



State of Alberta's Debt

Derek Fildebrandt

Canadian Taxpayers Federation

T: 1-800-661-0187

E: dfildebrandt@taxpayer.com

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.

Canadian Taxpayers Federation - Alberta Office
2625 Shaganappi Trail NW,
PO Box 84171 Market Mall
Calgary, Alberta T3A 5C4

Phone: 1-800-661-0187
Email: dfildebrandt@taxpayer.com
Website: taxpayer.com

Derek Fildebrandt
Published in January of 2014

Table of Contents

ABOUT THE CANADIAN TAXPAYERS FEDERATION	1
TABLE OF CONTENTS	2
FACT SUMMARY	3
DEFINING DEBT	4
CALCULATING ALBERTA'S DEBT	5
ALBERTA'S MODERN DEBT HISTORY	5
DATA INPUTS FOR CALCULATING ALBERTA'S DEBT	7
TABLE 1: ALBERTA DEBT INPUTS AS DEFINED BY THE 1999 <i>FISCAL RESPONSIBILITY ACT</i> (\$ MILLIONS OF DOLLARS)	7
ALBERTA'S DEBT HISTORY, 1984-85 TO 2015-16	8
TABLE 2: ALBERTA DEBT, 1984-85 TO 2015-16 (\$ MILLIONS OF DOLLARS)	8
CHART 1: ALBERTA DEBT, 1984-85 TO 2015-16 (\$ BILLIONS OF DOLLARS)	9

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'.¹ 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.' 'Funds expressly dedicated to debt retirement refers to the Capital Plan Debt Retirement Account.

¹ 'Fiscal Responsibility Act.' Legislative Assembly of Alberta. 1999. Access November 9, 2013.
<http://www.assembly.ab.ca/net/index.aspx?p=bill§ion=simple&fid=o>

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 legal erasing of any reference to Alberta's debt culminated in the repeal of the *Government Accountability Act* in 2013. The government makes a surprisingly frank admission of this in a footnote on the last page of the *Government of Alberta 2012-13 Annual Report*. The document – signed by Finance Minister Doug Horner – states that,

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 in 1997.

² Hon. Horner, Doug. Government of Alberta. 'Government of Alberta 2012-13 Annual Report.' Page 22, footnote G. http://www.finance.alberta.ca/publications/annual_repts/govt/ganrep13/goa-2012-13-annual-report-executive-summary.pdf Accessed January 7, 2014.

Data Inputs for Calculating Alberta's Debt

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

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014*	2014-2015*	2015-2016*
Financial Assets as defined by the Fiscal Responsibility Act	2,010	1,241	3,479	2,197	2,035	1,794	1,175	1,107	843	503	249	40	152	357
Debt Retirement Account	2,010	1,241	3,479	2,197	2,035	1,794	1,175	1,107	843	503	249			
Capital Plan Debt Retirement Account												40	152	357
Financial Liabilities as defined by the Fiscal Responsibility Act	6,746	4,971	3,475	2,447	2,304	2,223	2,040	3,980	4,027	3,931	4,833	8,700	13,246	17,358
Accumulated debt	6,746	4,971	3,475	2,195	2,030	1,784	1,160	1,092	828	489	239			
Liabilities for capital projects (direct borrowing & P3s)				126	274	439	880	2,888	3,199	3,442	4,594	8,700	13,246	17,358
Aggregate Financial Liabilities as defined by the Fiscal Responsibility Act (debt)	(4,736)	(3,730)	4	(250)	(269)	(429)	(865)	(2,873)	(3,184)	(3,428)	(4,584)	(8,660)	(13,094)	(17,001)
Annual change in debt		(1,006)	(3,734)	254	19	160	436	2,008	311	244	1,156	4,076	4,434	3,907

Sources

- 2002-2003 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.

Alberta's Debt History, 1984-85 to 2015-16

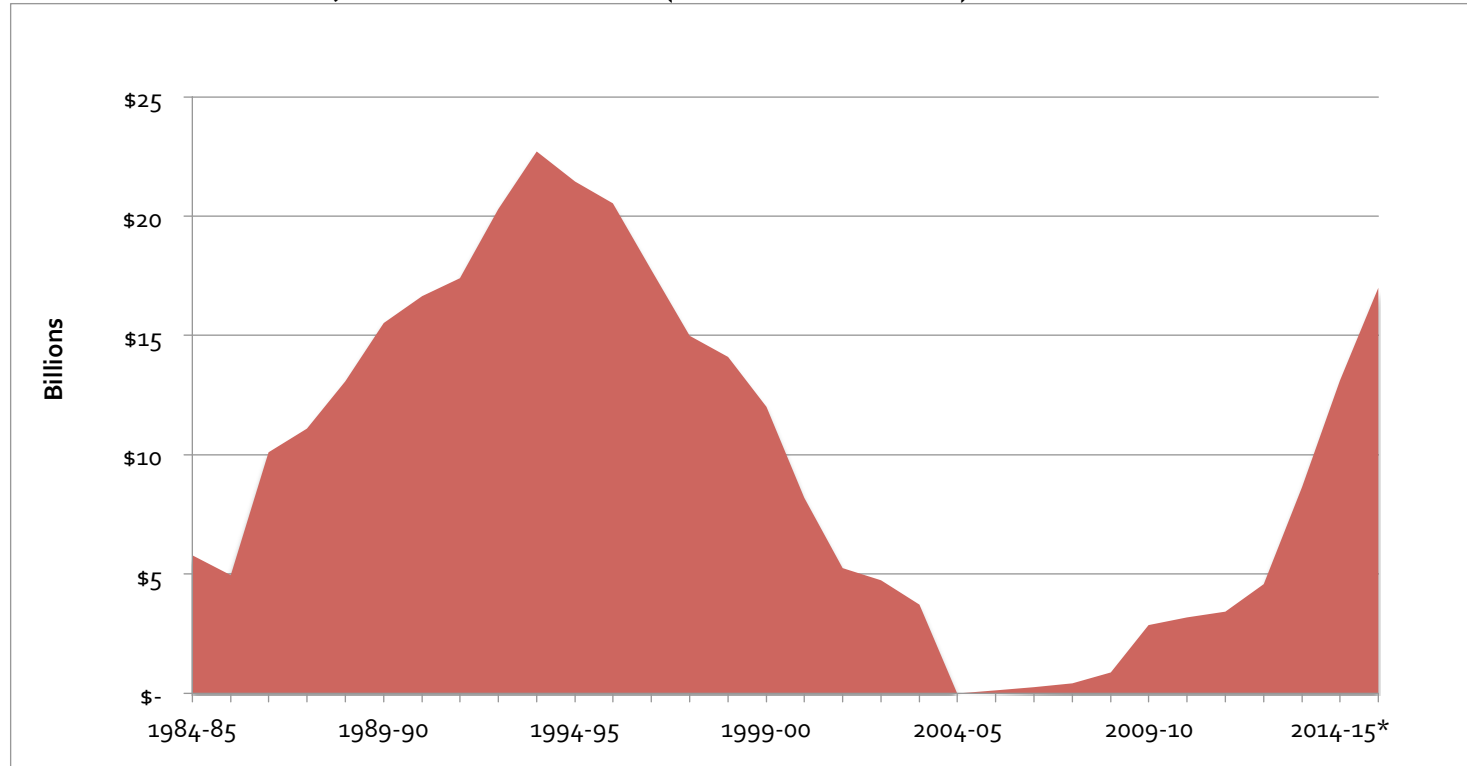
Table 2: Alberta Debt, 1984-85 to 2015-16 (\$ millions of dollars)

Year	Debt	Year	Debt
1984-85	\$5,787	2000-01	\$8,195
1985-86	\$4,953	2001-02	\$5,261
1986-87	\$10,091	2002-03	\$4,736
1987-88	\$11,105	2003-04	\$3,730
1988-89	\$13,069	2004-05	\$(4)
1989-90	\$15,527	2005-06	\$124
1990-91	\$16,647	2006-07	\$269
1991-92	\$17,406	2007-08	\$429
1992-93	\$20,305	2008-09	\$865
1993-94	\$22,701	2009-10	\$2,873
1994-95	\$21,451	2010-11	\$3,184
1995-96	\$20,531	2011-12	\$3,428
1996-97	\$17,733	2012-13	\$4,584
1997-98	\$14,976	2013-14*	\$8,660
1998-99	\$14,106	2014-15*	\$13,094
1999-00	\$12,020	2015-16*	\$17,001

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.

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.