



Red ink rising: The cost of Prince Edward Island's debt

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a federally incorporated, not-for-profit citizen's group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization. Today, the CTF has hundreds of thousands of supporters nation-wide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. 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.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive Action Update emails. Financial supporters can additionally receive the CTF's flagship publication *The Taxpayer* magazine published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2023-24 fiscal year, the CTF raised \$6.3 million on the strength of 74,858 donations. Donations to the CTF are not deductible as a charitable contribution. The CTF does not accept foreign funding.



Overview

Prince Edward Island's public debt has exploded. Despite record-high government revenue, the provincial government plans to borrow hundreds of millions more, driving up interest costs that eat into funding that could be used for core services or tax relief.

Government forecasts suggest that the next few years will see these trends continue due to poor fiscal management.

Key findings:

- Total provincial debt has increased by 68 per cent between 2018-19 and 2025-26
- Every Islander now owes the equivalent of \$19,500 towards the provincial debt
- Increased debt is driven by spending in both health care and non-health care programming
- Debt will have increased nearly 100 per cent in a 10-year period under the current plan
- Interest costs will increase by 40 per cent by 2027-28 compared to current levels

Part I: Provincial Debt

P.E.I.'s provincial debt is rising fast.

Total provincial debt has increased by nearly 68 per cent between 2018-19 and today. That debt stood at \$2.12 billion in 2018-19 and will exceed \$3.56 billion by the end of this fiscal year.

PEI's debt load far exceeds annual government revenue. Revenue will hit \$3.43 billion this year, according to government forecasts.

The rapid debt accumulation since 2018-19 has had a dramatic per-capita effect. Every Islander owed the equivalent of about \$13,950 in 2018-19. That will balloon to \$19,500 by the end of this year.

FIGURE 1

PEI's Provincial Debt (\$ Million)

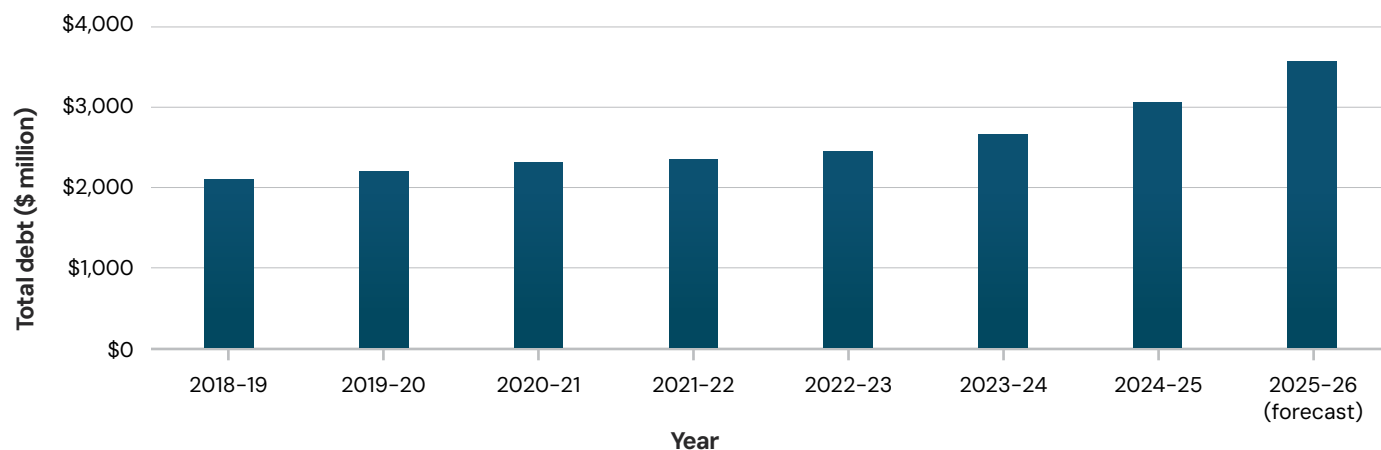
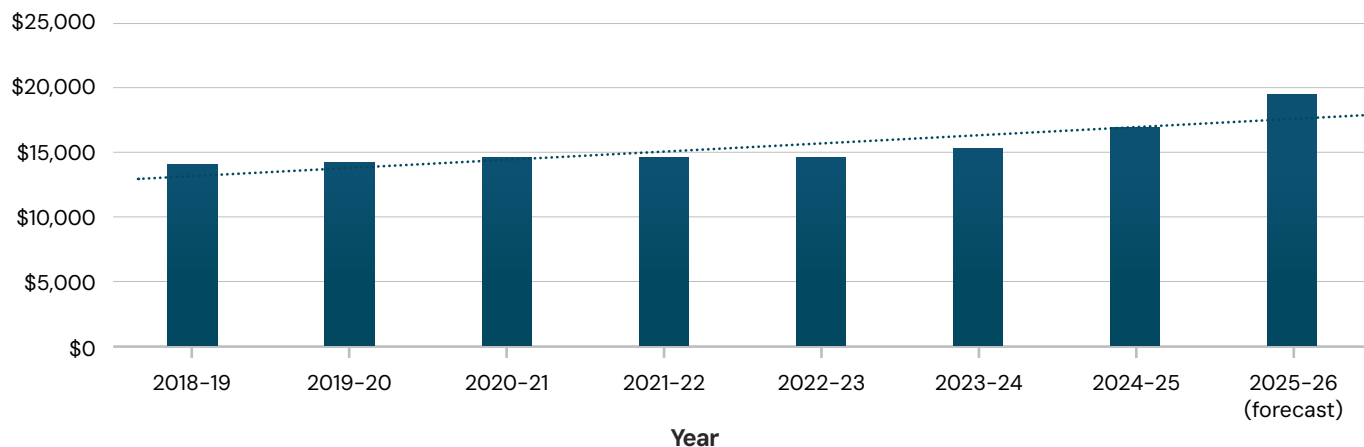


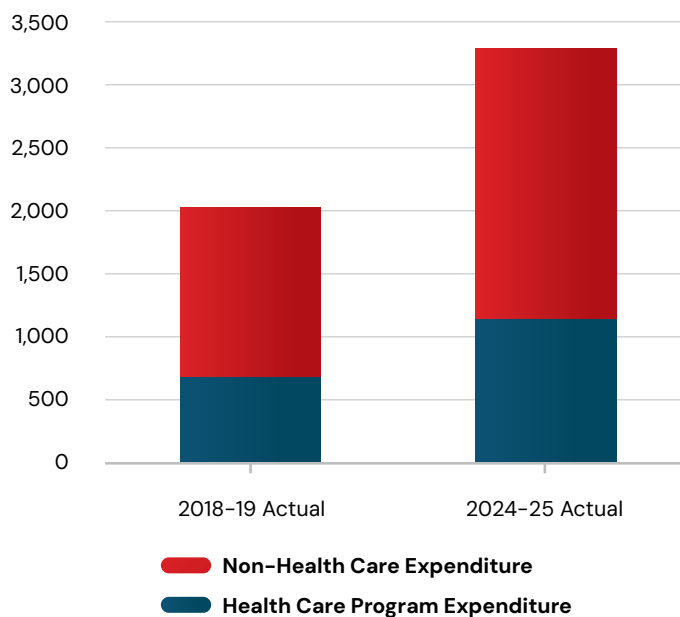
FIGURE 2

Per Capita Debt by Year



In the most recent two years, debt per capita has begun to grow by double digits. This includes a 14.4 per cent increase in 2024–25 and a forecasted 17.6 per cent in 2025–26.

While the current provincial government was elected with a mandate to increase health-care spending, non-health-care expenditure has increased at roughly the same rate as health-care spending during the same period. Instead, the increased government debt is a result of increased spending in all areas.

FIGURE 3**Health Care vs. Non-Health Care Expenditure**

Part II: Provincial Debt Forecast

The provincial government has no plans to return the budget to balance and plans to continue adding more debt for the next three years.

Total provincial debt will hit \$4.23 billion by 2027-28, according to current government forecasts. That's nearly a 100 per cent increase since 2018-19 and a 19 per cent increase from the end of this year.

Debt is forecast to increase by about \$2,800 per person over the next three years, from \$19,500 in 2025-26 to \$22,300 in 2027-28.

FIGURE 5
Debt forecast per capita

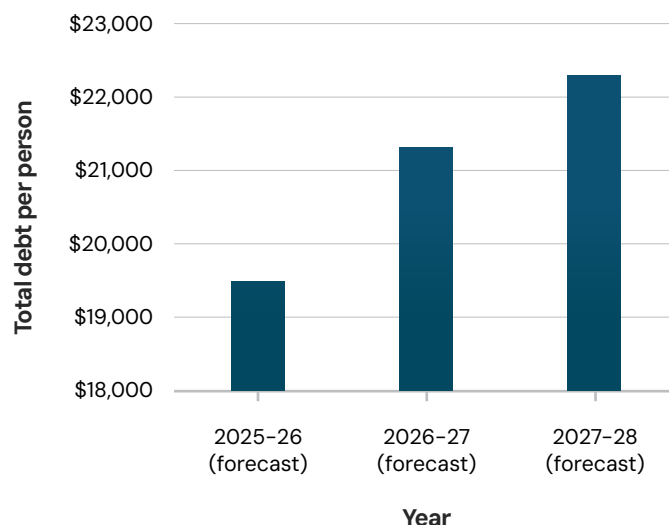
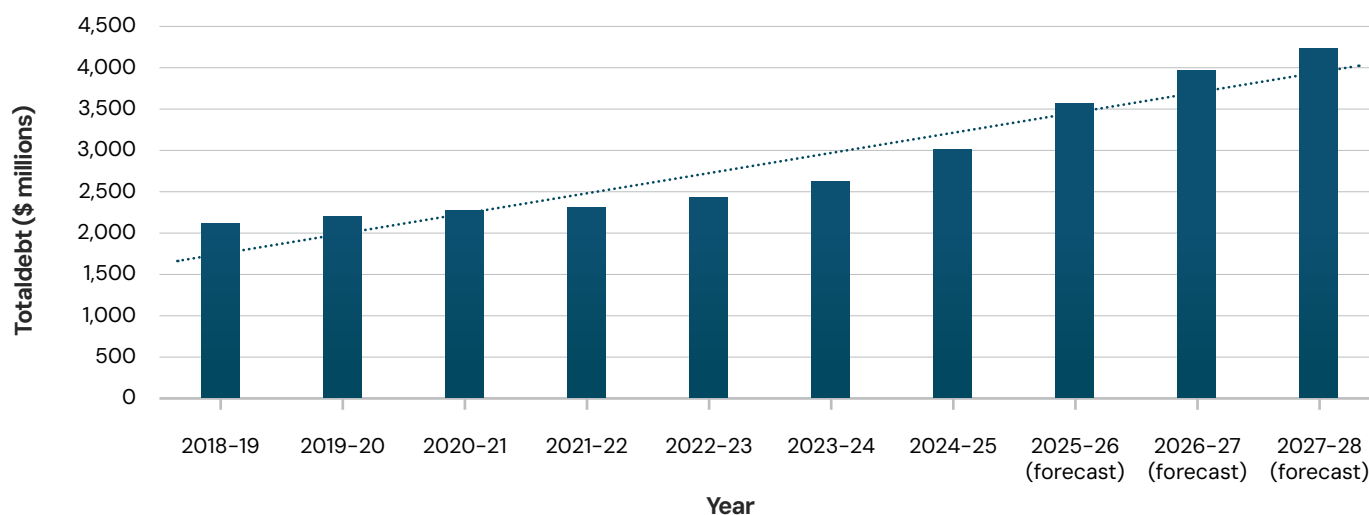


FIGURE 4

Forecasts show a steep increase in debt over the next three years



Part III: Interest

Every dollar of debt racked up by the government today is money that must be paid back by taxpayers tomorrow alongside interest.

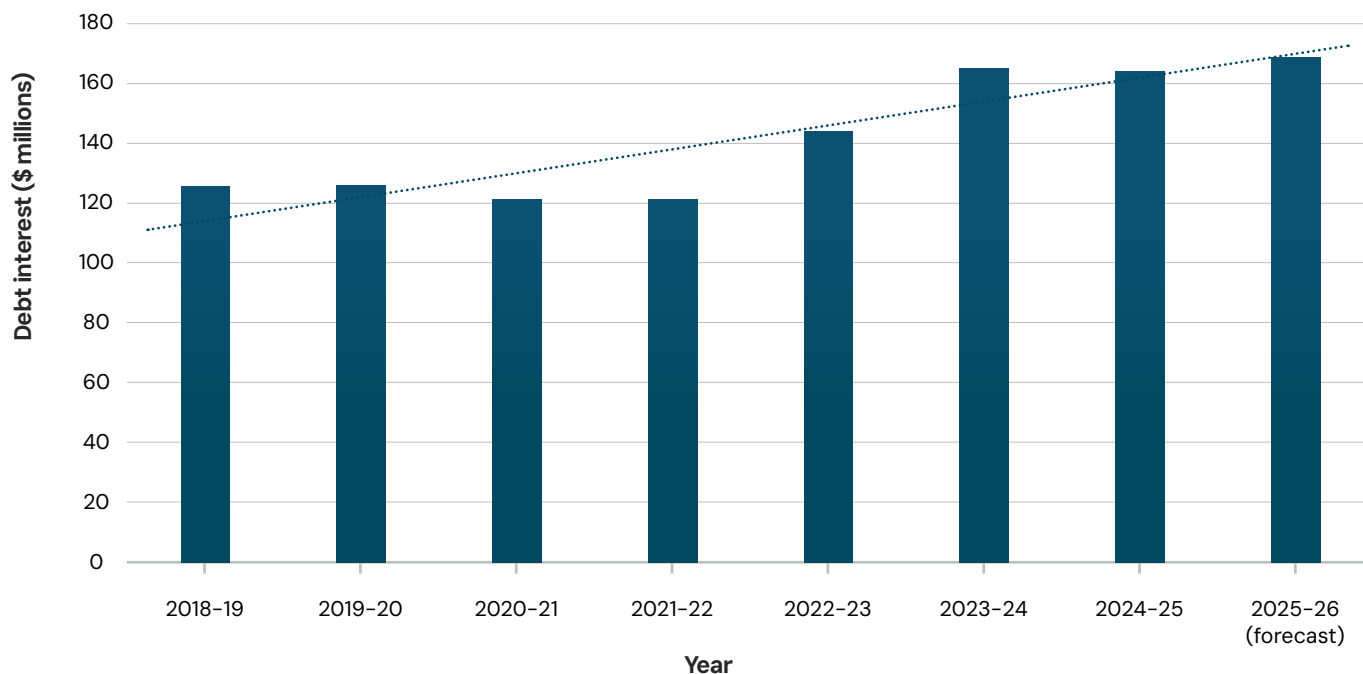
Interest payments are taking up a bigger share of the provincial budget every year. Every dime of interest is money that is not being used on core services or tax relief for Islanders struggling to make ends meet.

Debt interest is projected to cost Islanders \$170 million in 2025–26. That's about \$930 per person.

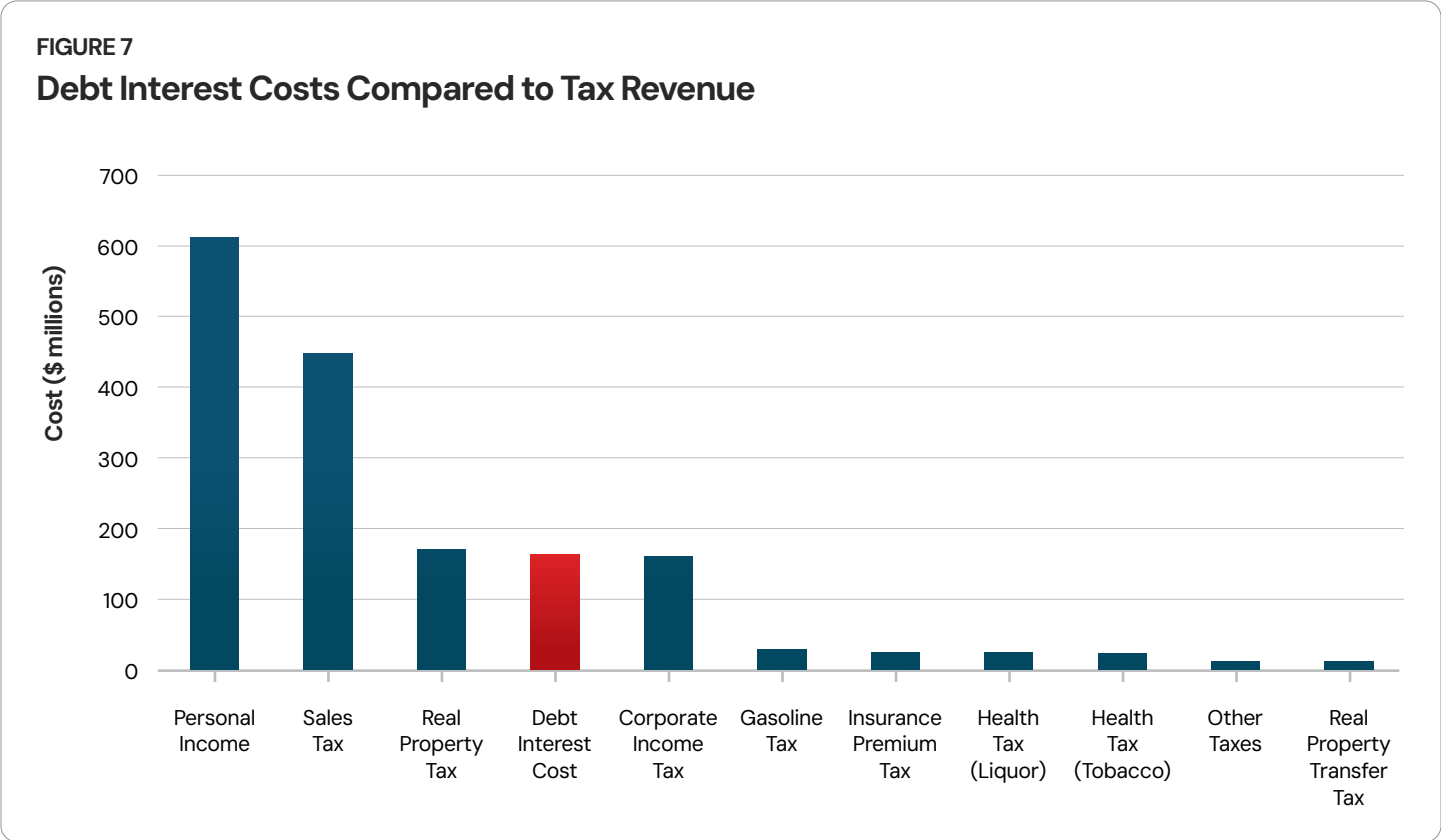
In 2018–19, debt interest charges cost Island taxpayers \$126 million meaning there has been about a 35 per cent increase in debt interest costs over the past seven years.

FIGURE 6

Debt Interest Costs

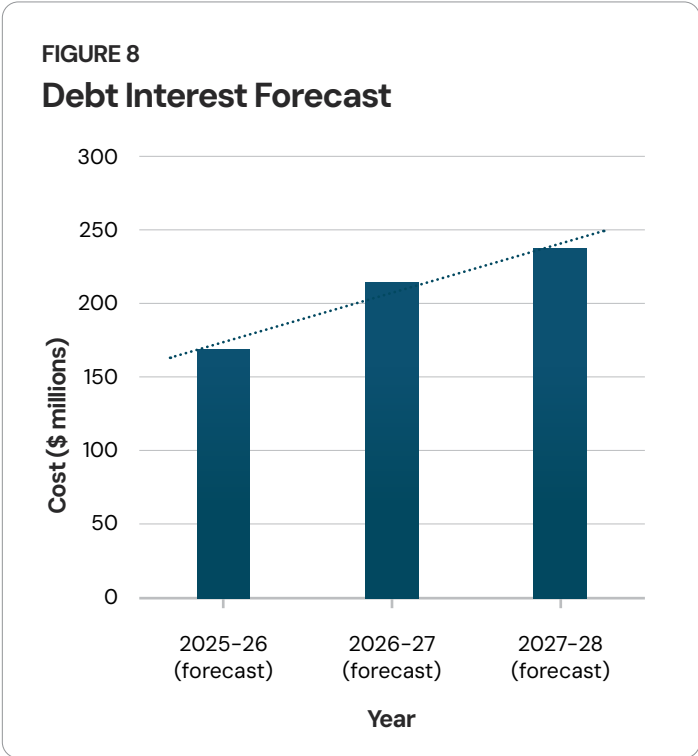


Debt interest charges costs more money than the province collects through corporate income tax.



Further, debt interest costs are forecast to rise sharply over the next few years.

Government forecasts show interest costs will increase by 40 per cent by 2027-28 compared to current levels. Islanders will be paying \$238 million for debt interest charges in 2027-28, which is \$1,250 per person.



Conclusion

Prince Edward Island's government debt is rising faster than taxpayers can afford.

High borrowing and interest costs erode the province's ability to spend money on core services or make life more affordable by cutting taxes.

The province must commit to immediately paying down the provincial debt.

Methodology

All historical data and forecasts were collected from Prince Edward Island's Public Accounts and 2025 Budget Estimates. Population was based on Prince Edward Island's statistics, with a 2 percentage point annual population growth forecast.