

NEWS RELEASE

Holding the line on spending, would allow Alberta's provincial government to re-establish rainy day account and get off the resource roller coaster

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CALGARY—The Alberta provincial government is experiencing a windfall in resource revenues, which is an opportunity to stabilize Alberta's government finances for the long term provided the government holds the line on program spending, finds a new study by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Successive governments in Edmonton—including the current one—more often than not spend resource revenue as it comes in the door, instead of thinking prudently about saving for times when resource revenues will inevitably be low,” said Tegan Hill, an economist with the Fraser Institute and co-author of *What Changed in Alberta from the Fall 2021 Mid-year Update to Budget 2022*.

The study finds that following a windfall in resource revenue, the recent Alberta budget increased program spending by \$4 billion over the next three years above and beyond what would be required to keep pace with higher expectations for inflation and population growth. Resource revenues were projected to average \$4.5 billion a year in Budget 2021 but increased to \$10.0 billion (on average) a year by the mid-year update in November 2021—and \$13.1 billion a year in the Budget in February 2022.

[A recent analysis](#) showed that current commodity prices and forward trading markets indicate revenues will likely be even higher than forecast in Budget 2022. With this windfall, Alberta has an extraordinary opportunity to stabilize provincial finances.

Namely, the government can save the windfall to re-establish a rainy-day account based on the previously successful Alberta Sustainability Fund. The idea behind the ASF is simple; save resource revenue during the good times to ensure a stable amount of resource revenues for the provincial budget during the bad times.

“The provincial government has already given in to the temptation to increase spending with higher revenues. If it simply holds the line on spending as additional revenue comes in, it will have an extraordinary opportunity to fix provincial finances for the long-term,” Hill said.

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