClellan, they'd be astonished by the profligacy, the out-of-control spending and the just-throw-money-at-the-problems mentality.

But at least the shameful waste is not being swept under the rug.

I guess that's a good thing.

But that's the best that can be said about Wednesday's budget: It's honest.

Honestly reckless, but honest.

For at least the past three budgets (and more likely the past six), the Klein government has been on an upward expenditure curve that is neither justifiable nor sustainable.

The coming year's budget alone provides for a spending increase of nearly 10 per cent over last year's budget.

If Liberals were in power in the province and they proposed a 10-per-cent spending hike in a single year, the Tories would be all over them with charges of mismanagement and irresponsibility.

So how come they don't see the plank in their own eye?

What makes this jump worse is that by March 2007, when the current budget runs out, the actual increase is very likely to be much greater than 10 per cent.

Last year at this time, the province budgeted for spending of \$25.8 billion.

(For a province of just 3.3 million people, that is already a staggering sum.)

However, by the end of this month, when last year's budget ends, the government forecasts it will actually have spent \$27.2 billion -- \$1.4 billion more than it budgeted last April.

So while spending for the coming year is estimated at \$28.3 billion, and while that amount is nearly 10 per cent higher than the spending projected in last year's budget, the province so badly overshot last year's spending estimates that this year's can't be trusted, either.

Let me say that another way. Last year, the Klein government budgeted for spending of \$25.8 billion. This year it is budgeting for \$28.3 billion. That's a whopping year-over-year increase of nearly 10 per cent.

But last year's spending actually came in at \$27.2 billion, \$1.4 billion (5.4 per cent) above the forecast in last year's budget. Since the provincial government has for years shown itself utterly incapable of keeping within its budgeted spending, there is no reason to believe that by the end of Wednesday's budget the government will have been able to limit itself to just \$28.3 billion.

Indeed, if it overshoots the mark this year by as much as it did last, by this time next year it will have spent \$29.8 billion, more than \$9,000 for every man, woman and child in the province.

And that will mean its 2006-07 budget will not contain a spending increase of 9.9 per cent over 2005-06, but in fact an increase of closer to 15.5 per cent.

In just the past 10 years, the Klein government's program spending has gone from \$12.7 billion to \$28.1 billion. The amount it spends, not including debt servicing payments, has increased by 121 per cent.

It is outrageously irresponsible.

Yes, the province is accomplishing all this spending without going into debt. Indeed, Wednesday's budget contained a record-high surplus. Yet, even that surplus projection is likely to be well below the actual surplus when the ledgers are tallied a year from now. Last year's budget contained a surplus projected at just over \$1 billion, while the actual surplus will likely come in at \$7.4 billion.

Expect Wednesday's surplus projection to be similarly off-the-mark.

In the past decade, Alberta's population has grown by 21.7 per cent and inflation has risen 22.6 per cent.

Even accounting for these increases, provincial program spending will have risen 48.2 per cent by the end of this fiscal year, if you trust the spending projections in McClellan's Wednesday budget, which I have already explained, I don't.

If, as I expect, the province actually spends closer to \$30 billion this year, that means its inflation-adjusted, per capita program spending will have risen an astonishing 57.5 per cent in just 10 budgets.

More troubling still, per capita, inflation-adjusted program spending in the coming year will be 13.7 per cent more than it was when the Klein government came to office in Dec. 1992. Before all the spending cuts and service reductions, wage rollbacks and job reductions.

That means if Alberta's revenues ever again decline to 1992 levels (and in a resource based economy that is a distinct possibility), the province will be right back in the soup again and all the pain of the mid-1990s will have been for naught.

The legacy of the Klein years is going to be: Everything we learned about fiscal prudence we frittered away just to be popular.

Lorne Gunter
Columnist/Editorial Writer,
National Post
Columnist, Edmonton Journal
Tele: (780) 916-0719
E-mail: lgunter@shaw.ca
Fax: (780) 481-4735
Address: 132 Quesnell Cres NW
Edmonton AB T5R 5P2