



EXPANDING THE DEBATE

Investing Wisely Project Discussion Paper Series

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Save or Spend? Albertans' Preferences Regarding the Year-End Surplus **Dr. Harvey Krahn**

1. Inviting public input on spending the year-end surplus

Provincial government royalties from oil and natural gas sales have risen rapidly over the past year, providing Alberta with the prospect of an exceptionally high year-end surplus, probably in excess of \$8 billion. While some of this anticipated surplus has already been allocated for various purposes, government members have been speculating publicly about possible uses of the unallocated windfall. In late September, Premier Klein became quite specific about his government's plans, telling the media that every Albertan (children included) would receive a \$400 rebate cheque, for a total of \$1.4 billion. An equal amount would be spent on current government programs and infrastructure, and a further \$1.4 billion would be invested for the future in various types of funds, including the Heritage Trust Fund.

Recognizing that Albertans are keenly interested in how unexpected oil and gas revenues should be invested or spent, the Canada West Foundation commissioned a survey of 500 adults across the province to enquire about their preferences for spending the 2005-6 surplus. The findings from this study tell an interesting story about a province whose citizens have quite a different perspective from that of their government about how the windfall royalties should be used.

2. Albertans favour program spending over savings or rebates

The survey began with the explanation that: "Because of very high oil and natural gas prices, the Alberta government will probably receive about \$7 billion more this year than it expected to receive. There has been a lot of discussion lately about how extra money from oil royalties should be used. We are interested in your opinions on this issue."

Study participants were told that: "Some people suggest that most of the extra money should go into an investment fund that will earn interest that can be spent year after year. Others think that most of the money should be used now to improve schools, the health care

About the Survey

Between September 22 and 27, 2005, 507 adult Albertans (age 18 and older) were interviewed in a random-digit-dialing telephone survey conducted by the Population Research Laboratory (PRL) at the University of Alberta. A sample of this size will provide population estimates of plus or minus 4%, 19 times out of 20. Confidence intervals would be larger for smaller sub-samples. Quota sampling was used to obtain a final sample that reflected the Alberta (adult) population in terms of gender and region (Calgary, Edmonton, other Alberta). Interviews lasted between five and seven minutes. The response rate (33%) was several times higher than the industry standard for public opinion surveys. Only a minority (about one-quarter) of non-respondents declined to participate; the majority of non-respondents could not be contacted by telephone in the five-day period. The study design and content were approved by a University of Alberta Research Ethics Board before the study began.



system, and other government services and programs. And others think that most of the money should be divided up and given to individual Albertans.” They were then asked: “Which approach to using this money do you think is the best?”

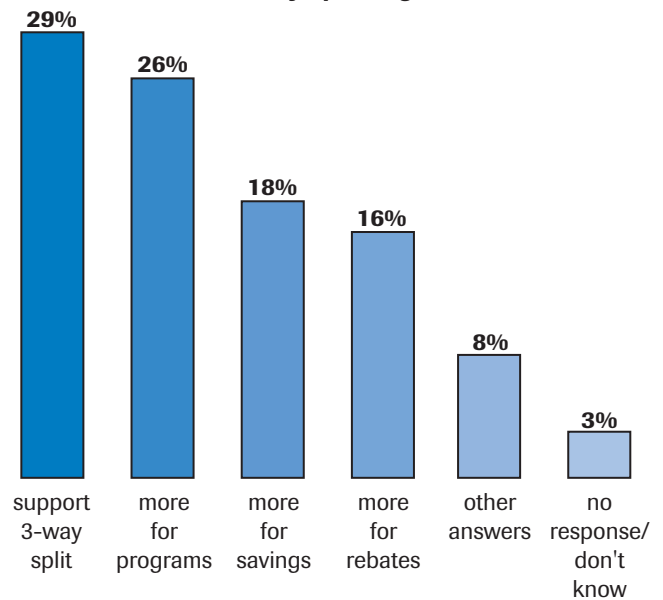
Without additional prompting from interviewers, more than one-third of the study participants (37%) answered that the best approach would be to spend the money on improving existing government programs and services. Only 14% recommended dividing up the money and giving it to individual Albertans, and slightly fewer (12%) favoured investing the surplus for future Albertans. The same proportion (12%) volunteered that the money should be spread across all three of the options, while the rest of the sample recommended a wide range of more specific uses of the money (e.g., spending on existing programs **and** saving for the future; rebates only for those who need them, or only for long-time Albertans)

3. Limited support for government plan for three-way split of surplus

The interview then continued with a more focused question that invited responses to the provincial government’s plan for the surplus. Study participants were told that: “The provincial government has proposed an equal three-way split between investing in the future, additional program spending, and rebates to individual Albertans.” Participants were then asked: “Which of the following responses best reflects your opinion of this proposal?”

When presented with the government’s publicized plan, less than one-third (29%) of the respondents chose the “I support the equal three-way split” response (Figure 1). Almost as many (26%) chose the “greater weight should be given to additional program spending” option. About one in six (18%) indicated that “greater weight should be given to long-term investment,” and a similar proportion (16%) agreed that “greater weight should be given to individual rebates.” Thus, whether asked in a general fashion or via a question with fixed responses, Albertans clearly express the same preferences, for additional spending on government programs and services over individual rebates or long-term investments.

**Figure 1:
Support for Provincial Government's
Three-Way Spending Plan**



This discussion paper was prepared by Dr. Harvey Krahn, Landrex Distinguished Professor of Sociology, University of Alberta.

This paper is part of the Canada West Foundation’s **Investing Wisely Project**. The **Investing Wisely Project** explores three key issues: 1) the case for saving a portion of Alberta’s non-renewable natural resource revenues for future use; 2) exploring creative and strategic ways of using the earnings on the saved revenues to transform the province in positive ways; and 3) understanding and debating the implications of Alberta’s oil and gas resources on western Canada and the country. The project is funded by over 60 foundations, businesses and individuals. The Canada West Foundation expresses its sincere thanks for this generous support. The opinions expressed in this document are those of the author and not necessarily those of the Canada West Foundation’s Board of Directors, advisors, or funders. Permission to use or reproduce this document is granted for personal or classroom use without fee and without formal request provided that it is properly cited. Copies may not be made or distributed for profit or commercial advantage. This document is available for free from the CWF website [www.cwf.ca].

4. High levels of support for alternative uses of year-end surplus

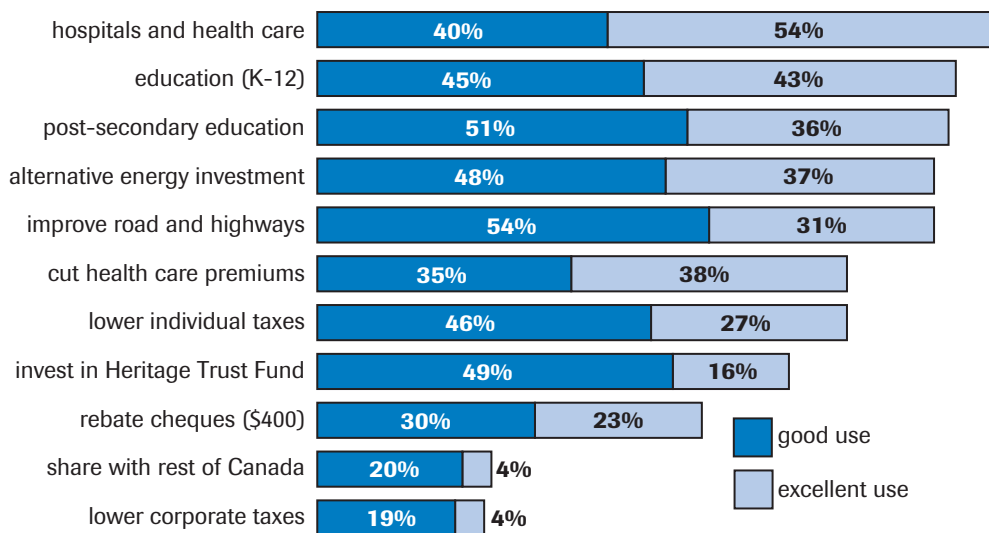
It is clear that Albertans favour additional program spending over investing for the future or distributing individual rebates. But what kinds of existing programs would they like to see receive additional funding? To answer this question, the Canada West Foundation survey asked respondents to indicate whether each of eleven specific spending options (including rebates and investing in the Heritage Trust Fund) were “excellent,” “good,” “not very good,” or “poor” uses of the year-end surplus. These options were presented in random order to ensure that the sequence of questions did not influence the survey results.

More than nine out of ten Albertans (94%) state that “improving hospitals and other health care facilities” is either an “excellent” or “good” use of the year-end surplus (Figure 2). Almost as many (between 85% and 88%) feel this way about “improving elementary, junior high, and high schools,” “improving colleges, technical schools, and universities,” “investing in research and development of alternative energy sources that can be used when oil and gas supplies get smaller,” and “improving the province’s roads and highways.”

Almost three-quarters (73%) believe that “getting rid of health care premiums that individuals and families in Alberta now have to pay” would be an “excellent” or “good” use of the surplus. The same proportion, but with fewer saying “excellent,” feel that “temporarily lowering taxes for individuals and families” would be useful.

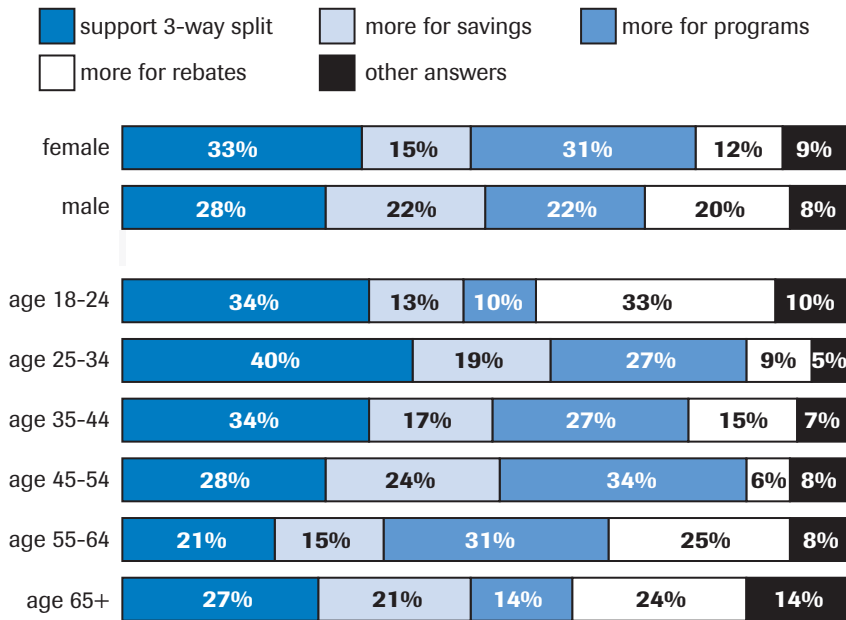
As observed earlier, compared to program spending, fewer Albertans favour “building up the Heritage Trust fund.” But the two-thirds (65%) who look favourably on this idea clearly out-number those who think that “giving each person in Alberta a cheque for about \$400 to spend in any way they like” is either an “excellent” or “good” idea (53%). In fact, rebate cheques really only look like a good idea when they are compared to “sharing the surplus with other parts of Canada” and “temporarily lowering taxes for corporations,” neither of which appeal to more than a small minority of Albertans.

**Figure 2:
Support for Alternative Uses of Provincial Surplus**



Response categories: excellent; good; not very good; poor.
Between 1% and 2% of the total sample did not respond to each question.

**Figure 3:
Support for Three-Way Spending Plan by Gender and Age***



*Since 3% of the total sample did not answer this question, only 491 individuals are included in the gender analysis. Only 488 people are in the age analysis since a further 3% did not provide their age. Gender and age differences are statistically significant ($p < 0.05$).

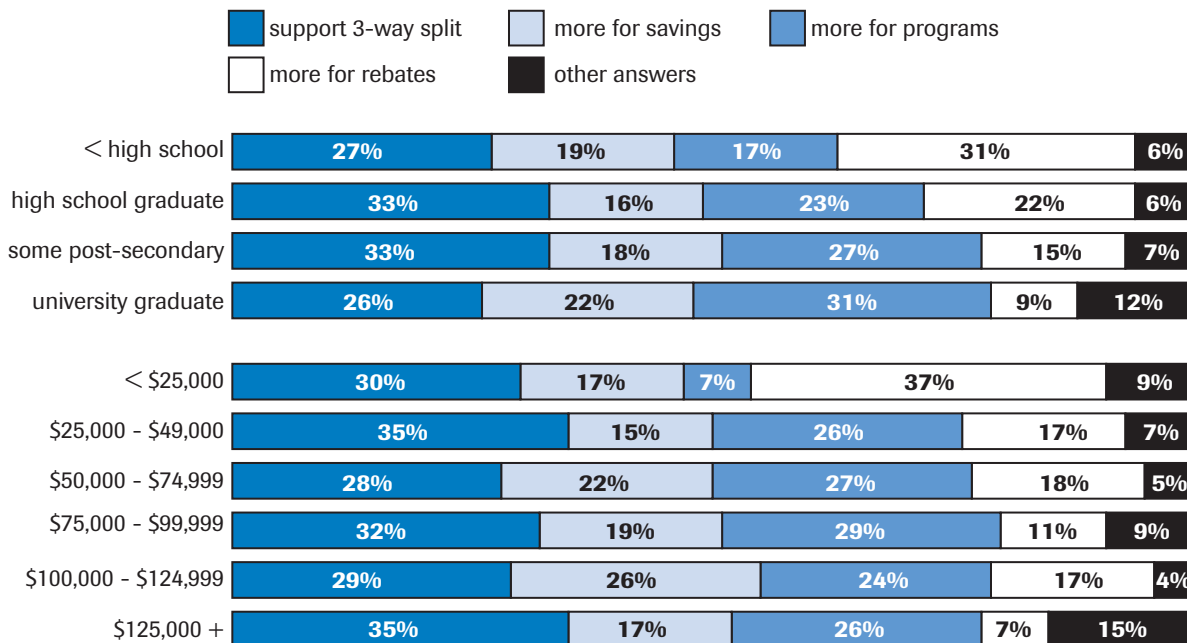
5. Men, young adults, and seniors more likely to favour rebates

Returning to the focused question about support for the government’s plan to split the surplus into three equal parts, men are somewhat more likely than women to favour additional spending on rebates, and also investment for the future (Figure 3). In contrast, women are more likely to recommend additional spending on existing programs and services. Age differences are particularly noteworthy, with Alberta’s youngest (under age 25) and oldest (55 plus) citizens being most likely to suggest that additional weight be given to individual rebates.

While gender and age shape opinions on this matter, where one lives in the province does not seem to matter. Calgary and Edmonton residents respond very similarly to this question, and much like Albertans living in the province’s other smaller cities, towns or villages, and farms or rural areas.

Under the government’s proposed distribution plan, families with more children would receive more money (\$400 per person). It is interesting, then, that Albertans with more children living at home are no more likely to favour additional weight being given to individual rebates.

**Figure 4:
Support for Three-Way Spending Plan by Education and Household Income***



*Since 3% of the total sample did not answer the question about spending preferences, only 489 individuals are included in the education analysis. Only 432 people are in the income analysis since 12% did not report household income. Both education and household income differences are statistically significant (p < 0.05).

6. Less educated and least affluent more likely to favour rebates

What does matter is education and household income. Specifically, less educated Albertans and those with very low household incomes (under \$25,000) are much more likely to recommend distributing more of the surplus via individual rebates (Figure 4). But even among these groups, only about one-third (31% and 37%, respectively) recommend larger rebates. In contrast, more educated and more affluent Albertans tend to favour additional weight being given to current program spending.

7. Government plans out of sync with Albertans’ preference

The provincial government has announced its plan to split the unallocated year-end surplus equally between spending on current programs and infrastructure, saving for the future, and distributing individual rebate cheques. But when asked for their opinions on the matter, Albertans indicate their preference for additional program spending over either rebates or future investments. The government’s plans are clearly out of sync with citizens’ preferences.

This is not the first year-end surplus that this provincial government has had the luxury of spending. Although last year’s oil and gas windfall was less than half as large as is anticipated for this year, the Klein government felt it was necessary to seek public input on how the 2004-5 surplus should be spent. Questionnaires were sent to every household in the province, and Albertans were also invited to express their opinions via a web-survey. But there was no comparable call for public input on how to spend the 2005-6 surplus, and it appears as if the provincial government has forgotten what Albertans said a year ago.

When the provincial government invited public input in 2004, a remarkable number of Albertans responded. The quarter million citizens who registered their opinion gave advice very similar to that received in the 2005 Canada West Foundation survey. Specifically, much

higher proportions of Albertans stated that spending on education, health care, and other government programs and services was a high priority, compared to providing rebates to individual Albertans or investing in the Heritage Trust Fund (*Edmonton Journal*, 20 October, 2004, p. A3).

8 Public discussion of spending and saving alternatives required

When asked, Albertans express a clear preference for how to spend the year-end surplus. Most recommend that it be spent on health care, education, and infrastructure, or to reduce direct and indirect (i.e., health care premiums) taxes (but not corporate taxes). As for individual rebates, they are not nearly as popular. Not surprisingly, those who need them the most—Alberta's poorest citizens, including many young adults and quite a few seniors—are more likely to favour rebates. Addressing their financial needs should be a high priority, but whether distributing cheques to all Albertans is an efficient way to assist a specific minority is debatable, and should be debated.

So too should other possible uses of the royalty windfall. While some groups, including the Canada West Foundation, have recommended saving a larger portion of the surplus for future use, there has been little public discussion of this alternative. The Premier and government members have had much more to say about individual rebates (how large? for whom? when?) than about specific program and infrastructure spending plans or specific future investment possibilities.

It is noteworthy, then, that when asked about the merits of investing in research on alternative energy, a very large majority of Albertans respond that this is a good or excellent idea. Perhaps if the range of other creative and socially useful ways in which the surplus could be invested for the future was publicly discussed, a larger majority of Albertans would favour this alternative.

Now is the time to open up such a discussion since it is highly likely that, next year at this time, we will hear another announcement about an unanticipated budget surplus. [CWF](#)

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