

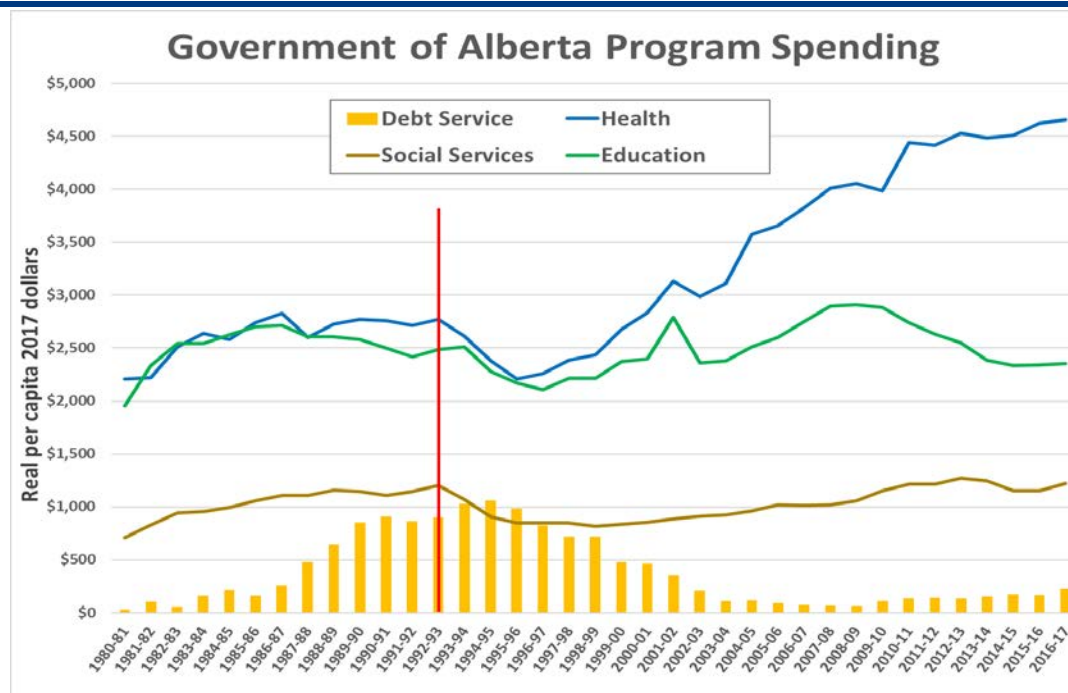
## ALBERTA GOVERNMENT PROGRAM SPENDING, ADJUSTED FOR INFLATION AND POPULATION

Since the mid-1990s, the government of Alberta has been unable to keep spending on health care from rising faster than inflation plus the population growth rate.

A fair assessment of how much the provincial government has spent on each Albertan over time requires adjustment of budget data, to remove the effects of inflation and population growth. The data in the graph reflect those adjustments. The data measure, since 1980, how much the government has spent, on average and after adjusting for inflation, on providing health care, education, and social services on each Albertan. We focus on these three areas because they are the three largest spending components for Canadian provinces, including Alberta. The graph also presents data on how much expenditures the government has had to devote to servicing its outstanding debt.

In the competition for tax dollars, ever rising health care costs are arguably the largest threat to spending on Social Services and Education.

The data show that until the early 1990s, the average amount of money the government spent providing health care, education, and social services to each Albertan remained fairly constant at \$2,600, \$2,500, and \$1,000, respectively, in 2017 dollars. The yellow bars illustrate the combined effect of high interest rates and rapidly rising government debt, following a crash in energy prices in 1986. By 1994-95, paying interest on the debt had become the government's third largest component of expenditure obligation. The red vertical line identifies



Source: Kneebone and Wilkins, <https://www.policyschool.ca/publication-category/research-data/> and Statistics Canada CANSIM series v41694625 and v469503.

the year when Albertans elected a government on a platform to cut spending in order to halt the accumulation of debt. This effort and steadily falling interest rates proved successful at reducing debt servicing costs. Rather less successful was the effort to constrain spending on health care. Since 1995-96 spending per person has more than doubled from \$2,200 to over \$4,600 in 2016-17. Per capita spending on education and social services has varied over time but is today near their average values for the entire period of 1980-2017.

The government of Alberta has indicated it has a goal of balancing its budget in 5 years' time. Cutting spending and raising revenues are the only available channels to doing so. If part of the approach involves cuts to spending, it will be difficult to exclude cuts to health without threatening spending on education and social services. While some very tough choices will need to be made, most would agree they should not impact the most vulnerable in society.