State of Alberta’s Debt

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan advocacy organization dedicated to lower taxes, less waste and accountable government. The CTF was founded in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national taxpayers organization. Today, the CTF has more than 84,000 supporters from coast-to-coast.

The CTF maintains a federal office in Ottawa as well as provincial and regional offices in British Columbia, Alberta, the Prairies, Ontario and Atlantic Canada. Provincial and regional offices conduct research and advocacy activities specific to their provinces in addition to acting as local organizers of nation-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences, utilize social media like twitter, Facebook, YouTube and our own blog, as well as issuing regular news releases, commentaries and publications to advocate on behalf of CTF supporters. The CTF’s flagship publication, The Taxpayer magazine, is published four times a year. Action Update e-mails on current issues are sent to CTF supporters regularly. CTF offices also send out weekly Let’s Talk Taxes commentaries to more than 800 media outlets and personalities nationwide.

CTF representatives speak at functions, make presentations to government, meet with politicians and organize petition drives, events and campaigns to mobilize citizens to affect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. Contributions to the CTF are not tax deductible.

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Fact Summary

- Alberta’s debt stands at $7,748,716,210.05 as of 9:30 AM on January 9, 2014.
  - The last time Alberta’s debt reached this level was May 27, 2001.

- Alberta’s debt will reach:
  - $8.660 billion by the end of fiscal year 2013-14
  - $13.094 billion by the end of fiscal year 2014-15
  - $17.001 billion by the end of fiscal year 2015-16

- Alberta’s debt is increasing by:
  - $4.076 billion this fiscal year
  - $11,167,123.29 every day
  - $465,296.80 every hour
  - $7,754.95 every minute
  - $129.25 every second.
Defining Debt

The CTF calculates Alberta’s debt load based on the principles of Ralph Klein’s 1999 ‘Fiscal Responsibility Act.’ The *Fiscal Responsibility Act* defined the debt or ‘accumulated deficit’ as

The aggregate amount of unredeemed Government securities that have not matured and that are issued in respect of money raised under section 61(1) of the *Financial Administration Act* less (A) any amounts raised for the purpose of making advances to or purchasing securities of a Provincial corporation pursuant to section 62.1 of the *Financial Administration Act*, and (B) the amount of Government securities acquired and held under section 63.1 of the *Financial Administration Act*.

In short, Klein defined Alberta’s debt (accumulated deficit) as all borrowing not intended for arms lengths government corporations (like municipalities and the Alberta Treasury Branches) or for limited disbursements. It did *not* include, as liabilities, debt held by self-supported lending organizations and municipalities, and it did *not* include as assets any savings accounts such as the Heritage Fund, and most certainly did *not* include valuations of physical infrastructure assets.

To boil it down plainly, Klein defined Alberta’s debt as ‘the money Alberta taxpayers owe the banks.’

The CTF will adopt a similar definition of debt in this document: ‘All general government liabilities for direct borrowing and alternative financings (P3s), less funds expressly dedicated to debt retirement.’

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Calculating Alberta’s Debt

Alberta’s Modern Debt History

The CTF uses the consolidated statements of the Government of Alberta’s Annual Reports. These reports provide a balance sheet of the government’s assets and liabilities and make it relatively straightforward for one to calculate the province’s debt based on Klein’s definition in the 1999 Fiscal Responsibility Act.

Between fiscal years 1984-85 and 2012-13, the province recorded an ‘accumulated deficit’ in its liabilities. Since only a portion of the debt would mature on specified dates each year, the government could not simply write a cheque to pay it off as they saw fit. To eliminate the debt, the government instead offset it with an expressly dedicated Debt Retirement Account, which in 2004-05 outweighed the accumulated deficit, meaning the effective end of the debt. This Debt Retirement Account remained on the books until the final debts matured in 2013-14. It’s not without irony that 2013-14 marks the year in which Alberta’s government decided to plunge headlong into debt, but this will be discussed in more detail later.

Beginning in 2005-06, the government began recording small liabilities for public-private partnerships (P3s) as liabilities. These were relatively small liabilities in the greater scope of the government ($126 million in the first year), and were intended as a smarter way to build some infrastructure projects. They were never intended as a way for the government rack up debt, but keep it off the traditionally accounted ‘accumulated deficit.’ While P3s made good business sense in many cases, their unconventional place on the balance sheet opened a Pandora’s box of unconventional debt.

This began in 2003 when the Fiscal Responsibility Act was amended by the Financial Statutes Amendment Act to allow for financing capital projects without the liabilities counting towards the debt. It was innocent enough, and never intended as a way of running up debt while unaccountably keeping it off the books, but rather as a way of responsibly utilizing the P3-model.

Soon, direct borrowing for capital projects showed up on the balance sheet. This was a much more straightforward form of borrowing, and harder to justify as ‘not really debt.’ It was all harmless enough until by the end of fiscal year 2008-09, this combined debt reached $865 million. Faced with a downturn in expected revenues and massive draws on the Sustainability Fund, Premier Stelmach opted to ease the red ink by relying yet more heavily on debt to finance capital projects. In 2009-10 Alberta’s debt exploded by 332% to $2.9 billion. Despite this, Alberta had paid off its ‘accumulated deficit,’ and few worried so long as there was $16.9 billion in the Sustainability Fund.

The new Fiscal Management Act replaced the Fiscal Responsibility Act on April 1, 2013, and removed the reference and definition of “accumulated deficit” and the Debt Retirement Account (DRA).²

Reliance on the hard work from times past and Premier Redford’s election commitment to balance the budget by 2013-14 made worries about Alberta’s debt seem unfounded, but the facts can no longer be ignored.

By the end of this fiscal year (2013-14), the CTF projects that Alberta will hold a debt of $8.660 billion. By the end of 2014-15, $13.094 billion, and by the end of 2015-16, $17.001 billion. A debt of $17 billion in 2015-16 will leave Alberta in roughly the same hole as it was in 1997.

### Data Inputs for Calculating Alberta’s Debt

**Table 1: Alberta Debt Inputs as Defined by the 1999 *Fiscal Responsibility Act* ($ millions of dollars)**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Debt Retirement Account</td>
<td>2,010</td>
<td>1,241</td>
<td>3,479</td>
<td>2,197</td>
<td>2,035</td>
<td>1,794</td>
<td>1,175</td>
<td>1,107</td>
<td>843</td>
<td>503</td>
<td>249</td>
<td>40</td>
<td>152</td>
<td>357</td>
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<tr>
<td>Capital Plan Debt Retirement Account</td>
<td>2,010</td>
<td>1,241</td>
<td>3,479</td>
<td>2,197</td>
<td>2,035</td>
<td>1,794</td>
<td>1,175</td>
<td>1,107</td>
<td>843</td>
<td>503</td>
<td>249</td>
<td>40</td>
<td>152</td>
<td>357</td>
</tr>
<tr>
<td>Financial Liabilities as defined by the Fiscal Responsibility Act</td>
<td>6,746</td>
<td>4,971</td>
<td>3,475</td>
<td>2,447</td>
<td>2,304</td>
<td>2,233</td>
<td>2,040</td>
<td>3,980</td>
<td>4,027</td>
<td>3,931</td>
<td>4,833</td>
<td>8,700</td>
<td>13,246</td>
<td>17,358</td>
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<tr>
<td>Accumulated debt</td>
<td>6,746</td>
<td>4,971</td>
<td>3,475</td>
<td>2,195</td>
<td>2,030</td>
<td>1,784</td>
<td>1,160</td>
<td>1,092</td>
<td>828</td>
<td>489</td>
<td>239</td>
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<td>Liabilities for capital projects (direct borrowing &amp; P3s)</td>
<td>126</td>
<td>274</td>
<td>439</td>
<td>880</td>
<td>2,888</td>
<td>3,199</td>
<td>3,442</td>
<td>4,584</td>
<td>8,700</td>
<td>13,246</td>
<td>17,358</td>
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<tr>
<td>Aggregate Financial Liabilities as defined by the Fiscal Responsibility Act (debt)</td>
<td>(4,734)</td>
<td>(3,730)</td>
<td>4</td>
<td>(250)</td>
<td>(269)</td>
<td>(429)</td>
<td>(865)</td>
<td>(2,373)</td>
<td>(3,184)</td>
<td>(3,428)</td>
<td>(4,384)</td>
<td>(8,660)</td>
<td>(13,094)</td>
<td>(17,001)</td>
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<td>Annual change in debt</td>
<td>(1,006)</td>
<td>(3,734)</td>
<td>254</td>
<td>19</td>
<td>168</td>
<td>436</td>
<td>2,008</td>
<td>311</td>
<td>244</td>
<td>1,156</td>
<td>4,076</td>
<td>4,434</td>
<td>3,907</td>
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</table>

**Sources**

### Alberta’s Debt History, 1984-85 to 2015-16

**Table 2: Alberta Debt, 1984-85 to 2015-16 ($ millions of dollars)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt</th>
<th>Year</th>
<th>Debt</th>
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<tr>
<td>1984-85</td>
<td>$5,787</td>
<td>2000-01</td>
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<td>1985-86</td>
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<td>1986-87</td>
<td>$10,091</td>
<td>2002-03</td>
<td>$4,736</td>
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<td>1987-88</td>
<td>$11,105</td>
<td>2003-04</td>
<td>$3,730</td>
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<tr>
<td>1988-89</td>
<td>$13,069</td>
<td>2004-05</td>
<td>$(4)</td>
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<td>1989-90</td>
<td>$15,527</td>
<td>2005-06</td>
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<td>1990-91</td>
<td>$16,647</td>
<td>2006-07</td>
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<td>1991-92</td>
<td>$17,406</td>
<td>2007-08</td>
<td>$429</td>
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<tr>
<td>1992-93</td>
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<td>2008-09</td>
<td>$865</td>
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<td>2009-10</td>
<td>$2,873</td>
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<td>1994-95</td>
<td>$21,451</td>
<td>2010-11</td>
<td>$3,184</td>
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<td>1995-96</td>
<td>$20,531</td>
<td>2011-12</td>
<td>$3,428</td>
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<td>1996-97</td>
<td>$17,733</td>
<td>2012-13</td>
<td>$4,584</td>
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<tr>
<td>1997-98</td>
<td>$14,976</td>
<td>2013-14*</td>
<td>$8,660</td>
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<td>1999-00</td>
<td>$12,020</td>
<td>2015-16*</td>
<td>$17,001</td>
</tr>
</tbody>
</table>

**Sources**

- 1984-85 to 2012-13, balance sheets contained in the executive summary of respective annual reports by the Government of Alberta.
Chart 1: Alberta Debt, 1984-85 to 2015-16 ($ billions of dollars)

Sources

- 1984-85 to 2012-13, balance sheets contained in the executive summary of respective annual reports by the Government of Alberta.
- 2013-14 to 2015-16, balance sheet provided in the 2013-14 Supplementary Supply Estimates provided during the Second Quarter Fiscal and Economic Update.