

# NEWS RELEASE

## Don't squander Alberta's surpluses by spending them— instead, lower taxes, pay off the debt and/or re-establish rainy-day fund

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For Immediate Release

**CALGARY**—Alberta is projected to run multi-billion-dollar surpluses in the next few years largely due to higher resource revenues. Rather than spend these temporary windfall revenues, which history has shown will only lead back to deficits when resource revenues inevitably decline, the province should use them to strengthen Alberta's finances and economy for the long-term, finds a new essay series published today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“This is an extraordinary opportunity for Alberta to improve long-term prosperity, but only if the government breaks from tradition and doesn't squander this windfall at budget time,” said Tegan Hill, senior economist with the Fraser Institute's Alberta Prosperity Initiative and editor of the essay series *Don't Spend Away the Windfall—Better Options for Alberta's Unexpected Revenues*.

Crucially, when resource revenues have increased in the past, previous governments have increased spending, which led to sizeable deficits when resource revenues declined. For example, after adjusting for inflation, as resource revenue increased from \$4.2 billion in 1998/99 to \$15.6 billion in 2008/09, real per-person program spending grew from \$7,393 to \$13,114—an increase of 77.4 per cent.

When resource revenue inevitably declined, the province experienced deficits from 2008/2009 to 2020/2021, in all but one fiscal year.

If the provincial government can instead avoid the temptation to increase spending, it can pursue meaningful reforms to benefit Albertans, the essays offer three options:

- **Pay off the debt:** Economist Trevor Tombe shows how the province could use the projected surpluses to pay off provincial debt (defined as total debt minus financial assets) by 2030, which could save nearly \$20 billion in debt services costs over the same time period.
- **Lower taxes:** Surpluses could be used to lower personal incomes taxes to a single-rate tax of 8 per cent (or, alternatively, an 8 per cent rate for income below \$131,220 and a 12 per cent rate for income above that), which would improve the province's tax competitiveness and grow the economy by attracting entrepreneurs, businesses and workers, as highlighted by economist Jack Mintz.
- **Re-establish the Rainy Day Fund:** The surpluses could also be used to re-establish the province's rainy-day fund, the Alberta Sustainability Fund, which sets aside resource revenues in surplus years (limiting the amount of money for available for spending), which can then be drawn upon to help avoid deficits when resource revenues decline.

“To achieve any of these reforms, the first step for the provincial government is to avoid the temptation to spend the higher-than-expected resource revenues today and focus on improving the province for the longer-term,” Hill said.

“Debt relief, lower taxes and/or re-establishing the Alberta Sustainability Fund are all concrete ways the provincial government can build a solid fiscal foundation to benefit Albertans today and, in the future.”

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