

NEWS RELEASE

Texas proof Alberta fiscal woes spurred by mismanagement—not just slumping oil

November 17, 2016
For immediate release

CALGARY—Alberta’s deficits and mounting debt are largely the result of undisciplined spending and fiscal mismanagement, not just a drop in energy prices, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Successive Alberta governments mismanaged public finances when times were good and now those poor decisions have come back to haunt the province. Texas, on the other hand, was more fiscally prudent and is now on a much better financial footing,” said Ben Eisen, the Fraser Institute’s director of provincial prosperity studies and co-author of *One Energy Boom, Two Approaches: Fiscal Restraint Has Left Texas in Better Shape than Alberta*.

Texas—like Alberta—is heavily reliant on energy resources. But unlike Alberta, Texas controlled spending during the energy boom (2004 to 2014) and, partly as a result, ran five straight surpluses between fiscal years 2009 and 2013.

During that same five-year period, however, Alberta ran four deficits and has continued to run deficits in the years since, with the exception of a small surplus in 2014/2015. Further, Alberta doesn’t expect to balance the budget again until at least 2024.

A primary reason Texas’ recent fiscal record has been better than Alberta’s is that government spending increased much faster in Alberta. The study finds that during the energy boom, Alberta’s per person program spending jumped 49 per cent, compared to 37.3 per cent in Texas.

In 2004/2005, per person spending in Alberta was 68.4 per cent higher than in Texas. By 2013/2014, Alberta’s spending was 82.8 per cent higher.

Public-sector employment also grew much faster in Alberta, averaging 2.6 per cent a year over the same 10-year period, which is more than double the 1.2 per cent growth rate in Texas.

“Because Alberta’s public finances are so reliant on the energy sector—which is prone to booms and busts—it’s especially important for governments to manage spending prudently in good times to prepare for future downturns,” said study co-author Steve Lafleur.

“During the oil boom, Texas lawmakers were more fiscally prudent, and now that state has a much brighter fiscal outlook than Alberta.”

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