NEWS RELEASE

Alberta surplus turns to $4.8 billion deficit if resource revenue was at 20-year average

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For immediate release

CALGARY—If not for historically high resource revenue, the Alberta government would run a large budget deficit this year and the next two years, finds a new study released today by the Fraser Institute, an independent, non-partisan, Canadian public policy think-tank.

"The Alberta government has once again relied on volatile resource revenue to fund spending, which is a risky way to manage provincial finances," said Tegan Hill, associate director of Alberta policy studies at the Fraser Institute and author of ***Alberta's Underlying Budget Deficit***.

Successive governments in Alberta have followed a familiar pattern. During periods of high resource revenue, the government increases spending but does not commensurately reduce spending when resource revenue declines. As a result, the government runs deficits and accumulates debt.

The current Alberta government projects a $5.5 billion budget surplus this fiscal year (2023/24), fuelled by historically high resource revenue. However, if resource revenue this year was at its average (based on the last two decades), the $5.5 billion surplus would turn into a $4.8 billion deficit.

And under the same hypothetical scenario in 2024/25 and 2025/26 (again, with resource revenue at a 20-year average, and adjusted for inflation), the government would remain in deficit. Overall, it would accumulate an additional $25.9 billion in net debt over the three-year period.

"If the government wants to stabilize provincial finances, it must more closely align spending levels with ongoing stable levels of revenue," Hill said.

"By relying on volatile resource revenue to balance its budget, the government again risks deficits and mounting debt when resource prices decline."

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