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Alberta Budget 2021 - 2022: RMA Initial Analysis

The Government of Alberta has released their 2021 - 2022 budget

The Government of Alberta has released [Budget 2021: Protecting lives and livelihoods](#) for the 2021 - 2022 fiscal year and [2021 - 2024 Fiscal Plan](#).

RMA President Paul McLaughlin's initial reaction to the 2021 - 2022 provincial budget is as follows:

As the province continues to deal with the fiscal impacts of COVID-19 and volatile energy prices, Alberta's rural municipalities recognize the need for the Government of Alberta to spend responsibly to maintain the province's path to balance. However, RMA is concerned with several decisions in the budget related to municipal funding. Most significant is the decision to reduce Municipal Sustainability Initiative (MSI) funding by 25% over the next three years. Changing dramatically each year over three years and not meeting the principle of being stable and predictable for the purposes of budgeting is a challenge. Rural municipalities rely on MSI funding to build and maintain core infrastructure relied on by industry, such as roads and bridges. This reduction, combined with the \$245 million unpaid oil and gas property tax burden that rural municipalities are currently facing, has left RMA concerned that some municipalities will not be able to maintain infrastructure and provide services at the level required by industry and rural residents. A solution to the unpaid tax issue would significantly soften the blow of reduced MSI funding.

In addition to MSI, rural municipalities rely on the Strategic Transportation Infrastructure Program (STIP) to support their road and bridge networks. The budget maintains STIP funding at existing levels for 2021 - 2022, but forecasts a reduction in future years, which could have additional impacts on rural municipal transportation networks.

On a positive note, RMA is pleased by the decision to maintain funding levels for libraries and Family and Community Support Services. Dedicated funding to offset municipal administrative costs related to the upcoming referendum and senate election process is also appreciated. Maintaining funding levels for Alberta's agricultural service boards is also crucial to supporting a strong agriculture industry across the province. Finally, RMA is pleased by the continued funding of the Alberta Municipal Water Wastewater Program (AMWWP) and encourages the Government of Alberta to work with municipalities to ensure AMWWP funding is allocated to support municipal water and wastewater projects.

The 2021 - 2022 budget focuses on three key areas:

- ◆ Investment in healthcare
- ◆ Preparing for recovery
- ◆ Maintaining responsible spending

For a full breakdown of the budget and estimates, visit the [Government of Alberta's Budget 2021 webpage](#).

The following are details of the 2021 - 2022 budget that will be important for RMA members:

- ◆ The Government of Alberta's deficit is expected to be \$18.2 billion in the 2021 - 2022 fiscal year, with forecasts of \$8 billion deficit by the 2023 - 2024 fiscal year. This decline in deficit is anticipated as decreasing government expenses are anticipated as the pandemic subsidies and government continues to explore streamlines service delivery and increase revenues due to economic recovery.

- ◆ The Municipal Sustainability Initiative (MSI) program, which was to expire and be replaced by the Local Government Fiscal Framework (LGFF) following the 2020 - 2021 budget year, has been extended for two additional years, and is now scheduled to expire after the 2023 - 2024 budget year. At this point, the Government of Alberta still plans to replace the MSI program with the LGFF upon its expiry.
- ◆ The 2021 - 2022 Municipal Sustainability Initiative (MSI) funding components are as follows:
 - ◇ MSI capital funding is increasing significantly for the 2021 - 2022 budget year, from \$963 million in 2020 - 2021 to \$1.12 billion in 2021 - 2022. However, MSI capital funding will be reduced to just \$485 million in 2022 - 2023 and 2023 - 2024. This represents an overall average reduction of 25% per year for the next three budget years compared to 2020 - 2021 funding levels.
 - ◇ The MSI operating component continues to be funded at \$30 million.
- ◆ The Strategic Transportation Infrastructure Program (STIP) increases to \$43 million, which is comparable to 2020 - 2021 funding, including the economic stimulus funding. STIP is set to decrease to \$25 million in 2023 - 2024.
- ◆ Orphan Well Abandonment program funding has increased from \$69 million to \$74 million, due to a combination of an increased number of orphan wells and more efficient administration of the program.
- ◆ The Education Property Tax Requisition revenue is forecast at \$2.5 billion, as the requisition rate has been frozen and remains the same as the last two provincial budgets.
- ◆ As property assessments have fallen slightly, minor adjustments to the education property tax mill rates are required:
 - ◇ The residential / farm rate has increased from \$2.55 to \$2.56 per \$1,000 of equalized assessment, and the non-residential rate has increased from \$3.75 to \$3.76 per \$1,000 of equalized assessment.
- ◆ Funding for provincial contract policing has increased from approximately \$280 million in 2020 - 2021 to approximately \$289 million in 2021 - 2022. This is likely due to the implementation of the new police costing model in which municipalities are required to contribute 15% of frontline policing costs under the Provincial Police Services Agreement in the 2021 - 2022 provincial fiscal year. This is a 5% increase in municipal contributions compared to 2020 - 2021. According to the Government of Alberta, the model will collect \$34.9 million in costs from municipalities in 2021 - 2022, not including reductions after the application of various modifiers and subsidies. Additionally, the \$289 million amount above also includes police oversight.
- ◆ The Policing Assistance to Municipalities Grant remained steady at \$88.2 million in 2021 - 2022. This grant is provided to municipalities with a population above 5,000 to assist with municipal policing costs.

The [attached backgrounder](#) provides more budget highlights that may affect rural Alberta. The RMA will provide additional details through member bulletins as they become available. You can [view the complete budget and its supporting documents online](#).

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