School of Public Policy | UNIVERSITY OF CALGARY

The Fiscal Implications of Separation: Expenditures

Technical Paper

The Economic and Fiscal Implications of Alberta Separation

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TABLE OF CONTENTS

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INTRODUCTION

What would a separate Alberta need to spend to replicate the transfers, services and programs the federal government currently delivers in the province?

The answer we come to in this paper is roughly $144 billion per year. This is just over $60 billion more than the current Government of Alberta (GoA) spends annually.

Most of that $60 billion is simply the cost of doing what Ottawa now does in Alberta: maintaining financial transfers to people and businesses, servicing a share of federal debt and operating federal programs. But it also includes new added costs that a separate Alberta would face as a new country making its way in the world (see our paper on *Alberta Separation: How It Would Work*) and experiencing shocks to its economy (see the technical paper *The Economic Implications of Separation*). This piece explains how we arrive at the $144 billion and $60 billion estimates, and how they depend on assumptions that might reasonably be made differently.

Estimating a separate Alberta's spending is a complex exercise, particularly given that neither we, nor advocates for either side in the separation debate, have a clear view of the future. Much of what we discuss depends on how a separate Alberta's community and its government choose to spend and tax. So, without a crystal ball to show us those choices, where can we start? Our starting point, and the first of our assumptions on the road to our estimates, is that a separate Alberta would spend in ways that allowed it to replicate all the services, programs and transfers Alberta residents currently receive from the federal government.

The bulk of the federal government's activity in Alberta involves transferring money directly to people, businesses and other entities.[a] Together, these transfers and the debt-service costs incurred on a separate Alberta's share of the federal debt account for roughly $33 billion of the $60 billion increase. Only about one-third, some $20 billion, is the cost of operating the federal services that Albertans now enjoy.

This does not mean we expect a separate Alberta would choose to be a miniature of Canada. Its government might change the generosity of transfers, restructure taxes, redesign programs or pursue any number of policy options to generate revenue and direct spending. Those choices are at the centre of unresolved political debates about a potential future. Our aim, again in the absence of a crystal ball, is to provide readers with as close a comparison as possible to the current suite of federal activity. Through this comparison, we hope readers will see some of the trade-offs that would need to be made as a leaner Alberta government pursued savings, or a more expansive one made different policy choices.

Our first step is to provide an overview of federal spending in the province. We describe this spending by federal ministry and federal program so that readers can understand the scale and scope of transfers to Alberta-based people, businesses and other entities. As we build up our list of transfers, services and programs that would need to be replicated, we edit out those that clearly would not continue in a separate Alberta. Here we are thinking of equalization payments or the Canadian Coast Guard.

In our estimates, we allow for administration costs that could exceed the federal government's, since it can cost less per resident to deliver a program to one million people than to 1,000. We also account for costs that have no counterpart in the federal budget: the physical and administrative infrastructure a new state would have to build, and the higher interest rates it would likely pay as it borrowed.[b]
Some might argue that a separate Alberta would opt for a smaller government. While this is possible, historical experience here is mixed. Since 1966, Alberta's real per capita annual program expenditures

[a] An individual Albertan might receive a federal Old Age Security or child benefit payment. An Alberta business might benefit from a federal subsidy, while a non-profit organization or educational institution might receive an operating or research grant through a federal program.

[b] See Section 2.8 on the cost of credit, and how Ottawa's AAA credit rating currently holds provincial borrowing costs down.

have averaged nearly $1,350 above the national average among provinces and territories.[c] However, in recent years, Alberta per capita program expenditures have been below the national average. Across this paper, we show how our results are sensitive, or not, to a variety of alternative assumptions, including government efficiency.

Readers interested in more detail on a broad, but not exhaustive, range of federal programs and agencies can consult the *Federal Department Spending Modules* appendix in Technical Appendices to this report.[d] We provide these details so readers can engage with some of the trade-offs in programming and benefits that might be considered by the community responsible for setting up a separate Alberta.

1. ABOUT OUR ESTIMATES

Everything that follows depends on a handful of choices about what a separate Alberta would replicate and how much of federal spending to assign to it. We describe those choices before giving any numbers so readers can judge the estimates against assumptions they have seen in advance. Where a choice is contestable, we return to it in Section 3.8 and show what a different answer would do to the total.

Our approach rests on three assumptions:

1. Replicate the size and distribution of current federal transfers to people, businesses and other entities in Alberta;
2. Exclude federal programs that are likely unnecessary in a separate Alberta; and
3. Allocate a share of the current federal debt and borrowing costs to Alberta on a per capita basis.

We apply these assumptions ministry by ministry. For each federal ministry, we separate spending into three components:

1. Transfers received by individuals, businesses or other entities in Alberta;
2. Interest costs; and
3. Remaining non-transfer, non-interest spending.

It is this final component — non-transfer, non-interest spending — that we apportion and spend the most time analyzing in the paper. To apportion it, we use various rules.   Which rule we apply depends on the primary activity of the ministry delivering the service, program or benefit.[e]

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c Source: Authors' calculations using Finances of the Nation.[1]
d See *Federal Department Spending Modules*, in Technical Appendices.
e Broadly, ministries whose activities scale with the size of the economy are assigned the GDP rule. Ministries whose activities scale with the number of people are assigned the population rule. The Indigenous population rule applies to Crown-Indigenous Relations and Northern Affairs and to Indigenous Services. The elderly population rule applies to Employment and Workforce Development. The children rule applies to the Canada Child Benefit. Finally, an ad hoc assumption governs the GST credit, which is apportioned at 10 per cent to match the statistical accounting by Statistics Canada for 2024.

Table 1. Rules to Apportion Alberta's Share of Federal Spending

Rule to Set Alberta's Share of Federal Spending	Assumption
GDP Rule	Alberta's **share of national GDP is 16 per cent**, and this amount of a ministry's non-interest, non-transfer spending would be required to replicate what are now federal services in a separate Alberta.
Population	Alberta's share of the **national population is 12 per cent**.
Indigenous Population	Alberta's share of Canada's **Indigenous population is 16 per cent**.
Elderly Population	Alberta's share of the **population aged 65 and over is 10 per cent**.
Child Rule	Alberta's share of the **population under 18 is 14 per cent**.

Source: Authors' calculations using various sources.

Our baseline estimates are for fiscal year 2026–27 and use the Federal Public Accounts expenditure values for 2024–25 (as we must in some places).[f] To align the Public Accounts information with the baseline fiscal year, we use each federal ministry's planned spending for 2026-27 as reported in the 2024-25 Public Accounts.[g]

Our assumption around how federal debt is apportioned deserves more discussion. Once again, without a crystal ball, we cannot know how any negotiation over how to divide the current federal debt would play out between a separating Alberta and the Rest of Canada (RoC). Without this clarity on the future, we have looked to historical precedent and chosen a per capita apportionment rule. The few examples of actual debt apportionment that exist in Canadian history point to an equal per capita division.

At Confederation, provincial debts were taken over by the federal government through debt allowances set on an equal per capita basis, as were subsequent adjustments to those allowances. When Ontario and Quebec could not reach agreement on how to apportion the joint debt of the former Province of Canada following their separation from one another, the matter was resolved through debt-allowance increases — again on an equal per capita basis. A per capita debt apportionment is also consistent with the actual experience of the Czech Republic and Slovakia. For Alberta, this would amount to approximately 12 per cent of federal debt.

Other apportionment rules might also be considered, including one based on GDP or on historical net contributions to the federal budget. If you wanted to argue for a GDP-share apportionment rule, you would likely say that debt should be divided according to the province's fiscal capacity to support and service it. That is to say, the rule would be based on a separate Alberta's ability to pay. Applying this rule rather than the per capita rule would increase a separate Alberta's share of the federal debt by four per cent to 16 per cent.

[f] Federal finances, whether in the budget or the Public Accounts, are not broken out by province either by origin on the revenue side, or by destination on the spending side. Statistics Canada, however, produces a detailed disaggregation of federal revenue and spending by province as part of its provincial economic accounts, and has done so for several decades. The latest available information from this Statistics Canada source is for the calendar year 2024. These data differ somewhat from the fiscal-year figures reported in the budget or the Public Accounts, but they are of the same order of magnitude, and they are composed of the spending items that matter for our estimates. There are a variety of reasons for the differences between the Public Accounts and the government finance statistics that Statistics Canada puts together. The macroeconomic accounts are produced according to internationally agreed-upon systems to ensure comparability. The two approaches differ in many ways. There are certain Crown corporations included as part of government within the Public Accounts, but as corporations in the macroeconomic accounts, for example. There are also accounting rules that differ, where some assets and liabilities are recorded at book value in the Public Accounts but at market value in the macroeconomic accounts. Certain tax refunds and credits, such as the GST credit, for example, are netted out of revenue in the Public Accounts but included as an expenditure item in the macroeconomic accounts. Liability associated with future employee benefits and contingent liabilities are included in the Public Accounts but not in the macroeconomic accounts, and so on. Interested readers wanting a full reconciliation between the two may consult Statistics Canada.[2]

[g] Organization-level planned spending for 2026–27 relative to 2024–25 expenditures, as reported in GC InfoBase, aggregated to the ministry level.

Alternatively, you could argue for apportioning debt based on Alberta's historical net contributions. This argument would likely hinge on the idea that much current federal borrowing went towards fiscal benefits enjoyed outside of the province. This rule would likely operate in a similar way to how Canada Pension Plan assets are distributed to a withdrawing province. In the case of a separate Alberta's debt, if each dollar of federal spending is partially financed through borrowing, then we could estimate the fraction of current federal debt associated with expenditures in Alberta (and only in Alberta). Applying this rule rather than the per capita rule would decrease a separate Alberta's share of the debt by two per cent to 10 per cent.[h] There are many other possible alternatives for apportioning federal debt. As we noted at the beginning of this paper, and in the technical paper *Alberta Separation: How It Would Work*, choosing an apportionment rule is just one step of a much larger negotiation.

Box 1: Major Federal Fiscal Transfers

The fiscal transfers of Canada's federal government are relatively straightforward, as most are accounted for by the major transfer programs: the Canada Health Transfer, the Canada Social Transfer and equalization. There are also other, conditional transfers — such as those in support of early learning and childcare — that form part of the analysis to come.

The health and social transfers are especially simple, as they are allocated across provinces on a nearly equal per capita basis. They are nominally conditional grants to be used in support of provincial health-care systems and social assistance schemes. Although given their size and that total provincial expenditures in these areas are potentially unlikely to be affected by these grants, they can therefore be more effectively considered as a simple block grant that displaces provincial finances that would otherwise have been used on these programs.

Equalization is a more complex major transfer program. It aims to provide support to provincial governments with limited fiscal capacity — those that raise less revenue per tax point across a variety of tax bases, largely on account of their weaker economies. This helps those governments deliver roughly comparable levels of public services without having to resort to above-average rates of taxation. Alberta enjoys the highest fiscal capacity in the country, a reflection of it having the strongest economy in Canada, and therefore receives no payments under the program.

2. FEDERAL SPENDING IN ALBERTA

Most federal spending in Alberta is through transfers, not the cost of running federal operations. That distinction shapes the rest of this conversation.

Figure 1 depicts the full flows of federal revenues collected in Alberta and spending by the federal government to people, businesses and other entities in Alberta. The pattern of federal spending is the focus here, with revenues dealt with in the technical paper *The Fiscal Implications of Separation: Revenues and Fiscal Balance*. The federal government spent $54.4 billion in the province in 2024. The shaded columns on the right of the figure show where that spending was directed. The majority is transfers: $19 billion to people in the form of benefits and credits; $18 billion to various levels of government in the province, including Indigenous and local; $6 billion in interest payments on federally borrowed money; and $4 billion in other transfers to businesses and other entities. In comparison, $7.4 billion is directed towards the cost of federal operations.

As we noted earlier, we are assuming that current federal transfers to Alberta-based people, businesses and other entities would be replicated by a separate Alberta. That assumption means no net change in transfer spending whether Alberta remains a province or separates. Non-transfer spending is different. It goes towards operating what are today federal programs and services, and it could change even if a separate Alberta continues to provide the same level of transfer benefits and public services. To estimate what replicating federal operations would cost, in the next sub-section we take a more detailed look at spending on departments and programs.

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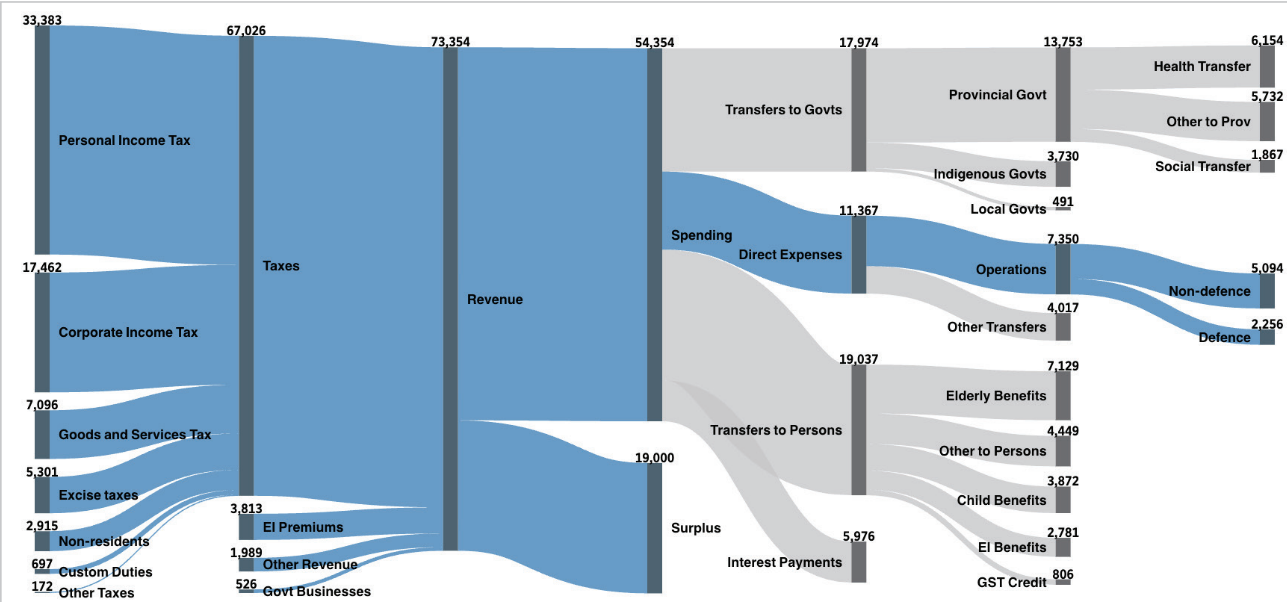
[h] Our calculations here are based on data from 1966 to 2024.

Figure 1. Actual Federal Revenue and Spending in Alberta, 2024 ($millions)



Source: Authors' calculations using Statistics Canada.[3] Transfer payments and interest are shown in grey.

3. A DETAILED LOOK AT FEDERAL SPENDING IN ALBERTA

We examine all federal spending, apart from a small number of exceptions described in the next subsection. Table 2 shows that total federal spending for Canada exceeded $545 billion in 2024–25. As well as ministry-level spending, the table also shows some benefits that are delivered not through the responsible ministries but rather through the tax system (Canada Child Benefit and GST credit) and the Employment Insurance (EI) Operating Account.[i]

Spending falls into two categories that we treat differently. Transfers to people, businesses and other recipients are assumed to continue unchanged. Non-transfer, non-interest spending is what a separate Alberta would have to replicate itself. Across all ministries, of the $202 billion in transfers where the recipient's location is publicly reported, nearly $22 billion went to Alberta-based recipients. Trackable transfers are a subset of all transfers. Where a transfer's location is unknown, we apportion it to Alberta the same way we apportion non-transfer, non-interest spending.

> **We use these non-transfer categories of spending to estimate the cost of each "replicating ministry" that a separate Alberta would need to stand up. We then add back transfers and interest spending.**

Two ministries dominate the total. The Ministry of Finance accounts for $144 billion, the majority of which is a mix of interest on the national debt and transfers to provincial governments. The ministry's direct expenditures on personnel and other operations are relatively small. For the Ministry of Employment and Workforce Development, the majority of its nearly $100 billion spend is paid out as Old Age Security (OAS) and Guaranteed Income Supplement (GIS) benefits to older adults.[j] The Alberta-specific transfers reported for this ministry are largely accounted for by shared-cost programs that include Early Learning and Child Care of $985 million, Labour Market Development Agreements of $167.2 million, Workforce Development Agreements of $85 million and the National School Food Program of $7.8 million.

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i This is a specified purpose account that is excluded from net ministerial expenditures for public accounting purposes.[4]

j The provincial distribution of OAS and GIS payments is known and we have made a manual adjustment for them in our calculations.[5]

Table 2. Federal Spending by Ministry, 2024–25

Ministry	Personnel ($mn)	Transfers ($mn)	Interest ($mn)	Other ($mn)	Total net spending ** ($mn)	Transfers with known location within the Public Accounts[k] ($mn)	Alberta transfers in Public Accounts ($mn)
Agriculture and Agri-Food	692	3,158		313	4,053	2,668	567
Canadian Heritage	528	1,862	5	2,451	4,742	1,669	89
Crown-Indigenous Relations and Northern Affairs	261	11,914	–	2,120	14,286	11,897	863
Democratic Institutions	182	2	–	133	317	1	–
Employment and Workforce Development	4,032	96,237	–	1,464	98,944	13,348	1,265
Energy and Natural Resources	1,010	3,365	–	1,834	6,187	2,996	194
Environment and Climate Change	1,167	1,580	–	444	3,114	1,519	94
Finance	622	92,618	47,995	2,627	143,862	92,597	8,164
Fisheries, Oceans and the Canadian Coast Guard	1,745	761	–	2,756	5,215	733	11
Global Affairs	1,767	6,230	–	1,913	9,851	2,485	51
Health	2,599	9,050	–	1,365	12,762	8,988	712
Housing, Infrastructure and Communities	203	7,634	42	6,668	14,546	7,625	1,013
Immigration, Refugees and Citizenship	1,621	3,573	–	2,288	6,861	3,233	186
Indigenous Services	1,031	22,861	–	2,641	26,483	22,770	3,249
Innovation, Science and Industry	2,744	8,763	–	1,454	12,474	8,239	792
Justice	2,315	718	–	282	2,783	698	75
National Defence	13,264	1,593	63	20,452	35,028	97	5
National Revenue	5,670	15,886	–	1,109	22,179	15,880	4,155
Office of the Governor General's Secretary	20	1	–	9	30	1	–
Parks Canada	627	104	–	638	1,369	95	12
Parliament	766	2	–	231	960	2	–
Privy Council	333	1	–	98	416	1	–
Public Safety	11,530	1,076	1	4,541	14,641	1,003	68
Public Services and Procurement ***	3,395	632	99	9,852	8,242	618	37
Transport	930	2,183	–	2,910	5,920	2,151	118
Treasury Board	11,845	1	–	276	11,148	1	–
Veterans Affairs	419	5,580	–	1,652	7,651	39	1
Women, Gender Equality and Youth	52	302	–	14	369	289	27
Canada Child Benefit*	–		–	–	31,000		–
Employment Insurance Benefits*	–		–	–	31,900	–	–
GST Tax Credit*	–		–	–	8,500	–	–
Total	**71,370**	**297,689**	**48,205**	**72,536**	**545,831**	**201,641**	**21,748**

Source: Public Accounts of Canada 2024–25.[5]
* Items delivered separately from departmental operations; amounts from Budget 2025.
Figures may not sum due to rounding.
** Total net spending excludes internal and external revenues.
*** Excludes recoveries of payment in lieu of taxes from custodian departments.

k These are grants or other benefits that exceed $100,000, and for which the recipient's location is individually reported.

Smaller ministries show the same pattern: transfers dominate their operations. Of the Ministry of Agriculture and Agri-Food's $4 billion spend, nearly $3.2 billion is transferred to farmers and other enterprises. Roughly $2.7 billion of those $3.2 billion in transfers can be tracked, and of that $2.7 billion, $570 million went to Alberta-based recipients. For the Ministry of Indigenous Services, from a $26.5 billion spend, $3.2 billion of the $22.8 billion of transfers that could be tracked went to Alberta-based recipients.

4. EXCLUDING FEDERAL SPENDING NOT RELEVANT TO ALBERTA: BASELINE CASE

A separate Alberta would not need to do everything Ottawa does. This section identifies the federal activities we assume it would not replicate and removes them from our cost estimates. Getting these exclusions right matters: including them would overstate what a separate Alberta must spend, while omitting too much would understate it.

Our exclusions apply to non-transfer, non-interest spending only. These are federal operations we assume a separate Alberta would not replicate. Transfers currently made to Alberta-based recipients are maintained throughout, even when they fall within an otherwise excluded activity.

The clearest examples of exclusion are the redistributive transfers made to other governments in Canada. We assume that equalization payments to lower-income provinces and transfers to the northern territories would not exist in a separate Alberta. As such, we exclude the roughly $30 billion in such redistributive transfers made by the Ministry of Finance. Altogether, federal activities entirely excluded from the analysis amount to approximately $43.5 billion in 2024–25, of which approximately $33.2 billion was spent on transfers.

We assume a range of other federal spending would not be replicated in a separate Alberta. In the Ministry of Canadian Heritage, we exclude the national museums,[l] the National Arts Centre Corporation, the National Battlefields Commission and official languages activities. Within Crown-Indigenous Relations and Northern Affairs, we exclude programs such as Northern Affairs and Polar Science and Knowledge.[m] We exclude the entire Ministry of Democratic Institutions as electoral boundaries and election administration are already handled within the province by Elections Alberta. We also exclude activities related to Parliament.[n]

Some exclusions reflect geography rather than function. We exclude the marine navigation, marine operations and response, and fisheries and aquatic ecosystems activities of the Department of Fisheries, Oceans and the Canadian Coast Guard, though some of these functions could be modestly scaled up in a separate Alberta. Other excluded spending includes components of Housing, Infrastructure and Communities Canada, such as the Jacques-Cartier and Champlain Bridges Corporation, the Windsor-Detroit Bridge Authority and the management of other international bridges. We similarly exclude components of Innovation, Science and Industry's portfolio, such as the Canadian Tourism Commission and the regional economic development agencies, with the exception of activity within the Prairies. From Public Services and Procurement, we exclude the National Capital Commission. From Transport Canada, we exclude Marine Atlantic Incorporated, the Federal Bridge Corporation Limited and Via Rail. From Public Safety, we exclude official language protection activities.

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[l] These include: the Canadian Museum for Human Rights, the Canadian Museum of History, the Canadian Museum of Immigration at Pier 21, the Canadian Museum of Nature, the National Gallery of Canada and the Canada Science and Technology Museum.

[m] An example of this would be the High Arctic Research Station.

[n] This includes spending to administer the House of Commons and the Senate, as well as programs related to economic and fiscal analysis and parliamentary security. Similarly, we assume the Office of the Secretary to the Governor General would not be replicated in a separate Alberta.

We exclude nuclear decommissioning, waste management and nuclear laboratories from Environment and Climate Change Canada's portfolio, but keep nuclear regulatory activities given Alberta's signalled interest in the area. This capacity may need to be scaled up in a separate Alberta. Within Global Affairs, we include most activities and assume a separate Alberta would continue spending on international aid at a level proportional to its share of national GDP, consistent with international norms and commitments. The minor exceptions are spending on Great Lakes water-quality management and other shared water-resource management.

Overall, Table 3 identifies the federal spending we assume a separate Alberta would not require, reporting it by ministry. Its "apportionment rule" column shows which of the rules we use to allocate all of the remaining expenditures of each Ministry to Alberta.

Table 3. Excluded Spending and Apportionment Rules, by Total Federal Spending by Ministry

Ministry	Excluded spending (baseline scenario) ($mn)	Excluded spending (alternative scenario) ($mn)	Apportionment rule	Alberta share (%)
Agriculture and Agri-Food	–	264	GDP	16
Canadian Heritage	932	4,725	Population	12
Crown-Indigenous Relations and Northern Affairs	1,042	1,042	Indigenous population	16
Democratic Institutions	317	317	Population	12
Employment and Workforce Development	–	1,331	Population aged 65+	10
Energy and Natural Resources	1,434	4,776	GDP	16
Environment and Climate Change	–	1,662	Population	12
Finance	30,412	30,412	GDP	16
Fisheries, Oceans and the Canadian Coast Guard	4,612	4,612	GDP	16
Global Affairs	9	9	GDP	16
Health	–	9,184	Population	12
Housing, Infrastructure and Communities	1,134	6,788	GDP	16
Immigration, Refugees and Citizenship	–	–	Population	12
Indigenous Services	–	–	Indigenous population	16
Innovation, Science and Industry	1,295	3,345	GDP	16
Justice	–	–	Population	12
National Defence	–	–	GDP	16
National Revenue	–	–	GDP	16
Office of the Governor General's Secretary	30	30	GDP	16
Parks Canada	–	–	GDP	16
Parliament	960	960	GDP	16
Privy Council	–	–	GDP	16
Public Safety	17	17	GDP	16
Public Services and Procurement	151	151	GDP	16
Transport	1,161	1,161	GDP	16
Treasury Board	–	–	GDP	16
Veterans Affairs	–	–	Population	12
Women, Gender Equality and Youth	–	369	Population	12

Ministry	Excluded spending (baseline scenario) ($mn)	Excluded spending (alternative scenario) ($mn)	Apportionment rule	Alberta share (%)
Canada Child Benefit	–	–	Population under 18	14
Employment Insurance Benefits	–	–	Population	12
GST Tax Credit	–	–	Ad hoc	10
Total	**43,504**	**71,155**		

Source: Authors' calculations. See text for details.
Notes: Excluded spending is measured in 2024–25 dollars. "Alberta share" column shows the apportionment applied to determine the province's portion of ministry spending. The GST Tax Credit at 10 per cent is an ad hoc decision we made based on our calculations using Statistics Canada's 2024 accounting.

5. EXCLUDING FEDERAL SPENDING: ALTERNATIVE CASE

Some readers will think our exclusions are too narrow. This section reports a second, more expansive set of exclusions to show how much the bottom line depends on that judgment. We take no position on which set is correct. Making choices among and between all of the current federal programming[o] will involve the kind of protracted political discussion we describe in the technical paper *Alberta Separation: How It Would Work*. When we present the alternative set of more expansive exclusions than we do here, it is purely as a sensitivity test. That is to say, we are asking: is spending more or less sensitive to the exclusion choices that might be made?

To build this broader list, we focused on areas where both orders of government play a role. Our assumption here is that where there is overlap, there may be opportunity to reduce rather than replicate spending as existing provincial ministries absorb the work. Of course, this may not be possible or may not prove politically feasible. And building such a list inevitably involves fallible judgment calls. Again, we make these calls not to take a position, but to illustrate what effect a more aggressive approach to excluding federal programs could have on our final results. In our baseline case, described in the previous section, we excluded $43.5 billion. In our alternative scenario of exclusions, we exclude a little over $71 billion.

The additional exclusions cover a wide variety of federal spending. We highlight only a few here. Within Agriculture and Agri-Food, internal services are excluded, on the presumption that Alberta's existing agricultural operations could manage the relevant transfers and regulatory matters. Canadian Heritage is excluded entirely, except for activities related to regulating and supervising the communications system. Within Employment and Workforce Development, internal services, accessibility standards and occupational health and safety and workplace-relations activities are excluded, as these could be covered within existing provincial capacities. Within Energy and Natural Resources, exclusions cover energy adjudication, energy information and engagement, internal services, science and risk mitigation, sustainable resource development and safety and environmental oversight — activities also potentially performed by Alberta's own energy ministry and regulator. Within Environment and Climate Change, impact assessment, internal services and action on clean growth and climate change are excluded. Notably, most of the spending in these three areas takes the form of transfers, which we continue to include for Alberta recipients.[p]

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o See *Federal Department Spending Modules*, available in Technical Appendices.
p Some of the excluded areas transfer money to Alberta-based people, businesses and other entities. Where this is the case, we keep the full amount. This means the decrease in federal spending we apportion is smaller than the increase in excluded federal spending might suggest.

Box 2: Passports

The Passport Program is funded largely through user fees rather than general revenue. Within Immigration, Refugees and Citizenship Canada's (IRCC) portfolio, gross operating expenditures for Citizenship and Passports were approximately $831 million in 2024–25, with 2,010 full-time-equivalent employees across citizenship and passport activities. About $608 million is fee revenue-funded operations directly, leaving a net federal cost of approximately $222.5 million.

Fees flow through the Passport Program Revolving Fund, which allows revenues to cover operating and capital costs without a new annual appropriation. Passport fees are IRCC's largest fee source. Although designed to be self-financing, expenses have exceeded revenues since COVID-19, though the gap has narrowed. Staffing is projected to decline from just over 2,000 to about 1,730 by decade's end.

In 2024–25, IRCC received approximately 5.4 million applications and issued over five million passports. A separate Alberta would need equivalent processing, secure-production, issuance, fee-collection and financing capacity.

6. ESTIMATING A SEPARATE ALBERTA'S SPENDING

This section brings the previous assumptions together. We report our results in Table 4. In it you can see, ministry by ministry, what a separate Alberta would spend to replicate today's federal transfers, services and programs. The total is approximately $68.6 billion. We also report national-level federal non-transfer and non-interest spending in the table for context. We adjust our baseline estimate in later sections, but this is the starting point for everything that follows. The total includes spending in three areas.

The first is operations. There is $130.7 billion in federal non-transfer, non-interest spending to apportion between Alberta and the RoC. Of that, a separate Alberta would need $20.2 billion, or 15.5 per cent of the total, to replicate current federal programs and operations. This is more than is currently spent in Alberta by the federal government, but this increase is not due to any presumed loss of efficiency or economies of scale. We turn to those issues shortly. At this point, the higher cost here is because many federal services and activities are located elsewhere in Canada. Essentially, the province today imports various public services that it would no longer be able to if it separated. It would need to undertake those activities within its own borders.

The second is transfers, at $42 billion. We hold these fixed, consistent with our starting assumption that a separate Alberta would replicate current federal benefits. This includes transfers to people, businesses and other entities, and also transfers currently flowing to the GoA through various federal-provincial programs. We include transfers to the GoA here because they are federal expenditures, though from the perspective of a separate Alberta they would represent forgone revenues.

The third is debt service, at $6.4 billion, where we apportion a separate Alberta's interest payments on existing federal debt on a per capita basis.[q]

In total, we estimate that the cost to a separate Alberta to replicate current federal activities would be $68.6 billion.

[q] Each percentage-point change in the share of federal debt allocated to a separate Alberta would move this by roughly $530 million. See our discussion in section 2 on the implications of applying rules other than the per capita rule to apportioning federal debt.

Table 4. Estimated Additional Costs for a Separate Alberta, Before Adjustments, 2026–27

Ministry	Net national non-transfer and non-interest spending ($mn)	Alberta non-transfer and non-interest spending ($mn)	Alberta transfers ($mn)	Alberta interest costs ($mn)	Alberta total ($mn)
Agriculture and Agri-Food	817	131	590	–	721
Canadian Heritage	1,155	139	51	–	190
Crown-Indigenous Relations and Northern Affairs	1,470	235	721	–	957
Democratic Institutions	–	–	–	–	–
Employment and Workforce Development	3,015	302	10,642	–	10,944
Energy and Natural Resources	1,168	187	213	–	400
Environment and Climate Change	937	112	62	–	174
Finance	3,582	573	9,005	6,350	15,928
Fisheries, Oceans and the Canadian Coast Guard	218	35	6	–	40
Global Affairs	2,662	426	479	–	905
Health	4,319	518	837	–	1,356
Housing, Infrastructure and Communities	4,122	660	729	4	1,392
Immigration, Refugees and Citizenship	2,282	274	157	–	431
Indigenous Services	3,295	527	2,969	–	3,497
Innovation, Science and Industry	4,862	778	1,241	–	2,019
Justice	2,042	245	76	–	321
National Defence	49,274	7,884	360	11	8,255
National Revenue	5,916	946	3,907	–	4,853
Office of the Governor General's Secretary	–	–	–	–	–
Parks Canada	1,196	191	12	–	204
Parliament	–	–	–	–	–
Privy Council	413	66	–	–	66
Public Safety	14,552	2,328	85	–	2,414
Public Services and Procurement	7,403	1,185	40	12	1,236
Transport	1,730	277	83	–	360
Treasury Board	11,936	1,910	–	–	1,910
Veterans Affairs	2,218	266	713	–	979
Women, Gender Equality and Youth	75	9	33	–	42
Canada Child Benefit	–	–	4,340	–	4,340
Employment Insurance Benefits	–	–	3,828	–	3,828
GST Tax Credit	–	–	867	–	867
Total	**130,657**	**20,203**	**42,048**	**6,377**	**68,628**

Ministry	Net national non-transfer and non-interest spending ($mn)	Alberta non-transfer and non-interest spending ($mn)	Alberta transfers ($mn)	Alberta interest costs ($mn)	Alberta total ($mn)
Sensitivity to Alternative Assumptions					
i. Uniform per capita apportionment	–	*15,679*	*43,625*	*6,377*	*65,681*
ii. Uniform GDP apportionment	–	*20,905*	*47,844*	*6,377*	*75,126*
iii. GDP for defence, per capita for the rest	–	*17,650*	*43,714*	*6,377*	*67,740*
iv. Using the alternative exclusions	–	*18,659*	*42,048*	*6,377*	*67,084*
v. Higher government efficiency in Alberta (+10%)	–	*19,083*	*42,048*	*6,377*	*67,508*
vi. Lower government efficiency in Alberta (-10%)	–	*21,435*	*42,048*	*6,377*	*69,860*
vii. Lower federal debt allocation (10%)	–	*20,202*	*42,048*	*5,314*	*67,563*
viii. Higher federal debt allocation (16%)	–	*20,202*	*42,048*	*8,503*	*70,753*

Source: Authors' calculations. See text for details.
Notes: "Net spending to apportion" is each ministry's non-transfer, non-interest, non-excluded spending, adjusted to 2026–27 levels. Alberta transfers are transfers to Alberta-based recipients, held fixed. Interest costs are apportioned per capita. Figures may not sum due to rounding.

It is important to note our $68.6 billion estimate for 2026 represents more spending than currently takes place in the province. If we project forward Statistics Canada's estimates from 2024 into 2026, based on the federal government's own spending plans, we estimate the federal government would spend roughly $56.9 billion in Alberta. This means, in our raw estimate, the cost of replicating federal services in a separate Alberta would be approximately $11.7 billion more than what the federal government currently spends in the province.

7. HOW SENSITIVE IS THE BASELINE ESTIMATE TO ALTERNATIVE ASSUMPTIONS?

This $11.7 billion baseline rests on a series of judgment calls: which apportionment rule applies to which ministry, which federal activities a separate Alberta would drop, how efficiently it would operate and what share of federal debt it would carry. This section tests how much the bottom line depends on each of these assumptions. The lower panel of Table 4 reports eight alternatives, labelled *i* through *viii*.

The short answer is that most of these choices make little difference. Six of the eight scenarios put total spending between $67.1 billion and $70.8 billion, against our baseline estimate of $68.6 billion. This is a swing of no more than a few per cent. The exceptions are the two single-rule apportionment cases, *i* and *ii* in Table 4. Under these scenarios, we see a wider range from a low of $65.7 billion to a high of $75.1 billion. All of these sensitivity scenarios suggest our baseline estimate is not unreasonable.

Apportionment rules — Scenarios *i* and *ii* apply a single rule to every ministry and benefit program: straight per capita in *i*, straight GDP in *ii*. On non-transfer, non-interest spending, the per capita rule in *i* gives $15.7 billion against our mixed-rule baseline of $20.2 billion. This creates a gap of about $4.5 billion. The GDP rule in *ii* gives $20.9 billion, almost identical to the baseline. This is expected as we apply the GDP rule to most ministries, including National Defence, which is the largest item. Since NATO spending targets are expressed as a share of GDP, this seems appropriate. The totals move differently because these rules also apportion transfers that cannot be tracked to a location in the Public

Accounts. Under *i*, total spending falls to $65.7 billion, roughly $3 billion below baseline. Under *ii*, it rises to $75.1 billion, roughly $6.5 billion above. Almost all of that $6.5 billion comes from the transfer column, not from operations.

Scenario *iii* sits between the two: per capita apportionment for all ministries except National Defence, which retains its GDP-based allocation. This gives total spending of $67.7 billion.

Exclusions — Scenario *iv* adopts the more expansive exclusions described previously. Those exclusions remove a little over $71 billion of current federal spending, against roughly $44 billion in the baseline. Yet Alberta's apportioned non-transfer, non-interest spending falls only from $20.2 billion to $18.7 billion, and total spending from $68.6 billion to $67.1 billion. The effect on the bottom line is about $1.5 billion, or two per cent. It is small because most of the additionally excluded spending finances transfers to Alberta-based people, businesses and other entities, which our baseline assumption says we must hold constant. Only the operational component drops out.

Government efficiency — How well a separate Alberta would administer its new responsibilities is an open question. Some hold the view that the GoA operates more efficiently than other governments, notwithstanding its historically high levels of spending. On that view, a separate Alberta could deliver current federal services for less than Ottawa spends today. Others take the opposite position. We take no side, and report scenarios *v* and *vi* so readers on both sides can see what is at stake. We apply the adjustment to all apportioned operations except defence, since we assume defence spending is set as a share of GDP rather than built up from the cost of delivering a given capability — efficiency gains there would buy more defence, not cost less. A 10 per cent efficiency gain (*v*) lowers non-transfer, non-interest spending to $19.1 billion; a 10 per cent deterioration (*vi*) raises it to $21.4 billion. Including transfers and interest, total spending ranges from $67.5 billion to $69.9 billion.

Box 3: NAV Canada

Air navigation services are no longer a federal expenditure. Air traffic control, flight information and related services were transferred from Transport Canada in 1996 under the Civil Air Navigation Services Commercialization Act, which authorized the sale of the system to NAV CANADA, a private non-share capital corporation, for $1.5 billion. NAV CANADA is not an agent of the Crown, receives no federal appropriation and funds itself through charges to aircraft operators.

In fiscal 2025, NAV CANADA collected $1.8 billion in customer service charges against operating expenses of just over $1.7 billion, plus minor other expenses. The act requires charges to reflect financial requirements rather than generate excess revenue. Federal funding is limited, including some support through the National Trade Corridors Fund. Separately, Transport Canada spends nearly $230 million on aviation safety and regulatory activities.

The act gives NAV CANADA a legal monopoly over air traffic control and aeronautical information services in Canadian airspace. One of its seven area control centres is in Edmonton, although its flight information region extends beyond Alberta; roughly 14 per cent of national air traffic passes through the province.

A separate Alberta would inherit no direct spending line but would need to negotiate continued service, remain within a Canada-wide system or establish its own provider. Airport security is discussed separately.

Debt allocation — Scenarios *vii* and *viii* use an historical expenditure share of 10 per cent as a lower bookend and a GDP share of 16 per cent as an upper bookend, against a baseline per capita share of 12 per cent. The smaller share (*vii*) lowers interest costs by over $1 billion to $5.3 billion, and total spending to $67.6 billion. The larger share (*viii*) raises interest costs to $8.5 billion and total spending to $70.8 billion.

8. NEW COSTS OF SEPARATION

The raw estimate in Table 4 describes what a separate Alberta would spend in an ordinary year once it was up and running. Getting there would cost more. Ongoing uncertainty and the inherent riskiness of a smaller jurisdiction may add more still. This section adds four things that the raw estimate leaves out:

1. The capital a new government would need to buy;
2. The one-time cost of building institutions and administrative capacity;
3. The higher interest rates a new state would likely pay on its debt; and
4. The consequences of losing some economies of scale that the larger federal government may now enjoy relative to a separate Alberta.[r]

Total start-up costs would depend on a range of administrative, logistical and operational decisions made as new ministries, operations and programs are established. No estimate, no matter how nuanced, can predict all these choices. Our goal is to provide a rough sense of how big the costs could be.

8.1 START-UP CAPITAL COSTS

A separate Alberta would need buildings, equipment and other physical assets to run what are today federal operations. In this subsection, we estimate how much of that capital it would have to acquire after assuming it would likely inherit some at separation. Our estimate is roughly $30 billion, which would add about $1 billion a year in debt-service costs.

In 2024–25, the federal government owned nearly $226 billion worth of tangible capital when valued at cost. This figure is before deducting accumulated amortization.[s] Of that total, over $108 billion is held by National Defence. The remainder is owned across several other ministries, most notably Public Services and Procurement; Public Safety; Transport; and Housing, Infrastructure and Communities. Capital assets are also held by Fisheries and Oceans, the Canadian Coast Guard and Canadian Heritage. Consistent with the exclusions we described previously, we will exclude approximately $23 billion of capital assets held by ministries whose activities a separate Alberta is unlikely to replicate. We use the share of each excluded ministry's overall spending that we developed previously to estimate how much capital to exclude. This leaves approximately $205 billion worth of federal government-owned capital to apportion between Alberta and the RoC as we work towards an estimate of a separate Alberta's tangible capital requirements.

That $205 billion represents approximately $1.74 of capital per dollar of overall non-interest and non-transfer spending to be apportioned — corresponding to $118 billion in 2024–25. Applying that ratio to the $20.2 billion in spending apportioned to Alberta yields required capital of $35.1 billion.

Because a separate Alberta would need to establish its own capital holdings, the at-cost figure is an underestimate of the cost of acquiring equivalent capital. These Public Accounts values are not replacement-cost estimates but purchase costs, potentially incurred many years ago. Increases in the price of property, materials and so on since those purchases were made would naturally raise the true cost of acquisition — potentially dramatically so. We therefore apply a simple adjustment to better reflect the current cost of replacing such capital. Assuming the average age of government capital is approximately six years,[t] and using the implicit price index on general government gross fixed capital formation from Statistics Canada,[7] the current replacement cost for capital may be approximately

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[r] In public finance, economy of scale refers to the phenomenon where the average cost of providing a public good or service drops as the population or output increases.
[s] After deducting amortization, the Public Accounts report the value of tangible assets at $115 billion.
[t] This value is roughly consistent with depreciation values reported by Statistics Canada.[6]

25 per cent higher than the at-cost, or book value, of that capital.[u] Some assets depreciate more quickly than others. The average age of buildings will be far older than office equipment, for example. This six-year value is simply a conservative average value, but one that raises the replacement cost of capital from $35.1 billion to $44 billion.

A separate Alberta would not have to buy all of it. As we assumed with federal net debt, we also assume that a share of Government of Canada physical assets would be transferred to Alberta at the time of separation. Physical assets within the province itself, for example, plus potentially other assets (or financial compensation in lieu of the actual physical assets, or credit against the share of national debt) could be transferred. There are insufficient public data on the location of federal assets to derive a precise calculation of this. The best available estimate from Statistics Canada suggests approximately two per cent of federal infrastructure assets (excluding health and defence) are in Alberta while just over 13 per cent of defence-related infrastructure assets are in the province.[v] But if a separate Alberta received the equivalent of its per capita share of federal assets,[w] taking into account amortization and regardless of where that capital was located, then it would receive approximately $14 billion. Based on this, we estimate the incremental capital costs for a separate Alberta at approximately $30 billion.

This rests on one key assumption: that these activities would be as capital-intensive in a separate Alberta as they are federally today. We do not break the assets down by function or type. They range from office equipment in government ministries to fighter jets and other specialized military hardware. How a separate Alberta would prioritize such purchases is another policy choice the newly formed country would need to contend with.

Defence is a special case. As we noted at the end of the technical paper on how separation would work in terms of considerations and processes, weapons and other defence hardware may well be removed from the province by the federal government before or shortly after a separation vote. A separate Alberta would then

Box 4. Cost of a Separate Currency and Central Bank

As discussed in the technical paper on economic impacts, establishing a separate currency and central bank to conduct monetary policy would likely be an important undertaking for a separate Alberta. Currency management and central banking typically generate positive cash flows for governments, which is why neither a mint nor central bank is explicitly modelled among the costs in the present paper.

The Royal Canadian Mint recorded $127 million in gross profit in 2025, with revenues principally from bullion. Circulating coin production accounts for little of its overall revenue. Coin denominations would be a policy choice for a future Alberta government. Provided face values meaningfully exceed production costs, a future Alberta mint could generate a positive balance. Banknotes are similar: in 2019, the Bank of Canada spent approximately $61 million on banknote research, production and processing, against total expenses of approximately $580 million.

Central banks earn revenue mainly from investment income on financial securities, largely government bonds. Expenses include interest paid on deposits held mainly by financial institutions and normal operating costs. Central banks generally earn profits, although losses can occur. The Bank of Canada's only losses followed the unusual circumstances of the COVID-19 pandemic, when rapidly rising interest rates followed its quantitative easing program; it has since returned to profitability. Structurally, income-generating assets are partly financed through banknotes, which carry no interest cost.

Using the Bank of Canada's 2019 financial position as a pre-pandemic base, and assuming a Bank of Alberta operated at a similar scale relative to GDP, implies assets and liabilities of approximately $19 billion. Under these assumptions, it could generate net income of roughly $200 million annually, potentially remitted to the Alberta government as dividends.

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u This reflects the 2024 implicit price index for general government gross fixed capital formation relative to 2018.
v Source: Authors' calculations using Statistics Canada.[8]
w As with federal debt, apportionment of federal assets could also be based on other criteria, such as GDP, or Alberta's historical net contribution to Confederation.

set its own defence capacity and fund it from its overall spending, consistent with two per cent of GDP today, rising to five per cent by 2035. How it divides that spending between personnel, maintenance and capital would be a policy choice for a future government. That choice would matter a great deal for the effectiveness of any future force, but far less for the fiscal bottom line. If the spending target is set as a share of the economy, replacing removed assets is a question of allocation rather than addition.

The magnitudes involved are manageable. The Parliamentary Budget Officer recently estimated the total nominal cost of Canada's F-35 procurement at roughly $74 billion over four decades, including acquisition, operations and disposal, for a fleet of 88 aircraft. Scaled to a fleet of roughly 24 aircraft, and discounting future cash flows by four per cent, this is roughly equivalent for Alberta of approximately 0.1 per cent of GDP annually over the same period. Whether that fleet size makes sense, and whether alternative aircraft or suppliers would serve better, is beyond the scope of this report. A future government may wish to ensure military capabilities are on par with those provided currently through the federal government. Fulfilling that wish may, or may not, involve spending greater than the two per cent of GDP levels we assume here.

In any case, these one-time start-up costs affect our estimates of the total amount a separate Alberta would spend annually. The start-up costs would increase the overall level of public debt in the province. Using 3.1 per cent[x] as the cost of credit to finance start-up costs of $30 billion, we estimate an additional $0.9 billion in debt-service costs over and above our original baseline estimate from earlier in this paper.

8.2 NON-CAPITAL TRANSITION COSTS

Buying capital is only part of standing up a new government. This subsection estimates the cost of building the institutional and administrative capacity to operate. We peg this at somewhere between $10 billion and $25 billion over five years, which brings total start-up costs to between $40 billion and $55 billion.

Non-capital costs include temporary staff and consultants to provide necessary policy and regulatory advice to the newly enlarged public service, the establishment of back-office systems (especially information technology, payment systems and the like), project management and implementation support, organizational transition activities, training programs and a long list of others. These costs would vary considerably by ministry, depending on the degree of specialization and technical expertise required, and on how long the transitions take.

Estimating all of the human resource costs involved — new hires, wage levels, contract lengths, external consultancy arrangements and so on — is beyond what we can do in this report. We can, however, estimate a sense of the numbers likely to be involved. A reasonable range of estimates might involve additional spending of somewhere between 10 and 25 per cent of the operations a separate Alberta would take over from the federal government. We assume this transitional work would likely continue for five years. If we translate that 10 to 25 per cent into the $20.2 billion in spending that the raw estimate apportions to a separate Alberta looking to replicate federal activities, we get between $2 billion and $5 billion per year in added costs. Over five years, that totals between $10 billion to $25 billion. As always, this is a conservative estimate, and it needs to be added to the $30 billion of capital costs described previously.

If we take the two items together — capital and transition spending — start-up costs would be between approximately $40 billion and $55 billion.

x 3.1 per cent is the effective interest rate on GoA debt for fiscal year 2026–27. This calculation represents the ratio of debt servicing costs of $3.41 billion for 2026–27 relative to the stock of debt as of March 31, 2026, of $110.83 billion. Source: GoA.[9, p. 163]

That range compares reasonably well to estimates from other separation debates. The total transition spending represents between 0.4 per cent and 0.55 per cent of a separate Alberta's GDP over the first five years. Estimates for Quebec and Scotland have put the start-up costs of a new state at roughly one per cent of GDP.[10] We take no stand on where in this range a separate Alberta might find itself. The borrowing cost implications are material in either case. Interest costs associated with $40 billion in start-up costs would be approximately $1.24 billion per year in the years after the transition concludes. If non-capital transition costs are instead on the higher end, and overall start-up costs come to $55 billion, then the resulting interest would cost $1.71 billion per year. The mid-point between these two estimates is $1.5 billion in additional annual interest costs.

8.3 HIGHER BORROWING COSTS

In the preceding subsections, we have assumed a separate Alberta borrows at the rate the province pays today. It probably would not. Here, we estimate that the risk premium lenders would demand of the new country would cost an additional $3 billion per year in debt-service costs.

Lenders would likely demand a higher premium to compensate for the perceived risks and uncertainties of dealing with a new, small state. Quebec's Ministry of Finance estimates that heightened uncertainty surrounding the potential for a separation referendum in the province has already increased provincial borrowing costs by approximately 0.05 percentage points — an increase due only to anticipation rather than actual separation.[11] An actual separation would likely produce increases in risk premiums larger than this. The loss of the implicit federal guarantee of provincial debts alone (which currently holds borrowing costs below what markets would otherwise charge provinces) contributes meaningfully to the higher borrowing cost a separate Alberta would face.

For Scotland, the U.K. National Institute of Economic and Social Research calculated an independent Scottish state would face between 0.72 and 1.65 percentage points in higher borrowing costs.[12] This is a material increase in borrowing costs that would translate into significant increases in debt-service expenses, given the scale of debt a separate Alberta would carry. To be conservative, as discussed in *Economic Impacts*, we assume a separate Alberta would face a 72 basis-point increase in the cost of servicing public debt. Also, as discussed previously, we increase the cost of servicing federal debt a separate Alberta would take on to reflect the gap between provincial and federal borrowing costs.

Box 5: National Defence

National Defence is a major federal expenditure. In 2024–25, total ministry spending exceeded $35 billion, including more than $33.9 billion for the Department of National Defence itself, with the Communications Security Establishment and two smaller review bodies accounting for the remainder.

Canada's overall defence spending extends beyond the ministry. The Canadian Coast Guard, for example, counts toward Canada's NATO commitment. NATO estimates Canada's total defence expenditure at $62.7 billion in 2025, or 2.01 per cent of GDP, up from 1.2 per cent in 2022. Further increases are planned: Canada and other NATO members have committed to spending 3.5 per cent of GDP on core military activities, plus another 1.5 per cent on defence-related investments such as critical infrastructure, civil preparedness and resilience and the defence industrial base.

For Alberta, two per cent of GDP is approximately $10 billion annually, while 3.5 per cent is nearly $18 billion. Assuming a separate Alberta maintained comparable international commitments, defence would therefore create significant budget pressure. Similar pressures exist outside NATO: New Zealand targets two per cent of GDP, while Australia aims for three per cent by 2033. This report conservatively models military spending at roughly two per cent of GDP, although the relevant benchmark could be higher by the time separation occurred.

Separation would also create institutional and logistical challenges. Alberta would not automatically inherit a defence workforce or share of existing capital assets, while headquarters, procurement and information-technology capacity are concentrated in Ottawa and Gatineau. A new force would therefore require new arrangements for staffing, infrastructure, procurement and administration.

This increase in borrowing costs has a considerable effect. The province's current gross taxpayer-supported debt is anticipated to be around $115 billion by the end of the 2026–27 fiscal year. Adding the $40 billion to $55 billion in estimated start-up costs we described in 8.2, the total would be between $155 billion and $170 billion. If we then also add in the province's assumed per capita share of federal debt, taking into account financial assets, we find that total public debt for a separate Alberta is between $345 billion and $360 billion. This is roughly 67 per cent of GDP.

Applying the higher rates of interest to a separate Alberta's higher debt load would raise annual debt-service costs by approximately $3.5 billion per year.

Over time, a separate Alberta might establish a strong fiscal track record and therefore see borrowing costs fall. But as a smaller jurisdiction subject to considerably higher economic and fiscal shocks,[y] stabilizing public finances in a separate Alberta may take decades and a fundamental realignment of fiscal policy. The options for creating that fiscal policy are beyond the scope of this report and would be in the hands of the new country's community and government.

Our $3.5 billion baseline estimate is a mid-line case. There is, as the analysis of Scotland showed, potential for much higher increases in borrowing costs. If a separate Alberta encountered these levels, the costs would be roughly $6.9 billion per year or nearly double our baseline estimate.

8.4 ECONOMIES OF SCALE AND OTHER CONTINGENCIES

Governments serving smaller populations tend to spend more per person on operations. A separate Alberta, running border services, a revenue agency and other functions for five million people rather than 42 million, would potentially face costs above what our per capita or GDP apportionment rules produce. Fixed costs and certain other administrative costs would naturally, on a per-person basis, be higher for activities serving a smaller population than they would be serving a larger population. We cannot quantify this precisely. The international and interprovincial evidence we reviewed for this report supports the idea that scale of service has an effect. But it does not provide a firm number, and so we have no basis for saying which ministries would bear the largest losses.

We therefore make no adjustment to the ministry-level figures. Instead, we add a single line of $1.5 billion to the overall cost of separation. It stands for two things: the likelihood that a smaller government might lose some economies of scale, and the ordinary contingency that any estimate of this kind requires. A contingency may also serve to capture the potential for higher provincial costs due to economic changes that separation may cause. Our estimates hold program design and generosity fixed, which also implicitly holds the economy fixed. Several categories of spending would rise if economic activity declined. Social assistance and related support programs, for example, increase as the economy slows. Given the economic disruptions described earlier in this report, that possibility is material. We do not attempt to quantify it, however, but readers should understand our $1.5 billion estimate as standing in part for this kind of risk as well.

The figure is deliberately modest at roughly 2.5 per cent of the total increase in spending we estimate for a separate Alberta. This is roughly one per cent of the final total spending. Readers who doubt the likelihood of these costs can subtract them, and readers who think them too low can add more.

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[y] See Section 3.1 and especially Figure 2.1. within the technical paper *The Economic Implications of Separation*.

9. OTHER SPENDING CONSIDERATIONS

Several considerations bear on the fiscal impact of separation but do not appear in our main estimates. In some cases, we could not model them, or they are not items normally included within the government's budget. In others, we were not confident enough in the modelling to include a number. This section describes these considerations. Some of them would raise spending; some would not.

9.1 DEBT GUARANTEES

In addition to the federal net debt that we have apportioned on a per capita basis in our spending estimates, there are a large number of loan guarantees that the federal government has extended to various entities across the country. It is unclear how such guarantees would be apportioned to a separate Alberta, and so we raise them here as a consideration rather than including them in our estimates.

In fiscal year 2024–25, the value of federal debt guarantees exceeded $642 billion. $312 billion of this total backed the borrowings of Crown corporations and government business enterprises. Of the remaining $330 billion, most was accounted for by roughly $315 billion in Canada Mortgage Bonds and guarantees through the Department of Finance providing mortgage insurance protection. The remainder comprised guarantees supporting the Lower Churchill Projects, small-business lending under the Canada Small Business Financing Act, housing lending through the Canada Mortgage and Housing Corporation, advance payments to agricultural producers under the Agricultural Marketing Programs Act and a variety of smaller commitments.

These guarantees tend not to appear as public debt and so they have no effect on the province's annual borrowing costs. Depending on future economic circumstances, however, the guarantees might represent a financial cost to a future government. They might also influence lenders' perceptions of a separate Alberta's creditworthiness: at potentially as much as 10 per cent of GDP, these contingent liabilities could be a factor considered by credit rating agencies.

9.2 A SEPARATE ALBERTA PENSION PLAN

Pensions in the context of separation have been well analyzed. Unlike many of the other spending factors we have discussed, there is in fact a legal mechanism for a province to leave the Canada Pension Plan (CPP). Any province may leave with three years' notice, and Quebec opted never to join. However, we have not included the costs of administering a public pension plan, or the cost of benefits, in our estimates because the CPP is not exclusively a federal entity and as such is not included in the Public Accounts. Nonetheless, a separate Alberta would likely need to stand up its own pension plan. A key consideration here is the level of worker contribution rather than implications for the broader government budget: how much would a worker in a separate Alberta need to contribute to create a stable pension plan?

The CPP is a partially funded plan whose sustainability is evaluated using a "minimum contribution rate," the lowest constant rate consistent with long-term sustainability. In practice, this is the rate that keeps the projected ratio of plan assets to expenditures stable over a long horizon.[z] Estimating this rate for a separate Alberta pension plan (APP) requires long-term projections of the province's population and economy. We conducted these projections using a model of Alberta's population, with age- and sex-specific fertility, mortality and migration rates calibrated to recent Statistics Canada data. Our baseline assumptions included a long-term total fertility rate of just under 1.8 after taking into account migration of one per cent of the population annually and mortality improvement rates that matched those used in the CPP's 31st actuarial report. We also mirrored the earnings, benefit indexation and investment return assumptions made by the CPP where possible. On this basis, the minimum contribution rate estimated

[z] More technically, this rate is the ratio of the present value of future benefit expenditures to the present value of future contributed earnings, reduced by a factor reflecting the plan's initial assets relative to future obligations.

by Dr. Trevor Tombe[13] for a separate APP is approximately 1.3 percentage points below the CPP's. This difference is attributable to Alberta's younger population; the province's median age is three years below the rest of the country, which raises the present value of contributory earnings relative to benefits. For a hypothetical young worker earning the maximum pensionable amount, this is equivalent to an implied rate of return on contributions approximately 0.5 percentage points higher. Rather than using this half per cent to lower contributions, it could also fund higher benefits, but the scope for increases is modest. An increase in benefits equivalent to roughly a 10 per cent increase in the present value of plan expenditures would eliminate the gap entirely. The value of this contribution rate reduction for the median employee in Alberta is approximately $326 per year. In aggregate, we estimate the reduced contributions would equal $1.7 billion in 2026–27. This will become one component of the analysis that we present in the technical pape *The Fiscal Implications of Separation: Revenues and Fiscal Balance*.

An important determinant of these results is the share of CPP assets transferred to a separate plan. The governing provision of the CPP Act entitles a withdrawing province to its contributions, plus the part of the plan's net investment returns "derived from" those contributions, less benefits paid and a share of administrative costs — but "derived from" is not defined, and there is some ambiguity in how it should be interpreted. An historically grounded interpretation[aa] strongly suggests apportioning investment income in proportion to gross provincial contribution shares. This implies roughly 20 to 25 per cent of CPP assets would flow to a separate Alberta's pension plan (SAPP). The Chief Actuary of Canada came to the same interpretation, and although they were not explicit about the resulting asset split, their interpretation was consistent with between 20 and 25 per cent.[14] Some legal and political uncertainty is nonetheless likely unavoidable. Notwithstanding the Chief Actuary's findings, the federal Minister of Finance retains interpretive flexibility, the act could be amended, and the courts may need to weigh in.

Box 6: Canada Post Corporation

Canada's mail and parcel delivery service is provided by Canada Post Corporation, a federal Crown corporation with a statutory mandate to serve every address on a self-sustaining basis. Canada Post recorded a $1.6 billion pre-tax loss in 2025 on $5.8 billion in revenue and $7.4 billion in operating costs, and has lost money every year since 2018, totalling $5.4 billion. Labour accounts for roughly two-thirds of operating costs. Because Canada Post is intended to fund itself through postal revenue rather than appropriations, it is not included in this report's expenditure estimates.

Canada Post does not publish provincial revenue, costs, volumes or staffing. Alberta has roughly 1/10th of Canada's post offices, anchored by major processing facilities in Calgary and Edmonton, with coverage per resident near the national average.

Under its mandate, Canada Post must deliver to every address, including rural and remote locations where per-address costs are substantially higher. It is also subject to a longstanding federal moratorium on closing rural post offices. A separate Alberta would assume its share of this obligation while acquiring only facilities located within the province, rather than operating within a broader national network. Existing employees, currently covered by national collective agreements, would not automatically transfer.

Mail between Alberta and Canada would also cease to be domestic. Unless a postal agreement were negotiated, it could move toward international pricing and settlement through the Universal Postal Union, which Alberta would first need to join. While Alberta does not currently fund Canada Post through taxation, the central operational challenge for the new country would be maintaining universal service, particularly on rural routes that currently operate at a loss.

[aa] In other words: an interpretation supported by a reading of the text of the Canada Pension Plan Act consistent with the principles of statutory interpretation.

These potential gains must be weighed against risks that a smaller plan pools less effectively than the CPP. Investment returns matter most: each one percentage point decrease in real returns raises the required contribution rate by approximately 1.2 percentage points. When we simulated volatile returns, we found an approximately 37 per cent probability that a SAPP's minimum contribution rate would exceed that of the CPP. A SAPP would also have weaker institutional protections, since Alberta alone could alter its investment board's mandate unilaterally while the CPP requires broad agreement across provincial and federal governments. Demographics also matter, as positive net migration accounts for close to two-thirds of the pension advantage. Migration flows would likely be materially affected by Alberta separating from Canada.[ab]

The operating costs of a SAPP compared to the current CPP are also a consideration. Some have raised concerns about the relatively higher cost of the CPP, where operating expenditures associated with the base CPP were $750 million in 2026. For context, this was approximately 0.077 per cent of total employment earnings. Put another way, of the total combined contributions made by workers and businesses into the plan, less than 0.1 per cent went to plan operating costs. At this low an operating cost, the potential for a more efficiently run SAPP would have limited implications for the contributions required to sustain the plan.

A related but separate point concerns the expense ratio of the CPP Investment Board. The Board's operating costs, plus external management fees, add up to one per cent of CPP net investments. As the plan's overall performance has not significantly outpaced its benchmark returns, the possibility of a leaner SAPP that better economizes on external management fees could provide an advantage for a separate Alberta. To illustrate, based on the sensitivity results in the Chief Actuary of Canada's 32nd report on the CPP, with a 0.5 percentage-point reduction in the plan's overall expense ratio (or equivalently, a 0.5 percentage point increase in the plan's real rate of return), the sustainable contribution rate could be lowered by more than 0.6 percentage points, equally split between employers and workers. Such an efficiency improvement may or may not be possible. Further, it would be a big leap to assume not only that it was possible, but that a SAPP would achieve it. A less efficiently run plan is as much of a possibility, as is the chance that a SAPP's investment board makes investment decisions by considering factors and outcomes other than maximizing plan returns.

9.3 FEDERAL PUBLIC-SECTOR PENSION PLAN DEFICITS

A separate Alberta may be liable for a share of Canada's public-service pension plans, including not just federal public servants, but members of the RCMP and Canadian Armed Forces.[ac] The specific details would be subject to negotiation, along with complex considerations and calculations that go beyond the scope of this report. To illustrate potential magnitudes, however, Alberta's per capita share of the total deficit[ad] across the various federal pension funds is equivalent to approximately $9 billion. If a separate Alberta were to fund that amount through a single payment to the Government of Canada upon separation, it would increase Alberta's initial public debt by that amount, leading to higher debt-service costs.

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ab For more on migration flows, see the technical paper *The Economic Implications of Separation*

ac The federal government administers several public-sector pension plans, covering employees of the public service and certain public service boards, commissions and corporations, as well as public servants of the territorial governments. These include the Public Service Pension Plan, the Royal Canadian Mounted Police Pension Plan, the Canadian Armed Forces Regular Force Pension Plan and the Canadian Armed Forces Reserve Force Pension Plan. In 2025, there were approximately 766,000 members across the various plans.[5]

ad While most benefits are funded, and the plans have accumulated considerable assets to support them, there remains a meaningful deficit to be financed by the Government of Canada. Consider the Public Service Pension Plan, the largest of them. As of March 31, 2025, it had total assets available for benefits of approximately $220 billion against pension obligations of just under $253 billion — obligations that include nearly $90 billion in unfunded commitments. The gap between available assets and total obligations amounted therefore to $33 billion at the end of that fiscal year. A similar gap exists across all the federal public-sector pension plans, with the sole exception of the Canadian Armed Forces Reserve Force plan. In total, pension obligations across the plans exceeded net assets available for benefits by $72.5 billion as of March 31, 2025.

We have not included these values in our estimates. There is simply too much uncertainty over what Alberta's withdrawal would mean for these plans, and over how any deficits would be financed by a separate Alberta. As with the debt guarantees discussed earlier, this consideration is best understood as a potential liability that would raise a separate Alberta's spending. It is, however, not a factor we can incorporate in an estimate with confidence.

9.4 PUBLIC DEBT, VOLATILITY AND FISCAL RISK

Our estimates have shown that a separate Alberta would carry more public debt. There are implications to this elevated debt that go beyond the costs of borrowing that we have factored into our estimates. Higher public debt also exposes its government to greater fiscal risk.[ae] Specifically, as a gap opens between a separate Alberta's projected budget and actual performance, the size of the debt and the costs to service it further exacerbate volatility.[af] There is no spending line to keep track of this risk; rather, it is managed with tight fiscal policy and restraint and so we have not included it in our estimates but instead as a consideration here. A rough calculation of the kind of discipline a separate Alberta would need to exercise to hedge against this risk is $5 billion per year.[ag]

[ae] This is the possibility that a government's actual financial results will differ from what was expected in its budget.

[af] To understand this clearly, consider first how public debt evolves over time. Debt as a share of GDP rises or falls depending on two things: the primary balance (revenues less program spending, excluding interest) and the difference between the interest rate a government pays on its debt and the rate at which its economy grows. When interest rates exceed growth rates, existing debt compounds faster than the economy expands, and the debt ratio rises unless offset by primary surpluses. When growth exceeds interest rates, the reverse holds. In a world where these rates were known and constant, assessing sustainability would be straightforward: one could calculate the permanent fiscal adjustment required to keep the debt ratio from rising over some horizon, and if the growth-interest differential and the primary balance were both zero, no adjustment would be needed at all.

But interest rates and growth rates are not known and constant — they fluctuate, and this matters in a way that is not always obvious. Volatility in economic fundamentals is not neutral for public debt. Because shocks compound over time, the range of possible future debt levels widens dramatically as the horizon extends, and the resulting distribution is skewed: bad outcomes that ratchet debt upwards have a bigger effect than good outcomes that do the reverse. Even when growth and interest rates are equal on average, volatility alone causes expected debt to drift upward over time. Prudent fiscal policy must therefore lean against this drift, running primary balances that would appear unnecessarily tight if one looked only at average conditions. Two factors determine how much leaning is required. The first is the degree of volatility. The second is the level of debt. What is especially important is that the fiscal risk created by volatile fundamentals scales with the square of the initial debt ratio.

A government with twice the debt therefore faces roughly four times the variance in its future debt outcomes. Higher debt does not merely cost more to service; it amplifies the consequences of every future economic shock.

Both factors are material to consider for a separate Alberta. Alberta's economic fundamentals are highly volatile: the standard deviation of the differential between its economic growth rate and its borrowing rate is roughly 10 percentage points. This is large relative to most other provinces, though similar to other resource-intensive ones such as Saskatchewan and Newfoundland and Labrador, and roughly triple that of the federal government. In addition, separation would substantially raise the province's gross debt. As described above, Alberta's gross debt of roughly 25 per cent of GDP today would rise to approximately 70 per cent once start-up costs and the province's per capita share of federal net debt are included.

[ag] To arrive at this risk estimate number, we have asked what constant primary balance is required to ensure, with 90 per cent probability, that the debt ratio is no higher in 30 years than it is today? This probabilistic reformulation of the standard fiscal gap is an appropriate measure when fundamentals are volatile, since no fiscal policy can guarantee a particular outcome. We assume, conservatively, that the growth-interest differential is zero on average, that the primary balance itself is not volatile (which, to be clear, is not consistent with Alberta's fiscal policy reality), and that Alberta's volatility does not increase following separation — even though separation would plausibly raise it. At the province's current debt level of roughly 25 per cent of GDP, we estimate the required primary balance is approximately 0.5 per cent of GDP. At the post-separation debt level, the required balance rises to approximately 1.5 per cent of GDP. Alternatively, holding fiscal policy fixed at the 0.5 per cent balance sufficient today, the probability that debt does not rise over 30 years falls from 90 per cent to approximately 68 per cent after separation — from volatility alone.

Ensuring long-term sustainability by this measure would therefore require tighter fiscal policy on the order of one per cent of GDP following separation, equivalent to approximately $5 billion per year. To be clear, this is not a cash outlay in the way that program spending or debt service is. It is the additional fiscal discipline — higher revenues or lower program spending — that a separate Alberta would need to maintain, year after year, to keep its finances as secure as they are today. In a sense, it provides an order-of-magnitude estimate of the cost of combining volatile economic fundamentals with the higher public debt that would result from separation.

9.5 DISASTER MANAGEMENT

The fiscal-year data used in this analysis capture spending as it occurred, and for some federal activities that spending is highly variable from one year to the next. This variability matters: a separate Alberta would take on not only the average cost of replicating federal programs but also the fiscal risk associated with their fluctuations. The activities of the Department of Public Safety and Emergency Preparedness illustrate this clearly.

That department manages and administers the Disaster Financial Assistance Arrangements (DFAA), a federal-provincial shared-cost program through which the federal government takes on a considerable portion of the costs associated with natural disasters in a province.[ah]

Alberta has been a major beneficiary of this program. Over its history, the province has received a little over $1.7 billion — the second-largest amount of any province, behind only British Columbia. The amounts paid out in 2023 and 2024 were minimal, as natural disaster expenses in those years were small, and the estimates in this paper reflect that. However, Alberta's history suggests years with major disasters would recur. A separate Alberta would lose the ability to have such costs borne largely at the national level and would instead need to cover them entirely on its own. In years with major disasters, the required spending could substantially exceed the estimates we have made.

9.6 POLICING

Policing in Alberta is currently delivered through municipal services in several cities and through contract policing arrangements with the RCMP across the rest of the province. The federal government bears a share of the cost through Police Service Agreements with the province. Nationally, gross federal spending on contract policing was $2.7 billion in 2024–25, after approximately $2.3 billion had been recovered from contracting jurisdictions. Estimates of the effective federal subsidy to Alberta implicit in these agreements vary, but an amount of approximately $250 million per year may be reasonable.[ai]

9.7 JUSTICE

A separate Alberta would require a final court of appeal, a role currently filled by the Supreme Court of Canada. How this function would be provided depends on the eventual organization of the province's judicial system, and there is uncertainty here. Two broad options exist. The province could establish a new apex court sitting above the existing Court of Appeal, replicating the current two-tier appellate structure. Alternatively, the current structure could simply be maintained, with the Alberta Court of Appeal becoming the highest court — in which case no additional institutional layer, and no additional cost, would be required. For a sense of scale, the total cost of the Registrar of the Supreme Court of Canada (the body that administers the court) was $51 million in 2024–25. Even if a separate Alberta opted to create a new apex court, and even if its cost were disproportionate to the province's size, the amounts involved are small relative to the totals estimated in this report. As such, we have made no specific adjustment for this item.

[ah] Currently, the program is structured to provide up to 80 per cent of response expenditures, reimbursing provincial and territorial governments for activities undertaken during a disaster to limit damage, save lives and stabilize incidents. The federal government further provides up to 90 per cent of relief and recovery support, which helps individuals and businesses access recovery assistance, and up to 90 per cent of disaster mitigation expenditures, depending on the specific type of project, which can include a wide variety of infrastructure investments to reduce hazards. It also provides up to 70 per cent of the cost of restoring public assets and services, and between 70 and 80 per cent, depending on the expenditure category, of funding to homes and small businesses to cover uninsurable damage, including costs associated with rebuilding and repair — with the option of additional funding to make structures more resilient against future disasters.

[ai] Importantly, this is a subsidy that may disappear regardless of separation. The current agreements between the federal government and provinces/territories expire in 2032, and the federal government has signalled that contract policing may be scaled back or ended entirely: a 2024 federal assessment raised the question directly,[15] xxvii and a 2025 report on RCMP modernization stated that the federal government should work closely with provinces to support a transition away from contract policing,[16] xxviii. For these reasons, no special consideration is given to policing in this report. The baseline apportionment rules already implicitly assign the province its per capita share of the cost of what are currently national contract policing services — approximately $320 million per year. This exceeds the estimates of the federal subsidy implicit in the current contracts, and so the report's assumptions, if anything, already more than account for the policing costs a separate Alberta would bear.

9.8 THE SIZE OF THE PUBLIC SERVICE

The federal government employed 18,880 people in Alberta at the end of fiscal year 2024–25 (not in full-time equivalent terms). The GoA employed at that same time 222,299 in full-time equivalent (FTE) terms. Expanding a separate Alberta's government operations to replicate federal services would naturally involve additional hiring. We estimate the number of full-time equivalents by ministry, which totalled nearly 447,000 in 2024–25. In line with our previous approach to estimating the initial capital stock required by a separate Alberta, we estimate what kind of spending the new country would need to do as it hired. We base our estimate on current federal labour intensity at the national level. If we use just the aggregate value for the federal government of 3.8 FTE employees per $1 billion in non-transfer, non-interest spending, then a separate Alberta would require just over 76,000 FTEs to administer and deliver our estimated $20.2 billion in non-transfer, non-interest spending.

Alternatively, we tried using ministry-specific labour intensity estimates after adjusting for expenditures that we exclude from the analysis. Under this method, a separate Alberta would require just over 70,000 FTEs. That would increase Alberta's total government FTEs by roughly one-third and it represents approximately 2.5 per cent of the province's labour force. This would potentially decrease the labour supply available for private-sector activities, which could shrink Alberta's economy by more than what we previously estimated when we only factored in rising trade costs. We do not provide an estimate of this broader macroeconomic cost.

10. SUMMARY

Each of the preceding sections estimated one piece of what a separate Alberta would have to spend: the operations it would replicate, the transfers it would maintain, the debt it would service, the capital it would buy, the institutions it would build, the premium it would pay to borrow and the potential lost economies of scale it would experience.

With all of these factors considered, what would it cost to replicate current federal programs and benefits in a separate Alberta?

Box 7: Canada Border Services Agency

Canada's border is administered by the Canada Border Services Agency (CBSA), a federal agency within the Public Safety portfolio. Alberta's border footprint is modest. Calgary and Edmonton are the province's two airports of entry, out of 43 nationally, and there are several highway crossings into Montana. The province has no marine ports. Overall, the agency spent $3 billion in 2024, of which $2 billion was on border management, $427 million on border enforcement, and $542 million on internal services. More than three-quarters of its costs are salaries and benefits. The agency also administers considerable revenues for the federal government, including customs import duties.

Several features of these arrangements are worth noting regarding the implications of a separate Alberta. Border services in Alberta are delivered entirely by federal employees. The agency's headquarters, intelligence, targeting, laboratory and IT functions are in the National Capital Region, where much of its staff work. Pre-clearance operates under an agreement with the United States that applies to Canada, which would need to be renegotiated.

The CBSA's presence in Alberta today reflects a border with a single foreign jurisdiction: the highway crossings into Montana, plus the two international airports. A separate Alberta's border would be considerably longer, encompassing crossings into and out of British Columbia, Saskatchewan and the Northwest Territories — boundaries that today are open provincial borders requiring no infrastructure, staffing or enforcement at all. This report does not provide detailed estimates of the costs of establishing and operating border services at that scale. The results in Table 4 implicitly assign $517 million to a separate border services agency through the apportionment rules. described earlier, with additional amounts captured in the aggregate allowance for potential lost economies of scale.

Our estimate is $144.4 billion. This would mean a separate Alberta would spend approximately $60.2 billion more each year than the $84.2 billion that the GoA spends today.

A final clarification is necessary before we describe the specific components of this higher spending. When a separate Alberta stops receiving the federal transfers it had in the past, we have considered this as income the province would no longer receive, rather than a cost on which it would have to spend. As such, it appears on the revenue side of the ledger in the technical paper *The Fiscal Implications of Separation: Revenues and Fiscal Balance*.

Table 5 assembles all of our estimates together, and those estimates are for spending only, not revenues. We divide the total additional expenditures into two categories:

- Replicating what Ottawa does now; and
- New costs associated with separation.

Maintaining current federal transfers to individuals, businesses and other entities costs just over $27 billion in 2026–27. This is less than the $42 billion in Table 4 because it excludes transfers to the GoA, which as we just noted, we handle as forgone revenue. Replicating federal operations costs $20.2 billion, as estimated earlier. Servicing Alberta's per capita share of existing federal debt costs $6.4 billion. Together, these come to $53.7 billion. Combined, this represents an increase in total government spending by $11.7 billion over what the federal government currently spends in Alberta[aj].

In addition to these costs, there are also new costs from higher operating costs, additional debt services from the temporary set-up costs and higher debt-service costs from increased borrowing rates. Combined, these new costs total $6.5 billion, taking the mid-point of the range of estimates described in previous sections.

All together, the resulting total additional expenditures for a separate Alberta would therefore be $60.2 billion, which we add to the province's current spending of $84.2 billion, to come to our $144.4 billion estimate.

Table 5. Summary of Spending Estimates for a Separate Alberta, Replicating Existing Federal Programs, 2026–27

	$bn
Estimated Annual Expenditures of a Separate Alberta, 2026–27	
Maintaining transfers to individuals, businesses and other non-governmental entities	27.1
Additional operating costs to replicate current federal services	20.2
Servicing Alberta's per capita share of existing federal debt	6.4
Higher operating costs beyond the department-level analysis (lost economies of scale or unique additional complexities of border services, a revenue agency, etc.)	1.5
Additional debt service on one-time set-up costs of $40 billion-$55 billion, net of federal assets received	1.5
Additional debt service from higher borrowing costs facing a separate Alberta	3.5
Total Additional Expenditures (baseline)	**60.2**
(plus) Current GoA spending	84.2
Combined Total Expenditures of a Separate Alberta	**144.4**

Source: Authors' calculations. See text for details.
Notes: All values are annual and for fiscal year 2026–27 unless otherwise indicated. Estimates hold current federal program design and generosity fixed, exclude activities a separate Alberta would almost surely not require and assume a per capita share of federal debt-service costs. Values may not sum due to rounding.

[aj] This excludes transfers to the GoA but includes federal debt-service costs attributable to Alberta.

Of course, spending is only part of the exercise. A separate Alberta would also collect the revenue the federal government now raises in the province, and the economic shocks described in the paper on economic impacts would materially affect those. The technical paper *The Fiscal Implications of Separation: Revenues and Fiscal Balance* brings all these factors together in its discussion of post-separation revenues.

Box 8: Economic Policy Uncertainty

Businesses and individuals make plans based on what they expect to happen, and economic policy uncertainty arises when they do not know what future government policy would be or how it would affect them. Uncertainty is not the same as bad news: a business can plan around knowing taxes will rise, but not knowing what comes next is different. Waiting is cheap and acting is risky — a factory built at the wrong moment is expensive to undo — so when uncertainty is high, many firms simply postpone. Research has documented this pattern repeatedly: when uncertainty rises, investment falls and hiring slows.[17, 18] The effect on unemployment is not dramatic in any single month. It builds gradually, and it lingers.

Uncertainty cannot be surveyed directly. We therefore rely on the widely used measurement approach developed by Scott Baker et al.,[17] which counts newspaper articles mentioning uncertainty, the economy, and policy-related terms such as tax, spending, regulation, or budget, expressed as a share of all articles published and scaled so the 1985–2010 average equals 100. Applying their method to local daily newspapers yields a monthly index of economic policy uncertainty in Alberta from 1985 to 2026. The pattern is clear. Uncertainty was low and steady from the mid-1980s through the early 2000s, began climbing after the 2008 financial crisis, jumped sharply in 2020, and has been elevated again since 2023.

Applying standard statistical methods to this index, we estimate what typically follows a jump in uncertainty. A sudden increase leads to a clear and lasting rise in unemployment, appearing within about three months and fading over roughly two years.

A typical shock raises Alberta's unemployment rate by approximately 0.05 percentage points — small on its own, but shocks arrive repeatedly, and because each takes about two years to fade, their effects accumulate. In total, we find that Alberta unemployment is roughly 0.4 percentage points higher than it would have been had uncertainty remained stable over this entire period — a noticeable share of an unemployment rate near seven per cent.

These estimates are rough and illustrative. The index measures newspaper coverage of uncertainty rather than uncertainty itself, the results depend on modelling choices, and the exercise assumes a stable relationship between uncertainty and unemployment over time. The direction of the finding, however, is informative: higher uncertainty is followed by higher unemployment, and its contribution has grown steadily in recent years.

A decision to separate would itself be a large source of economic policy uncertainty, and experience elsewhere suggests such episodes can move the measure sharply — the United Kingdom's 2016 vote to leave the European Union was followed by a steep and sustained rise in measured policy uncertainty. Our estimates cannot say how large a rise would follow in Alberta. What they show is that uncertainty of this kind is costly. Businesses would not know what currency they would be paid in, what taxes they would owe, what trade rules would apply, or which government would regulate them. While those questions were settled, firms would wait, hiring would slow, and unemployment would edge upward.

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