

For Immediate Release

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Alberta's grim fiscal future – New School of Public Policy report shows bleak path ahead but with an opportunity to turn the tide

Calgary - Economically, things are bad right now in Alberta. The short-term fiscal challenges are well known, but its long-term ones are more significant. An aging population, a high reliance on non-renewable resource revenue and rising debt levels will increasingly widen the current gap between spending and revenue.

Today, The School of Public Policy and economist Trevor Tombe released a report that is perhaps the most comprehensive report on Alberta's finances that has ever been prepared. It examines long-term projections for resource royalties, federal transfer payments, investment income, property taxes, tuition revenue, health and education spending as well as debt service costs, and forecasts a shocking deficit by 2040.

According to Tombe "Despite growing resource revenues in the near-term, spending growth – especially in health – will begin increasing the size of Alberta's future deficit early in the next decade. This is true even if the government's own balanced-budget goal is met by 2023/2024. I project deficits on the order of nearly \$40 billion by 2040 – or four per cent of GDP at the time. In today's terms, that's equivalent to over \$14 billion per year. These deficits, plus any additional capital investments not normally expensed in the budget, mean the net debt to GDP ratio rises to nearly 50 per cent by 2040 – significantly above today's eight per cent. Interest costs grow to over \$22 billion by 2040, equivalent to 17 per cent of government revenue at the time or 2.3 per cent of GDP. This is not sustainable."

The report has solid policy recommendations including:

- Government should construct a set of clear, consistent and comprehensive measures of the fiscal gaps and report on these measures regularly, public information is limited and government can do much more.
- Without clear benchmarks, progress can't be measured. Government should set clear and measurable objectives for a target fiscal gap in the short, medium and long term.
- Government should be open to Albertans about the scale of the challenge and the potential options available. Lead a discussion and debate, involving stakeholders from across Alberta to gain consensus for action.
- Government should accept when measures do not work, try new ones and double down on ones that succeed.

Alberta's unique fiscal challenges can be managed, and the province's fiscal gap can be eliminated. But we must abandon short-term political thinking and do things differently. We must plan for a sustainable fiscal future.

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

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