

## Fiscal Spotlight

### Albertans' Net Contribution to Confederation

#### ISSUE:

Alberta is a large net contributor to the federation - Albertans paid an estimated \$14.1 billion (\$3,785/person) more to the federal government than they got back in the form of services in 2010.

#### KEY MESSAGES:

- For 2010, Albertans paid an estimated \$35.6 billion to the federal government in taxes and other payments, while getting back \$21.5 billion in federal services. That's a difference of \$14.1 billion (or \$3,785 per Albertan). **The net contribution estimate is lower than in prior years due to the impact of the recession which has lowered tax revenue while increasing federal spending in areas such as Employment Insurance.**
- Alberta contributes relatively more to Confederation than any other province. On a per capita basis, the federal government collects the most revenue from Alberta and spends the least here. In 2008, the last year for which data is available for all provinces, Albertans contributed a net of \$5,577 per person to the federal government, compared to \$1,113 for Ontario and \$1,003 for British Columbia. All other provinces were net recipients. The four Atlantic Provinces are the biggest fiscal beneficiaries of Confederation.

#### BACKGROUND:

- In 2010, Alberta residents and firms contributed an estimated \$35.6 billion to federal coffers. Over half of the amount paid was in the form of personal income taxes, but there were also sizeable corporate income taxes and indirect taxes (e.g. gasoline tax, GST). The Alberta government does not transfer money directly to the federal government. Albertans face the same federal tax regime as other Canadians but contribute considerably more per capita because of higher average incomes.
- In 2010, Albertans received back an estimated \$21.5 billion in federal services, representing only 60 per cent of the revenue contributed. An estimated \$8.5 billion was transfers to persons (e.g. EI, Old Age Security), while the provincial government received \$4.9 billion in federal transfers (mostly the Canada Health and Social Transfers). Another \$4.6 billion took the form of direct federal expenditure on goods and services. Per capita federal spending on goods and services in Alberta is the lowest among provinces - spending in Alberta in 2008 (\$1,092/person) was almost four times lower than the spending in Nova Scotia (\$4,143/person). Even though the federal government is physically centred in Ottawa/Hull, direct federal spending per capita is highest in the Atlantic provinces.

## Federal Government Revenue and Expenditure in Alberta

Millions of dollars

<b>Revenue:</b>	2005	2006	2007	2008	2009*	2010*
1 Direct taxes from persons	15,072	17,076	19,897	20,569	18,265	19,109
2 Direct taxes from corporate and government business enterprises	5,840	7,984	8,254	8,567	9,777	6,746
3 Direct taxes from non-residents (withholding taxes)	373	477	469	531	396	405
4 Contributions to social insurance plans	1,947	2,062	2,156	2,186	2,179	2,232
5 Indirect taxes	6,080	6,439	6,787	6,143	6,106	6,302
6 Other current transfers from persons	5	2	2	4	4	4
7 Investment income	562	596	759	856	653	812
8 Current transfers from provincial governments	0	0	0	0	0	0
<b>9 Total revenue</b>	<b>29,879</b>	<b>34,636</b>	<b>38,324</b>	<b>38,856</b>	<b>37,380</b>	<b>35,609</b>
<b>Current expenditure:</b>						
10 Net current expenditure on goods and services	3,384	3,446	3,498	3,928	4,399	4,597
11 Current transfers to persons	5,940	6,210	6,905	7,149	8,154	8,469
12 Current transfers to business	596	390	294	278	278	278
13 Current transfers to provincial governments	3,839	3,354	3,323	4,192	4,515	4,849
14 Current transfers to local governments	22	19	22	18	20	22
15 Interest on public debt	3,308	3,374	3,365	3,238	3,073	3,270
<b>16 Total current expenditure</b>	<b>17,089</b>	<b>16,793</b>	<b>17,407</b>	<b>18,803</b>	<b>20,439</b>	<b>21,484</b>
<b>17 Net Contribution</b>	<b>12,790</b>	<b>17,843</b>	<b>20,917</b>	<b>20,053</b>	<b>16,941</b>	<b>14,125</b>
<b>Net Contribution per capita</b>	<b>3,850</b>	<b>5,215</b>	<b>5,954</b>	<b>5,577</b>	<b>4,594</b>	<b>3,785</b>
<b>Net Return on Federal Dollars</b>	<b>57%</b>	<b>48%</b>	<b>45%</b>	<b>48%</b>	<b>55%</b>	<b>60%</b>

\* Estimate

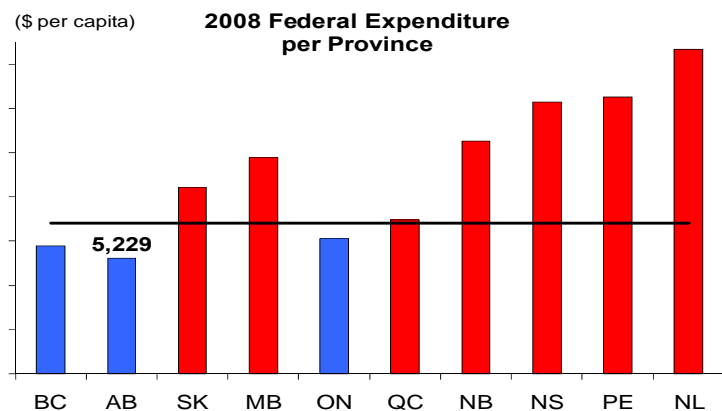
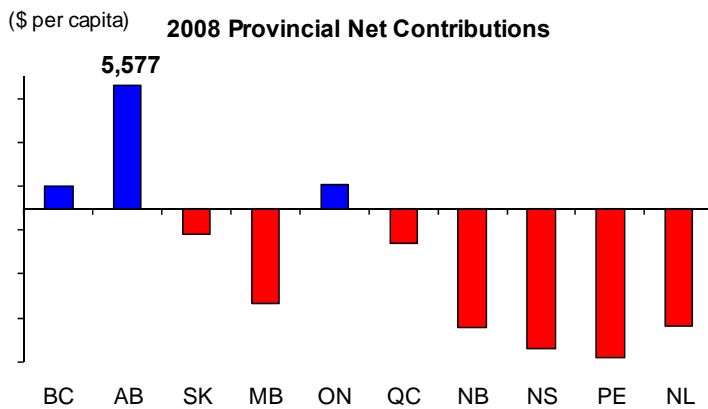
**Source:** Statistics Canada, Provincial Economic Accounts; estimates by Alberta Finance and Enterprise

### Definitions:

1. Personal income taxes
2. Corporate income taxes and capital taxes
3. Withholding taxes on dividends, interest, royalties, and management fees paid to non-residents
4. Employer and employee employment insurance contributions
5. Goods and services tax, excise taxes (alcohol, tobacco and fuel), customs duties
6. Licenses, permits, fines and penalties
7. Interest on government-held funds and on loans and advances, remittances from government enterprises
8. Provincial government contributions to the Net Income Stabilization Account, an income support program for the agriculture sector administered by the federal government
9. Total revenue
10. Employee wages and salaries, including military, spending on other goods and services including rent
11. Employment insurance benefits, old age security benefits, guaranteed income supplement, excludes CPP
12. Subsidies, including agriculture
13. CHT/CST, Labour Market Development Agreements, crop insurance
14. Grants in lieu of property taxes
15. Interest payments on federal debt held by Albertans
16. Total current expenditure, excludes capital spending such as capital consumption allowances
17. Total revenue less total current expenditure

<b>2008 PROVINCIAL NET CONTRIBUTIONS</b> (Revenue Contribution Less Federal Expenditure)		
	(\$millions)	per capita
<b>BC</b>	4,398	<b>1,003</b>
<b>Alberta</b>	20,053	<b>5,577</b>
<b>Saskatchewan</b>	(1,188)	<b>(1,172)</b>
<b>Manitoba</b>	(5,211)	<b>(4,321)</b>
<b>Ontario</b>	14,404	<b>1,113</b>
<b>Quebec</b>	(12,325)	<b>(1,590)</b>
<b>NB</b>	(4,091)	<b>(5,475)</b>
<b>Nova Scotia</b>	(6,026)	<b>(6,434)</b>
<b>PEI</b>	(948)	<b>(6,798)</b>
<b>Newfoundland</b>	(2,730)	<b>(5,391)</b>

<b>2008 Federal Expenditures per Province</b>		
	(\$millions)	per capita
<b>BC</b>	25,303	<b>5,772</b>
<b>Alberta</b>	18,803	<b>5,229</b>
<b>Saskatchewan</b>	8,559	<b>8,444</b>
<b>Manitoba</b>	11,793	<b>9,778</b>
<b>Ontario</b>	79,122	<b>6,116</b>
<b>Quebec</b>	53,974	<b>6,961</b>
<b>NB</b>	7,880	<b>10,547</b>
<b>Nova Scotia</b>	11,516	<b>12,296</b>
<b>PEI</b>	1,749	<b>12,542</b>
<b>Newfoundland</b>	7,435	<b>14,681</b>
<b>Average</b>		<b>6,807</b>



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