

Alberta Budget 2021 – ACC initial brief to chambers

February 25, 2021

Overview

- Key factors: 3 black swans – pandemic, global recession, low energy prices
- Budget is meant to be sure we get past the pandemic – won't balance in first UCP term
 - #1 Health needs
 - #2 Positioning for recovery
 - #3 Expenditures
- 3 fiscal anchors
 - 30% net debt to GDP
 - Align expenditures per capita to average of all other provinces by the end of the UCP current term
 - Will present a plan back to balance following pandemic
- Further analysis over next few days is necessary to find nitty gritty in budget

Operational deficit & debt

- March 2021 year end \$20.2 billion deficit (original budget was \$7.3 billion)
- March 2022 \$18.2 billion deficit
- March 2023 \$11.0 billion deficit
- March 2024 \$8 billion deficit
- Consolidated debt projected to be \$115.8 billion for March 2021 and 2022
- Relies heavily on rosy oil revenue projections as well as healthy increase in natural gas
- Operating expenses are expected to flat line over next 3 years, but additional \$4.6 billion in COVID-19 related expenses above normal operating expenditures

Economic outlook projections

- Alberta economy to rebound this year
- Tight spread of approximately \$4-\$5 difference between WTI and WCS
- WTI at \$55 to \$58 per barrel for the next 2 years
- Real GDP to rise by about 4%
- Rosy prediction on unemployment numbers

Fiscal outlook projections

- Rise in overall personal tax dollars over next 3 years
- Rise in corporate tax dollars collected over same period
- Loss of \$15 million from Cannabis this year
- No plan to review revenue structure at this time

Public sector overview

- Likely a 3% reduction in compensation this year
- Government departments will see a reduction of 311 net FTEs
- AIMCO increase in FTE's of approximately 10% (50 positions)
- 50% of government expenditures are related to wage compensation

Health

- Increase in budget of \$900 million mainly due to backlog of surgeries due to COVID-19
- Reforms in independent review are on hold during pandemic
- \$143 million new capital health care facilities, including new hospital in La Crete
- AHS increase of 2940 FTE's

Education

- K-12 budget remains flat with no new FTEs
- Advanced Education reduction of 750 FTEs

Municipalities

- MSI grant reduced from \$1.2 billion in 2020-21 to \$722 million in 2024-25

Economic recovery

- \$300 million for job skills and retraining
- Additional \$1.7 billion (2021-22) for capital spending over and above previous year's commitment of about \$6 billion per year going forward
- Will focus on core infrastructure
- \$3.1 billion dedicated to economic recovery overall

****ACC will continue to review the budget in for more detail and keep chambers apprised.***