

NEWS RELEASE

Alberta's debt could exceed \$36 billion in five years if spending isn't controlled

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For Immediate Release

CALGARY—Unless Alberta's government restrains spending, by the end of the decade Alberta's debt may well exceed even pessimistic forecasts, finds a new study published today by the Fraser Institute, an independent non-partisan Canadian policy think-tank.

"Given economic conditions in the province, if the government fails to restrain spending, the pace of debt accumulation in Alberta may be extremely rapid," said Ben Eisen, associate director of provincial prosperity studies at the Fraser Institute and co-author of *How Much, How Fast?: Estimating Debt Accumulation in Alberta through 2019/20*.

Unfortunately, successive Alberta governments spent as though boom times would never end and the current government has continued the trend towards higher program spending. Consequently, this fiscal year, for the first time in 17 years, Alberta will reach a net debt position—meaning the province's debt (liabilities) exceeds its financial assets. This is a dramatic change from 2007/08 when Alberta had no net debt and was sitting on \$35 billion in financial assets.

So how much debt will Alberta accumulate in the next few years?

According to the government's spending and revenue forecast, Alberta's debt will reach \$19.8 billion by 2019/20. However, this forecast downplays many significant risks that could easily cause debt accumulation to be much higher.

According to one of three scenarios outlined in the study, if the government increases program spending at the same rate as projected GDP growth—4.7 per cent annually—Alberta's debt will balloon to \$36.1 billion by 2019/20. That's roughly \$8,000 of debt per Albertan—almost double the current forecast.

In other words, Albertans could potentially see a \$71 billion swing—from \$35 billion in assets in 2007/08 to more than \$36 billion in debt in 2019/20.

"While falling oil prices have hurt Alberta revenues, uncontrolled spending increases over the past decade have significantly weakened the province's financial position," said Steve Lafleur, study co-author and senior policy analyst at the Fraser Institute.

"With the provincial budget only two weeks away, the government's spending choices will play an important role in determining how much debt is laid on the backs of working Albertans and their families," Eisen said.

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