

# Preliminary Analysis of the Government of Alberta's 2019 Budget

October 25, 2019



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## Introduction

AUMA expected a budget of restraint, and that is what the province delivered.

At the same time, Minister Toews' budget speech emphasized the priorities laid out in the UCP platform:

- Getting Albertans back to work
- Making life better for Albertans
- Standing up for Alberta

While the budget advances many UCP commitments, a great deal of work remains to establish the provincial- municipal partnership required to restore the Alberta advantage.

AUMA and its members are up to the challenges presented by the current period of fiscal restraint. However, many of the cuts made in this budget compromise municipalities' ability to support and execute the goals laid out by our provincial government. Municipalities are key to achieving real change for communities where Albertans live, work, and thrive, but the funding allocated, and costs downloaded to municipalities in this budget mean that the tools, strategies and resources for success may be out of reach. (For example, while the province reduces its budget by 2.8 per cent over the next four years, it has proposed reducing our infrastructure funding by almost 10 times that amount.)

The following document includes AUMA's preliminary analysis of Budget 2019 and how it relates to municipal priorities and the financial future of Alberta communities. In addition, it summarizes the province's fiscal outlook and includes highlights of ministry business plans that most impact our communities.

## Priorities for Alberta's Municipal Governments

AUMA and our members have been calling on the province to recognize that strong communities build Alberta. We have highlighted priority items that require partnership between municipalities and the province to address. These include:

### **Adequate, predictable, and sustainable infrastructure funding**

AUMA was pleased that the UCP platform acknowledged that "municipalities need a positive partnership with the provincial government and long-range planning to meet their community planning." We also appreciate that Budget 2019 indicates the province will legislate a new Local Government Fiscal Framework (LGFF) linked to provincial revenue.

Regrettably, when it is introduced in 2022-23, the LGFF's base amount will be 30 per cent less than 2017 funding levels. In addition, this base funding will only grow at half the rate of revenue growth. In addition, the intent of establishing a positive partnership is undermined by the province tearing up the *City Charter Fiscal Framework Act*. This is a broken election platform promise.

### **Increased Resources for Policing**

AUMA has been advocating for a more equitable police funding model and broader review of the Police Act as part of a strategy to increase the police resources available on the ground to support community safety. Budget 2019 notes that the current distribution model for municipal policing grants will be maintained, and we look forward to a plan for a comprehensive review of police resourcing issues.

### **Cannabis Revenue Sharing**

Municipalities are at the front lines of providing protection services and preventative social programs in communities large and small. The province projects cannabis tax revenues of \$70 million in 2019-20, \$74 million in 2020-21, \$79 million in 2021-22, and \$84 million in 2022-23. However, the budget does not include any plans to share this revenue with municipalities, who bear the costs for providing administrative oversight for cannabis legalization, including stores, land use planning and more.

### **Access to High Speed Internet**

Improved access to highspeed internet is key to achieving the province's goals of attracting businesses, tourists and immigrants to Alberta. While Service Alberta's business plan mentions developing a strategy to high-speed broadband, it does not appear to include any funding for this initiative.

### **Modernizing Alberta's Recycling Framework**

AUMA is asking the provincial government to introduce an Extended Producer Responsibility (EPR) paper and packaging program and expand existing recycling programs. Alberta's municipalities are struggling with increased municipal recycling costs, and lack of action by the Government of Alberta is forcing municipalities to spend more to operate residential recycling programs.

While additional funding is not required to implement these programs, the Environment and Parks business plan does not currently include a strategy to implement these measures.

### **Red Tape Reduction**

The provincial government reaffirmed its promise to reduce one-third of regulatory requirements in the Government of Alberta statutes, regulations, policies, guidelines, and forms. \$1.5 million is allocated to support removing needless red tape in Budget 2019.

With feedback from municipalities, AUMA provided the province a thorough red tape reduction analysis, which we submitted to the provincial government in August 2019. Our recommendations highlight ways that municipal and provincial governments can work together to:

- reduce the Alberta government's footprint;
- explore alternative service delivery to provide services;
- streamline the regulatory process for approvals;
- implement outcome-based regulations; and
- simplify provincial grant criteria and administration.

The red tape reduction initiative is emblematic of the opportunity for municipalities and the province to work collaboratively toward common goals, if the right resources are in place.

Municipalities are the most efficient stewards of financial resources. They are continually required to make tough economic decisions, since, unlike the other two orders of government, municipalities cannot run operating deficits. While strong communities build Alberta, municipalities will have to make tough decisions without adequate support for items that were cut in this provincial budget.



## Planning for your community's financial future

### Core Capital Funding to Municipal Governments (\$ millions)

Capital Program	2018-19 Budget	2019-20 Budget	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast
Municipal Sustainability Initiative (MSI) Capital <sup>1</sup>	694	<b>694</b>	600	525	-
Basic Municipal Transportation Grant (BMTG)	344	<b>347</b>	363	372	-
Local Government Fiscal Framework (LGFF)	-	-	-	-	860
Water for Life	75	<b>40</b>	51	50	50
Municipal Water and Wastewater Partnership	45	<b>32</b>	18	27	23
Strategic Transportation Infrastructure Program (STIP)	27	<b>22</b>	15	21	25
Alberta Community Transit Fund	22	-	-	-	-
Alberta Community Resilience Program	-	<b>23</b>	20	-	-
First Nations Water Tie-In Program	24	<b>18</b>	13	12	10
Subtotal	1,231	<b>1,176</b>	1,080	1,007	968
		<b>(4.5%)</b>	(8.1%)	(6.7%)	(3.9%)
<b>Capital Funding Linked to Government of Canada Funding Programs</b>					
Gas Tax Fund (GTF)	230	<b>477</b>	244	255	255
GreenTRIP	250	<b>125</b>	60	5	-
Public Transit Infrastructure Fund (PTIF) – Phase 1	137	<b>138</b>	35	-	-
Clean Water Wastewater Fund (CWWF) – Phase 1	59	<b>77</b>	20	-	-
New Building Canada Fund – Small Communities Fund	17	<b>10</b>	-	-	-
Edmonton and Calgary LRT	-	<b>151</b>	192	485	569
Subtotal	692	<b>978</b>	551	745	824
		<b>41.4%</b>	(43.7%)	35.2%	10.6%
Total – Core Capital Funding	1,923	<b>2,154</b>	1,631	1,752	1,792
		<b>12.0%</b>	(24.3%)	7.4%	2.3%

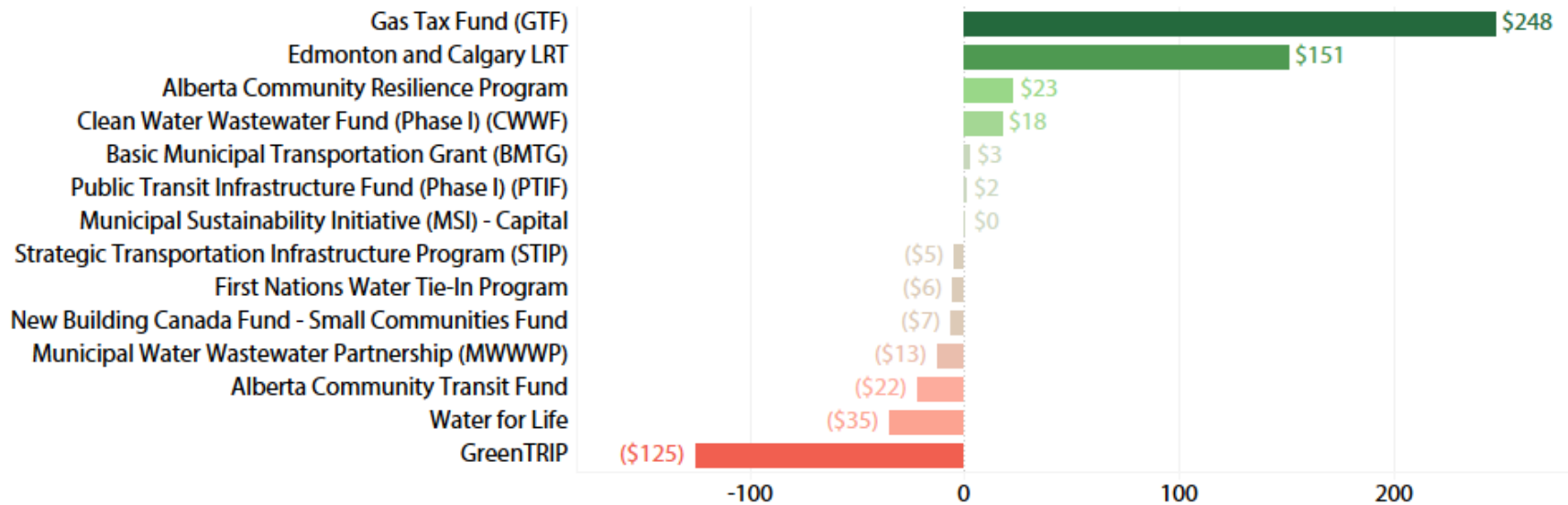
<sup>1</sup> Each of the 2018-19 and 2019-20 figures includes 50% (\$400 million) of the March 2018 advance of \$800 million in MSI Capital. AUMA opted to present it in this format to demonstrate the year-to-year comparison of funding even though 2019-20 MSI Capital is actually \$294 million.

### Summary of changes in capital funding for municipalities

Compared to Budget 2018, there has been an increase in capital funding for Alberta municipalities. However much of this increase can be attributed to the federal government's doubling of the Gas Tax Fund and investments in light rail transit for Edmonton and Calgary. The Edmonton and Calgary LRT program is part of a 10-year \$3 billion commitment, where the majority of cash flows are now being deferred until after 2022-23. While a number of municipal programs declined in funding in 2019-20, many of the reductions were expected as Budget 2018 had forecasted reductions for programs such as Water for Life, Municipal Water Wastewater Partnership, Strategic Transportation Infrastructure Program. Other notable items include:

- MSI Operating and Capital were fully funded as per the commitments in Budget 2018. More information about MSI and its future is available on page 6-7.
- The declines in GreenTRIP and the New Building Canada Fund – Small Communities Fund were expected as the programs are closed, and the budget only represents the remaining cashflows.
- Budget 2019 increased funding for the Alberta Community Resilience Program but announced that it will end in 2020-21.

### Year-over-year change in municipal funding: Budget 2019 versus Budget 2018 (\$ millions)



**Core Operating Funding to Municipal Governments** (\$ millions)

Operating Program	2018-19 Budget	2019-20 Budget	Note
Municipal Sustainability Initiative (MSI) – Operating	30.0	<b>30.0</b>	
Alberta Community Partnership	18.5	<b>16.5</b>	1
Family and Community Support Services (FCSS)	100.7	<b>100.0</b>	2
Municipal Police Assistance Grant	57.7	<b>57.7</b>	3
Police Officer Grant Program	30.0	<b>30.0</b>	3
Grants in Place of Taxes (GIPOT)	58.7	<b>44.6</b>	4
<b>Total – Core Operating Funding</b>	<b>295.6</b>	<b>278.8</b>	

## Notes

1. The \$2 million reduction to the Alberta Community Partnership means that there will be less funding available for local capacity building and regional collaboration initiatives.
2. FCSS funding remains stable and the Ministry's business plan indicates that the government will introduce multi-year funding agreements for FCSS to reduce red tape.
3. The Municipal Police Assistance Grant and Police Officer Grant Program remain stable and any changes to allocations will be due to fluctuations in local populations.
4. The \$14 million reduction in GIPOT was unexpected and further cuts to this program will be implemented in 2020-21 and 2021-22. The province indicates that the result is part of an effort to reduce its operating spending while still providing municipalities a share of the costs of municipal services to Crown properties. More information is available on page 9.

**Municipal Sustainability Initiative – Now and Into the Future**

AUMA is pleased that the province recognizes the importance of MSI Operating as it will remain stable at \$30 million per year for the next three years. Budget 2019 also fully-funds the forecasted amounts for MSI Capital and BMTG for 2019. Looking ahead, BMTG remains as projected in Budget 2018 but 2020 MSI Capital will be 14 per cent less than Budget 2018's forecast and 2021 MSI Capital will be 21 per cent less.

<i>MSI Capital</i> (excluding BMTG) (\$ millions)	2019-20	2020-21	2021-22	Total
Budget 2018 Forecast	694 <sup>2</sup>	694	667	1,655
Budget 2019 Forecast	694 <sup>2</sup>	600	525	1,419
Change (\$)	-	(94)	(142)	(236)
Change (%)	-	(14%)	(21%)	(14%)

AUMA will advocate that Municipal Affairs release an estimate of the 2020 and 2021 MSI allocations so that municipalities can have some assurance of their funding for planning purposes. Alternatively, municipalities can use past year allocations to estimate their future funding. For example, to estimate your 2020 allocation of MSI Capital, AUMA recommends using your 2018 allocation, plus 50 per cent of your March 2018 advance of MSI Capital and then reduce that amount by approximately 15 per cent.

<sup>2</sup> The 2019-20 figures include 50% (\$400 million) of the March 2018 advance of \$800 million in MSI Capital. This is shown this way to demonstrate the year-to-year comparison of funding even though the Budget 2019 figure is actually \$294 million.

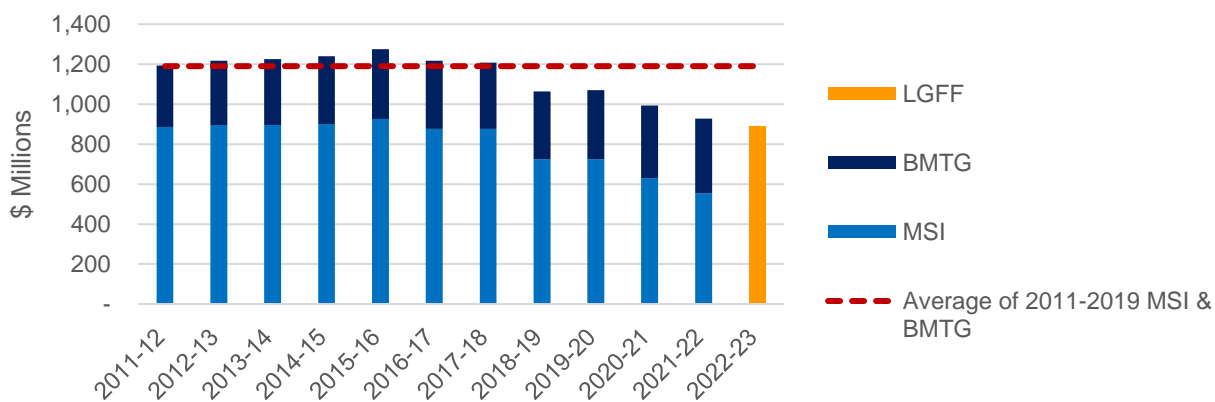
## 2019-22 Forecast for the MSI Program

(\$ millions)	2018-19 Budget	2019-20 Budget	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast
Capital					
MSI Capital	294	<b>294</b>	600	525	-
Advanced in March 2018	400	<b>400</b>	-	-	-
BMTG	344	<b>347</b>	363	372	-
LGFF Capital <sup>3</sup>	-	-	-	-	860
Subtotal Capital	1,038	<b>1,041</b>	963	879	860
Operating					
MSI Operating	30	<b>30</b>	30	30	-
LGFF Operating <sup>4</sup>	-	-	-	-	30
Subtotal Operating	30	<b>30</b>	30	30	30
Total	1,068	<b>1,071</b>	993	927	890

## A New Funding Future for Municipalities

The unpredictable changes in MSI Capital in 2020 and 2021 demonstrate the need for a new infrastructure funding framework so that municipalities can effectively plan for their future. While Calgary and Edmonton secured a new agreement in 2018 in the form of the *City Charters Fiscal Framework Act*, Budget 2019 announces that the *Act* will be repealed and replaced with a new Local Government Fiscal Framework (LGFF) that will apply to all municipalities. LGFF will replace MSI and BMTG in 2022-23 with base amounts of \$455 million for Calgary and Edmonton and \$405 million for non-Charter municipalities, plus a \$30 million operating component. The annual pot of funding will grow each year at a rate of 50% of the growth of provincial revenues.

The proposed funding level for the new Local Government Fiscal Framework represents a 25% reduction from the annual average levels of MSI and BMTG between 2011 and 2019



Source: Budget 2019 Fiscal Plan and Municipal Affairs' MSI Allocation Tables

Note: Advances of MSI Capital in March 2014 and 2018 are presented in the year that funding was available to municipalities.

<sup>3</sup> LGFF = Local Government Fiscal Framework

<sup>4</sup> The LGFF Operating component is assumed based on figures in Municipal Affairs' 2019 Business Plan, but will be clarified with the Ministry in the future.

Local Government Fiscal Framework (LGFF)	
Pros	Cons
<ul style="list-style-type: none"> <li>▪ Signals the province's understanding of the value of investing in community infrastructure</li> <li>▪ The new framework will create funding predictability so that municipalities can realistically plan for their community's future</li> <li>▪ The program will be legislated and the base funding linked to provincial revenue growth, which aligns with AUMA's <a href="#">2018 resolution</a></li> <li>▪ AUMA will have an opportunity to design a new allocation formula for the new LGFF program</li> </ul>	<ul style="list-style-type: none"> <li>▪ AUMA was not consulted on the amount of base funding, nor the design of the program</li> <li>▪ The replacement of the City Charters Fiscal Framework reduces Calgary and Edmonton's 2022 funding by \$45 million and breaks one of the government's election promises</li> <li>▪ The annual funding is proposed to grow at half the rate of provincial revenue growth, which is unlikely to keep pace with the long-term needs of community</li> <li>▪ The starting base amount represents a 25% reduction from the average annual amount of MSI and BMTG over the last nine years</li> </ul>

## Property Taxes

### Education Property Tax

The 2019 provincial education property tax rates remain unchanged from 2018. Despite the rates being frozen, the growth of the assessment base will increase the calendar year education property taxes by \$37 million to \$2.482 billion in 2019. Some municipalities with assessment from oil and gas property, primarily municipal districts, may seek a credit on their education property tax requisition through the [Shallow Gas Tax Relief Initiative](#) and the [Provincial Education Requisition Credit](#) for uncollectable education property taxes on oil and gas properties. The credit programs are estimated to lower the net education property tax requisition by \$27 million.

2019 education property tax mill rates per \$1,000 of equalized assessment	
Residential/farmland	Non-residential
\$2.56	\$3.76

The deferral of the province's 2019-20 budget until fall forced municipalities to estimate their 2019 education property tax requisition. If a municipality's actual 2019 requisition amount is different than its estimate, Municipal Affairs has directed that municipalities shall reconcile any difference using one of two options:

- 1) If the actual requisition is greater than the amount estimated by the municipality, the municipality will need to use municipal funds or reserves to cover the difference and can recoup the difference in the 2020 education property tax rate calculation.
- 2) If the actual requisition is less than the amount estimated by the municipality, the municipality should reduce the amount of education property tax collected from property owners by an equivalent amount in the 2020 education property tax rate calculation.

Education Property Tax Requisition <sup>5</sup>		
(\$ millions)	2018-19	2019-20
Fiscal Year	Actual	Budget
Residential	1,518	1,509
Non-Residential	923	947
Total	2,441	2,455
Calendar Year	2018	2019
Residential	1,516	1,558
Non-Residential	929	924
Total	2,445	2,482

<sup>5</sup> Source: Alberta Municipal Affairs



### Grants in Place of Taxes (GIPOT)

The government will be reducing the Grants in Place of Taxes program by 24 per cent in 2019/20 and a further 32 per cent in 2020/21. This will reduce GIPOT funding from \$58.7 million in 2018 to \$30.0 million in 2020 and continuing at that level thereafter. This revenue is normally based on property taxes that the Crown would pay if the property were not exempt from taxation. Municipalities are still required to provide services to these properties. While municipalities can recover some costs from the province through user fees for items such as water, wastewater and waste collection, the province is effectively downloading the costs of other municipal services such as policing and fire to other property taxpayers. As an example, to make up for the reduction, the City of Edmonton would need to increase its property tax rate by 0.8 per cent.

## Good to Know: An Overview of Budget 2019's Fiscal Plan

As per the government's election promises, Budget 2019 outlines a plan to balance Alberta's budget by 2022-23. By holding spending on health, education, and social services, and reducing costs in other ministries, Budget 2019 proposes that the province will post a surplus within four years. That surplus is dependent on realizing notable growth in personal income tax and corporate income tax and resource revenue.

### Government of Alberta: Statement of Operations<sup>6</sup>

(\$ millions)	2018-19 Actual	2019-20 Budget	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast
Revenue					
Personal income tax	11,874	<b>11,990</b>	12,619	13,451	14,335
Corporate income tax	4,871	<b>4,177</b>	4,614	5,031	5,388
Other tax revenue	6,833	<b>5,766</b>	5,803	5,991	6,207
Resource revenue	5,429	<b>6,527</b>	5,386	6,738	8,591
Investment income	2,349	<b>2,585</b>	2,697	2,893	3,009
Premiums, fees, and licenses	3,911	<b>3,872</b>	4,047	4,131	4,241
Other own-source revenue	6,344	<b>5,899</b>	6,030	5,968	6,026
Federal transfers	8,013	<b>9,200</b>	8,883	9,426	9,746
Total revenue	49,624	<b>50,016</b>	50,079	53,629	57,543
Expense by function					
Health	21,921	<b>22,155</b>	22,262	22,228	22,259
Basic/advanced education	14,848	<b>14,541</b>	14,405	14,314	14,207
Social services	5,867	<b>6,301</b>	6,219	6,232	6,263
Other program expenses	11,918	<b>13,795</b>	10,931	11,002	11,015
Total program expense	54,554	<b>56,792</b>	53,817	53,776	53,744
Debt servicing costs	1,971	<b>2,265</b>	2,520	2,780	3,013
Pension Provisions	(190)	<b>(337)</b>	(375)	(324)	(248)
Total Expense	56,335	<b>58,720</b>	55,962	56,232	56,509
Surplus / (Deficit)	(6,711)	<b>(8,704)</b>	(5,883)	(2,603)	584

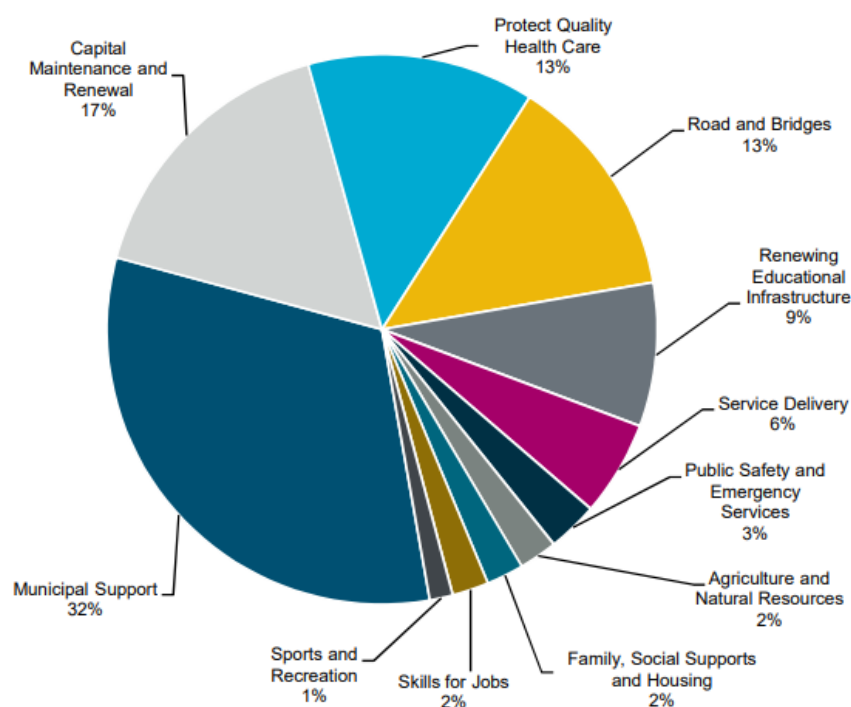
<sup>6</sup> Source: Government of Alberta 2019-23 Fiscal Plan, pg. 194

### Key Energy and Economic Assumptions

Fiscal Year Assumptions	2018-19 Actuals	2019-20	2020-21	2021-22	2022-23
<b>Crude Oil Prices</b>					
WTI (US\$/bbl)	62.77	<b>57.00</b>	58.00	62.00	63.00
Light-Heavy Differential (US\$/bbl)	23.31	<b>14.20</b>	18.40	21.00	17.10
WCS @ Hardisty (US\$/bbl)	51.65	<b>56.60</b>	52.10	54.00	59.70
<b>Natural Gas Price</b>					
Alberta Reference Price (Cdn\$/GJ)	1.34	<b>1.30</b>	1.60	1.90	2.00
<b>Production</b>					
Convention Crude Oil (000s barrels/day)	489	<b>490</b>	501	509	511
Raw Bitumen (000s barrels/day)	3,008	<b>3,108</b>	3,266	3,424	3,534
Natural Gas (billions of cubic feet)	4,158	<b>4,108</b>	4,114	4,116	4,065
<b>Interest Rates</b>					
3-month Canada Treasury Bill (%)	1.50	<b>1.60</b>	1.50	1.70	1.70
10-year Canada Bonds (%)	2.19	<b>1.50</b>	1.90	2.10	2.20
Exchange Rate (US/Cdn)	76.30	<b>75.00</b>	76.00	77.00	78.00

### 2019 Capital Plan – Spending by Category<sup>7</sup>

*Budget 2019 – Capital Plan*



*Note: Excludes schools, universities, colleges, hospitals (SUCH) sector – self financed investment.*

<sup>7</sup> Full details of the 2019 Capital Plan can be found on page 126 of Alberta's 2019-23 Fiscal Plan

## Ministry Highlights

### **Municipal Affairs**

In addition to the municipal grant programs discussed elsewhere in this document, Municipal Affairs' business plan highlights key allocations and initiatives including:

- \$37 million for public library services, including operating grants.
- An assessment model review that is expected to reduce assessed values of shallow gas wells next year.
- \$3.3 million for the Residential Protection Program, which includes processing builder license applications and renewals, and promoting and enforcing legislated requirements.
- \$0.35 million for the Alberta Emergency Alert notification system.
- \$17 million for 911 call centres.
- \$150.8 million for municipalities, provincial departments and residents impacted by 2018 and 2019 wildfire and flood events.
- \$0.8 million to support municipal Assessment Review Boards across Alberta.

Budget 2019 also proposes ending the use of municipal census data to allocate population-based grants starting in 2021 and instead use population estimates. Annual estimates will be based on a methodology used in other jurisdictions and will be produced by the Government of Alberta in collaboration with Statistics Canada.

### **Infrastructure**

Budget 2019 indicates the province will introduce infrastructure planning legislation in the spring of 2020. This will include the commitment to publish the annual Alberta Infrastructure report, as well as a 20-year strategic capital plan to ensure Alberta has a long-term view of meeting the province's infrastructure needs.

### **Transportation**

In addition to the grants for municipalities included in the previous section, the ministry is responsible for a number of other transportation investments. Targets for investment in roads and bridges are outlined in the following chart:

(\$ millions)	2018-19 Budget	<b>2019-20</b> <b>Estimate</b>	2020-21 Target	2021-22 Target	2022-23 Target
Budget 2018	674	<b>659</b>	719	657	605
Budget 2019	n/a	<b>673</b>	792	734	674
Change	n/a	<b>14</b>	73	77	69

The capital plan includes investment of \$2.9 billion over the next four years (or 13 per cent of the total plan) in transportation networks and roads. Among many other projects, the plan commits funding of \$77 million to construct Highway 1A upgrades through the Stoney First Nation and \$210 million for Deerfoot Trail upgrades.

Reductions affecting municipalities will come in the form of reduced amounts for road maintenance (\$137 million), roadway preservation activities (\$63 million) and reducing operations in Traffic Safety Services. It is important to note that the reduction in road maintenance will only apply to non-safety, summer maintenance activities, therefore winter maintenance such as snow removal will not be impacted.

### **Environment and Parks**

Highlights of the Environment and Parks' 2019 budget and business plan include:

- \$4.0 million is allocated to the Wetland Restoration Program to enable the Government of Alberta to collect wetland replacement fees and expend them on wetland restoration projects.
- \$8.0 million for the Integrated Regulatory Business Process initiative to improve business process, efficiency, and allow better collaboration among decision-makers during the regulatory approval process.
- Improve recreational access management through effective public lands management, introducing an *Alberta Trails Act* and establishing a trail fee to restore and create trails.
- \$41.9 million is allocated to Flood Adaptation and Resilience to help communities adapt to and mitigate on-going flood risks.
- \$231.3 million to address climate change through the Technology Innovation and Emission Reduction (TIER). Regulated facilities will have options to reduce their emissions, pay directly into a TIER fund, submit emission offsets or reduction credits. The TIER fund will be used to develop and implement technologies that further reduce greenhouse gas emissions. Over the next four years, a portion of TIER funding will be used to support the Canadian Energy Centre and pay down the overall provincial debt.

### **Economic Development, Trade and Tourism**

While the province applies a tourism levy of 4 per cent on most types of temporary accommodation rentals, the levy was not originally designed with short-term rentals (STRs), such as Airbnb and HomeAway, in mind. Economic Development, Trade and Tourism (EDTT) intends to bring forward legislation in spring 2020 to level the playing field among temporary accommodation providers and apply the tourism levy to STRs. To facilitate the collection of the tourism levy from STR operators, online marketplaces will be authorized to collect and remit the levy to government on their behalf.

EDTT also plans to develop a 10-year Tourism Strategy and launch a Tourism Partnership Incentive Fund to attract private sector support for tourism. \$42 million is allocated for Travel Alberta, the provincial tourism-marketing agency for the Government of Alberta.

### **Community and Social Services**

Budget 2019 increases the budget for Community and Social Services by 7.6 per cent, from \$3.63 million in 2018-19 to \$3.91 million in 2019-2020. The budget increase will be used to address the UCP's commitments on human trafficking and sexual exploitation, caseload pressures, and a comprehensive review of programming to ensure value for money. Municipalities are mentioned in the ministry's business plan in relation to emergency shelters, housing first, persons with disabilities, inclusion and other preventative social programs

While Budget 2019 notes that the Family and Community Support Services (FCSS) program will be maintained, it does not specify annual program funding amounts. However, in 2019-20, \$100,000 is allocated to reduce red tape by streamlining reporting and introducing multi-year funding agreements for the FCSS program.

### **Justice and Solicitor General**

Justice and Solicitor General's operating expenses

- \$8 million over four years to target and reduce rural crime through closer coordination between police services, and an increased focus on high-risk repeat offenders.



- \$50 million over four years for the Alberta Law Enforcement Response Teams (ALERT) and its sub-units, which investigate issues such as child pornography, gang violence, drug trafficking, stalking, and domestic violence.
- \$20 million over four years to expand drug treatment courts.
- \$40 million over four years to hire 50 new prosecutors and their support staff.

JSG's 2019-20 business plan notes that the current model of victim service delivery, victim assistance funding and victim compensation will be reviewed. However, the business plan is silent with respect to the review of the *Police Act*.

### Health

Budget 2019 increases the budget for Health by 1.0 per cent, from \$21.9 billion in 2018-19 to \$22.1 billion in 2019-20. This includes the following increases:

- \$100 million over four years for a mental health and addiction strategy.
- \$40 million over four years for opioid response.
- \$20 million over four years for palliative care.
- \$6 million over four years for a new sexual assault hotline.

The province's Capital Plan continues to support healthcare facilities including the Calgary Cancer Centre, the Norwood Long Term Care Facility in Edmonton, and the Grande Prairie Hospital. The plan also includes planning funds for potential future projects such as redevelopment of the Red Deer Regional Hospital and the proposed Brain Centre at the University of Alberta. However, the plan defers the proposed Child and Adolescent Mental Health building at the Royal Alexandra Hospital, and the four-year budget for the new Edmonton hospital has been adjusted with the opening delayed to 2030.

### Seniors and Housing

Budget 2019 decreases the budget for Seniors and Housing by 3.0 per cent, from \$726 million in 2018-19 to \$704 million in 2019-20. Operating budgets for housing management bodies will be reduced by an average of 3.5 per cent beginning January 1, 2020. Additionally, the province's Rental Assistance Program will be reduced by 24 per cent, or \$44 million, over three years, beginning in 2020-21. The Capital Plan commits the following for housing:

(\$ millions)	2018-19 Budget	<b>2019-20 Budget</b>	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast
Family and Community Housing Development and Renewal	45	<b>30</b>	37	9	-
Indigenous Housing Capital	1	<b>5</b>	10	10	10
New Affordable and Specialized Housing	20	<b>14</b>	22	24	12
Seniors' Housing Development and Renewal	144	<b>63</b>	99	61	31

The Capital Plan also allocates \$38.4 million to projects that help Alberta's youth and homeless, including the Yellowhead Youth Centre redevelopment and Hope Mission projects.

### **Service Alberta**

The ministry's business plan includes the following objectives and initiatives:

- Improve Albertans' access to registry services and land titles.
- \$1.1 million is allocated to expand and enhance online delivery of services through MyAlberta eServices and My Alberta Digital ID, and to build out new features and functions in support of registry services modernization.
- Develop a strategy to support widespread access to high-speed broadband and realize the opportunities for innovation and efficiency inherent in digital service delivery. No funding is explicitly allocated for this strategy.

### **Energy**

Budget 2019 confirms previously announced initiatives such as the launch of the Canadian Energy Centre (the 'energy war room'), reform of the Alberta Energy Regulator, changes to the Petrochemical Diversification Program, and red tape reduction for the energy sector.

### **Labour and Immigration**

Budget 2019 allocates \$2.5 million for the development of the Alberta Advantage Immigration Strategy to support foreign qualification recognition and newcomers. The Alberta Advantage Immigration Strategy will focus on attracting talented newcomers and job-creating entrepreneurs with a focus on settlement in smaller communities.

Alberta Labour is eliminating the Student Temporary Employment Program (STEP) after the 2019-20 program year in order to save approximately \$32 million over four years. The province previously announced ending the program in 2013 but reinstated it based on the negative impacts its elimination would have on municipalities, community groups, and the young labour force.

## Next Steps

AUMA will continue to advocate for a provincial partnership focused on building a strong Alberta. Our advocacy efforts will focus on key priorities, including but not limited to, advocating for:

- A Local Government Fiscal Framework (LGFF) that includes an adequate base amount, a growth factor that keeps pace with provincial revenue and an equitable allocation formula.
- A fair cannabis assessment and revenue model that recognizes the essential community services that municipalities provide.
- Implementation of AUMA's red tape reduction recommendations. Much of our feedback was reflected in the recommendations in the MacKinnon Report. AUMA wants to support the province on a program review to assess opportunities to enhance effectiveness and efficiency and reduce the Alberta government's footprint.
- Investment in the broadband internet required to power Alberta's move to the modern economy. Reliable broadband connections enable economic development in communities across Alberta. Without it, communities can't attract skilled workers and risk falling farther away from sharing in the Alberta advantage.

We will reach out to the province to seek clarity and further details on funding for essential programs Albertans rely on.

In addition, we will engage our members in how the budget impacts their communities and identify solutions to help municipalities steer programs and services forward while potentially making do without critical resources and tools from the provincial government.

Despite a tough budget AUMA and our members remain committed to building a partnership with the province that gets Alberta back to work, improves the lives of all Albertans, and stands up for Alberta.

## AUMA's news release in response to Budget 2019

October 24, 2019

AUMA expected a provincial budget of restraint, and that was the budget the government delivered. We are relieved that the budget supports municipalities by maintaining critical programs for policing, libraries, Family and Community Support Services (FCSS), and the infrastructure operating budgets for small communities. We look forward to further funding details.

However, the planned changes to some municipal programs cause us concern. While Budget 2019 keeps the Municipal Sustainability Initiative (MSI) stable for this year, it will be depleted over subsequent years, leading to a new fiscal framework with a funding level that fails to address the long-term infrastructure needs of Alberta's communities.

"Despite a lack of consultation from the government on a new municipal funding framework, AUMA will continue to advocate for a framework that supports the province's financial goals while also meeting the needs and responsibilities of our communities," says AUMA President Barry Morishita.

"While the province reduces its budget by 2.8 per cent over the next four years, it has proposed reducing our infrastructure funding by almost 10 times that amount. With municipal governments currently facing a multibillion-dollar infrastructure deficit, these funding cuts will lead to crumbling community infrastructure or higher taxes for property owners for years to come," President Morishita explains.

Additionally, AUMA is extremely disappointed with the government's decision to replace the *City Charters Fiscal Framework Act*, backtracking on their campaign promise. We also have significant concerns about the extraordinary reduction to Grants in Place of Taxes (GIPOT) for municipalities that are home to provincially owned buildings and facilities. A reduction in grant revenue equivalent to one per cent of property taxes for a city the size of Edmonton is a substantial impact and could result in downloading provincial costs onto city taxpayers. We understand that those municipalities with more than five per cent of their revenue coming from GIPOT will be exempt, which we appreciate.

Changing the terms of these agreements restructures the relationship our largest cities have with the provincial government.

"We're here to support each other – rural and urban, municipal and provincial – through Alberta's current economic context so we can all share in brighter times ahead. These are the things our local governments want to build strong communities, and a stronger Alberta," says President Morishita.