

Preliminary Analysis of the
Government of Alberta's
2021 Budget

February 26, 2021



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Introduction

Leading up to the release of the 2021 budget, senior elected provincial officials repeatedly indicated that the budget would focus on the COVID-19 pandemic along with initiatives aimed at getting the economy back on its feet and supporting economic growth. Those two pillars, often characterized as protecting lives and livelihoods, combined with a commitment to fiscal accountability are the three predominant themes of the 2021 budget.

Talk of a “fiscal reckoning” which featured prominently in government messaging a year ago is absent from this budget and plans to balance the budget by the end of the government’s term have been abandoned. In their place are three new “fiscal policy anchors”:

1. Keeping net debt-to-GDP below 30 per cent,
2. Gradually bringing spending in line with other provinces, and
3. Releasing a balanced budget plan once the pandemic ends.

As part of economic recovery, the budget commits to no new taxes and maintaining Alberta’s place as the lowest overall tax regime in Canada. Any consideration of a broader conversation on Alberta’s revenue and taxation system has been pushed to the post-pandemic period.

On the spending side, the government remains committed to bringing per capita spending in line with the level of other large Canadian provinces. The challenge with this approach is that strategic investments are required in urban centers large and small throughout Alberta to enable social and economic recovery.

This document includes AUMA’s preliminary analysis of Budget 2021 as 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 the ministry business plans that most impact our communities.

Priorities for Alberta’s Municipal Governments

Stable and long-term predictable funding

As stated in our pre-budget submission, municipalities are seeking long-term stable and predictable funding. Passed in the fall of 2019, the *Local Government Fiscal Framework Act* (LGFF), while not perfect, promised the type of funding that AUMA has, for the last 15 to 20 years, been advocating for - that is funding that is sustainable, predictable, and legislated.

That is why we are disappointed with the province’s decision to extend the Municipal Sustainability Initiative (MSI) for an additional two years and in turn delay the implementation of LGFF. After finally achieving a sustainable, predictable, and legislated funding regime, the province has decided to rescind that commitment before the legislation was even proclaimed. While MSI will increase by \$233 million this year, declines in the next two years mean that municipalities will lose out on approximately \$414 million in funding over the next three years

compared to what was planned in last year's budget. The government is messaging the change as a 25 per cent reduction spread over three years with the average amount being \$722 million per year. Adding to the disappointment, the province plans to reduce LGFF's starting baseline funding from \$860 million to \$722 million when the program launches. The delay is also a missed opportunity to reallocate investment to municipalities who need it most. More details are available in the capital funding section of this report.

Holding the line on property taxes for now

We are relieved that the province is holding its share of the provincial education property tax requisition flat this year. In Budget 2020, education property tax was originally set to increase to account for population growth and inflation. However, with the onset of the pandemic, the Government of Alberta decided to freeze property tax revenue at 2019-20 levels. With the pandemic still affecting numerous households and businesses, this revenue amount will continue to be frozen. Municipalities are making the tough decisions to minimize property tax increases and we are pleased the province is supporting these efforts by not increasing their take from municipal ratepayers this year. However, we note that revenues from education property taxes are set to creep up in subsequent years despite estimates that K-12 education costs will not increase.

Disaster Recovery Program

While some grants have been maintained, the planned changes to the Disaster Recovery Program (DRP) will result in a transferring of costs to municipalities. Presently, the province funds 100 per cent of the program so any movement towards a cost-sharing model will result in a new financial burden being placed on communities.

Policing

Budget 2021 maintains funding for police grants at the same level as in 2020: \$30 million for the Police Officer Grant and \$59.2 million for the Municipal Policing Assistance Grant. The new police funding model introduced in 2020 will raise an additional \$11.3 million in 2021. Last year, the model raised \$15.4 million, which was used to hire 76 regular members and 57 new civilian support positions in the RCMP. The \$26.7 million raised in 2021 will be used to hire 55 regular members and 42 support staff for the RCMP. AUMA is concerned that there will be fewer hires this year compared to 2020, despite increased revenue. AUMA is advocating that there be a balance of resource expenditures in comparison to collected revenues.

Affordable Housing

Budget 2021 commits the province to transforming the affordable housing system through the creation of affordable housing and real estate asset management strategic plans. This includes implementing the Affordable Housing Review Panel's recommendations to increase the affordable housing supply and support better housing outcomes for Albertans. However, as provincial capital funding for affordable housing is projected to decrease by 79 per cent over two years, AUMA expects that the non-profit and private sectors will be asked to take on a greater role in building and operating affordable housing.

The 2021 strategic plan states that the province is responsible for ensuring Albertans have access to high quality services such as affordable housing and supports for vulnerable and marginalized people. Despite this commitment, no funding has been allocated to the City of Edmonton to help operate the supportive housing units being built under the federal Rapid Housing Initiative.

Opioid Crisis

Municipalities are concerned about the record number of Albertans who are dying because of the opioid crisis. The provincial death toll surged to 997 by the end of November 2020, with one month worth of data yet to be disclosed. This surpasses the previous yearly record in 2018 — in which 806 deaths were recorded — by almost 24 per cent. While Budget 2021 maintains the province's original plan of allocating \$140 million over four years in addiction recovery programs, it does not address the immediate opioid crisis and skyrocketing number of deaths. A portion of \$24 million provided by the federal government will go toward Alberta's opioid-related strategy; however, no specifics were provided as to how these funds will be used.

Mental Health

We do acknowledge that the budget does pledge to implement the recommendations of the Mental Health and Addiction Advisory Council to increase access to recovery-oriented addiction recovery and mental health services, while investing \$40 million to support treatment and recovery services along with \$34 million for children's health supports to expand mental health and rehabilitation.

Municipalities large and small are united in their concern about the mental health of their residents. AUMA will seek ways to work with the province and other partners to enhance mental health support.

Local elections not so local

AUMA is disappointed to note that Budget 2021 reconfirms that Senate elections and referendums will be held at the same time as local elections despite advice that this will detract from essential discussions on local issues. While few details are available, AUMA understands that Municipal Affairs has increased funding under the Alberta Community Partnership to include \$10 million for municipal initiatives associated with the *Referendum Act* and *Senate Election Act*.

Avoiding Some Transferring of Costs and Responsibilities to Municipalities

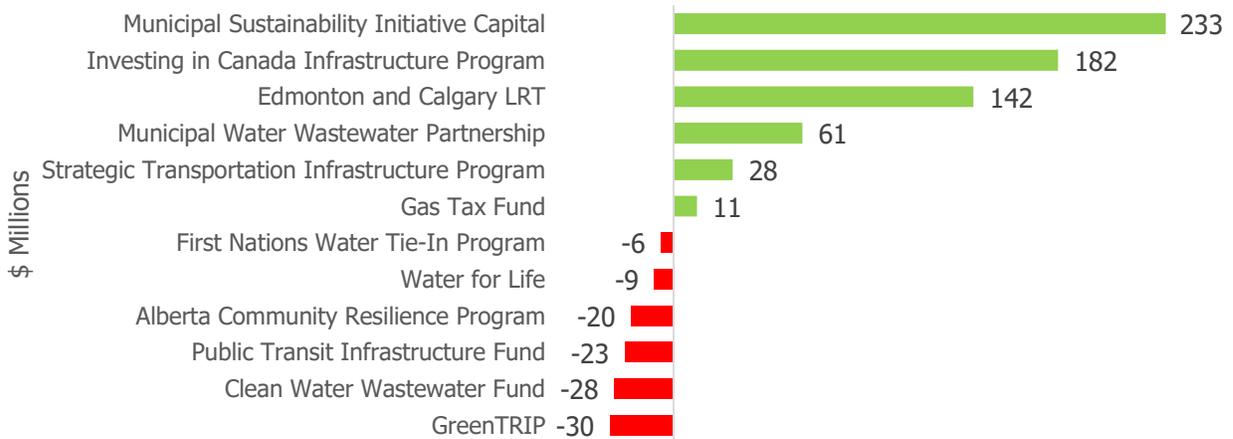
When faced with fiscal pressures, governments across Canada have a history of downloading their costs and responsibilities onto lower levels of government. AUMA is satisfied that the province is maintaining support levels for Family and Community Support Services (FCSS) and library operating grants. After significant reductions in previous years, the province has held funding flat for Grants in Place of Taxes (GIPOT). Reductions in GIPOT have had a detrimental effect on many municipalities sending some small communities with a significant proportion of tax-exempt properties over a fiscal cliff. AUMA will continue to monitor the cumulative effects of a wide variety of provincial funding decisions on municipalities.

Planning for your community's financial future

Core Capital Funding to Municipal Governments

Capital Program (\$ millions)	2020-21 Budget	2021-22 Budget	2022-23 Forecast	2023-24 Forecast	2021 vs. 2020
Municipal Sustainability Initiative Capital	963	1,196	485	485	233
Water for Life	51	42	11	43	(9)
Municipal Water and Wastewater Partnership	14	75	35	17	61
Strategic Transportation Infrastructure Program	15	43	35	25	28
Alberta Community Resilience Program	20	-	-	-	(20)
First Nations Water Tie-In Program	13	7	30	-	(6)
Subtotal	1,076	1,363	596	570	287
		26.7%	-56.3%	-4.4%	
Capital Funding Linked to Federal Funding Programs					
Gas Tax Fund	244	255	255	266	11
GreenTRIP	60	30	18	-	(30)
Public Transit Infrastructure Fund	44	21	1	-	(23)
Clean Water Wastewater Fund	30	2	8	-	(28)
New Building Canada Fund – Small Communities	-	-	-	1	-
Investing in Canada Infrastructure Program	57	239	70	23	182
Edmonton and Calgary LRT	343	485	69	1,101	142
Subtotal	778	1,032	921	1,391	254
		32.6%	-10.8%	51.0%	
Total – Core Capital Funding	1,854	2,395	1,517	1,961	541
		29.2%	-36.7%	29.3%	

Year-Over-Year Change in Municipal Capital Funding: Budget 2021 vs. Budget 2020



Investments in municipal capital infrastructure will be \$541 million higher than last year. Approximately half of the increase is associated with increases in provincial funding, namely the 2021 increase in MSI funding, and the other half represents a ramp up of spending under federally funded programs such as ICIP and the Edmonton and Calgary LRT.

Growth in capital funding

- The rise in 2021 MSI Capital was unexpected but is part of a multi-year reduction in funding. See the section on MSI for more details.
- The increase in ICIP funding does not represent new dollars for municipalities. The program is fully allocated and therefore, AUMA estimates that the increase has to do with timing of progress in construction.
- The \$142 million increase in Edmonton and Calgary LRT aligns with the plan set out in Budget 2020.
- The increase in MWWWP is \$53 million higher than what was forecasted in Budget 2020 and is likely associated with the province's mid-2020 announcement that MWWWP would receive an additional \$137 million to help kickstart the economy.

Reductions in capital funding

- Funding under the First Nations Water Tie-In Program will decline more than what was forecasted in Budget 2020, but funding will ramp up to \$30 million in 2022-23 representing the closure of the program.
- The \$9 million reduction in Water for Life is unexpected as Budget 2020 had proposed the funding would remain stable in 2021-22.
- The \$20 million reduction in the Alberta Community Resilience Program was expected as the program is now closed.
- The reductions in PTIF, CWWF, and GreenTRIP were expected as part of the end of the current federal funding streams.

Core Operating Funding to Municipal Governments

Operating Program (\$ millions)	2020-21 Budget	2021-22 Budget	% Change	Note
Alberta Community Partnership	16.5	25.4	53.9%	1
Emergency Management Preparedness Program	0.2	0.2	-	2
Family and Community Support Services	100.0	100.0	-	
Grants in Place of Taxes	30.2	30.0	-0.7%	3
Municipal Policing Assistance Grant	59.2	59.2	-	
Municipal Sustainability Initiative – Operating	30.0	30.0	-	
Police Officer Grant	30.0	30.0	-	
Total – Core Operating Funding	266.1	274.8	3.3%	

Notes to municipal operating funding

1. In addition to funding regional collaboration initiatives, intermunicipal collaboration and the Municipal Internship Program, Budget 2021 increases ACP funding to add \$10 million for projects associated with the *Senate Election Act* and *Referendum Act*.
2. The budget for the Emergency Management Preparedness Program is \$150,000.
3. After a 50 per cent cut in funding over the past two years, GIPOF is forecasted to remain at \$30 million per year for the next three years. The past reductions disproportionately impacted communities with provincially owned properties that are exempt from property tax. Property owners in those communities are now forced to subsidize a portion of the costs of providing essential services such as policing, fire, water and waste management, and transportation for Crown-owned properties.

Municipal Sustainability Initiative: Three More Years

2021 was scheduled to be the final year of the long-standing Municipal Sustainability Initiative (MSI). To AUMA's disappointment, the Government of Alberta has chosen to extend MSI for an additional two years resulting in the new Local Government Fiscal Framework (LGFF) being delayed until 2024. Municipalities will receive strong support this year, but future funding will diminish.

MSI Operating will remain constant at \$30 million per year for the next three years. While MSI Capital will increase to \$1.2 billion this year, municipalities will experience a significant reduction to only \$485 million in both 2022 and 2023.

(\$ millions)	2020-21 Budget	2021-22 Budget	2022-23 Target	2023-24 Target
MSI Capital (including BMTG) ¹	963	1,196	485	485
MSI Operating	30	30	30	30
	993	1,226	515	515

Municipalities will have the flexibility to use the 2021 funding over future years, which is why the province is communicating that municipalities will receive an average of \$722 million per year between 2021-22 and 2023-24.

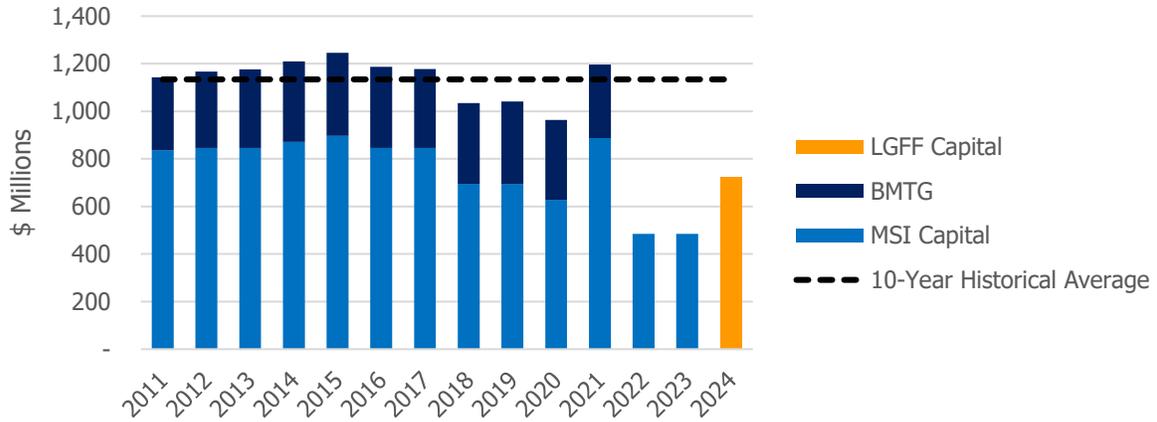
Due to COVID-19 and other complexities, the 2021 MSI allocations will be calculated using the 2019 Municipal Affairs Population figures instead of 2020. While not available yet, AUMA is hopeful that Alberta Municipal Affairs will continue to publish estimates of future MSI allocations so that municipalities can plan appropriately.

¹ BMTG = Basic Municipal Transportation Grant, which is a component of the MSI program.

Local Government Fiscal Framework: Deferred and Funding Reduced

In addition to the announcement that LGFF will be deferred until 2024, the Minister of Municipal Affairs sent a letter to municipalities on February 25, 2021, which communicates that LGFF's starting baseline funding will drop from \$860 million to \$722 million. This means that municipalities will receive 36 per cent less funding per year under LGFF compared to the annual average between 2011 and 2020.

At its start, the Local Government Fiscal Framework will deliver 36% less funding than the average over the last 10 years



Source: Budget 2021 Fiscal Plan and Alberta Municipal Affairs' MSI Allocation Tables

Notes: Advances of MSI Capital in March 2014 and 2018 are presented in the year that funding was available to municipalities. BMTG amounts are included in the 2022 and 2023 MSI Capital figure.

The changes have both short and long-term impacts. In the short-term, municipalities will receive approximately \$414 million less over the next three years compared to what was proposed in last year's budget when LGFF was scheduled to start in 2022. This equates to a 16 per cent reduction in funding over three years. In the long-term, the reduction in baseline funding will result in less growth of the funding pools, similar to earning less interest after you withdraw funds from your bank account.

(\$ millions)		<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>3-Year Total</u>
Budget 2020 Plan	MSI Capital (incl. BMTG)	897	-	-	
	LGFF Capital	-	860	823 ²	
	MSI Operating/LGFF Operating	30	30	30	
		<hr/> 927	<hr/> 890	<hr/> 853	<hr/> 2,670
Budget 2021 Plan	MSI Capital (incl. BMTG)	1,196	485	485	
	MSI Operating	30	30	30	
		<hr/> 1,226	<hr/> 515	<hr/> 515	<hr/> 2,256
	Difference (\$)				(414)
	Difference (%)				-16%

² AUMA's calculations based on the LGFF growth formula of 50% of the change in provincial revenues from three years prior (2019-20 to 2020-21).

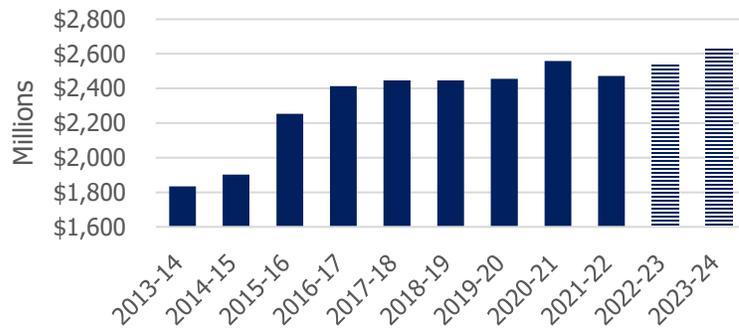
The changes in MSI and LGFF are particularly concerning considering AUMA's continual conversations with the province about the need for municipalities to have adequate, predictable, sustainable, and legislated funding to be able to effectively plan for the future of their communities. Just like past years, municipalities will now be forced back to the drawing table to devise new plans on how to fund the replacement and upgrades of local roads, water lines, facilities, emergency equipment and other necessary capital needs. Once again, this highlights the importance of having a funding model that is linked to provincial revenues instead of current political priorities of the day. This also represents a missed opportunity to shift the funding structure to better meet the needs of Alberta's communities.

AUMA will take this additional time to advocate for key improvements to the legislation, particularly to seek a reversal of the reduction in funding and removal of the 50 per cent growth rate restriction so that the funding will keep pace with local needs.

Education Property Tax: Frozen(ish)

AUMA is pleased that the province will freeze education property taxes at the 2019-20 level for one more year. Budget 2020 had proposed to increase education property tax requisitions by over \$100 million per year, but the province changed its plan shortly after the budget was released due to the COVID-19 pandemic.

Provincial education property tax
(budgeted figures)

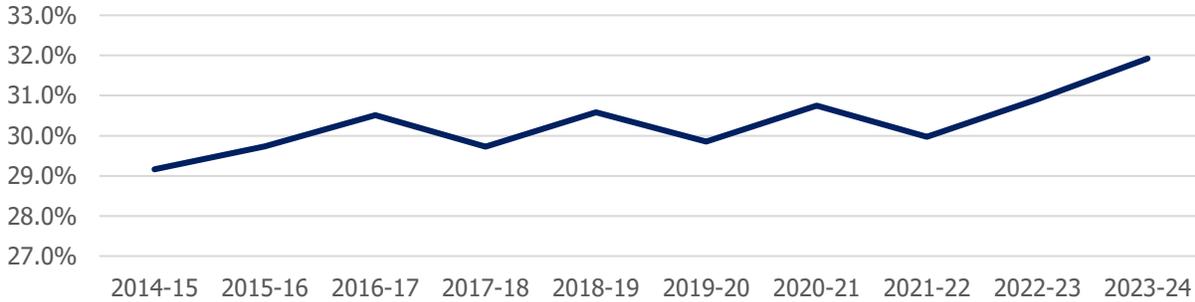


However, Budget 2021 also announces that the province will start increasing provincial education property tax by population growth and inflation starting next year, resulting in forecasted increases of just over 3 per cent per year.

(\$ millions)	2019-20 Actual	2020-21 Actual	2021-22 Budget	2022-23 Forecast	2023-24 Forecast
Provincial education property tax	2,475	2,472	\$2,472	2,549	2,633
Year-over-year % change		-0.1%	-	3.1%	3.3%
K-12 education operating expense	8,134	8,191	8,248	8,248	8,248
Year-over-year % change		0.7%	0.7%	-	-

The rise in provincial education property tax is disappointing because education costs are estimated to remain flat. AUMA [strongly advocated for the reversal of this planned increase](#) last year because it downloads the tax responsibility onto municipal governments instead of exploring provincial revenue tools.

Provincial Education Property Tax as a % of K-12 Education Operating Expense
(budgeted figures)



Source: Calculations based on budgeted figures from the Government of Alberta's Fiscal Plans for 2014-15 to 2021-22

The above chart highlights how the share of education operating costs covered by education tax will rise from 29.2 per cent in 2014-15 up to 31.9 per cent in 2023-24. This plan shifts the burden of taxation onto municipalities who are responsible to collect the revenue on behalf of the province.

The provincial education property tax mill rates will remain the same with the residential/farmland rate set at \$2.56 per \$1,000 of assessed value and the non-residential rate set at \$3.76 per \$1,000 of assessed value.

Each municipality will be impacted to a different degree, with year-over-year changes in 2021 education tax requisitions ranging from a reduction of 23 per cent to an increase of 14 per cent. Municipalities can view their 2021 provincial education property tax requisition by downloading the comparison listing on the province's [website](#).

Notable Funding to Community Entities

Funding for Community Entities (\$ millions)	2020-21 Budget	2021-22 Budget	% Change	Note
Agricultural Service Boards	8.5	8.5	-	
Agricultural Societies and Exhibition Grants	11.5	11.5	-	
Community and Regional Economic Support	-	-	-	1
Community Facility Enhancement Program	25.0	18.5	-26.0%	2
Community Initiatives Program	19.7	37.1	88.3%	
Ground Search and Rescue Training Grant	0.2	0.2	-	3
Library Services – Operating	37.1	37.0	-0.3%	
Legal Aid	94.3	94.3	-	
Regional Economic Development Alliances	0.5	0.5	-	4
	196.3	207.1	5.5%	

Notes

1. The Community and Regional Economic Support (CARES) program was paused in 2020-21 and has no budget allocated for this year.
2. The Community Facility Enhancement Program is a priority program for community organizations looking to update and maintain community-owned buildings such as halls and recreation facilities. Prior to Budget 2019, the program was forecasted to be \$38 million per year, then it was reduced to \$25 million per year and is now reduced to \$18.5 million in 2021. Fortunately, the program is scheduled to rise to \$24 million for the next two years.
3. The budget for the Ground Search and Rescue Training Grant is \$150,000.
4. Nine regional economic development alliances (REDAs) will each receive \$50,000 in 2021-22 and 2022-23. This remains the same as 2020-21, but still represents a 50 per cent reduction from what was delivered prior to Budget 2020.

Good to Know: An Overview of the 2021 Fiscal Plan

The COVID-19 pandemic has stalled the province's plans to balance the budget by 2022-23. The government's 2021 Fiscal Plan involves a goal to keep net debt-to-GDP under 30 per cent, aligning per capita spending with comparator provinces, and re-introducing a plan to balance the budget after the pandemic.

Budget 2021 sets a target of a 3.3 per cent increase in revenue over 2020-21, primarily driven by increases in resource revenue and other own-source revenue. Expenditures are targeted to be one per cent less than 2020-21 but still \$3 billion higher than 2019-20, driven by higher healthcare spending.

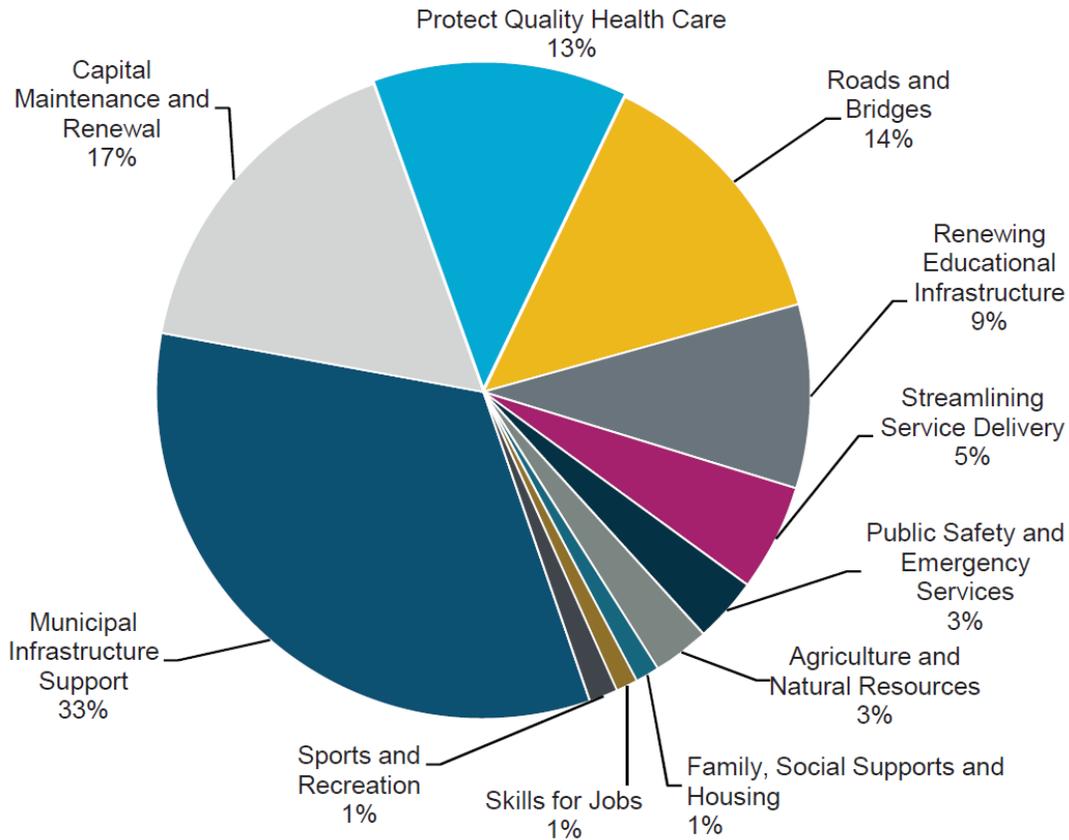
The total deficit is estimated to be \$18.2 billion in 2021-22, with it dropping to \$8 billion by 2023-24, due to targeted growth in income taxes and resource revenue, with reductions in spending below 2019-20 levels.

Statement of Operations³

(\$ millions)	2019-20	2020-21	2021-22	2022-23	2023-24
	Actual	Forecast	Budget	Target	Target
Revenue					
Personal income tax	11,244	10,936	11,647	12,439	13,258
Corporate income tax	4,107	2,242	1,891	2,482	3,139
Other tax revenue	5,747	5,304	5,527	5,748	5,939
Resource revenue	5,937	1,978	2,856	4,718	5,869
Investment income	2,828	2,390	2,205	2,325	2,478
Premiums, fees, and licenses	3,929	3,960	4,133	4,227	4,339
Other own-source revenue	3,360	4,105	5,257	5,611	6,058
Federal transfers	9,072	11,381	10,181	9,872	9,785
Total revenue	46,224	42,296	43,697	47,422	50,865
Expense by function					
Health	22,408	25,230	24,357	23,106	23,123
Basic/advanced education	14,971	14,558	14,868	14,699	14,714
Social services	6,203	3,857	6,248	6,345	6,361
Other program expenses	12,893	16,745	14,050	11,452	11,611
Total program expense	56,475	60,390	59,523	55,602	55,809
Debt servicing costs	2,235	2,369	2,764	3,085	3,335
Pension Provisions	(334)	(271)	(369)	(283)	(292)
Total Expense	58,376	62,488	61,918	58,404	58,852
Surplus / (Deficit)	(12,152)	(20,192)	(18,221)	(10,982)	(7,987)

³ Source: Government of Alberta 2021-24 Fiscal Plan, pg. 186

Budget 2021 – Capital Plan Envelopes⁴



Key Energy and Economic Assumptions

Fiscal Year Assumptions	2020-21 Estimate	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
<i>Crude Oil Prices</i>				
WTI (US\$/bbl)	39.30	46.00	55.00	56.50
Light-Heavy Differential (US\$/bbl)	11.00	14.60	14.70	15.30
WCS @ Hardisty (Cdn\$/bbl)	37.20	40.70	51.60	52.70
<i>Natural Gas Price</i>				
Alberta Reference Price (Cdn\$/GJ)	2.10	2.60	2.50	2.40
<i>Production</i>				
Conventional Crude Oil (000s barrels/day)	398	410	424	431
Raw Bitumen (000s barrels/day)	2,959	3,202	3,272	3,326
Natural Gas (billions of cubic feet)	3,888	3,921	4,017	4,055
<i>Interest rates</i>				
3-month Canada Treasury Bills (%)	0.20	0.20	0.20	0.70
10-year Canada Bonds (%)	0.70	1.00	1.40	1.60
<i>Exchange Rate (US¢/Cdn\$)</i>	75.5	77.4	77.8	78.2

⁴ Source: Government of Alberta 2021-24 Fiscal Plan, page 128.

Ministry Highlights

Advanced Education

Budget 2021 will introduce performance-based funding, which was delayed because of the COVID-19 pandemic. Funding to post-secondary institutions will be cut from 2019 levels (\$5.47 billion) to \$5.04 billion in 2021-22, rising slightly to \$5.08 billion in 2022-23 and \$5.11 billion in 2023-24.

The budget indicates that approximately 750 post-secondary education jobs will be lost but does not include an institution-by-institution breakdown.

Agriculture and Forestry

The ministry continues to focus on attracting investment for value-added operations, the diversification of agricultural products and broadening export opportunities. To diversify Alberta's agriculture industry, the government will contribute approximately \$245 million (\$120 million over the next three years) towards an \$815 million investment to expand Alberta's irrigation infrastructure – through a funding partnership with the Canada Infrastructure Bank and certain irrigation districts in Alberta.

Funding for agricultural service boards and agricultural societies will remain steady at \$8.5 million and \$11 million, respectively.

Children's Services

Budget 2021 increases funding for the Alberta Child and Family Benefit, which supports low-income parents, by \$56 million or 19 per cent (from \$289 million in 2020-21 to \$345 million in 2021-22). This funding is then targeted to fall by \$20 million over the next two years. Funding for child intervention services is increased by \$15 million (2%) in 2021-22, then targeted to fall by \$18 million over the next two years. Funding for early intervention services for children and youth, which includes Family Resource Networks, is increased by \$1 million (1%) compared to last year's budget and will remain flat over the next two years.

The overall operating budget for the ministry will increase slightly from \$1.64 billion in 2020-21 to \$1.72 billion in 2021-22 and remain stable through to 2023-24.

Community and Social Services

The 2021-22 budget for Community and Social Services includes:

- \$5 million to support employment for Albertans with disabilities.
- \$7 million for the Civil Society Empowerment Fund to assist non-profit organizations and charities.
- \$2 million to establish four new family resource centres in St. Paul, Grande Prairie, Medicine Hat, and Edmonton for families to help manage their Family Support for Children with Disabilities (FSCD) and Persons with Developmental Disabilities (PDD) services.
- \$13 million for sexual assault services.

- Over \$5 million for Family Violence Prevention programs.
- \$200,000 to implement the Disclosure to Protect Against Domestic Violence (Clare's Law) Act, which allows people at potential risk of domestic violence to obtain the information they need to make informed choices about potentially harmful relationships.

Family and Community Support Services (FCSS) funding is maintained at \$100 million and funding for homeless and outreach support services is maintained at \$193 million. Assured Income for the Severely Handicapped (AISH) funding is increased by \$69 million (5%) from \$1,290 million in 2020-21 to \$1,359 million in 2021-22 and is targeted to reach \$1,494 million by 2022-23. However, Employment and Income Support funding is decreased by \$83 million (-9%) from \$936 million in 2020-21 to \$853 million in 2021-22 and will fall a further \$75 million over the next two years. This likely reflects provincial projections that Alberta's unemployment rate, estimated at 11 per cent last year, will slowly decline to 7 per cent by 2023, close to its pre-pandemic level.

The overall operating budget for the ministry totals \$3.9 billion in 2021-22 and is targeted to increase to \$4 billion by 2023-24.

Culture, Multiculturalism, and Status of Women

Budget 2021 decreases the Community Facility Enhancement Program funding from \$25 million in 2020-21 to \$18.5 million in 2021-22, a reduction of 26 per cent. However, this funding is targeted to increase to \$24 million in 2022-23 and 2023-24.

The new Stabilize Program will provide \$15 million in one-time funding to qualifying sport, arts, and culture organizations to offset operational costs and support re-opening when it is safe to do so. Status of Women and Multiculturalism will have \$4.1 million to address equity and inclusion issues.

The overall operating budget for the ministry will fall by 21 per cent from \$230 million in 2021-22 to \$181 million in 2023-24, in part due to the conclusion of the screen-based production grants that have been transitioned to the Film and Television Tax Credit in the Ministry of Jobs, Economy and Innovation. However, the ministry budget also shows reduced spending for community and voluntary support services, as well as cultural industries.

Education

Budget 2021 maintains funding for kindergarten to Grade 12 education at \$8.2 billion, despite lower-than-expected enrolment; however, schools will still face increased financial challenges due to unexpected costs from adapting to the COVID-19 pandemic.

In 2020-21, eighteen K-12 school projects were completed at a cost of almost \$400 million and another 19 schools will be completed through 2021-22 with a cost of approximately \$400 million. There is also more than \$1 billion in funding for forty-three additional school projects underway.

The Capital Plan includes new funding for the construction and modernization of fourteen schools as part of the overall \$1.6-billion investment in education. Details on the new school projects will be provided in the coming weeks.

The three-year Capital Plan includes \$140 million for the province's Modular Classroom Program, an increase of \$60 million in 2021-22.

Energy

The Ministry of Energy has committed to developing a liability management framework to manage the cumulative effects of resource developments. AUMA will seek further details on what the impact of the framework will be to municipalities, and if there will be any opportunity to contribute to its development.

The ministry will also be implementing the natural gas strategy and vision, including capitalizing on opportunities in liquefied natural gas and petrochemical manufacturing, and creating conditions for development of emerging opportunities like hydrogen and the plastics circular economy.

The ministry will loan \$300 million to the Orphan Well Association, and it will also be allocating \$74 million to address orphan well abandonment, an increase of \$9.5 million from Budget 2020.

Climate Change (Energy & Environment and Parks)

The Government of Alberta will continue using the Technology Innovation and Emissions Reduction (TIER) Funds to achieve greenhouse gas emission reductions through industrial carbon pricing regulation and an emissions trading structure for heavy emitters. TIER has been reduced in Budget 2021; however this is because heavy emitters reduced activity in 2021 due to COVID-19 and therefore paid less into this program.

No additional initiatives or programs specifically identified to assist municipalities with undertaking projects to mitigate or adapt to climate change have been allocated funding in this budget. The Municipal Climate Change Action Centre, a partnership between AUMA, Rural Municipalities of Alberta and the Government of Alberta continues to provide funding and support to municipalities in this area.

Environment and Parks

Environment and Parks has maintained funding for existing operations and programs. Budget 2021 includes \$81 million in operating expense for Alberta Parks to address increased recreational activity on Crown lands.

The ministry is undertaking a Digital Regulatory Assurance System over the next three years with \$13 million allocated to support this red tape reduction and system transformation initiative. Environment and Parks is allocating \$11 million for the Watershed Resiliency and Restoration Program to improve natural watershed function to build environmental resiliency to floods and drought. The David Thompson Corridor, plus twelve tourism and recreation support sites along

the highway, will receive \$8.4 million to support increased demand for recreation and tourism activities.

Health

Budget 2021 estimates the total 2021-22 operating expenses for Health, excluding costs related to the COVID-19 pandemic response, at \$21.4 billion, an increase of almost \$900 million, or four per cent from 2020-21. This includes:

- \$5.4 billion for physician compensation and development, as the government continues to manage these costs through the physician funding framework.
- \$3.5 billion combined for community care, continuing care, and home care programs representing an increase of \$200 million, or six per cent over 2020-21.
- \$1.9 billion for drugs and supplemental health benefit programs, an increase of almost \$200 million from 2020-21, to address higher drug costs and increased program enrolment.
- \$34 million to support mental health and rehabilitation services for children and youth.

For 2021-22, a total of \$16 billion is budgeted for Alberta Health Services operations. In addition to responding to the pandemic, strategic priorities such as the Alberta Surgical Initiative, Continuing Care Capacity Plan, and CT and MRI Access Initiative are key priorities for the health system this year.

Rural healthcare and doctors are not specifically mentioned other than the Rural Health Facilities Revitalization Program introduced in 2020-21, which includes \$15 million per year for three years.

Indigenous Relations

The ministry's total operating expense is budgeted at \$180 million for 2021-22, an increase of \$51 million from the 2020-21 forecast, reflecting the projected increase in gaming revenues supporting the First Nations Development Fund (FNDF) Grant Program. Through Budget 2021, the ministry will continue to provide advice, guidance, and specialized knowledge to other ministries to enhance the inclusion of Indigenous perspectives in the development, implementation and monitoring of policies, programs and initiatives, and support engagement with Indigenous communities.

Infrastructure

The Ministry of Infrastructure is looking to continue leveraging public-private partnerships to deliver on the construction of government-owned facilities. In 2021-22, \$634.9 million will be allocated to the construction of health facilities, including \$212.6 million for the Calgary Cancer Centre. Over \$763 million will be allocated to the construction of school facilities, including \$89.5 million for the Modular Classroom Program and \$123.7 million will be allocated to the construction of government facilities, including \$50.1 million for the Red Deer Justice Centre.

Jobs, Economy and Innovation

Formerly known as the Ministry of Economic Development, Trade and Tourism, the newly named Jobs, Economy and Innovation (JEI) is responsible to lead the execution of Alberta's Recovery Plan and will be provided \$362 million to support this plan. JEI has been tasked to implement recovery supports for Alberta's tourism sector and develop and implement a 10-year Tourism Strategy with Travel Alberta to position the sector for growth.

The ministry is also responsible for the Alberta Film and Television Tax Credit (FTTC). In 2020 AUMA passed a resolution calling on the province to enhance the FTTC to be more competitive with other provinces to attract more screen industry production to the province. According to the ministry's own 2020 figures, every dollar provided in tax credits resulted in four dollars invested in productions supporting the Alberta economy.

The ministry will be developing the \$166 million Innovation Employment Grant to incentivize job creation from small and medium sized businesses investing in research and development jobs.

JEI is also leading a Technology and Innovation Strategy that is aiming to attract and retain a future-ready workforce, attract the most capital investment in Canada by 2030 and drive growth in entrepreneurship and priority sectors. As in past years, Budget 2021 indicates that the province is developing a broadband strategy to close the divide between rural and urban communities and strengthen Alberta's economic development and job creation potential with increased connectivity province wide. No specific dollar amount is allocated to this strategy.

In terms of support for regional economic development, last year the province reduced funding to Regional Economic Development Alliances (REDAs) by half. Budget 2021 will deliver \$50,000 to each of the nine REDAs in 2021-22 and 2022-23. Unfortunately, the Community and Regional Economic Support (CARES) program was paused in 2020-21 and there are no plans to fund the program during the COVID-19 pandemic.

Justice and Solicitor General

The 2021 budget for Justice and Solicitor General includes:

- \$10 million for the Rural Alberta Provincial Integrated Defense Response, which expands the authorities of peace officers to respond to calls and assist police services in emergency situations.
- \$43.7 million in funding for Alberta Law Enforcement Response Teams to deal with and investigate child pornography, gang violence, drug trafficking, stalking, and domestic violence.

To help address criminal court delays, the ministry has developed a staged strategy for the hiring of 50 new prosecutors, with 20 prosecutors hired in 2020-21, 20 hired in 2021-22 and 10 hired in 2022-23.

A new service delivery model for victims of crime is being established, with the current financial benefits program to be replaced with a new victim assistance program launching in 2021. The

ministry budget shows \$63 million available annually from the Victims of Crime and Public Safety Fund over the next three years; however, it is unclear what amount will be used for the new victim assistance program now that the use of these funds has been expanded beyond solely serving victims of crime.

Funding for both the Municipal Policing Assistance Grant and the Police Officer Grant remain flat from last year's budget at \$59.2 million and \$30.0 million, respectively. The budget also reflects the \$26.7 million in revenue to be collected through the new police funding model in 2021. These funds will be used to hire 55 regular members and 42 support staff for the RCMP.

The ministry's operating budget for 2021-22 is \$1.35 billion, which is \$65 million or 5 per cent lower than in 2021-21 and is targeted to rise slightly to \$1.36 billion in 2022-23 and \$1.37 billion in 2023-24.

Labour and Immigration

The ministry's operating expense forecast is \$714 million, reflecting a \$506 million increase from 2020-21 in response to the COVID-19 pandemic. Budget 2021 includes \$127.5 million for the Alberta Jobs Now program. The program will provide a grant to eligible employers to train and hire new employees to offer Albertans opportunities to enhance their skills and encourage employers to create jobs to get unemployed Albertans back to work.

The Alberta government is also developing the Alberta Advantage Immigration Strategy to spur job-creating entrepreneurship, tech start-up ventures and boost economic growth in rural communities. The new streams will be focused on the International Graduate Entrepreneurs, Foreign Graduate Start-Up Visas, Rural Entrepreneurs and Rural Renewal.

Municipal Affairs

Municipal Affairs' [2021 Business Plan](#) outlines several key objectives such as:

- Working with communities to manage the impacts of the pandemic.
- Streamlining legislation to encourage economic growth, including a review of land-use planning and development processes and timelines.
- Implementing assessment and tax incentives to encourage new investment in the oil and gas sector.
- Increasing Alberta Community Partnership funding from \$16.5 million to \$25.4 million in order to support initiatives related to the *Senate Election Act* and *Referendum Act*.
- Removing regulatory requirements and oversight in the *New Home Buyer Protection Act* to reduce costs for builders and condominium building owners.

Ministry expense is budgeted to be \$1.8 billion, \$300 million higher than Budget 2020 primarily due to the \$233 million increase in MSI and expense for the Alberta Emergency Management Agency related to the pandemic. However, looking ahead to the next two years, the ministry's budget is reduced by almost \$800 million to \$1.03 billion following the significant reductions in MSI.

AUMA also learned that the Government of Alberta is considering options for additional funding to help reduce the burden on municipalities and agencies that run 911 centres. This is in response to a 2020 resolution passed by AUMA members that call on the province to increase the 911 levy payable by wireless device users from 44 cents to 97 cents.

Red Tape Reduction

The Alberta government continues to push forward on its red tape reduction goals. Every ministry has red tape reduction targets highlighted in the ministry's business plan. \$2.4 million is allocated to support corporate planning and red tape reduction initiatives to guide the ministries' work. The Province plans to reduce Alberta's public services by about 7.7 percent over four years from 2019-20 to 2022-23.

Seniors and Housing

Budget 2021 provides a \$16 million reinstatement to the Rental Assistance program in 2021-22, which will help more Albertans in need of affordable housing. In recognition of Alberta's changing demographics, \$0.9 million is allocated in 2021-22 for community-based investments to address the needs of a growing seniors' population by funding coordinated actions that focus on priority issues, such as social supports for aging in community, elder abuse prevention, caregivers, age-friendly communities, and transportation. The ministry's operating budget for 2021-22 is \$673 million and is targeted to rise to \$699 million in 2022-23 and \$702 million in 2023-24.

The 2021-24 Capital Plan continues with the significant reductions to provincial investments in affordable housing initiated in last year's budget, with total capital funding falling from \$141 million in 2021-22 to \$69 million in 2022-23 and \$29 million in 2023-24, which represents a reduction of 79 per cent over two years.

Capital Plan Details (\$ millions)	2020-21 Budget	2021-22 Budget	2022-23 Target	2023-24 Target
Family and Community Housing Development and Renewal	35	7	1	-
Indigenous Housing Capital	12	10	10	10
New Affordable and Specialized Housing	23	30	27	25
Seniors' Housing Development and Renewal	93	56	24	-

Service Alberta

The ministry's 2021 operating expense forecast is \$12 million higher than Budget 2020 due to increased package delivery services due to the COVID-19 pandemic and priority Information Technology projects for cloud services. The ministry plans to introduce several red tape reduction initiatives, including a comprehensive review of the *Business Corporation Act* and a Digital Strategy, which will reduce costs while providing enhanced access to Albertans. The ministry is also evaluating the sale of Corporate, Land Title, and Personal Property Registries to create efficiencies and promote effectiveness. Service Alberta continues to develop a broadband strategy to close the divide between rural and urban internet access.

Transportation

The Ministry of Transportation budget includes \$904.9 million for rings roads, new construction, and expansion of provincial highways. AUMA members will also benefit from \$73.4 million under GreenTRIP and the Strategic Transportation Infrastructure Program (STIP) in 2021-22. The ministry also budgeted \$25 million in provincial funding and \$459.6 million in federal ICIP funding for light rail transit (LRT) expansion in Calgary and Edmonton.

In 2021-22, Transportation allocated \$126.4 million under the provincial Water for Life, Alberta Municipal Water Wastewater Program and First Nations Water Tie-In programs, and the federal Clean Water Wastewater Fund.

Transportation also sees increasing amounts for construction of key roads and bridge projects including \$100 million for bridge construction, \$10 million for twinning Highway 3 between Taber and Burdett and \$15 million for the La Crete Bridge project.

Capital Plan Details (\$ millions)	2020-21 Budget	2021-22 Budget
Capital Investments	862	926
Capital Maintenance and Renewal	411	571