

NEWS RELEASE

Don't squander the resource boom (again); Edmonton needs to constrain spending and save resource windfall

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For immediate release

CALGARY—Rather than continuing to spend one-time, volatile resource revenues, Alberta should save a significant portion of resource revenues to re-establish and ensure long-term financial stability, finds a new study released today by the Fraser Institute, an independent, non-partisan, Canadian public policy think-tank.

“Alberta has an extraordinary opportunity to set the province’s finances on a sustainable path for the long-term,” said Tegan Hill, economist at the Fraser Institute and co-author of *A New Fiscal Framework for Alberta*.

The analysis, based on provincial data from the fall of 2021, concluded that the province could fully fund a rainy-day account and balance its budget within 3 years through program spending reductions of 2.8 per cent annually for the next three years. Since the analysis, commodity prices have surged higher than the estimates used, which means an even larger windfall of resource revenue for the provincial government.

Moreover, such a plan would put the province in a position to re-establish mandatory contributions to the Heritage Fund by 2024/25.

The rainy-day account is actually based on the previously successful Alberta Sustainability Fund, which saved resource revenues during good times to ensure a stable amount of revenues for the provincial budget during bad times. The analysis estimates such a fund could be fully financed within two years, thus reducing volatility in the provincial budget and establishing a more stable fiscal framework.

“The likelihood is that less spending reductions will be required to balance the budget while fully funding a rainy-day account and starting to contribute to the Heritage Fund given the surge in commodity prices and revenues to the provincial government”, commented Hill.

“Alberta’s reliance on non-renewable resource revenue has fueled instability in provincial finances for decades, and will continue to do so if the provincial government continues with the fiscal status quo,” Hill said.

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