

February 28, 2020

Alberta Budget 2020-21: Initial Analysis

Today the Government of Alberta released their **budget** for the 2020-21 fiscal year.

RMA President Al Kemmere's initial reaction to the 2020-21 provincial budget is as follows:

"As Alberta continues to deal with challenging economic conditions, RMA recognizes the need for the province to balance sustainable services and funding with fiscal responsibility. We do have several areas of concern moving forward. While this year's budget has relatively limited impacts on municipalities, RMA looks forward to working with the province to mitigate the cumulative impacts of other recent and ongoing changes impacting rural municipalities, including the implementation of a new police costing model, the review of Alberta's assessment model for wells, pipelines and machinery and equipment property, and unpaid oil and gas property taxes that totaled approximately \$173 million as of January 2020. While the provincial budget is an extremely significant document for municipalities, RMA is most concerned with how these ongoing processes may impact the ability of rural municipalities to remain viable.

This budget also includes decisions that will exacerbate the already challenging fiscal situation being faced by rural municipalities. Most significantly is the increase in the Education Property Tax Requisition, which will require municipalities to collect an additional \$100 million in education property taxes on behalf of the province at a time when many RMA members are facing a fiscal crisis due to unpaid property taxes. RMA questions the fairness of increasing the Education Property Tax Requisition as provincial budgeted expenses for education remains the same. This takes up tax room for municipalities to adjust to the aforementioned challenges.

Although Municipal Sustainability Initiative funding has decreased, this was expected as municipalities prepare for a transition to the Local Government Fiscal Framework following the 2021-22 fiscal year. Additionally, maintaining funding for the Alberta Community Partnership is a positive decision as municipalities continue to prioritize collaboration. On a similar note, stable funding for libraries and Family and Community Support Services will ensure that municipalities are able to continue to deliver services that support inclusive and livable communities."

RMA's initial analysis identifies the following key items:

- The Government of Alberta's deficit is expected to be \$6.8 billion in the 2020-21 fiscal year, compared to an \$8.8 billion deficit in the 2018-19 budget. The Government of Alberta reports that this reduction in deficit will result in Albertans paying \$35 million less in debt servicing costs.
- Alberta's estimated revenue is similar to the 2019-20 budget at nearly \$50 billion in 2020-21 with total expenditures remaining at approximately \$56 billion.
- The 2020-21 Municipal Sustainability Initiative (MSI) funding components are as follows:
 - The MSI capital component is funded at \$963 million (which includes Basic Municipal Transportation Grant [BMTG] funding).
 - The MSI operating component is funded at \$30 million.

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- MSI funding is projected to decrease to a total of \$927 million in 2021-22, before the program is replaced with the Local Government Fiscal Framework in 2022-23. This reduction is consistent with the plan presented in the 2019 provincial budget.
- The Education Property Tax Requisition is forecast at \$2.6 billion, an increase of \$102 million from the 2019-20 requisition level. This significant increase in the requisition will further limit the ability of municipalities to increase taxes to address other cost pressure introduced by the province, since police costing and upcoming reduction in grant funding through the new Local Government Fiscal Framework.
 - The residential/farm rate has increased from \$2.56 to \$2.64 per \$1,000 of equalized assessment, and the non-residential rate has increased from \$3.76 to \$3.88.
 - Approximately \$10 million will be deducted from education property taxes in 2020-21 and 2021-22 to support the continuation of the Provincial Education Requisition Program (PERC).
- The Strategic Transportation Infrastructure Program (STIP) has received \$15 million for 2020-21, a decrease of \$7.5 million from 2019-20. This is consistent with the funding projected in the 2019-20 budget. This is concerning for Alberta's rural municipalities who manage 77% of Alberta's roads and 61% of Alberta's bridges and rely on provincial funding to ensure these roads and bridges continue to support Alberta's natural resource sector. \$84 million in funding is available over the next four years.
- Alberta Community Partnership (ACP) funding holds steady at \$16.5 million, with the same amount projected for 2020-21 and 2021-22.
- Water for Life has received \$51.3 million, the Alberta Municipal Water Wastewater Program (AMWWP) has received \$13.7 million, and the First Nations Water Tie-in Program has received \$12.8 million.
- The Orphan Well Abandonment program has received an increase in funding from \$55.8 million to \$69 million due to an increased number of orphan wells and more efficient administration of the program.
- Funding for provincial contract policing has increased from approximately \$263 million in 2019-20 to approximately \$280 million in 2020-21. This is likely due to the implementation of the new police costing model in which municipalities are required to contribute 10% of frontline policing costs under the Provincial Police Services Agreement in the 2020-21 provincial fiscal year. According to the Government of Alberta, the model will collect \$23.5 million in costs from municipalities in 2020-21, not including reductions after the application of various modifiers and subsidies. Additionally, the \$280 million amount above also includes police oversight, so determining the exact impact of the new police costing model on the budget amount is not possible with the information currently available.
- Funding for rural programming and agricultural societies remains steady at \$19 million.
- Funding for FireSmart has been decreased by 13% to \$102 million.

Along with the release of Budget 2020, the Government of Alberta also tabled [Bill 4: Fiscal Planning and Transparency \(Fixed Budget Period\) Amendment Act, 2020](#). Bill 4 identifies that a provincial budget must be released each year in the month of February.

The RMA has prepared a supporting member bulletin highlighting the facts and figures in detail of the 2020-21 provincial budget. For a full breakdown of the Government of Alberta's 2020-21 budget and estimates, visit the [Government of Alberta's Budget 2020 webpage](#).

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