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‘Alternative blue-ribbon report’ offers balanced look at Alberta’s fiscal picture

An alternative—and more balanced—analysis of Alberta’s finances released today by the University of Alberta’s Parkland Institute concludes that long-term fiscal stability in the province cannot be achieved without addressing Alberta’s long-standing revenue problem.

Prepared in parallel to and in anticipation of the findings of the MacKinnon report, *Cutting Through the Blue Ribbon: A Balanced Look at Alberta’s Finances* analyzed both sides of the provincial ledger in order to put the province’s current fiscal picture in the proper context. Contrary to the findings of the one-sided analysis mandated by the Kenney government, the report found that Alberta is not in a “critical financial situation” which requires deep cuts to spending on public programs.

“Alberta’s current financial challenges are deep and long-term, but they are not a crisis and certainly not cause for immediate panic and drastic cuts,” says the University of Lethbridge’s Trevor Harrison, one of the report’s co-authors. “Most of the issues of concern revolve around over-dependence on a single commodity—bitumen, oil, and gas—that has contributed for years to roller-coaster budgeting. With a more realistic and stable revenue stream, the current difficulties can be dealt with.”

On the expenditures side, the report shows that for almost all of the period since fiscal year 2000-01 Alberta has lagged behind the comparator provinces of BC, Ontario, and Quebec in its level of provincial program expenditures relative to the size of the economy. Likewise, the report found both the size and compensation levels of Alberta’s public service are not significantly different than its provincial counterparts.

“The data show that the size of the public service in Alberta relative to total employment is smaller than the Canadian average, smaller than both Ontario and Quebec, and only slightly larger than in British Columbia,” explains co-author Richard Mueller, an economics professor at the University of Lethbridge. “When the higher inflation rate in Alberta is considered, weekly earnings in the Alberta public sector do not appear to be out of line with earnings in Canada and these other three provinces. In fact, while economy-wide inflation-adjusted earnings in Alberta are the highest in the country, earnings in the public sector do not completely reflect this fact.”

While the authors argue the mounting provincial debt is of concern in the medium- to long-term, they point out that despite Alberta’s significant recent financial woes the province is still in an enviable economic position, with by far Canada’s lowest provincial debt levels, highest GDP per capita, highest employment and labour force participation rates, and highest wages.

“The causes of Alberta’s failure to face up to its fiscal problems are many, but chief among them is a failure of political leadership,” concludes co-author Bob Ascah. “The time is long overdue for a rational,

balanced, and fact-based discussion with Albertans about the province's financial circumstances. While there are almost certainly savings to be found on the expenditure side, Albertans simply can't keep pretending the revenue side doesn't exist. If resource revenue is excluded, Alberta hasn't run a surplus in any fiscal year since 1965, so it is incumbent that Alberta governments look at other sources of revenue to tap as the long-term future of fossil fuel extraction grows dimmer."

Parkland Institute is a non-partisan public policy research institute in the Faculty of Arts at the University of Alberta. *Cutting Through the Blue Ribbon: A Balanced Look at Alberta's Finances* is available for download on the Parkland Institute website.

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