UNIVERSITY OF CALGARY | THE SCHOOL OF PUBLIC POLICY

We all know how big the Alberta debt and deficit is, right? Or do we?
New Policy School Report

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Calgary – Defining a government by its finances is a tricky business. Adding to the complexity, governments can change the way they report those finances. This is the case in Alberta where, beginning under former premier Jim Prentice, the government switched from presenting its budgets from a fiscal plan (FP) basis to a consolidated financial (CF) basis. The CF includes in its definition certain entities that earlier governments chose to define as being separate from the government (school boards, universities and colleges, health). The way the Government of Alberta has decided to report its budget is not controversial. Changing this definition does, however, have implications.

Today, The School of Public Policy with authors Ron Kneebone and Margarita Wilkins released a report that paints an eye-opening picture of how Alberta measures debt and deficit.

According to Wilkins, “The report comes to grips with the changes to accounting methods, by adjusting Alberta’s recent budgets, now reported on a CF basis, and makes those methods consistent with the FP accounting approach, used by governments in Alberta prior to 2015. This involves disentangling entity budgets, reallocating property tax shares, evaluating federal government transfers, and more. The resulting calculations make it possible to more accurately compare and contrast recent budgetary choices with those made over the past four decades.”

The bottom line is that the change in accounting has broadened the definition of the Government of Alberta. The result is that both its total revenues and its total expenditures are reported as being significantly higher than would otherwise be the case. It also means that the annual deficit, calculated using the new accounting approach, was about $1 billion less in 2016-17 than it would have been had the previous accounting rules been followed.

It is worth noting that the accounting change the government introduced also has implications for measures of the size of its debt. In its 2014 –15 Annual Report the government reported that the change in accounting approach would cause the government to appear to have $7 billion less in net assets than previously measured. Looking ahead, comparisons of debt levels in the future to what they were in the past will need to take in account the recent change in the government’s financial accounting.

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

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