

Alberta needs the balanced budget law (BBL) back. How are we going to do it? With an Alberta Constitution - New School of Public Policy report

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Calgary – Alberta will enter the third decade of the 21st century with an accumulated public debt of over \$70 billion and the highest per capita deficit of any Canadian province. This is a far cry from 2005, when then-premier Ralph Klein announced that Alberta was “debt free”.

In 2005, Klein enacted a balanced budget law (BBL) that was intended to prevent future governments from ever running deficits again. This statutory BBL lasted only as long as oil prices remained above \$100/barrel. It was amended in 2009 to allow “temporary deficits”. Since then, four premiers from two parties chose to run large budget deficits to fund large spending increases to win their next elections.

Today, The School of Public Policy with author F.L. (Ted) Morton released a report that argues now is the time to revisit the BBL and renew it in a way that sticks. The report provides a roadmap to making balanced budgets a law that cannot be ignored.

According to Morton “Alberta’s experience proves that statutory rules are not sufficient to protect a positive fiscal legacy. Alberta’s balanced budget law, flat tax rates and protections of the Heritage Fund were all removed by simple majority votes in the Alberta legislature. Any meaningful re-instatement of these policies will require that they be put beyond the reach of future governments of whatever party – that is, that they be constitutionally entrenched. This is not just an Alberta problem, but a problem that all democratically elected governments face. Very few governments choose to pursue a policy of long-term public good – e.g., balanced budgets – if the short-term effect is to increase the risk of electoral defeat in the next election.”

The next Alberta government could address this problem by adapting a form of the BBLs found in most state constitutions in the United States. Under Sections 43 of the Constitution Act, 1982, Alberta could proceed bilaterally by negotiating with the Federal government to “patriate” the Alberta Act from Ottawa to Alberta; Alternatively, Alberta could proceed unilaterally under section 45 of the Constitution Act by legislating similar protections.

Given the relative risks of the two entrenchment options, it would be prudent for Alberta to proceed in a staged approach: begin with the unilateral option and then pursue the bilateral option. Ideally, the first could pave the way for the second. In the medium term, Alberta could begin to recruit other provinces that have an interest in their own provincial constitutions. If such a coalition were built, it could lobby Ottawa to give provincial courts of appeal the final interpretive authority over provincial constitutions and to return the power to appoint provincial superior court judges to the provinces.

The paper can be downloaded at <https://www.policyschool.ca/publications/>

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