

Preliminary Analysis of the Government
of Alberta's 2020 Budget

February 28, 2020

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economies	support	experts	advocate
OF SCALE	YOU NEED	IN MUNICIPALITIES	

Introduction

In a time of ongoing fiscal uncertainty, the province's 2020 Budget continues the trends and themes introduced in Budget 2019. This means that municipalities will need to keep managing the cumulative impacts of funding reductions and downloaded responsibilities.

AUMA appreciates that the province has followed through on its commitment to adhere to a fixed budget release timeline of February. For years, AUMA has advocated that the province adopt a fixed annual budget date early in the calendar year to better align with municipal budgeting and property tax cycles.

The following document includes AUMA's preliminary analysis of Budget 2020 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

Provincial Education Property Tax Increase

The province is increasing its education property tax requisition by 4.2%, which is expected to generate an additional \$102 million in 2020/2021 for the province. Most of this increased tax burden will fall on Alberta's residential property taxpayers.

Despite increasing financial pressures, municipalities are working hard to minimize property tax increases through finding efficiencies. As AUMA emphasized in our [recent letter](#) to Premier Kenney, this planned year-over-year increase to provincial taxes is unacceptable to municipalities and ratepayers.

Grants in Place of Taxes (GIPOT)

Alberta property taxpayers are further impacted by reductions to the GIPOT program, which is being reduced by 32% in 2020-21 on top of the 24% reduction in 2019. GIPOT is meant to cover the costs of the services municipalities provide to Crown properties, which are exempt from tax. Municipalities will need to look for ways to cover these costs through user fees or other mechanisms so that other property owners don't have to subsidize the costs of providing essential services such as policing, fire, water and waste management, and transportation for provincial properties. This reduction was announced in the province's 2019 – 2020 fiscal plan.

Capital Investments

One of the primary themes of AUMA's recent President's Summit on municipal finances was the importance of partnership in making the infrastructure investments needed to get Alberta back to work. We are therefore pleased that the province commits to "collaborate in partnership with industry and municipalities to identify critical investments and align our capital spending priorities accordingly." Municipalities look forward to engaging in implementation of the province's Capital Plan.

AUMA also looks forward to working out how the Local Government Fiscal Framework can maximize the infrastructure investments needed to attract and retain investors and talent. Still, we remain concerned that annual funding will only grow at half the rate of provincial revenues, making it challenging for infrastructure investments to keep pace with population growth and inflation.

In addition, although AUMA advocated for the province to revisit planned reductions to the Municipal Sustainability Initiative (MSI), the projected reductions announced in the last budget remain in place. We will be monitoring the impact on the health of Alberta's infrastructure and on Alberta's construction companies and workforce. We remain concerned about the long-term consequences of under-investment in infrastructure, which could undermine economic development and lead to increased costs for future maintenance and replacement.

AUMA would like to acknowledge that while the Basic Municipal Transportation Grant (BMTG) is \$28 million lower than forecast in Budget 2019 (due to lower than expected fuel sales), the province has made up the difference by adding \$28 million to MSI Capital. This will change the funding that some municipalities receive, due to the difference in allocation formulas. Still, AUMA appreciates the province providing overall stability to municipal capital funding.

Policing

Budget 2020 highlights the additional revenue the province will receive from all municipalities contributing to policing costs. One of AUMA's priorities is ensure that municipalities have a say in how police resources will be distributed to ensure all Albertans are safe in their communities.

Fine Revenue

Budget 2020 also reflects last year's change in fine revenue distribution for all offences under the Traffic Safety Act. Previously, the province kept 26.6% of the fine amount for traffic violations, but as of 2020, this amount was increased to 40%. This means that municipalities receive less fine revenue; instead of getting 74.4% of the fine revenue back, municipalities only get 60%. As a result, the province will collect an estimated \$267.3 million in fines and penalties in 2020-21, compared to \$221 million in 2019-20 (21% increase).

Affordable Housing

AUMA is very concerned to see significant cuts to capital investment in affordable housing for both the development of new units, as well as the maintenance and repair of existing units. Addressing Alberta's lack of affordable housing is a priority for municipalities. In addition to stimulating employment and economic growth, capital investment in affordable housing yields long-term savings for all levels of government due to decreased use of health services, police and justice services, child welfare, and other services such as homeless shelters, income supports, and addictions and mental health supports.

Investing in Canada Infrastructure Funding

The Government of Alberta has a bilateral agreement in place to access four pillars of funding under the Investing in Canadian Infrastructure Plan. These pillars are Community Culture and Recreation, Green Infrastructure, Rural and Northern Communities, and Public Transit. Under the agreement, Alberta has been allocated \$3.65 billion in cost-shared grants between the federal, provincial, and municipal governments. Budget 2020 has identified specific funding for Investing in Canada Infrastructure allocations by ministry. The total allocation identified for municipal support is \$57 million, as per page 160 of the fiscal plan. AUMA remains focused on advocating for a timelier flow of this funding to municipalities.

The breakdown by ministry is as follows:

Ministry	ICIP Funding 2020-21 (\$ millions)
Municipal Affairs	16.6
Transportation	30.8
Advanced Education	1.7
Culture, Multiculturalism and Status of Women	2.4
Energy	20.4
Indigenous Relations	11.7
Total	83.6

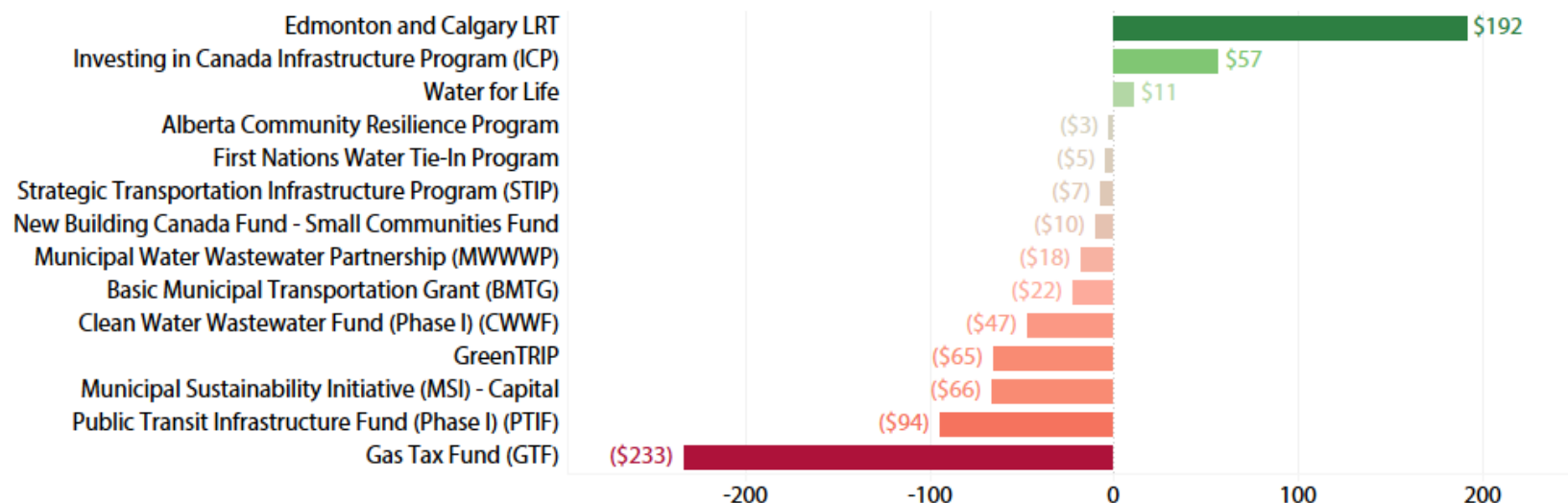
Planning for your community's financial future

Core Capital Funding to Municipal Governments (\$ millions)

Capital Program	2019-20 Budget	2020-21 Budget	2021-22 Forecast	2022-23 Forecast	2020 vs. 2019
Municipal Sustainability Initiative (MSI) Capital	694 ¹	628	525	-	(66)
Basic Municipal Transportation Grant (BMTG)	347	325	372	-	(12)
Local Government Fiscal Framework (LGFF)	-	-	-	860	-
Water for Life	40	51	50	50	11
Municipal Water and Wastewater Partnership (MWWWP)	32	14	22	22	(18)
Strategic Transportation Infrastructure Program (STIP)	22	15	21	25	(7)
Alberta Community Resilience Program	23	20	-	-	(3)
First Nations Water Tie-In Program	18	13	12	10	(5)
Subtotal	1,176	1,076	1,002	967	(100)
		-8.5%	-6.9%	-3.5%	
Capital Funding Linked to Federal Funding Programs					
Gas Tax Fund (GTF)	477	244	255	255	(233)
GreenTRIP	125	60	5	-	(65)
Public Transit Infrastructure Fund (PTIF) – Phase 1	138	44	-	-	(94)
Clean Water Wastewater Fund (CWWF) – Phase 1	77	30	-	-	(47)
New Building Canada Fund – Small Communities Fund	10	-	-	-	(10)
Investing in Canada Infrastructure Program (ICIP)	-	57	104	69	57
Edmonton and Calgary LRT	151	343	485	569	192
Subtotal	978	778	849	893	(200)
		-20.4%	9.1%	5.2%	
Total – Core Capital Funding	2,154	1,854	1,851	1,860	(300)
		-13.9%	-0.2%	0.5%	

¹ The 2019-20 figure includes 50% (\$400 million) of the March 2018 advance of \$800 million in MSI Capital. AUMA opted to present it in this format to demonstrate the year-to-year comparison of funding even though 2019-20 MSI Capital was actually \$294 million.

Year-over-year change in municipal funding: Budget 2020 versus Budget 2019 (\$ millions)



Investments in municipal capital infrastructure will be \$300 million less than 2019-20; however, much of that reduction is linked to federal funding and in most cases, the reductions were expected based on the forecasts presented in last year's budget. It is also notable that while BMTG is \$28 million lower than forecast in Budget 2019 due to lower than expected fuel sales, the province has made up the difference by adding \$28 million to MSI Capital.

Growth in capital funding

- The \$192 million increase in Edmonton and Calgary's LRT funding is a result of the unspent 2019 budget being carried forward to this year.
- The Investing in Canada Infrastructure Program represents new funding for municipalities in 2020.
- The \$11 million increase in Water for Life funding aligns with previous forecasts and will help ensure that Albertans have access to safe and affordable drinking water.

Reductions in capital funding

- The federal Gas Tax Fund (GTF) declined by \$233 million because Budget 2019 included a one-time doubling of the GTF investment across Canada.
- The \$18 million reduction in the Municipal Water Wastewater Partnership was higher than expected as Budget 2019 had forecasted a \$14 million reduction.
- Despite lower funding, the First Nations Water Tie-In Program is on schedule to deliver \$100 million over six years and is expected to deliver safe drinking water to seven First Nations.
- The reductions to all other programs aligned with the forecasts that were presented in the 2019-20 budget.

Core Operating Funding to Municipal Governments (\$ millions)

Operating Program	2019-20 Budget	2020-21 Budget	% Change	Note
Municipal Sustainability Initiative (MSI) – Operating	30.0	30.0	-	1
Alberta Community Partnership	16.5	16.5	-	2
Family and Community Support Services (FCSS)	100.0	100.0	-	3
Grants in Place of Taxes (GIPOT)	44.6	30.2	-32.2%	4
Fire Services Training Program	0.5	-	-100.0%	5
Total – Core Operating Funding	191.6	176.7	-7.8%	

Notes

1. Municipalities will appreciate that MSI Operating funding remained stable at \$30 million and is expected to remain at that level for the last year of the program in 2021-22.
2. The Alberta Community Partnership (ACP) was reduced by \$2 million in 2019-20 and Budget 2020 maintains ACP at \$16.5 million and is forecasted to remain at that level for the next three years. This will help ensure that municipalities have the supports needed to implement the new Intermunicipal Collaboration Frameworks (ICFs) and other regional collaboration projects.
3. FCSS funding remains stable at \$100 million for the fourth year in a row.
4. Budget 2019 announced that GIPOT would be cut in half over two years. As such, the 32% reduction in Budget 2020 was expected. More information about GIPOT is available on page 10.
5. Municipalities will now be responsible for a greater portion of fire training costs as 2019-20 represents the last year of funding through the Fire Services Training Program.

Municipal Sustainability Initiative – Now and Into the Future

Last year, the province announced that the 2020 MSI Capital funding would be reduced by \$94 million (-14%) compared to the province's estimates in 2018. While that reduction was concerning to members, Alberta Municipal Affairs has maintained its total combined forecasted funding for MSI and the Basic Municipal Transportation Grant (BMTG) at \$963 million. Due to lower-than-forecasted fuel sales, BMTG funding is \$28 million less than what was forecasted in Budget 2019; however, Municipal Affairs has invested that difference into MSI Capital to ensure that municipalities receive the same total amount of funding that was promised in Budget 2019. Due to differences in how BMTG is allocated versus MSI, there will be some minor variations to how much each individual municipality receives.

MSI Capital (excluding BMTG) (\$ millions)	2020-21	2021-22	Total
Budget 2019 Forecast	600	525	1,125
Budget 2020 Forecast	628	525	1,153
Change (\$)	28	-	28

Preparing your 5-year capital plan

As a result of AUMA's advocacy in 2019, Municipal Affairs released an estimate of the MSI allocations by municipality for 2020 and 2021. This eliminates the guesswork that municipalities have struggled with over the years in estimating their individual portion of future funding. The estimates enable municipalities to create accurate capital plans for 2020 and 2021; however, municipalities will be forced to wait a little longer until funding allocations under the Local Government Fiscal Framework

(LGFF) are known. AUMA is still focused on working with the Rural Municipalities of Alberta and Municipal Affairs to create a funding formula for when LGFF begins in 2022.

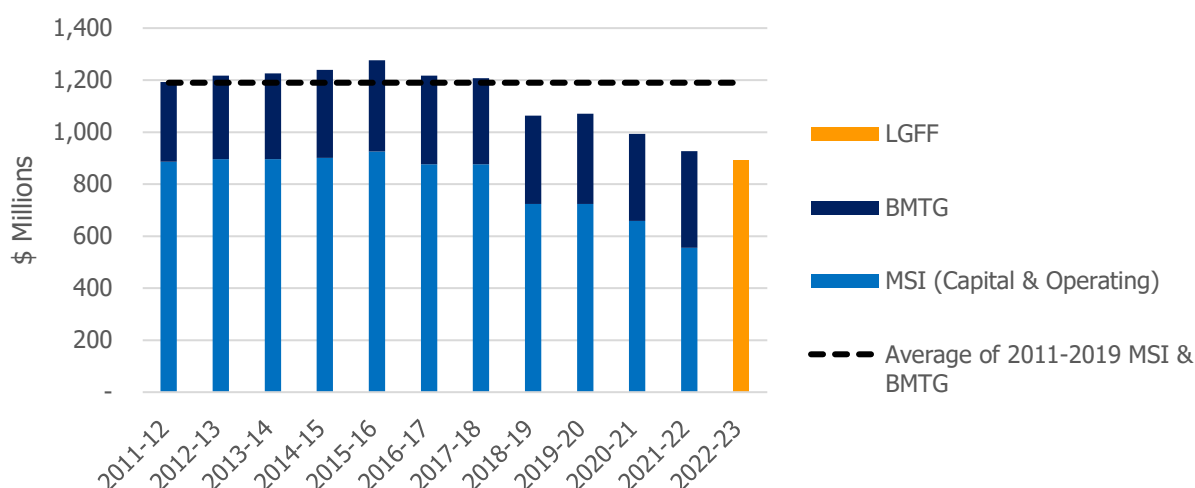
2020-22 Forecast for the MSI Program

(\$ millions)	2018-19	2019-20	2020-21	2021-22	2022-23
Capital	Budget	Budget	Budget	Forecast	Forecast
MSI Capital	294	294	628	525	-
Advance in March 2018	400	400	-	-	-
BMTG	344	347	335	372	-
LGFF Capital	-	-	-	-	860
Subtotal Capital	1,038	1,041	963	897	860
Operating					
MSI Operating	30	30	30	30	-
LGFF Operating ²	-	-	-	-	30
Subtotal Operating	30	30	30	30	30
	1,068	1,071	993	927	890

Local Government Fiscal Framework

Budget 2020 offers no new information about the Local Government Fiscal Framework (LGFF). Most details were announced in the *Local Government Fiscal Framework Act*, which was approved in late 2019. AUMA looks forward to the roll out of the program as it will increase funding predictability for municipalities; however, AUMA remains concerned that annual funding will only grow at half the rate of provincial revenues. AUMA expects further conversations to occur but a primary concern is that the growth constraint means that funding won't keep pace with inflation on infrastructure construction costs.

The Local Government Fiscal Framework will deliver 25% less funding than the historical average of MSI and BMTG.



Source: Budget 2020 Fiscal Plan and Municipal Affairs' MSI Allocation Tables

Note: Advances of MSI Capital in March 2014 and 2018 are presented in the year that funding was available to municipalities.

² The LGFF Operating component is assumed based on figures in Municipal Affairs' 2020 Business Plan, but will be clarified with the ministry in the future.

Increases to Taxes

Education Property Tax

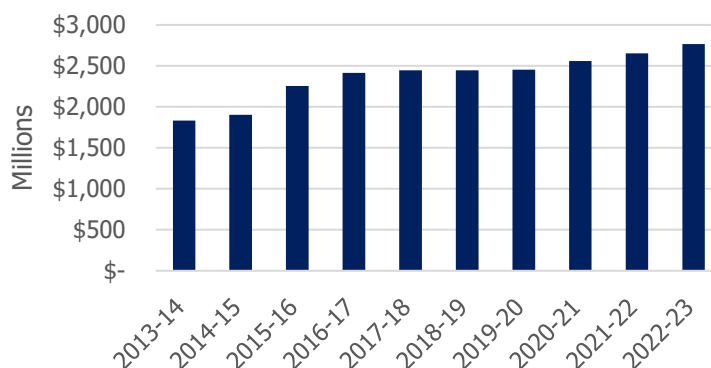
Budget 2020 is increasing taxes on Alberta's property owners through a 4.2% increase to provincial education property taxes. Provincial education tax revenue will grow by approximately \$100 million up to \$2.56 billion in 2020-21.

The province indicates that the 2020 education property tax requisition was set based on a new approach involving population growth and inflation.

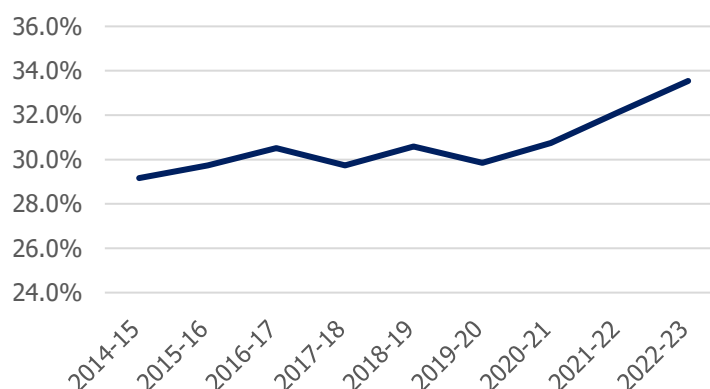
The increase in provincial education taxes comes at a time when education expense is planned to remain flat. The chart to the right highlights how the share of education operating costs covered by education tax will rise from 29.2% in 2014-15 up to 33.5% in 2022-23. This plan shifts the burden of taxation onto municipalities who are responsible to collect the revenue on behalf of the province.

Each municipality will be impacted to a different degree, with year-over-year changes in education tax requisitions ranging from reductions of 12% up to tax increases of 16%. Municipalities can view their 2020 provincial education property tax requisition by downloading the comparison listing on the province's [website](#).

Provincial education property tax



Provincial education property tax as a percentage of budgeted K-12 education expense



Source: Calculations based on budgeted figures the Government of Alberta's Fiscal Plans for 2014-15 to 2020-21

(\$ millions)	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Forecast	2022-23 Forecast
Provincial education property tax	2,446	2,455	2,559	2,652	2,766
Year-over-year % change		0.4%	4.2%	3.6%	4.3%
K-12 education expense	7,999	8,223	8,322	8,247	8,247
Year-over-year % change		2.8%	1.2%	-0.9%	0.0%

Reconciling the 2019 education tax

Due to the timing of the 2019 provincial election and the Budget 2019 release, municipalities were required to estimate their 2019 education property tax requisition.

If the actual requisition was greater than the amount estimated by the municipality, the municipality will need to recoup the difference by adding the amount to the 2020 provincial education property tax calculation.

Provincial education property tax mill rates per \$1,000 of equalized assessment		
Year	Residential/ farmland	Non-residential
2019	\$2.56	\$3.76
2020	\$2.64	\$3.88

If the actual requisition was less than the amount estimated by the municipality, the municipality should reduce the amount of education tax collected from property owners in 2020 by the difference.

Grants in Place of Taxes (GIPOT)

As announced in Budget 2019, the province has looked to lower expenditures by reducing funding to municipalities through the Grants in Place of Property Taxes (GIPOT) program. GIPOT is designed to compensate municipalities for the costs to provide services to provincial properties that are exempt from taxation. The province's decision results in a download of costs onto local property taxpayers, which is particularly problematic for property owners in communities where a high number of provincial buildings are located.

Budget 2020 reduces GIPOT by \$14.4 million to \$30.2 million in 2020-21. The 32.2% reduction is applied on top of the unexpected 24% reduction in 2019-20. Looking ahead, Alberta Municipal Affairs plans to maintain GIPOT at \$30 million per year for the next three years.

Good to Know: An Overview of Budget 2020's Fiscal Plan

As per the government's election promises, Budget 2020 outlines a plan to balance Alberta's budget by 2022-23. By holding spending on health, education, and social services, and reducing costs in other ministries, Budget 2020 proposes that the province will post a surplus within three years. That surplus is dependent on holding expenditures at \$56 billion per year and generating an additional \$7 billion in revenue, primarily sourced from personal income tax and resource revenue.

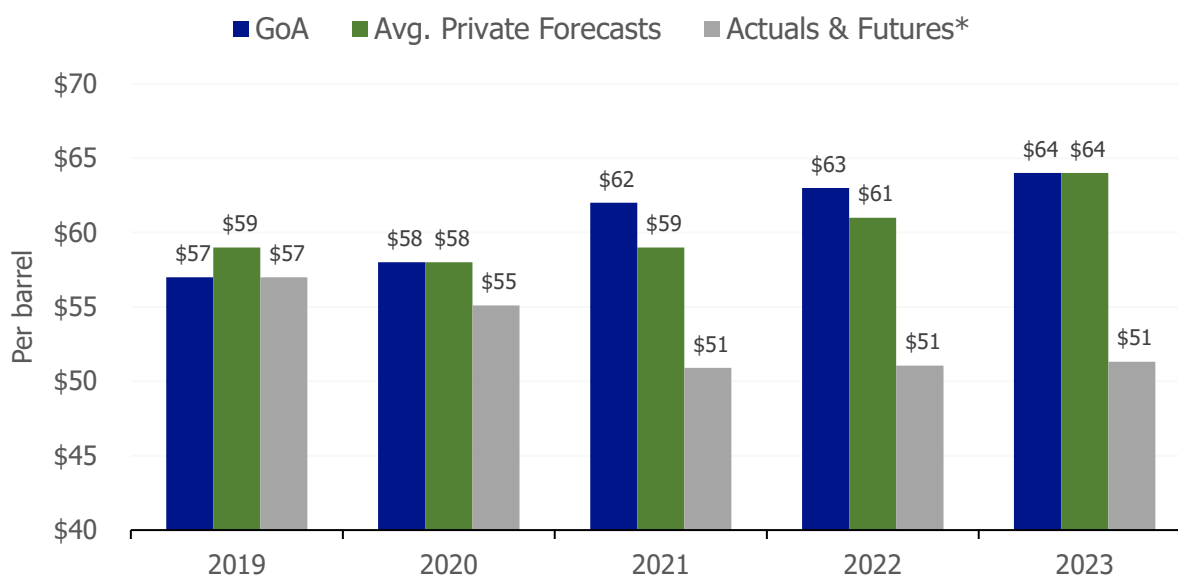
Government of Alberta: Statement of Operations³

(\$ millions)	2019-20	2020-21	2021-22	2022-23
Revenue	Estimate	Budget	Forecast	Forecast
Personal income tax	11,819	12,566	13,426	14,315
Corporate income tax	4,245	4,539	4,985	5,360
Other tax revenue	5,762	5,782	5,969	6,189
Resource revenue	6,671	5,090	6,705	8,536
Investment income	3,525	2,630	2,889	3,070
Premiums, fees, and licenses	3,947	4,194	4,299	4,407
Other own-source revenue	5,925	6,068	6,230	6,400
Federal transfers	9,054	9,110	9,533	9,784
Total revenue	50,948	49,979	54,036	58,061
Expense by function				
Health	22,408	22,268	22,230	22,260
Basic/advanced education	14,971	14,731	14,570	14,462
Social services	6,203	6,211	6,220	6,241
Other program expenses	13,138	11,489	11,295	11,244
Total program expense	56,720	54,699	54,315	54,207
Debt servicing costs	2,078	2,505	2,780	2,970
Pension Provisions	(310)	(415)	(354)	(272)
Total Expense	58,488	56,789	56,741	56,905
Surplus / (Deficit)	(7,540)	(6,810)	(2,705)	706

³ Source: Government of Alberta 2020-23 Fiscal Plan, pg. 222

Key Energy and Economic Assumptions

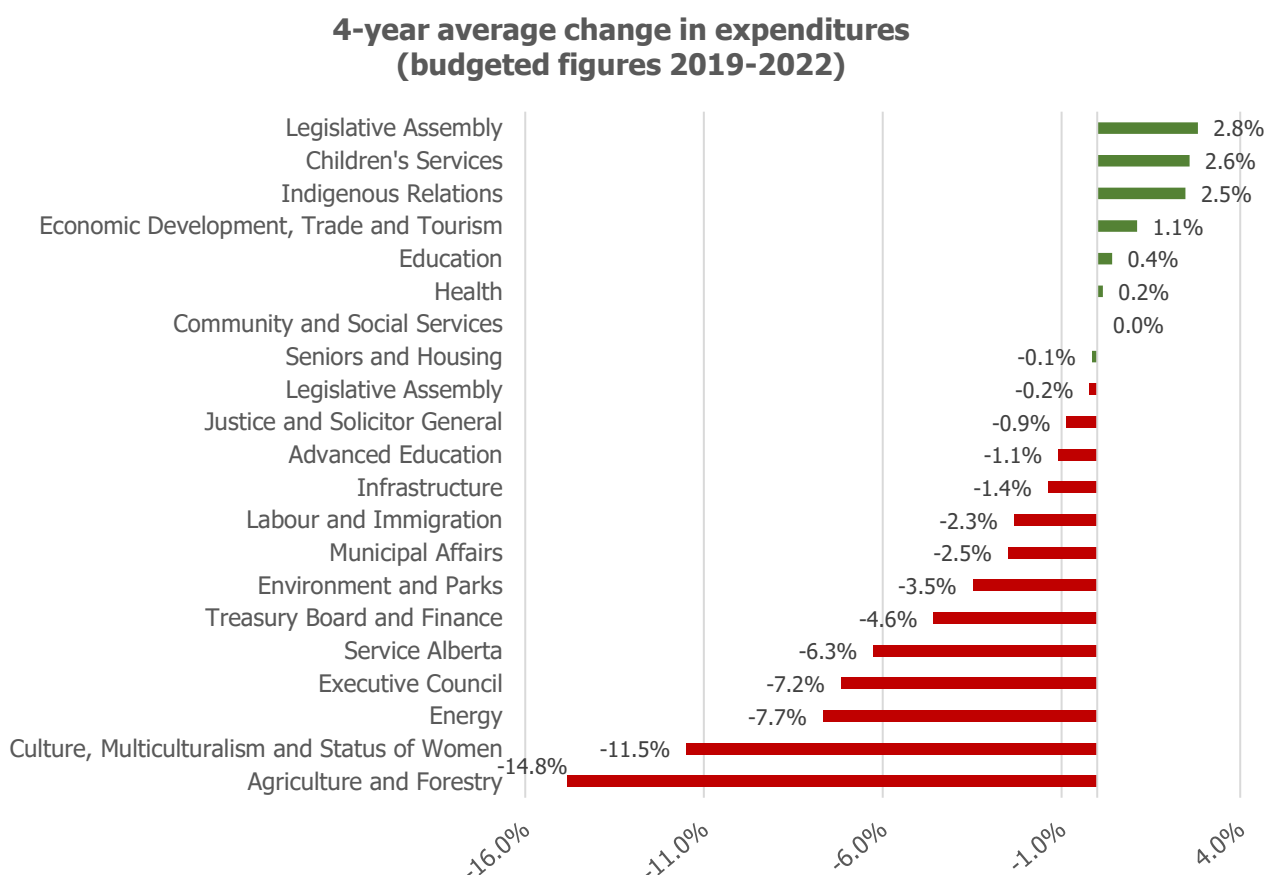
Fiscal Year Assumptions	2019-20 Estimate	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast
Crude Oil Prices				
WTI (US\$/bbl)	58.00	58.00	62.00	63.00
Light-Heavy Differential (US\$/bbl)	14.70	19.10	20.60	16.40
WCS @ Hardisty (Cdn\$/bbl)	57.70	51.20	54.50	60.60
Natural Gas Price ^b				
Alberta Reference Price (Cdn\$/GJ)	1.40	1.70	1.80	2.10
Production				
Conventional Crude Oil (000s barrels/day)	483	488	486	482
Raw Bitumen (000s barrels/day)	3,109	3,249	3,344	3,417
Natural Gas (billions of cubic feet)	4,083	4,144	4,199	4,233
Interest rates				
3-month Canada Treasury Bills (%)	1.70	1.70	1.70	1.70
10-year Canada Bonds (%)	1.50	2.00	2.20	2.20
Exchange Rate (US\$/Cdn\$)	75.5	76.5	77.0	77.5

Oil Price Benchmark⁴

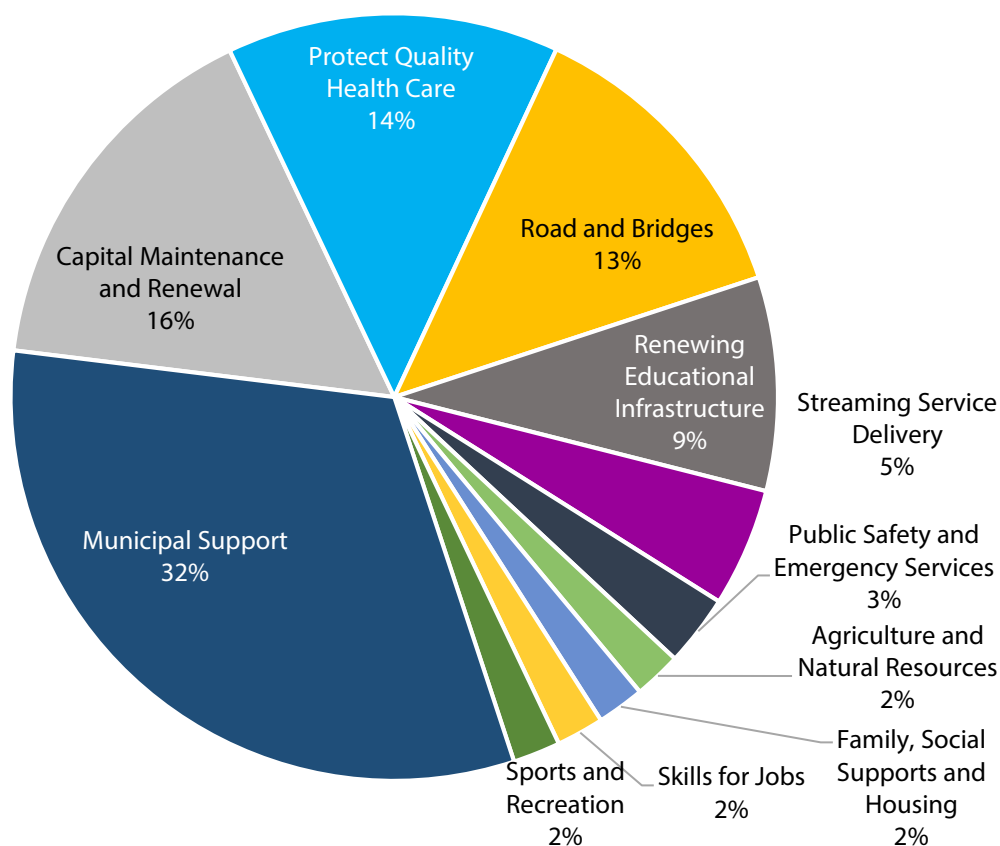
⁴ 2019 Actuals, 2020 calculated using average YTD price (as of February 24, 2020). Futures are standardized financial contracts that have a value based on an underlying energy product, such as oil, natural gas, or electricity. Investors, speculators, and hedgers trade energy futures on exchanges such as the New York Mercantile Exchange (NYMEX) and the Intercontinental Exchange (ICE).

Expenditure trends by department⁵

To achieve its financial targets, the province is reducing spending across most departments while keeping expenditures flat for the Ministry of Health and Ministry of Education. The following graph shows the average budgeted and forecasted change in expenditures by ministry between 2019-20 and 2022-23. The average reduction of 2.5% for Municipal Affairs is primarily attributed to this year's reduction in the federal government's Gas Tax Fund and a \$50 million reduction in spending for the Alberta Emergency Management Agency. AUMA is seeking information on this reduction.



⁵ Source: Calculations using budgeted figures from the Government of Alberta's Fiscal Plans for 2019 and 2020

2020 Capital Plan – Spending by Category⁶**Notable funding to community entities**

Funding for Community Entities (\$ millions)	2019-20 Budget	2020-21 Budget	% Change	Note
Community Facility Enhancement Program	25.0	25.0	-	1
Community Initiatives Program	23.6	19.7	-16.5%	
Library Services – Operating	37.1	37.1	-	
Legal Aid	101.8	94.3	-7.4%	
Agricultural Service Boards	11.7	8.5	-27.4%	
Agricultural Societies and Exhibition Grants	11.5	11.5	-	
	210.7	196.1	-6.9%	

Note

1. The Community Facility Enhancement Program is forecasted to remain at \$25 million per year the next three years. Prior to Budget 2019, the program was forecasted to be \$38 million per year.

⁶ Source: Government of Alberta 2020-23 Fiscal Plan, page 150.

Ministry Highlights

Advanced Education

Budget 2020 implements the expected 6% funding cuts to post-secondary institutions, as well as the new, performance-based funding framework. Tuition fees are projected to increase by \$290 million from 2019 to 2023, an average of 6.9%. Student aid grants and scholarships are frozen at current levels (\$47 million and \$54 million, respectively). There is no new funding for capital projects, but Budget 2020 restores the \$119 million in infrastructure maintenance funding that was cut in Budget 2019.

Agriculture and Forestry

Budget 2020 maintains support to rural communities and businesses. \$18.8 million is maintained to support agricultural societies and youth development program like 4H.

Children's Services

Budget 2020 decreases funding for childcare from the \$423.7 million budgeted in 2019-20 to \$394.0 million in 2020-21, a reduction of 7%. Funding for early intervention services for children and youth, which includes the new Family Resource Networks that are set to replace Parent Link Centres, also decreases from the \$108.4 million budgeted in 2019-20 to \$95.8 million in 2020-21, a reduction of nearly 12%.

The overall operating budget for the ministry will fall from \$1,417.6 million (budgeted) in 2019-20 to \$1,371.1 million in 2020-21, a 3.3% decrease.

Community and Social Services

The 2020 budget for Community and Social Services includes several investments to support Albertans impacted by domestic and sexual violence and Albertans with disabilities:

- In 2020-21, the budget for Sexual Assault Services funding increases by \$1.2 million to a total of \$11.5 million.
- In 2020-21, \$600,000 is allocated to partner with Justice and Solicitor General to develop regulations and implement the Disclosure to Protect Against Domestic Violence (Clare's Law) Act.
- In 2020-21, \$500,000 is allocated to the Registered Disability Savings Plan (RDSP) Action Group to help Albertans open RDSPs.
- In 2020-21, \$5.0 million is allocated to build on successful partnerships supporting employment opportunities for Albertans with disabilities.

Family and Community Support Services funding is maintained at \$100 million annually. Funding for homeless and outreach support services decreases slightly from \$197.1 million in 2019-20 to \$195.9 million in 2020-21, a reduction of less than 1%. The overall ministry operating budget will rise from \$3,946.6 (budgeted) in 2019-20 to \$3,947 in 2020-21, an increase of less than 1%.

Notably, the ministry's business plan refers several times to partnering with civil society organizations and municipalities to provide Albertans with supports, and services. Funding arrangements for these partnerships are not described; however, the budget does commit \$7 million to a civil society fund to support "innovative cost-sharing programs delivered by community groups".

Culture, Multiculturalism, and Status of Women

Budget 2020 maintains Community Facility Enhancement Program funding at \$25 million annually; however, the Community Initiatives Program funding is decreased from \$23.6 million (budgeted) in 2019-20 to \$19.7 million in 2020-21, a reduction of 16.5%.

The ministry's Business Plan does not specifically mention funding for historic resources. However, the Fiscal Plan Indicates that while the Historic Resources Fund has been closed, spending on the fund's purposes will not change (page 200).

The overall operating budget for the ministry will fall from \$271.5 million (budgeted) in 2019-20 to \$246.8 million in 2020-21, a 9.0% decrease.

Economic Development, Trade and Tourism

Budget 2020 does not mention the role that Regional Economic Development Agencies (REDAs) or the Community and Regional Economic Support (CARES) program will play in furthering local economic development priorities for communities.

From 2020-23, the Alberta Film and Television and Tax Credit will provide \$97 million to attract medium and large film and television to Alberta in support of the province's cultural industries. The ministry will also implement an Investment and Growth Strategy, including \$75 million from 2020-2023 to cultivate investment opportunities.

The Alberta government intends to extend the 4% provincial tourism levy to short-term rentals such as Airbnb, with the exception for rentals where the purchase price is less than \$30/day.

Various agencies fall under the budget of Economic Development, Trade and Tourism. The Alberta Enterprise Corporation will receive \$1.85 million in 2020-21 to attract venture capital to Alberta, Alberta Innovates will provide \$184 million in grants and funding to develop and grow talent and emerging sectors while attracting investment to Alberta, and Travel Alberta will be provided with \$38 million in 2020-21 to market Alberta as a tourism destination.

Education

Five months ago, the 2019 Capital Plan supported 25 school projects bringing the total number of schools in various phases of planning and construction to over 200 schools across the province.

The 2020 Capital Plan invests \$1.5 billion towards new schools and modernization projects across Albert. The plan supports the construction of nine previously announced new schools, as well as two new modernization school projects to help address building conditions.

Total operating expenses for K-12 education in Alberta is forecasted to be \$8.3 billion in 2020-21, up from \$8.2 billion in 2019-20. The \$121 million increase in funding will come from school boards' own-source revenue. Despite a predicted 2.2% increase in enrollment annually, the provincial contribution to K-12 education funding will remain flat over the next three years. Budget 2020 also reflects a new funding model that averages student numbers over three years, leading to a small increase in funding for accredited private schools, up \$3 million from last year to \$177 million in Budget 2020. Capital investment in school facilities is up 13.7%, from the 739 million budgeted in 2019-20 to \$840.4 million in 2020-21. However, this funding will decline to \$577.7 million by 2022-23.

Energy

In Budget 2020, Energy will consider increasing the original loan of \$235 million to the Orphan Well Association by an additional \$100 million to address the growing number of orphaned wells in Alberta. Energy will also look at extending the term of the loan repayment period, which was originally set at 10 years in 2017, to further accommodate the clean-up of orphaned oil and gas wells.

Environment and Parks

In Budget 2020, \$10.2 million is allocated to support regional and sub-regional land-use planning. To make sure Alberta is free from zebra and quagga mussels, \$1.8 million is committed to the Aquatic Invasive Species Inspection Program. The money will fund watercraft inspection stations on major highways entering the province, develop early detection plans, and support awareness of aquatic invasive species. \$39.8 million is allocated to caribou recovery planning. This work is supported by the three Caribou Sub-Regional Task Forces partnering with businesses, municipalities, and community stakeholders ensuring a balanced approach in the development of a caribou recovery plan. \$6 million is allocated to the Wetland Restoration Program to enable the Government of Alberta to collect wetland replacement fees and expend them on wetland restoration projects in priority areas. The ministry's business plan indicates the ministry plans to continue its red tape reduction initiative and modernization of legislation and regulations in 2020.

Health

Health recently announced a new physician funding framework to be implemented starting March 31, 2020. \$5.4 billion is budgeted in 2020-21 for physician compensation and development programs, and this budget will be maintained over the following two years. However, one of the most concerning aspects of the new funding framework is the changes to complex modifiers that apply when doctors spend more time with patients with complex medical needs. The amount of time that doctors will need to spend with a patient to bill for a complex visit will increase from 14 minutes to 25 minutes over a phase-in period of two years. This change in physician compensation may encourage doctors to see more patients faster in order to bill more and may further discourage doctors from working in settings where patients numbers are lower, such as rural and smaller communities, or where more patients have complex medical issues.

Health will continue to invest in Primary Care Networks. Health is budgeting \$243 million in 2020-21 in PCNs to support delivery of team-based primary care. Included in the 2020-21 PCN funding is \$3 million to increase the number of Nurse Practitioners working in PCNs and expand care options for Albertans, particularly in rural/remote areas, and on reserve or settlement.

Indigenous Relations

The Alberta Indigenous Opportunities Corporation will work toward Indigenous groups' ownership in major resource projects. There is also \$9.8 million allocated to the Litigation Fund, which is intended to support Indigenous voices in legal actions that affect responsible resource development in Alberta.

Infrastructure

Infrastructure intends to pass the Alberta Infrastructure Act, which aims to strengthen transparency and predictability around government capital funding decisions and release a 20-year Strategic Capital Plan to ensure Alberta has a long-term view to meet infrastructure needs. Spending on facilities in Alberta in 2020-21 will include \$596 million for health facilities, \$616 million for school facilities, \$75 million for government facilities, and \$23 million in planning, design, and implementation for these capital infrastructure projects.

Justice and Solicitor General

The 2020 budget for Justice and Solicitor General includes the following investments to help address rural crime and alleviate pressures in the justice system:

- The creation of a Rural Alberta Provincial Integrated Defence Force (the RAPID Force) by expanding the roles and authorities of 400 peace officers in the Fish and Wildlife Enforcement Branch, Commercial Vehicle Enforcement Branch and the traffic arm of the Alberta Sheriffs, with a budget of up to \$10 million annually.
- \$40 million in funding for Alberta Law Enforcement Response Teams in 2020-21.
- An investment of up to \$5 million annually starting in 2020-21 to expand Drug Treatment Court capacity in Edmonton and Calgary and engage medium-sized communities to identify new sites for Drug Treatment Court services.

Victims of Crime funding will rise from \$43.4 million in 2019-20 to \$60.9 million in 2020-21, which represents a 40.3% increase. The hiring of 50 new Crown prosecutors and support staff continues; once complete, this will be an investment of approximately \$10 million annually. Funding for Rural Crime Reduction Units is maintained and the budget for policing assistance to municipalities is increasing by \$1 million from 2019-20 to 2021. However, AUMA is seeking clarification on whether this increase represents new funding for Municipal Police Assistance and Police Officer Grants, or simply reflects changes in growth and demand.

Labour and Immigration

Budget 2020 commits \$9.0 million to fund newcomer settlement and integration programs. \$11.4 million is allocated in Budget 2020 to support labour mobility programs, including the International Qualification Assessment Service, Foreign Qualification Recognition, and the Fair Registration Practice Office. The office's mandate is to reduce red tape associated with the assessment of qualification, and ensure that registration practices to regulated occupations and trades are transparent, objective, fair, and impartial.

The ministry's business plan highlights its commitment to achieve a one-third reduction in Labour and Immigration regulatory requirements and the implementation of the Alberta Advantage Immigration Strategy focusing on attracting and supporting newcomers to communities across Alberta.

Municipal Affairs

The Ministry of Municipal Affairs' operational spending is anticipated to decrease by 5% in 2020-2021, which is attributed to the reduction in the Grants in Place of Taxes program.

The 2020-23 Municipal Affairs Business Plan confirms the following as continuing objectives:

- Strengthening regional planning and service delivery through regional governance mechanisms, such as intermunicipal collaboration frameworks and growth management boards;
- Strengthening municipal accountability and transparency through the Municipal Accountability Program, the municipal inspection process, and the annual Alberta Municipalities Measurement Index;
- Working collaboratively with municipalities and municipal associations in continuing to promote effective municipal asset management practices;

- Providing funding to municipalities to help them meet their strategic long-term infrastructure needs, and implementing the new Local Government Fiscal Framework for municipal capital funding;
- Continuing to provide operating grants to library boards and to invest in the province-wide library network;
- Streamlining regulatory requirements in municipal legislation and regulation that are hampering administrative efficiencies for municipalities, including a review of the regulations governing regional services commissions;
- Completing the transition to the centralized model for designated industrial property assessment; and
- Developing a new assessment model for wells, pipelines, and machinery and equipment for implementation in the 2021 tax year in order to modernize the regulated assessment system.

The ministry's Business Plan also identifies several new objectives, including:

- Working collaboratively with municipalities and municipal associations to develop strategies to address unpaid linear property taxes;
- Working with and supporting communities in implementing recent changes to the emergency management legislative framework to improve emergency preparedness at the community-level;
- Improving community and individual-level disaster resilience by providing select on-line and in-person emergency management training to municipalities and through public awareness Campaigns; and
- Providing certification training and support to municipal Assessment Review Boards.

Seniors and Housing

Budget 2020 maintains or reduces operational funding for the following programs:

- \$51.3 million is allocated to Family Community Housing in 2020-21, compared to \$50.1 million in 2019-20 (increase of 2.4%).
- \$49.3 million is allocated for Seniors Community Housing in 2020-21, the same amount as in 2019-20.
- \$56.8 million is allocated for Rental Assistance funding 2020-21, compared to \$67.5 million in 2019-20 (decrease of 16.0%).
- \$15.5 million will be allocated for Specialized Housing in 2020-21, the same amount as in 2019-20.

Notably, the 2020-23 capital plan shows significant reductions to provincial investment in affordable housing over next three years, with total capital funding falling from \$215.7 million in 2020-21 to \$123.1 million in 2021-22 and \$77.9 million in 2022-23, which represents a reduction of 63.9% over two years.

(\$ millions)	2019-20 Budget	2020-21 Budget	2021-22 Forecast	2022-23 Forecast
Family and Community Housing Development and Renewal	30	35	6	-
Indigenous Housing Capital	5	12	10	10
New Affordable and Specialized Housing	14	23	29	16
Seniors' Housing Development and Renewal	63	93	61	31

Service Alberta

Service Alberta plans to review the *Mobile Home Sites Tenancies Act* with a goal of better understanding the issues experienced in mobile home communities, with \$110,000 is allocated to this initiative. \$90,000 is allocated to support the introduction of prompt payment legislation that will streamline adjudication and dispute resolution processes for contractors, speeding up payments in Alberta's construction and other industries. Although no funding is provided, Service Alberta wants to collaborate with businesses and partners to develop a framework to support widespread access to high-speed broadband.

Transportation

In addition to the grants for municipalities included in the previous section, the ministry is responsible for several other transportation investments. Targets for investment in roads and bridges are outlined in the following chart:

Investments in Key Roads and Bridges

(\$ millions)	2019-20 Budget	2020-21 Budget
Capital Investments	673	862
Capital Maintenance and Renewal	387	411

Budget 2020 invests significantly in roads and bridges, with increases in both capital projects and maintenance compared to 2019. Highlighted projects include ring road upgrades in Edmonton and Calgary, Highway 19, and the Peace River Bridge. Spending on roads and bridges will account for 13% of provincial capital investment over the next three years.

Treasury Board and Finance

The province's Fiscal Plan notes that while the Lottery Fund has been closed, spending on the fund's purpose will not change.

Next Steps

AUMA will continue to advocate for a provincial partnership focused on building a strong Alberta. Our advocacy efforts will focus on key priorities, including but not limited to, advocating for:

- A Local Government Fiscal Framework (LGFF) that includes an adequate base amount, a growth factor that keeps pace with provincial revenue, and an equitable allocation formula.
- Municipal input on the distribution of police resources related to the new police funding model.
- A fair cannabis assessment and revenue model that recognizes the essential community services that municipalities provide.
- Municipal input on the province's 20-year capital plan to leverage and coordinate investments to maximize benefits for Albertans and our economy.
- Greater restraint in the province's education property tax requisition.
- Investment in affordable housing.
- Investment in the broadband internet required to power Alberta's move to the modern economy. Reliable broadband connections enable economic development in communities across Alberta. Without it, communities can't attract skilled workers and risk falling farther away from sharing in the Alberta advantage.

We will reach out to the province to seek clarity and further details on funding for essential programs Albertans rely on such as the Municipal Police Assistance and Police Officer Grants, which were anticipated to be consolidated.

AUMA and our members remain committed to building a partnership with the province that gets Alberta back to work, improves the lives of all Albertans, and stands up for Alberta.