

Budget: Fostering Growth and Unlocking Potential (2023)

Issue

The most recent quarterly fiscal update from Alberta's Minister of Finance projects a large surplus and a dramatic fiscal recovery following years of budget deficits. While these deficits were caused by the prolonged drop in non-renewable resource revenue which was compounded by the pandemic, it is a reminder of the need to insulate Alberta's finances from the volatility of resource revenue. This raises the question of Alberta's long-term fiscal planning given volatile oil and gas revenue. It is imperative that Alberta finally gets off the resource roller coaster.

Background

The recommendations are guided by principles including certainty and stability for businesses and those they serve and employ, facilitating inclusive growth and diversifying our economy by bringing more equity-seeking groups to the table.

Recent budget projections have included large surpluses and Alberta is now seeing a dramatic fiscal recovery following years of pressure due to low oil prices and the pandemic. This raises the question of Alberta's long-term fiscal planning given volatile oil and gas revenues.

In 2018, the Auditor General of Alberta published a commentary titled: Putting Alberta's Financial Future in Focus. The commentary summarizes possible risks ahead that Alberta must address: demographic changes, ageing of the population, chronic disease, climate change, infrastructure maintenance, the economic shift away from fossil fuels, rising interest rates and environmental clean-up. How will all these areas have changed decades from now? If a government does not engage in, and report on, long-term planning, Albertans will not be able to evaluate whether the decisions made today are sustainable over the next twenty years.

According to the Auditor General, Alberta has a serious fiscal gap – meaning the deficit that would exist if oil and gas revenues were excluded from the yearly budget. He noted “For the past 35 years, excluding oil and gas revenues, Alberta has spent more than it takes in.”

In November 2018, Economist Trevor Tombe published a paper “Alberta's Long-Term Fiscal Future” which looks closely at projections for an ageing population and program spending trends. The picture is sobering: If our current trends for taxation and spending by population continue, we could have a deficit of \$40 billion by 2040.

The Business Council of Alberta has proposed a model in the report “Three Big Rocks” that would see money invested in the Heritage Fund, and the remaining surplus divided by directing with a majority to debt repayment and the remaining to be “reserved for future strategic investment in areas of emerging opportunity.” We urge the government to adopt a concrete fiscal plan that ensures Alberta does not continue to rely on volatile non-renewable resource revenue and that future surpluses are invested in Alberta's future.

The Alberta Chambers of Commerce recommends that the Government of Alberta:

1. Invest in Innovation and Diversification, building on areas of growth in Alberta's economy in energy, tourism, transportation, health and life sciences, agriculture, technology, and services.

2. Foster skills development and labour attraction by reducing trade and mobility barriers, investing in training, promoting the province to national and international audiences, and supporting the vibrancy of our communities.
3. Improve community safety and well-being to provide supports appropriate for Albertan's needs, including supporting adequate shelter spaces, investing in solutions across the housing spectrum, continuing to address the drug poisoning crisis, and investing in health care and policing.
4. Plan for responsible fiscal management by:
 - a. Adopting a concrete fiscal plan to ensure surpluses are invested in Alberta's future.
 - b. Appointing an independent panel of experts to review Alberta's revenue sources, including a review of current and potential sources of revenue.
 - c. Publishing a report annually on the long-term fiscal health of the province forecasting at least twenty years into the future, including enduring performance measures and tracking. This should include:
 - i. Expected demographic changes that will impact on the economy and/or the provision of government services.
 - ii. Projected changes related to Alberta's major industries and the Canadian economy.