



BRIEFING

Alberta Budget 2019 and BILD Alberta

Late last week, Alberta's inaugural UCP government delivered its first budget, entitled *Budget 2019: A plan for jobs and the economy*.

BILD Alberta has examined the budgets and business plans for Alberta Municipal Affairs and Alberta Seniors and Housing, and identified issues and opportunities related to BILDs endeavours on housing affordability, in order to provide members insight into the potential municipal environment for the sector in the coming years.

ANALYSIS

- The [MacKinnon report](#) recommendations underpinned this budget, with a focus on reducing provincial expenditures over the next four years so that the provincial government would have a balanced budget by 2022-23.
- This budget lays out the fiscal plan and priorities identified by the UCP election campaign platform.
- It can be assumed that this budget sets the table for the government to continue its efforts to reduce expenditures and to reshape where and how it spends its dollars that would be identified in Budget 2020 (for fiscal year 2020-21) expected in March 2020.
- Reductions in the funding modes and amounts have already created significant concern among municipal leaders (notably Calgary and Edmonton). There are no details around a replacement for Municipal Sustainability Initiative funding, which runs out in 2022, but there is a budget provision for \$455 million starting in 2022-23. The City Charter Fiscal Framework Act was supposed to be the replacement mechanism.

Important Note: *this only repeals the financial component of City Charters. Concerning powers related off-site levies, inclusionary housing and building codes remain in place.*

- Additionally, it is expected that the time extension for payments by the province to municipalities for big-ticket cost-shared projects will impact overall municipal budgets and budgeting in the near term, and could as a result push taxes, fees and other municipally-charged items higher than current. **This has potential implications on levies and fees which BILD Alberta continues to try and address through Red Tape Reduction (read our submission [here](#)).**

BACKGROUND

Municipal Affairs

The MacKinnon Panel recommended that the province examine its legislative framework for capital funding to municipalities with the goals of:

- Aligning funding to provincial goals and priorities and fiscal capacity, while further considering funding formulas that require municipalities to share more in the costs of major projects;
- Adjusting its allocation formulas for grants to municipalities in line with the policy of bringing Alberta's provincial and municipal per capita capital stock in line with the comparator provinces;
- Establishing accountability mechanisms and performance measures to monitor the delivery of municipal programs and services and value for money spent, so citizens can constructively evaluate their local government and their use of tax dollars. **This is consistent with longstanding BILD Alberta advocacy to increase municipal accountability.**
- Making better use of federal infrastructure funding, through the ICIP, as a means of more effectively managing the costs of the Capital Plan.

"The MacKinnon report made it clear that municipalities must shoulder more of the responsibility for major projects. The panel found that Alberta provides over 20 per cent more grant support to municipalities than other provinces, and recommended that we bring municipal spending in line accordingly. The four-year fiscal plan in Budget 2019 will put us on that recommended path." (Budget Address p9)

The MacKinnon Panel found that Alberta's capital stock per capita was 19% above the provincial average, but municipal governments' stock was 81% above the average. Moreover, Alberta's capital grants to municipalities were found to be over 20% higher than the national average.

Given the province's current fiscal capacity, the province can no longer afford to provide the level of funding that municipalities received in the past. This Capital Plan reflects the following:

- Municipal Sustainability Initiative (MSI) funding will be reduced by \$94 million and \$142 million in 2020-21 and 2021-22, respectively.
 - The \$236 million reduction to MSI represents a 9% reduction over the three remaining years of the program. The new framework adjustment amounts to a reduction from current agreements.
- A new Local Government Fiscal Framework will replace the existing MSI/Basic Municipal Transportation Grant and the City Charters Fiscal Framework Act. The base-year funding for the new framework will be set to \$860 million in 2022-23.
 - This means the funding for Edmonton and Calgary will be rebased to \$455 million, from \$500 million and funding for other municipalities will be set at \$405 million in 2022-23. This funding framework will see these transfers grow at half the rate of provincial revenue growth.

- Provincial funding will average \$1.4 billion between 2020-21 and 2022-23. Total funding to municipalities, including federal flow-through funding, is forecast at \$2.1 billion in 2019-20 and will average \$2.1 billion between 2020-21 and 2022-23.
- These changes to municipal funding will lower per capita funding levels and put them in line with averages outlined by the MacKinnon Panel. Between 2019-20 and 2022-23, provincial capital and operating grants per capita will average around \$299 per capita. However, once federal funds are taken into account, the average per capita transfers will exceed \$469 per capita. This funding is expected to rise after 2022-23, increasing per capita funding levels over time.

Seniors and Housing

The [Seniors and Housing Business Plan](#) identifies two Ministry Outcomes:

- Make life better for Alberta seniors and their caregivers
- Make housing affordable and accessible for Albertans

Outcome 2 Make housing affordable and accessible for Albertans

The ministry is working with housing providers to build, renew, and maintain affordable housing for the approximately 65,000 affordable housing units that serve over 110,000 Albertans, including seniors in need of specialized housing. The ministry is also working to expand the use of mixed-income housing and explore the use of public-private partnerships (P3s). The provision of affordable housing initiatives could not be possible without the ministry's partnership with numerous civil society organizations, housing management bodies, and other orders of government.

Key Objectives:

- 2.1 Develop new capital programs that require partnership between the orders of government, community operators, and private sector to deliver new mixed-income affordable housing.
- 2.2 Review with community operators the best use of properties owned by the Alberta Social Housing Corporation for redevelopment, maintenance, and disposition.
- 2.3 Partner with community operators to redevelop the social housing portfolio with a mixed-income portfolio.
- 2.4 Maximize federal funding for Alberta under the National Housing Strategy to support housing affordability for Albertans, and protect and redevelop Alberta's affordable housing portfolio.

Initiatives Supporting Key Objectives:

- In 2019-20, \$50.1 million is allocated to Family Community Housing, which provides 10,800 subsidized rental housing units for families with low income, seniors, and individuals who cannot afford other housing options due to circumstance.
- In 2019-20, \$49.3 million is allocated for Seniors Community Housing. The Seniors Lodge program provides 10,250 units with meals, services, and recreational opportunities for independent seniors. The Seniors Self-Contained Housing program

provides 14,250 apartment-style units for seniors who are able to live independently with or without assistance of community-based services.

- Rental Assistance provides 11,200 private landlord and direct to tenant rent supplements to help households find affordable rental accommodation in eligible rental projects. This will cost \$67.5 million in 2019-20.
- Special Needs Housing provides 2,225 units for individuals who have special housing needs, such as seniors, people with physical disabilities, and victims of violence. In 2019-20, this will cost \$15.5 million.
- The Government of Alberta will support the affordable housing portfolio through Capital Maintenance and Renewal (\$39.8 million in 2019-20) to ensure a stable supply of affordable housing across the province, as well as through Capital Development (\$111.2 million in 2019-20) initiatives to increase the supply of affordable housing.