

Preliminary Analysis of Alberta's 2023 Budget



 **Alberta
Municipalities**
Strength
In Members

March 1, 2023

Table of Contents

| | |
|--|----|
| Introduction | 4 |
| Priorities for Alberta’s Municipal Governments | 5 |
| Stable and long-term predictable revenue..... | 5 |
| Partners in economic growth and recovery..... | 6 |
| Avoid downloading..... | 6 |
| How Budget 2023 Supports Municipalities | 10 |
| Core Capital Funding for Municipal Governments..... | 10 |
| Municipal Sustainability Initiative (MSI): The Final Year..... | 12 |
| Local Government Fiscal Framework | 13 |
| Core Operating Funding for Municipal Governments | 15 |
| Provincial Education Property Tax..... | 16 |
| Notable Funding to Community Entities | 17 |
| An Overview of the 2023 Fiscal Plan | 19 |
| Statement of Operations | 19 |
| Taxpayer Supported Debt..... | 20 |
| Budget 2023 – Capital Plan by Category | 21 |
| Key Energy and Economic Assumptions..... | 21 |
| Ministry Highlights..... | 22 |

Introduction

Budget 2023 is a pre-election budget. It focuses on items that are front and center in Albertans' minds at this moment, such as increased investments in healthcare, education, and policing.

There is also other good news for municipalities. The province has heeded Alberta Municipalities' (ABmunis) advocacy for a freeze to the education property tax requisition. It has also committed to remove the 50 per cent limitation on the growth of the Local Government Fiscal Framework (LGFF) Capital funding that will begin in 2024. Plus, the doubling of the Municipal Sustainability Initiative (MSI) Operating fund will be welcome news, particularly for small communities, while the expansion of low-income transit passes will benefit several mid-sized cities. Libraries, Family and Community Support Services (FCSS) programs, and Regional Economic Development Alliances (REDAs) will also see increases in funding.

Still, structural challenges to the province's long-term fiscal outlook remain. While any government welcomes a surplus, this budget reinforces the fact that the financial health of the province is tied to the ups and downs of the energy sector. In addition, overall municipal infrastructure funding remains below historical averages, meaning that the infrastructure deficit will continue to deepen.

What you will find in this document

This document includes ABmunis' preliminary analysis of Alberta's 2023-24 budget as it relates to municipal priorities, municipal financial plans, and the financial future of Alberta's communities. In addition, it summarizes the province's fiscal outlook and includes highlights of individual ministry business plans that most impact our communities.

Priorities for Alberta's Municipal Governments

Stable and long-term predictable revenue

MSI to LGFF

Over the past several years, the transition from the Municipal Sustainability Initiative (MSI) to the Local Government Fiscal Framework (LGFF) has been ABmunis' top advocacy priority. Our efforts have been informed by innumerable hours of number crunching, member resolutions and feedback at events, along with guidance from our Board and committees. Thanks to this advocacy, Budget 2023 signals some important wins. However, gaps remain.

The most significant win is the removal of the 50 per cent cap on the growth of the LGFF funding pot. As a result, infrastructure transfers will better match the increases in population and economic growth that drive the need for community infrastructure. It also means that when provincial revenues fall some years, the LGFF Capital funding pot will decline at the same rate, but to enhance predictability for municipalities, it will apply to municipalities three years later. We have accepted this as part of being partners with the province in the Alberta's overall financial health.

Municipalities will also benefit from a doubling in MSI Operating from \$30 million to \$60 million this year and this will continue under the new LGFF Operating program. The increase is in recognition of "rising costs and other external factors, which include recent government decisions". This increase will particularly benefit small communities with limited fiscal capacity to adjust to inflation and other fiscal pressures. Recent research as part of ABmunis' Future of Municipal Government project has highlighted the need to consider the viability of small communities and provide financial support that addresses their unique needs.

The increase in MSI Operating also acknowledges the strain downloading has placed on the finances of municipalities of all sizes. For example, mid-sized municipalities were particularly hit by unexpected billing for RCMP/police biology case work and a reduction in the municipal portion of traffic fine revenue from 73.3 per cent to 60 per cent in 2020, which together account for an estimated annual loss of \$45 million per year. Given the impact of downloading, ABmunis will remain vigilant in our advocacy for the province to reverse and avoid shifting costs onto municipal property taxpayers.

It is also notable that the province has committed to providing a on-time top up in funding to ensure no municipality will receive a year over year decrease as a result of the shift to a new allocation formula under LGFF. We appreciate the recognition that any change to allocations will result in increases and decreases to different municipalities. At the same time, this top up would not be as important if the starting base amount of LGFF funding was increased as ABmunis has advocated for.

In meetings with Ministers and other provincial officials, ABmunis as set out a strong case for increased infrastructure funding based on:

- Downward trends of infrastructure funding on a per capita basis and as a percentage of provincial expenditures,
- The replacement costs of aging infrastructure,
- The need for infrastructure investments to keep pace with population, economic growth, and inflation, and
- Meeting previous funding commitments.

As we head into the provincial election, advocacy on infrastructure funding will continue to be a top priority.

Property Taxes Frozen

Budget 2022 forecast that the Government of Alberta planned to increase the provincial education property taxes in 2023-24 by 1.5 per cent. ABmunis advocated for a freeze and is therefore pleased that Budget 2023 holds the

Preliminary Analysis on Alberta's 2023 Budget

education property tax requisition at the 2022-23 level of \$2.5 billion for 2023-24. ABmunis applauds the province's restraint and hopes it will be maintained in subsequent budgets.

Partners in economic growth and recovery

Regional Economic Development Alliances

In 2019, the Government of Alberta applied a 50 per cent reduction to regional economic development alliances (REDAs). In 2021-22 and 2022-23 the province continued that operational funding at \$50,000 for each of the nine REDAs. ABmunis advocated for funding to be restored and enhanced and is pleased to see funding set at \$125,000 per REDA in 2023-24. We are also pleased to see an increase in funding for the Northern and Regional Economic Development (NRED) program.

Investments in Immigration and Newcomer Integration

\$50.3 million funding over three fiscal years is devoted to settlement and integration initiatives, responses to emerging issues and newcomer needs, and support for recognition of newcomer qualifications from outside of Canada. The Alberta Advantage Immigration Program will receive an additional \$21 million over three years to attract newcomers to support economic growth and the province's labour market needs. There is \$8.3 million in funding to assist Ukrainian evacuees to settle and integrate into Alberta. Overall, funding for newcomer supports and multiculturalism increases to an estimated \$32.5 million in 2023-24 from a forecast of \$22.8 million in 2022-23.

ABmunis welcomes these investments as research conducted by The School of Public Policy for ABmunis' Future of Municipal Government initiative highlighted that immigration is central to maintaining Alberta's population given increasingly low fertility rates. The research also pointed to the importance of intermunicipal collaboration and provincial-municipal partnerships to create welcoming and inclusive communities for newcomers and Albertans of all backgrounds. ABmunis hopes to reinvigorate our own Welcoming and Inclusive Communities initiative over the coming year to support municipalities in their efforts strengthen the social fabric of their communities.

Avoid downloading

Policing

Budget 2023 provides considerable increases to the budgets for Justice (10%) and Public Safety and Emergency Services (13%) with an aim of improving access to justice and the courts as well as additional law enforcement resources. Specific steps to address crime in small communities include support for the Rural Alberta Provincial Integrated Defense (RAPID) Response program and an additional \$12 million in funding for the Victims of Crime Assistance Program. There is \$8.7 million in additional funding for policing grants with the new Policing Support Grant (PSG) replacing the Municipal Policing Assistance Grant (MPAG) and the Police Officer Grant (POG). ABmunis is encouraged by the focus of improving public safety as opposed to the narrow focus of creating a new provincial police force.

Affordable Housing

Released in 2021, Alberta's affordable housing strategy maps out the changes needed to provide affordable housing for an additional 25,000 households over the next 10 years, an increase of more than 40 per cent. To meet this target the province aims to support the creation of 2,300 new affordable housing units and new low-income rental subsidies per year each of the next three years.

Budget 2023-24 allocated \$342.5 million for affordable housing, including rent supplements. Of the \$342.5 million, \$34.3 million is allocated to help grow the supply of affordable housing in priority areas through the Affordable Housing Partnership Program.

Libraries

Preliminary Analysis on Alberta's 2023 Budget

In 2023-24, \$33.4 million is budgeted for public library operating grants, an increase of \$2.9 million. Public library funding has been frozen at \$30.5 million annually since 2016. Many municipalities have been pressing the province for funding increases over the last few years. While this increase will be appreciated by municipalities, additional funding will be required to meet the needs of municipalities given the current regulatory hiring requirements (i.e. librarians) and the central and multifaceted role that libraries play in many communities. In addition, municipalities are looking forward to the province following up on consultations it conducted over the last several years on the *Libraries Act* and *Libraries Regulation*, as updates are required to ensure the legislative environment supports a thriving library system throughout the province.

Family and Community Support Services

Budget 2023 allocates \$105 million through Family and Community Support Services (FCSS) to communities and Metis Settlements to develop and deliver preventative social services programming, an increase of \$5 million from the 2022-23 forecast amount and \$15 million from the 2022 budget amount. Increased support for FCSS is an ABmunis priority and something we advocated for in our pre-budget submission to the province.

Mental Health and Addictions

The budget for mental health and addictions will rise to \$275 million, nearly \$75 million above the 2022-23 forecast. Spending on treatment and support for recovery-oriented systems will increase from \$84 million to \$132 million, comprising the bulk of the increase.

ABmunis supports the increase in accessible recovery spaces but notes that investment in harm reduction programs essentially remains flat at \$30.4 million, an increase of only \$410,000 despite the province's commitment to providing a comprehensive continuum of care including prevention, intervention, treatment, and recovery supports.

Emergency Medical Services

The province plans to spend an additional \$196 million over three years for operating Emergency Medical Services (EMS) with the goal of improving ambulance response times. \$148 million of this funding increase will occur in 2023-24. Alberta Health Services intends to hire more staff and implement the recommendations made by the Alberta EMS Provincial Advisory Committee. Hiring more staff will present challenges given the shortage of paramedics in Alberta, so the province will need a sound strategy to recruit and train new paramedics, and to retain current paramedics.

Budget 2023 indicates that \$15 million over three years will be allotted for new EMS vehicles and to replace or upgrade related equipment.

Additional funding for EMS operations is an important component of improving the delivery of these services in Alberta. Current funding primarily focuses on ground ambulance services; air ambulance (i.e. helicopter and fixed wing plane) services are also a necessary component of first response services for Albertans living in rural and remote communities. The province needs to consider a broad spectrum of EMS supports and the impacts to communities when one type of support is defunded in favour of funding another.

Health Care Practitioner Attraction and Retention

Budget 2023 allocates \$158 million in 2023-24 to workforce planning with the aim of increasing the number of health care professionals in Alberta, by means which include:

- Expanding physician training, and
- Recruiting more internationally educated physicians and nurses.

Further, funding in Budget 2023 will be allocated for additional seats for physician training at Alberta's medical schools (through Advanced Education), and attraction of internationally educated nurses by addressing barriers they face, such as navigating complex regulatory requirements, assessment and licensing processes, and access to clinical placements.

Preliminary Analysis on Alberta's 2023 Budget

Under the new agreement with the Alberta Medical Association, signed last fall, more than \$250 million over four years, beginning in 2022-23, is to be targeted for recruitment and retention programs and specific funding for programs to support physicians, particularly family doctors in regional communities. Additionally, \$15 million annually will specifically be dedicated to the recruitment and retention of physicians who practice full-time in underserved areas, a \$12 million increase for the existing Rural Remote Northern Program.

It is encouraging that the province is acknowledging the urgent need to recruit and retain health care professionals, such as doctors and nurses, especially in rural and remote areas; however, Budget 2023 fails to identify funding for Nurse Practitioners, who are a valuable and immediately available pool of highly educated primary care providers that could enhance and modernize the health care system in Alberta, while at the same time providing primary health care for thousands of Albertans.

Grants in Place of Taxes

Budget 2023 includes an increase of \$6 million to the Grants in Place of Property Taxes (GIPOT) funding to reflect “rising property values and construction of new government infrastructure.” Despite the 20 percent increase from last year, GIPOT is still well below past funding levels of \$60 million before the province cut the program budget in 2019-20. This gap is exacerbated by the impact of inflation and the growth of provincial government infrastructure in the villages, towns and cities that act as regional service hubs. The gap in GIPOT funding also points to the need for the province to recognize the essential role that day-to-day municipal services play in supporting provincial buildings and services.

PLANNING FOR YOUR COMMUNITY'S FINANCIAL FUTURE

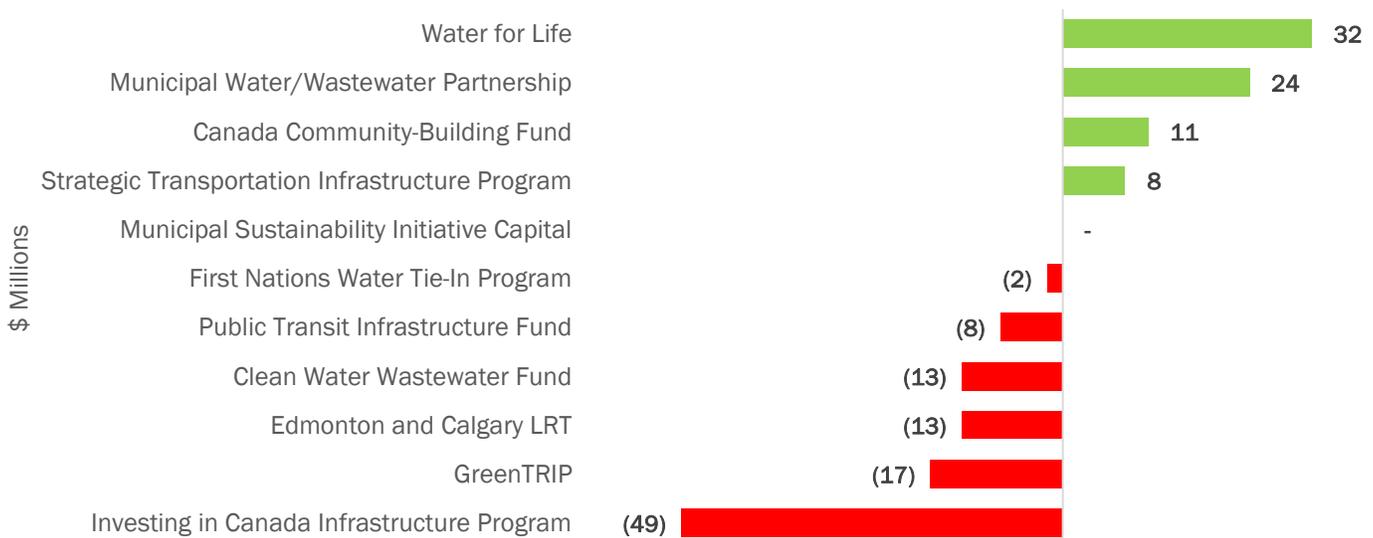
**HOW BUDGET 2023
SUPPORTS
MUNICIPAL
GOVERNMENTS**

How Budget 2023 Supports Municipalities

Core Capital Funding for Municipal Governments

| \$ millions | 2022-23 Budget | 2023-24 Budget | 2024-25 Forecast | 2025-26 Forecast | 2023 vs. 2022 |
|---|-------------------|-------------------|---------------------|---------------------|------------------|
| Provincial Capital Funding | | | | | |
| Municipal Sustainability Initiative – Capital | 485 | 485 | - | - | - |
| Local Government Fiscal Framework | - | - | 722 | 813 | - |
| Alberta Municipal Water/Wastewater Partnership | 62 | 86 | 63 | 62 | 24 |
| Water for Life | 37 | 69 | 50 | 50 | 32 |
| Strategic Transportation Infrastructure Program | 35 | 43 | 25 | 25 | 8 |
| Green Transit Incentives Program (GreenTRIP) | 18 | 1 | - | - | (17) |
| First Nations Water Tie-In Program | 30 | 28 | - | - | (2) |
| | 667 | 712 | 860 | 950 | 45 |
| Year-over-year change (%) | | 6.7% | 20.8% | 10.5% | |
| Federal Capital Funding Delivered by the Government of Alberta | | | | | |
| Canada Community-Building Fund (Gas Tax Fund) | 255 | 266 | 266 | 266 | 11 |
| Clean Water Wastewater Fund | 13 | - | - | - | (13) |
| Investing in Canada Infrastructure Program | 152 | 103 | 23 | 12 | (49) |
| Public Transit Infrastructure Fund | 8 | - | - | - | (8) |
| Edmonton and Calgary LRT (incl. provincial funds) | 707 | 694 | 1,176 | 1,136 | (13) |
| | 1,135 | 1,064 | 1,465 | 1,414 | (71) |
| Year-over-year change (%) | | -6.3% | 37.7% | -3.5% | |
| Total Provincial & Federal Capital Funding | 1,802 | 1,776 | 2,325 | 2,364 | (26) |
| | | -1.4% | 30.9% | 1.7% | |

Year-over-year change in municipal capital funding: Budget 2023 vs. Budget 2022



Preliminary Analysis on Alberta's 2023 Budget

Budget 2023 increases provincial capital funding for municipalities by 6.7 per cent over the 2022-23 fiscal year. This is primarily driven by re-profiling of unspent budget from 2022-23 plus new funding investments in the Alberta Municipal Water/Wastewater Partnership, Water for Life, and the Strategic Transportation Infrastructure Program.

In terms of federal capital funding, most municipalities will see an increase in their Canada Community-Building Fund allocation this year unless they receive the minimum amount. All other federal funding programs are fully committed or are now closed meaning no new dollars available for municipalities.

Provincial Capital Funding

Alberta Municipal Water/Wastewater Partnership (AMWWP)

- AMWWP was forecasted to be \$17 million but is budgeted at \$86 million.
- The \$69 million increase over last year's forecast appears to be a combination of \$42 million in new funding plus \$27 million from the 2022 budget that is unspent and is being re-profiled for projects in the 2023-24 year.
- This benefits municipalities under 45,000 population.

Water for Life

- Water for Life was forecasted to be \$43 million but is budgeted at \$69 million.
- The \$26 million increase over last year's forecast appears to be a combination of \$11 million in new funding plus \$15 million from the 2022 budget that is unspent and is being re-profiled for projects in the 2023-24 year.
- This benefits municipalities under 45,000 population.

Strategic Transportation Infrastructure Program (STIP)

- STIP funding was forecasted to be \$25 million but is budgeted at \$43 million.
- The \$18 million increase over last year's forecast appears to be a combination of \$8 million in new funding plus \$10 million from the 2022 budget that is unspent and is being re-profiled for projects in the 2023-24 year.
- This increase will primarily benefit municipal districts through the maintenance and replacement of bridges and resource roads.

GreenTRIP

- The 2023 budget represents the remaining amount to be spent from this program, which closed to applications in 2016.

First Nations Water Tie-In Program

- Zero amount of the 2022 budget was spent in 2022-23 so ABmunis assumes that the 2023 budget represents a re-profiling of the 2022 planned projects.

Federal Capital Funding Delivered by the Government of Alberta

Canada Community-Building Fund (CCBF)

- The \$11 million increase in the 2023 Budget is due to the federal government's two per cent indexation of CCBF each year, which is delivered in \$100 million increments and allocated across all provinces and territories.

Clean Water Wastewater Fund (CWWF)

- CWWF was fully spent in 2022-23 and is now closed.

Investing in Canada Infrastructure Fund (ICIP)

- Alberta's ICIP funding is fully allocated so the change in budget is driven by the timing of expenditures for the approved projects.

Public Transit Infrastructure Fund (PTIF)

- PTIF was fully spent in 2022-23 and is now closed.

Edmonton and Calgary Light Rail Transit (LRT)

- The change in budget is based on project status and timing of expenditures related to this multi-year funding agreement between Canada and Alberta.
- Figures represent the provincial and federal contribution amounts.

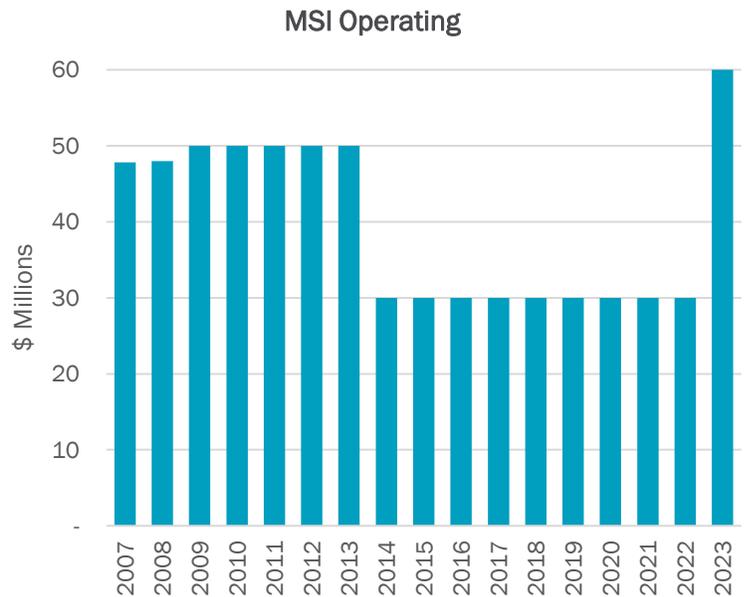
Municipal Sustainability Initiative (MSI): The Final Year

Doubling of MSI Operating

In response to municipal concerns about inflationary pressures and historical downloading onto municipalities, Budget 2023 announces that MSI Operating is doubled to \$60 million.

With the exception of Calgary and Edmonton, all other municipalities will benefit from this announcement. MSI Operating has been fixed at \$30 million annually since the 2014-15 fiscal year so the doubling of the program will be welcome news, particularly for small municipalities with limited fiscal capacity.

Municipalities can expect their 2023 allocation to be exactly twice the amount of their 2022 MSI Operating allocation.



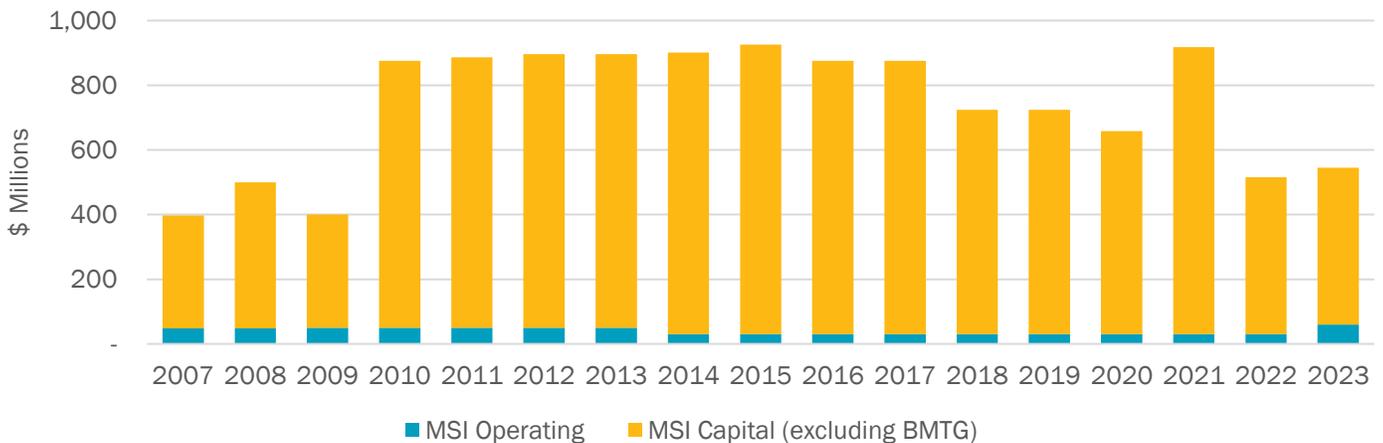
Plan for MSI Capital is Unchanged

Budget 2023 continues the three-year plan for the phase out of the MSI Capital program before it is replaced by LGFF Capital. The three-year plan involved front-loading of MSI Capital in 2021-22 resulting in reduced levels of \$485 million in 2022-23 and 2023-24. Municipalities will receive the same MSI Capital allocation as last year.

The End of the MSI Program

After 17 years, 2023 represents the final year of the MSI program. MSI was created in 2007 under the leadership of former Premier Ed Stelmach and has been continued by each government since. Between 2007 and 2023, MSI delivered a total of \$11.84 billion in capital funding that has allowed municipal governments and Métis settlements to build and maintain key community infrastructure such as roads, water lines, fire services, recreation facilities, and other local needs.¹ MSI also delivered a total of \$676 million in operating funding to support municipalities with day-to-day operations, which has been particularly impactful for small municipalities with limited property tax bases.

MSI Funding Over the Life of the Program (excluding BMTG)



¹ Figure excludes the Basic Municipal Transportation Grant, which was rolled into the MSI program in 2014, because it was not part of the original MSI funding commitment of \$11.3 billion.

Preliminary Analysis on Alberta's 2023 Budget

While MSI set a new standard for offering municipalities flexibility in spending priorities, municipalities also experienced challenges with the MSI program.

- The lower than promised levels of capital funding led to the program being extended from 10 years to 15 years before the original \$11.3 billion commitment was met in 2021.
- MSI Capital has trended downwards since 2015 despite Alberta's continued rise in cost inflation, population and infrastructure needs.
- Municipal leaders have been challenged to prepare accurate long-term financial plans due to the lack of assurance that future funding capital funding forecasts would be delivered by the province.

For these reasons, ABmunis looks forward to the introduction of the Local Government Fiscal Framework as it will offer municipalities greater predictability and an assurance that funding levels will follow Alberta's economic growth instead of political priorities of the day.

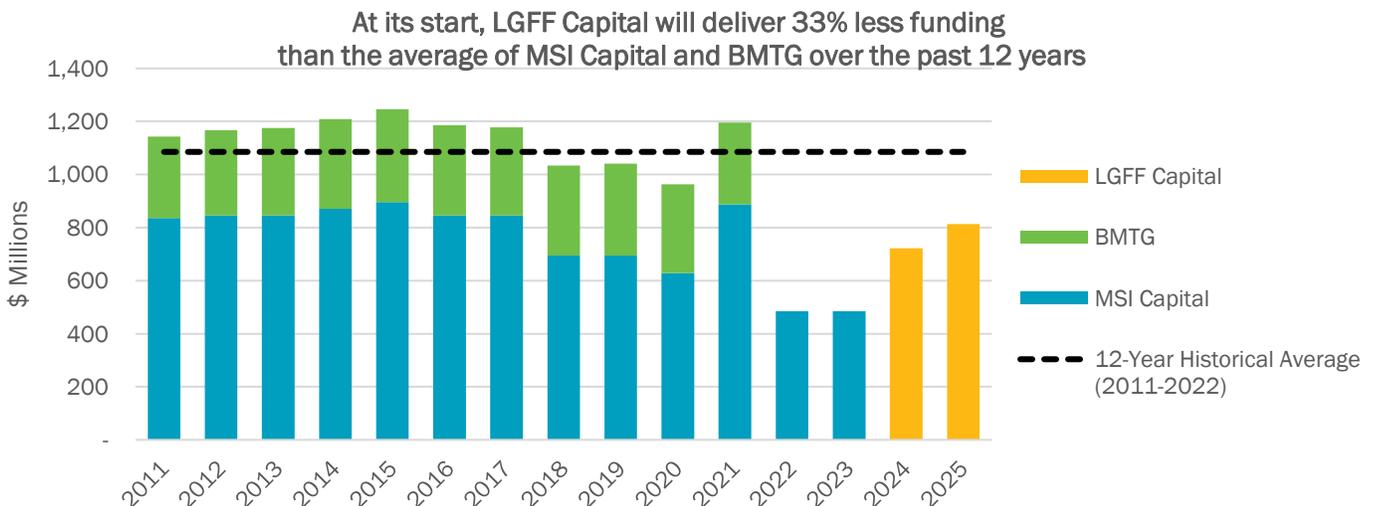
Local Government Fiscal Framework

Budget 2023 reaffirms the province's commitment to replace MSI and BMTG with the new LGFF Capital program in 2024-25. Recognizing that infrastructure funding is one of the most important issues to municipalities, ABmunis has been pushing for the province to make critical improvements to LGFF before the program starts.

| Municipalities have called for... | Budget 2023 delivers... |
|---|-------------------------|
| 1 The starting 2024 amount of LGFF Capital to be increased to reflect local infrastructure needs. | ✘ |
| 2 The removal of the 50 per cent cap on the growth of the LGFF funding pot. | ✔ |

New Infrastructure Funding Program Does Not Meet Funding Expectations

ABmunis is disappointed that Budget 2023 does not propose an increase in the starting amount of LGFF Capital. MSI Capital and BMTG have collectively averaged around \$1.1 billion per year over the last 12 years, while the replacement program, LGFF Capital, will start in 2024 at only \$722 million. This represents a 33 per cent reduction in investments in community infrastructure, meaning that without change to the funding level, Albertans will need to accept higher municipal property taxes or lower quality infrastructure over the years ahead.



Preliminary Analysis on Alberta's 2023 Budget

| \$ millions | 2020-21 Budget | 2021-22 Budget | 2022-23 Budget | 2023-24 Budget | 2024-25 Forecast | 2025-26 Forecast |
|------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Capital Component | | | | | | |
| MSI Capital (including BMTG) | 963 | 1,196 | 485 | 485 | - | - |
| LGFF Capital | - | - | - | - | 722 | 813 |
| Operating Component | | | | | | |
| MSI Operating | 30 | 30 | 30 | 60 | - | - |
| LGFF Operating | - | - | - | - | 60 | 60 |
| Total | 993 | 1,226 | 515 | 515 | 782 | 873 |
| Year-over-year change | | 133 | (611) | - | 267 | 91 |

The 2023 Fiscal Plan forecasts that MSI Capital will end in 2023 and LGFF Capital will start in 2024 at \$722 million and then increase to \$813 million in 2025. The increase is based on LGFF's design where the funding pot will increase or decrease annually based on changes in the Government of Alberta's actual revenues from three years prior. Therefore, the increase in the 2025 LGFF Capital will be calculated based on the change in the Government of Alberta's revenue from 2021-22 to the 2022-23 fiscal year. The 2025 amount for LGFF Capital will be confirmed once the province closes its books for the 2022-23 fiscal year.

Province Acts on Call for LGFF Capital to Match Changes in Provincial Revenue

When the *Local Government Fiscal Framework Act* was passed in 2019, ABmunis and our members expressed concern that the 50 per cent limitation on the revenue index factor calculation would mean that the funding would not keep pace with inflation and Alberta's economy. ABmunis is pleased to see the province's commitment to amend the legislation so that the LGFF funding pot will increase or decrease at the same rate as provincial revenues on an annual basis. While this will mean more fluctuation in year-to-year funding amounts for municipalities, this approach ensures that funding for community infrastructure is not left behind from the growth in Alberta's economy and provincial government revenue over the long term. This has been a problem of the MSI program, which is why ABmunis advocated for this approach under LGFF.

LGFF Capital Allocation Formula

The Government of Alberta continues to review options for the design of the LGFF Capital allocation formula for the non-charter municipalities. Recommendations on the allocation formula put forth by ABmunis and the Rural Municipalities of Alberta would potentially lead to a decrease in funding for some municipalities compared to past funding levels. Budget 2023 makes a commitment that the province will provide one-time top-up funding to ensure that no municipality will receive a year-over-year decrease in funding as part of the shift from MSI to LGFF Capital.

LGFF Operating

Budget 2023 reaffirms that MSI Operating will be replaced with an LGFF Operating program starting in 2024. The province has increased MSI Operating funding to \$60 million and ABmunis is pleased that this funding level is forecasted to continue under the LGFF Operating program in 2024 and 2025. Once the allocation formula for LGFF Capital is finalized, ABmunis expects to engage with Municipal Affairs about the design for the LGFF Operating allocation formula.

Core Operating Funding for Municipal Governments

| \$ millions | 2021-22 Budget | 2022-23 Budget | 2023-24 Budget | % Change | Note |
|---|-------------------|-------------------|-------------------|------------|------|
| Alberta Community Partnership | 25.4 | 15.4 | 15.4 | - | |
| Emergency Management Preparedness Program | 0.2 | 0.2 | 0.2 | - | |
| Family and Community Support Services | 100.0 | 100.0 | 115.0 | 15% | 1 |
| Fire Services Training Program | - | - | 0.5 | Reinstated | 2 |
| Grants in Place of Taxes | 30.0 | 30.0 | 36.0 | 20% | 3 |
| Low Income Transit Pass Grants | 9.0 | 9.0 | 16.0 | 78% | 4 |
| Policing Support Grant (formerly MPAG & POG) | 89.2 | 89.2 | 98.8 | 11% | 5 |
| Municipal Sustainability Initiative – Operating | 30.0 | 30.0 | 60.0 | 100% | 6 |
| | 283.8 | 273.8 | 341.9 | | |

Notes on Core Operating Funding for Municipalities

1. The \$15 million increase in Family and Community Support Services (FCSS) represents \$10 million for Food Banks and \$5 million in additional support for FCSS programs. ABmunis supports this increase after the program's funding has been fixed since 2015 despite inflationary pressures.
2. In 2020-21, the Government of Alberta discontinued the \$500,000 Fire Services Training Program. Fortunately, after advocacy by ABmunis and other municipal stakeholders, the province [reinstated the program](#) in late 2022.
3. The Grants in Place of Property Taxes (GIPOT) funding is increased by 20 per cent to reflect "rising property values and construction of new government infrastructure." Despite the increase, GIPOT is still well below past funding levels of \$60 million before the province cut the program budget in 2019-20. ABmunis continues to advocate that the province should cover the full cost of municipal services to provincial buildings just like any other property owner.
4. Calgary and Edmonton will continue to receive \$4.5 million each under the Low-Income Transit Pass program. The \$7 million increase in the program budget represents a temporary increase to begin pilot projects with ten municipalities in other regions of the province.
5. The Municipal Policing Assistance Grant and Police Officer Grant have been amalgamated under a new name of Policing Support Grant and the budget has increased by 11 per cent. This budget increase will be welcomed by municipalities over 5,000 population as policing grants have been unchanged for many years.
6. The 100 per cent increase in MSI Operating is designed to support municipal governments to address inflationary pressures and compensate for past decisions that have impacted municipalities.

Provincial Education Property Tax

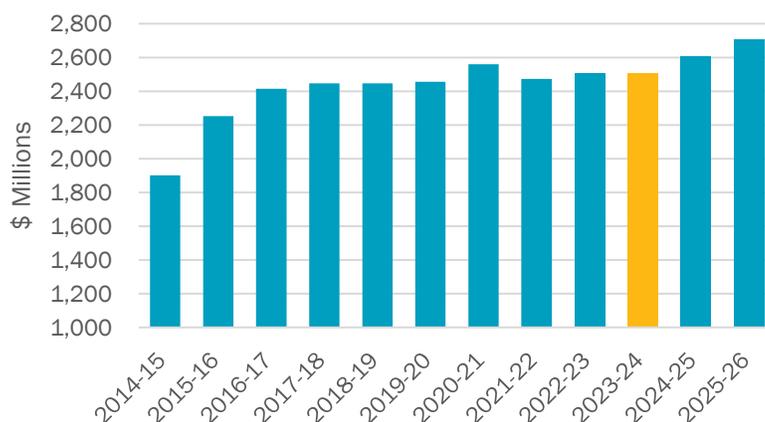
Over the last decade, the Government of Alberta has frequently changed its approach to how it determines the amount of provincial education property taxes to be collected from Alberta's property owners.

- ↓ **2015-16** – Set at 32 per cent of Alberta Education's budgeted operating expense
- ↓ **2016-17** – Set at 32 per cent of Alberta Education's budgeted operating expense
- ↓ **2017-18** – Maintained the 2016-17 mill rates resulting in a 1.3% increase in the tax revenue amount
- ↓ **2018-19** – Frozen at the 2016-17 tax revenue amount
- ↓ **2019-20** – Maintained the 2018-19 mill rates resulting in a 0.5% increase in the tax revenue amount
- ↓ **2020-21** – Planned to link to changes in population plus inflation but abandoned due to the pandemic
- ↓ **2021-22** – Frozen at the 2020-21 tax revenue amount
- ↓ **2022-23** – Linked to percentage change in Alberta Education's budgeted operating expense
- ↓ **2023-24** – Frozen at the 2022-23 tax revenue amount
- ↓ **2024-25** – Forecast to return using population plus inflation to determine the total tax revenue amount

Prior to the release of Budget 2023, ABmunis met with provincial ministers and advocated for the 2023 provincial education tax to be frozen at the 2022 amount. This request was based on understanding the affordability challenges that Albertans currently face as well as the fact that municipal councils consistently bear the blame for any increase in provincial education property taxes.

ABmunis is pleased to see that the Government of Alberta agreed with our recommendation and froze the 2023 provincial education property tax amount at the 2022-23 level.

Provincial Education Property Tax
(budgeted figures)



| \$ millions | 2021-22 Actual | 2022-23 Budget | 2023-24 Budget | 2024-25 Forecast | 2025-26 Forecast |
|-----------------------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Provincial education property tax | 2,478 | 2,504 | 2,504 | 2,604 | 2,703 |
| Year-over-year change (%) | | 1.0% | 0.0% | 4.0% | 3.8% |
| K-12 education operating expense | 7,846 | 8,390 | 8,836 | 9,036 | 9,162 |
| Year-over-year change (%) | | 6.9% | 5.3% | 2.3% | 1.4% |

Despite this year's freeze in education property taxes, Budget 2023 announces that the Government of Alberta plans to return to linking future education tax increases to changes in Alberta's population plus inflation. The budget forecast suggests that property owners could collectively face a 4.0 per cent increase in education property taxes in 2024 and an additional 3.8 per cent increase in 2025.

Notable Funding to Community Entities

| \$ millions | 2021-22 Budget | 2022-23 Budget | 2023-24 Budget | % Change | Note |
|--|-------------------|-------------------|-------------------|----------|------|
| Agricultural Service Boards | 8.5 | 8.9 | 11.9 | 34% | |
| Agricultural Societies and Exhibition Grants | 11.5 | 11.5 | 11.5 | - | |
| Agricultural Societies Infrastructure Revitalization | - | - | 3.0 | New | 1 |
| Community Facility Enhancement Program | 18.5 | 38.5 | 50.0 | 30% | 2 |
| Community Initiatives Program | 37.1 | 20.7 | 20.0 | -3% | |
| Ground Search and Rescue Training Grant | 0.2 | 0.2 | 0.2 | - | |
| Library Services – Operating | 37.0 | 37.0 | 39.7 | 7% | |
| Legal Aid | 94.3 | 94.3 | 134.6 | 43% | 3 |
| Northern and Regional Economic Development | - | 2.0 | 3.0 | 50% | 4 |
| Regional Economic Development Alliances | 0.5 | 0.5 | 1.1 | 120% | 5 |
| | 207.6 | 213.6 | 275.0 | | |

Notes on Funding for Community Entities

1. The Agricultural Societies Infrastructure Revitalization program represents new funding for major repairs, renovations, and energy upgrades at trade and exhibition centres, fairgrounds, and multi/agri-plexes.
2. The budget increase for the Community Facility Enhancement Program is part of a three-year plan to deliver \$50 million annually to support non-profits to build and maintain community facilities.
3. The increase in Legal Aid funding represents a \$24 million increase over estimated expense in 2022-23 and is intended to “maintain high quality legal counsel and provide all Albertans with access to the services they need”.
4. The Northern and Regional Economic Development program will deliver \$9 million over the next three years to support municipalities, Indigenous communities, and non-profit organizations across Alberta. As part of our enquiries, ABmunis learned that the former Community and Regional Economic Support (CARES) program has been replaced by NRED after CARES was zero-funded and subject to review in the 2019-20 year.
5. On December 14, 2022, [the Government of Alberta announced](#) that funding for the nine Regional Economic Development Alliances (REDA) was being increased to \$125,000 for each REDA. This decision re-establishes funding to levels seen before the province reduced REDA funding to \$50,000 per organization in 2019.

GOOD TO KNOW

AN OVERVIEW OF ALBERTA'S 2023 FISCAL PLAN

An Overview of the 2023 Fiscal Plan

The Government of Alberta is projecting a \$2.4 billion surplus in 2023-24, following an estimated \$10.4 billion surplus in 2022-23. Total revenue for 2023-24 is forecasted to be \$70.6 billion, a 7 percent decrease from the prior year. The Government of Alberta is expecting to achieve year-over-year increases in personal tax income (2%), other tax revenue (15%), investment income (205%), premiums/fees/licenses (5%), other own-source revenues (4%), and federal transfers (7%). These increases will help to offset reductions in corporate income tax (-8%) and resource revenue (-33%). The declines in corporate tax income and resource revenue can be attributed to cooling commodity prices – last year's financial figures were the result of the geopolitical tensions which drove unexpectedly high oil and natural gas prices. It is also worth noting that only three years ago, resource revenue was \$3.1 billion compared to this year's budget of \$18.3 billion, which highlights how important resource revenue continues to be within the provincial budget.

Total expenditures are forecasted to be \$68.3 billion, a 4 per cent increase from the prior year. The Government of Alberta is projecting to spend more on health (9%), education (4%), and social services (19%). Debt-servicing costs will rise by 5 per cent due to higher interest rates. The increase in health spending can be partly attributed to \$559 million in additional transfers from the Government of Canada, via the Canada Health Transfer (CHT). Increases to education expenditures can be attributed to programs focusing on K-12, including increased staffing and classroom supports. And increases in social service expenditures can be attributed to additional funds being allocated for mental health supports, disability services, social housing, and seniors.

Beyond 2023-24, the Government of Alberta projects nominal increases (~2%) in total revenue and total expenditures along with declining surpluses year after year.

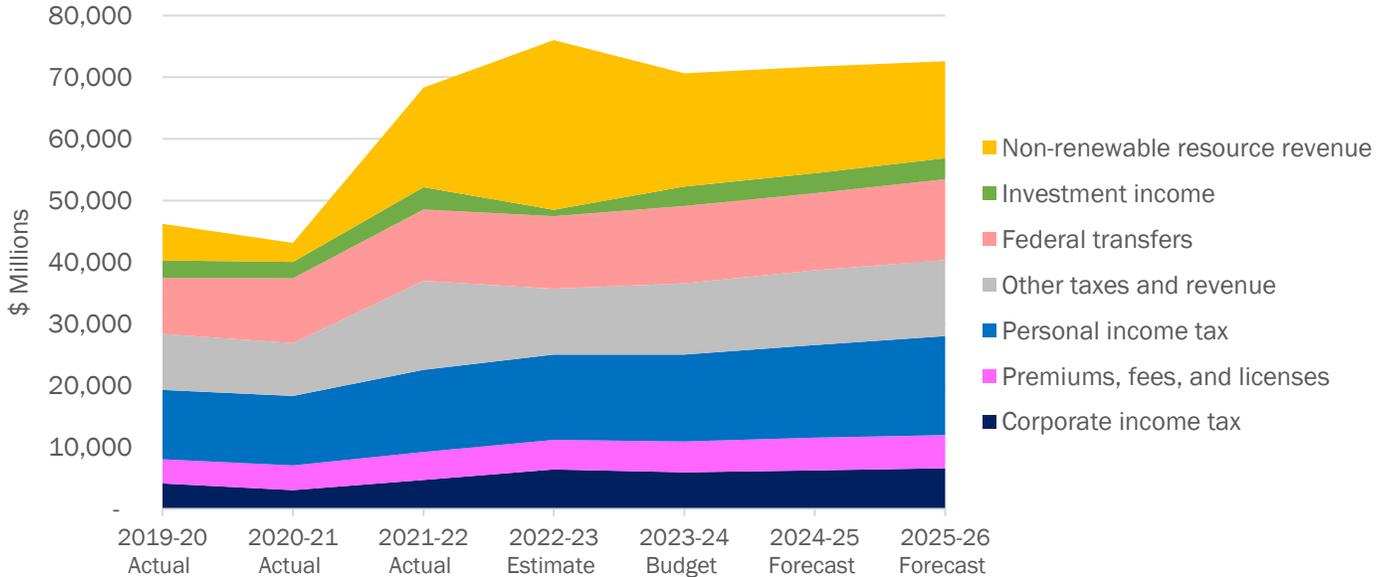
Statement of Operations

| \$ millions | 2021-22 Actual | 2022-23 Estimate | 2023-24 Budget | 2024-25 Forecast | 2025-26 Forecast |
|------------------------------|-------------------|---------------------|-------------------|---------------------|---------------------|
| Revenue | | | | | |
| Personal income tax | 13,335 | 13,806 | 14,069 | 15,034 | 16,071 |
| Corporate income tax | 4,718 | 6,413 | 5,911 | 6,254 | 6,590 |
| Other tax revenue | 5,453 | 4,361 | 5,012 | 5,767 | 5,948 |
| Resource revenue | 16,170 | 27,544 | 18,361 | 17,284 | 15,742 |
| Investment income | 3,579 | 1,035 | 3,154 | 3,273 | 3,407 |
| Premiums, fees, and licenses | 4,520 | 4,796 | 5,040 | 5,289 | 5,360 |
| Other own-source revenues | 8,952 | 6,305 | 6,554 | 6,348 | 6,377 |
| Federal transfers | 11,595 | 11,765 | 12,552 | 12,475 | 13,113 |
| Total revenue | 68,322 | 76,025 | 70,653 | 71,724 | 72,608 |
| Expenditures | | | | | |
| Health | 25,131 | 24,421 | 26,681 | 27,733 | 28,199 |
| Basic/Advanced education | 14,296 | 15,360 | 16,033 | 16,335 | 16,601 |
| Social services | 5,989 | 6,961 | 8,259 | 8,059 | 8,443 |
| Other program expenses | 16,686 | 16,289 | 14,783 | 15,091 | 15,240 |
| Total program expense | 62,102 | 63,031 | 65,756 | 67,218 | 68,483 |
| Debt servicing costs | 2,641 | 2,715 | 2,848 | 2,805 | 3,103 |
| Pension provisions | (365) | (111) | (322) | (336) | (347) |
| Total expense | 64,378 | 65,635 | 68,282 | 69,687 | 71,239 |
| Surplus / (Deficit) | 3,944 | 10,390 | 2,371 | 2,037 | 1,369 |

Source: Alberta's 2023-26 Fiscal Plan, Schedule 25: Historical Fiscal Summary, 2008-09 to 2025-26, page 164.

Preliminary Analysis on Alberta's 2023 Budget

Despite a 33% reduction in resource revenue compared to the 2022-23 estimate, resource revenue continues to be Alberta's largest revenue source representing 26% of Alberta's total 2023 budgeted revenues

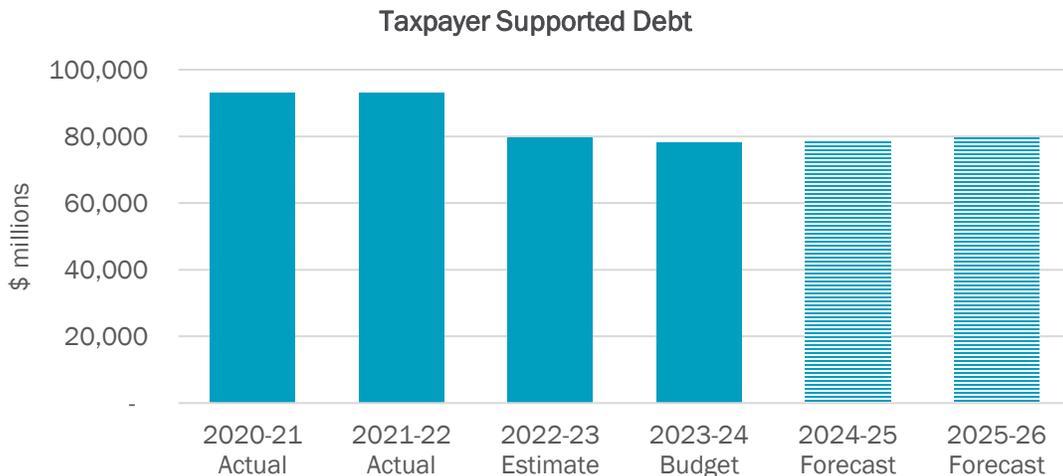


Taxpayer Supported Debt

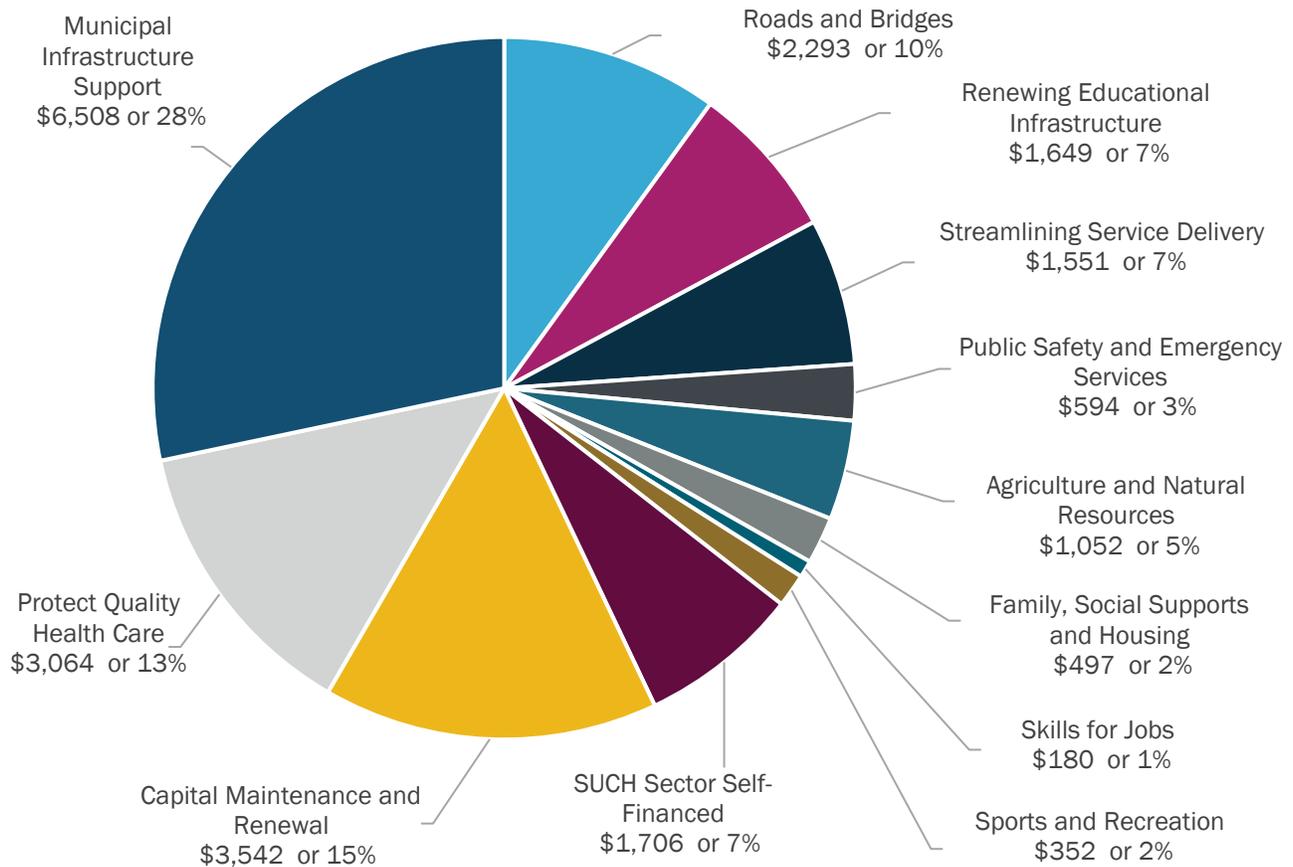
Total taxpayer supported debt is estimated to be \$79.7 billion at the end of 2022-23, and \$78.3 billion at the end of 2023-24.

Reducing and eventually eliminating the province's debt requires the budget to be in a surplus position. Since debt is also used to finance capital spending, the government will need to continue to produce surpluses while prudently managing capital budgets. In 2022-23, \$13.4 billion of maturing debt was repaid using surplus cash, and \$1.4 billion is expected to be repaid in 2023-24.

Over the next three years, the government is projecting to borrow \$27.8 billion in long-term debt, to refinance maturing debt, in order to manage debt servicing costs and its liquidity.



Budget 2023 – Capital Plan by Category



Key Energy and Economic Assumptions

| \$ millions | 2022-23 Estimate | 2023-24 Forecast | 2024-25 Forecast | 2025-26 Forecast |
|---|------------------|------------------|------------------|------------------|
| Crude Oil Prices | | | | |
| WTI (US\$/bbl) | 90.50 | 79.00 | 76.00 | 73.50 |
| Light-Heavy Differential (US\$/bbl) | 20.00 | 19.50 | 16.80 | 16.40 |
| WCS @ Hardisty (Cdn\$/bbl) | 92.60 | 78.00 | 75.90 | 72.10 |
| Natural Gas Price | | | | |
| Alberta Reference Price (Cdn\$/GJ) | 5.10 | 4.10 | 3.60 | 3.80 |
| Production | | | | |
| Conventional Crude Oil (000s barrels/day) | 497 | 497 | 497 | 490 |
| Raw Bitumen (000s barrels/day) | 3,281 | 3,345 | 3,436 | 3,529 |
| Interest Rates | | | | |
| 10-year Canada Bonds (%) | 3.10 | 3.60 | 3.40 | 3.40 |
| Exchange Rate (US\$/Cdn\$) | | | | |
| | 75.7 | 76.2 | 78.2 | 79.5 |

Source: Alberta's 2023-26 Fiscal Plan, Energy and Economic Assumptions, page 11.

Ministry Highlights

Advanced Education

The ministry's budget will increase by \$188 million to \$6.3 billion in 2023-24. Notable initiatives include investing \$2 billion in operational funding for post-secondary institutions through the Operating and Program Support Grant and investing \$71.9 million in training in health care professions (particularly in regional communities). ABmunis knows that many of our members struggle to attract and retain healthcare professionals, and it will be monitoring this initiative to see how it impacts communities.

Based on our [active resolution](#) regarding the need for more veterinarians, ABmunis is pleased to see \$21 million allocated in 2023-24, with an additional \$27 million in 2024-25, for veterinary medicine expansion at the University of Calgary.

Affordability and Utilities

ABmunis has an [active resolution](#) regarding the disparity in distribution and transmission rates in Alberta. Budget 2023 has \$47.6 million budgeted for the Electricity Rebate Program, which provides targeted relief to homes, farms and small businesses. The ministry is also mandated to operate a safe, reliable, and affordable utilities system. As our members have pointed out, the disparity in transmission and distribution rates throughout the province leads to economic disadvantages between regions. ABmunis will continue to advocate to the province for regulatory reform to address this inequity.

Agriculture and Irrigation

The ministry budgets \$890 million for 2023-24, increasing to \$909 million in 2024-25 and \$920 million in 2025-26. New spending highlights focus on:

- using water more effectively, including \$25.8 million for water management infrastructure for continued supply of safe and secure water for municipalities and irrigated agriculture,
- \$33.5 million for modernizing irrigation infrastructure and increased water storage capacity, and
- \$13.5 million for the Irrigation Rehabilitation Program to improve water-use efficiency to allow more acres to be irrigated within existing water licences.

ABmunis advocates for sustainable water infrastructure funding and conservation efforts to maximize the use of our scarce water resources.

Children's Services

The province continues to focus on reducing childcare fees through implementation of the five-year Canada-Alberta Canada-Wide Early Learning and Child Care Agreement signed in November 2021. The ministry's budget increases by over \$250 million for the 2022-23 forecasted spend, almost exclusively to support Child Care Affordability and Access through the Agreement.

Culture

The ministry's budget increases in 2023-24 to \$307 million before decreasing to \$257 million in 2024-2025 and \$221 million in 2025-26. The ministry is focused on promoting our creative and cultural industries through \$4 million in additional funding available to eligible Alberta-made film productions. \$50.7 million is allocated to stewardship and operations of Alberta's heritage resources, such as the Royal Alberta Museum and the Royal Tyrrell Museum of Paleontology.

Notable efforts to expand participation in physical activity include \$8.5 million in operating grants for provincial sport, recreation, and physical activity organizations. To increase affordable access to sport, physical activity and recreation for kids and families, Culture budgets \$8 million in the Everybody Gets to Play program. Culture also

Preliminary Analysis on Alberta's 2023 Budget

budgets \$1 million for expanded support for rural sexual assault survivors and survivors of gender-based violence and increasing women's participation in Alberta's economy, including continued assistance for women pursuing careers in fields where they are underrepresented.

Education

Budget 2023 provides \$372 million for the design and construction of new and modernized schools. Funding has specifically been allotted for the planning and design of 14 potential future schools. These planning and design funds will be used for schools that will be located in communities across the province, including Stettler, Okotoks, High Prairie, Coalhurst, Edmonton and Calgary. Planning projects can include modernizations as well as new and replacement schools. These future projects will address larger than anticipated enrolment growth, particularly in metropolitan areas, preserve and modernize existing facilities and consolidate underutilized space, thereby reducing maintenance costs.

Capital funding included in the Budget will be used for the design of a new school in Glenridding Heights in Edmonton and construction of a replacement school in Valleyview. Other communities that will be supported by this funding include Taber, Airdrie, Lethbridge, Red Earth Creek, Breton, and Calgary.

Energy

Alberta Energy's key objectives include supporting the competitiveness of the energy sector by sustainably growing and protecting its energy resource sector, while enabling and accelerating opportunities in emerging resources. It also focuses on enhancing Alberta's investment climate through measures that improve the province's standing with investors. Funds collected from industry under the Orphan Fund Levy, which funds the Orphan Well Association, have an allocation of \$135 million in 2023-24.

Environment and Protected Areas

The ministry's budget significantly increases by \$106 million to \$553 million in 2023-24 before decreasing in subsequent years to \$499 million in 2024-25 and \$357 million in 2025-26. ABmunis advocates for better coordination at the provincial level for proactive air, water, land-use and biodiversity management, and there is a focus on completing high-level regional plans to better manage growth in these areas. \$15.5 million is allocated for land-use planning and stewardship tools. \$11 million for strategic partnerships in the shared stewardship of air, water, land, and biodiversity. \$22.4 million is allocated to conservation programs, including \$10 million from the Land Stewardship Fund. Finally, \$35.9 million is allocated for caribou recovery planning.

Climate adaptation is supported with \$65.4 million to effectively anticipate, respond to and mitigate the impact of environmental conditions and events, including floods, droughts and invasive species. Flood mitigation supports were also budgeted for Drumheller, Fort Macleod, High River and Calgary.

In keeping with the Budget's aim to increase recreational opportunities, \$49 million is allocated to the provincial fish stocking program in 2023-24 to improve angling opportunities.

ABmunis appreciates the ongoing partnership of the Government of Alberta through the Municipal Climate Change Action Centre (MCCAC).

Executive Council

Executive Council's budget will increase by 14% in 2023-24 to \$35 million. Notable objectives include leading the planning of official visits by foreign dignitaries to develop new markets in Alberta and collaborating with jurisdictions to reduce red tape and barriers to internal trade. This includes reviewing Alberta's exceptions under its trade agreements to reduce red tape and working with other governments to reconcile existing regulatory measures that act as a barrier to trade.

Forestry, Parks and Tourism

The ministry's budget modestly increases in 2023-2024 to \$435 million (+2%) with slight decreases to \$415 million in 2024-25 and \$408 million in 2025-26. Some new spending highlights include \$4 million for wildfire innovation plus \$71.9 million of stable funding for Travel Alberta and \$2.7 million to support softwood lumber litigation and negotiation.

Health

Budget 2023 is intended to support the province's Healthcare Action Plan (HAP) and provides \$24.5 billion in funding for health operating expenses in 2023-24, an increase of 4.1 per cent or \$965 million from 2022-23. Operating expense funding will further increase by 3.7 per cent in 2024-25 and 2.4 per cent in 2025-26. Two of the primary objectives of the HAP are to strengthen the Emergency Medical Services (EMS) system and reduce surgical and emergency department wait times.

The new agreement between the province and the Alberta Medical Association (AMA), signed last fall, is supported by funding included in Budget 2023. \$6.2 billion is budgeted in 2023-24, increasing to over \$6.4 billion by 2025-26, for physician compensation and development programs which includes grants to post-secondary institutions for academic medicine programs. As per the AMA agreement, \$40 million over two years in lump sum payments will be made to Primary Care Networks.

Budget 2023 also includes nearly \$4.3 billion in combined operating support for Community Care, Continuing Care and Home Care programs, an increase of 15.3 per cent or \$570 million from 2022-23. The province plans to spend a total of \$1 billion over three years to begin transforming the continuing care system in response to the Facility-Based Continuing Care Review. The province's plan is to shift care to the community, enhance workforce capacity, increase choice and innovation, and improve the quality of care within the continuing care sector.

Alberta Health Services' (AHS) operating budget will increase to over \$16.7 billion in 2023-24, a 3.8 per cent or \$608 million increase from 2022-23.

AHS is expected to add nearly 3,600 new full-time equivalent positions in 2023-24. These staffing resources are intended to strengthen the EMS system, support key priorities such as the Alberta Surgical Initiative, the Continuing Care Capacity Plan and the CT and MRI Action Plan, as well as help address the health care deficit as health system activity returns to pre-pandemic levels.

See the detailed table below outlining the allocation of Alberta Health's 2023-24 \$24.5 billion operating budget.

Additionally, Alberta Health plans to expand and modernize hospitals and other facilities to enable the delivery of quality health care, grow system capacity and support front-line health care workers. Budget 2023 provides \$4.2 billion over three years for health-care-related infrastructure (with \$1.27 billion of that total amount allocated in 2023-24), including:

- \$105 million over three years for the Rural Health Facilities Revitalization Program, with \$75 million in additional funding to support new capital projects in regional Alberta; and
- \$310 million over three years in capital funding for continuing care facilities, providing culturally appropriate care for Indigenous peoples, and adding new spaces in priority communities having greatest need.

Preliminary Analysis on Alberta's 2023 Budget

Ministry of Health – Operating Expenses

| \$ millions | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|--|---------------|---------------|---------------|---------------|---------------|
| | Actual | Estimate | Budget | Forecast | Forecast |
| Ministry Support Services | 65 | 65 | 67 | 67 | 67 |
| Physician Compensation and Development | 5,351 | 5,857 | 6,052 | 6,283 | 6,273 |
| Acute Care | 3,881 | 3,984 | 4,318 | 4,497 | 4,614 |
| Diagnostic, Therapeutic & Patient Services | 2,457 | 2,474 | 2,717 | 2,793 | 2,892 |
| Drugs and Supplemental Health Benefits | 2,033 | 1,923 | 2,027 | 2,116 | 2,222 |
| Community Care | 1,719 | 1,701 | 2,002 | 2,119 | 2,180 |
| Continuing Care | 1,238 | 1,273 | 1,393 | 1,425 | 1,476 |
| Home Care | 750 | 744 | 893 | 974 | 1,061 |
| Population and Public Health | 567 | 589 | 733 | 756 | 784 |
| Emergency Medical Services | 588 | 585 | 723 | 770 | 781 |
| Support Services | 1,992 | 2,116 | 2,228 | 2,252 | 2,305 |
| Information Technology | 672 | 690 | 733 | 724 | 707 |
| Administration | 486 | 463 | 530 | 549 | 561 |
| Research and Education | 106 | 107 | 108 | 109 | 108 |
| Cancer Research and Prevention Investment | 11 | 11 | 10 | 10 | 10 |
| COVID-19 / Recovery Plan | 10 | 983 | - | - | - |
| Total Operating Expense | 21,927 | 23,568 | 24,533 | 25,443 | 26,041 |

Indigenous Relations

The total 2023-24 budget for Indigenous Relations is \$230 million, although numerous other ministries have additional funding allotted to programs and initiatives for Indigenous peoples and communities.

Indigenous Relations works to advocate and create capacity building opportunities for the key services needed in Indigenous communities. The ministry's work in this area involves leading the facilitation of cross-government collaboration with municipalities, water commissions, and industry in order to respond to, and engage in, federal Indigenous legislation and initiatives. These initiatives address access to safe and clean drinking water; child and family services; the Investing in Canada Infrastructure Program; and disaster response and recovery.

Infrastructure

Alberta Infrastructure will be making a number of key investments in municipalities. These include \$51.6 million for the construction of the Red Deer Justice Centre, \$11.3 million for Canmore Nordic Centre infrastructure upgrades and \$375.5 million for capital maintenance on existing infrastructure with a focus on shovel-ready projects that will deliver immediate impacts to the economy. Alberta Infrastructure continues to partner with the federal government on the delivery of the Investing in Canadian Infrastructure Program (ICIP). While most ICIP funds are allocated, the delivery of some of the projects continue to be delayed.

Jobs, Economy and Northern Development

The newly constituted ministry sees a decrease in its budget, largely due to the winding down of COVID-19 support and retraining programs.

The Budget contains \$125,000 in funding for each of the nine Regional Economic Development Associations (REDAs) to support long-term economic prosperity in their respective regions. ABmunis has been advocating for the province to restore funding and this increased and enhanced support is welcome.

Preliminary Analysis on Alberta's 2023 Budget

The Northern and Regional Economic Development (NRED) program was introduced in 2022-2023 as a replacement for the Community and Regional Economic Support (CARES) program. The NRED will receive a \$1 million increase to \$3 million to support ABmunis, Indigenous communities and non-profit organizations across the province with projects that promote regional economic growth and diversification.

The Budget also sets aside \$100 million over three years in increased funding for the Film and Television Tax Credit, which will bring total funding for program to \$125 million, with a forecasted return of \$4.20 for every dollar invested.

Justice

Funding for the Ministry of Justice increases from a forecasted \$588 million in 2022-23 to an estimated \$649 million in 2023-24, with the bulk of the increase going to support the Legal Services Division and strategy development, as well as integrated initiatives to enhance online services and improve access to justice.

Alberta Justice is working with the Ministry of Public Safety and Emergency Services to “review the delivery of policing services in the province, including further examination of an Alberta Police Service, to identify opportunities to increase frontline personnel in communities and better address the root causes of crime”.

Mental Health and Addiction

The budget for mental health and addictions, incorporated as a standalone ministry in October 2022, will rise to \$275 million, nearly \$75 million above the 2022-23 forecast. Spending on treatment and support for recovery-oriented systems will increase from \$84 million to \$132 million, comprising the bulk of the increase. \$14 million is being invested annually to expand access to mental health supports for children and youth in schools.

The investment in harm reduction programs essentially remains flat at \$30.4 million, as it was increased by only \$410,000. This spending is in addition to \$99.4 million in capital expenditure from 2021-2024 to establish Recovery Communities in Gunn, Red Deer, Lethbridge and Blood Tribe First Nation.

Municipal Affairs

Municipal Affairs total budget for 2023-24 is \$1.01 billion. This total represents a \$46 million increase over the ministry's 2022-23 budget.

Alberta's education property tax will remain at approximately \$2.5 billion in 2023-24, the same amount as for 2022-23. Given the growth in 2023 equalized assessment, this results in reduced provincial uniform tax rates returning to rates from 2021-22. Each municipality's share of the provincial education tax requisition is determined by applying the provincial uniform tax rates to the municipality's 2023 equalized assessment. The 2023 uniform tax rates are \$2.56 per \$1,000 of equalized assessment for residential and farmland property and \$3.76 per \$1,000 of equalized assessment for non-residential property.

Budget 2023 increases the funding for the Grants in Place of Taxes program (GIPOT) which provides financial support to municipalities for provincial properties that are exempt from municipal taxes. The funding allocation for this program in 2023-24 is \$36 million, up from about \$30 million in 2022-23. The Ministry plans to further increase this amount to \$40 million in 2025-26.

In 2023-24, \$600,000 will be allotted to supporting municipal Assessment Review Boards with composite hearings (i.e. they include both municipal and provincial board members). This funding will be used to provide the provincial members for board hearings. Budget 2023 also includes an increase of \$800,000 in funding to the Land and Property Rights Tribunal, which will be used to expand capacity and potentially reduce the current delays within the hearing process.

Given the significance to municipalities of the strategies and initiatives delivered by Municipal Affairs, a few highlights from the ministry's 2023-26 Business Plan are included in this report.

Preliminary Analysis on Alberta's 2023 Budget

- Municipal Affairs plans to evaluate the feasibility of changes to the education property tax or other aspects of the overall framework of provincial financial supports to better assist municipalities with funding local priorities.
- The ministry is developing a program to measure the compliance by municipalities with the legislated five-to-one tax ratio between non-residential and residential property tax rates. Their perspective is that a competitive tax ratio is critical to ensuring economic growth for municipalities and stimulus for non-residential properties used by industry.
- Municipal Affairs supports enhancing municipal service delivery through regional cooperation and Growth Management Boards, and, as such, will review the structure and effectiveness of the Calgary and Edmonton Metropolitan Region Boards and the legislative provisions with respect to Intermunicipal Collaboration Frameworks (ICF's). It is notable that there does not appear to be any extra funding in Budget 2023 to support regional collaboration.
- The ministry reported that 95 per cent of municipalities met or exceeded the minimum performance targets for financial and governance risk indicators in 2021-22 (which reflects the 2020 reporting year). This measure shows that most municipalities in Alberta were not facing potential long-term viability challenges at that time.

Public Safety and Emergency Services

Public Safety and Emergency Services is a new ministry formed by Premier Smith in 2022. This ministry is comprised of Correctional Services, Public Security, Financial Services, Strategy Support and Integrated Initiatives — and of note for municipalities, the Alberta Emergency Management Agency (AEMA). The AEMA was previously part of the Ministry of Municipal Affairs.

Public Safety and Emergency Services is responsible for provincial policing contracts with the RCMP. The ministry is engaged in ongoing work to tackle rural crime through initiatives such as the Rural Alberta Provincial Integrated Defense (RAPID) Response. Key investments include \$12 million for the Victims of Crime Assistance Program, and \$1.29 million for the Provincial Emergency Coordination Centre's disaster response and coordination activities. The Policing Support Grant (PSG) will be replacing the Municipal Policing Assistance Grant (MPAG) and the Police Officer Grant (POG). Municipalities that are eligible include communities with a population greater than 5,000 that provide their own police service, and that were eligible for the MPAG and POG. Municipalities do not need to apply for this funding but do need to report on how the grant funds were spent. This grant increases the previous grant totals by \$8.7 million.

Seniors, Community and Social Services

In Budget 2023, \$105 million is allocated through Family and Community Support Services (FCSS) to communities and Métis Settlements to develop and deliver preventative social services programming, an increase of \$5 million from the 2022-23 forecast amount.

There is significant operation expenditure on housing, with \$342.5 million allocated for affordable housing, including rent supplements. Of the \$342.5 million, \$34.3 million is allocated to help grow the supply of affordable housing in priority areas through the Affordable Housing Partnership Program.

\$83.5 million is allocated to homeless shelters and \$101.6 million to provide safe housing and supports to those experiencing homelessness. Enhanced funding to deal with homelessness is something ABmunis has long advocated for.

The Budget also contains \$5 million in grants and \$5 million in donation matching allocated to food banks and civil society organizations supporting food security. There is \$16 million dedicated to the low-income transit program to help low-income Albertans afford transportation in 12 communities.

Preliminary Analysis on Alberta's 2023 Budget

| Capital Investment in Affordable Housing (\$ millions) | 2022-23 Estimate | 2023-24 Budget | 2024-25 Forecast | 2025-26 Forecast |
|--|---------------------|-------------------|---------------------|---------------------|
| Affordable and Specialized Housing | 6 | 10 | 17 | 19 |
| Affordable Housing Partnership Program | 7 | 34 | 40 | 127 |
| Affordable Housing Strategy | 9 | 10 | 15 | 43 |
| Family and Community Housing Development & Renewal | 3 | 1 | - | - |
| Indigenous Housing Capital Program | 14 | 18 | 15 | 20 |
| Seniors Housing Development & Renewal | 31 | 28 | 2 | - |
| Total | 70 | 101 | 89 | 209 |

Service Alberta and Red Tape Reduction

Red Tape Reduction will support Municipal Affairs on the building codes review to ensure safety and affordability concerns are addressed. While Service Alberta was previously responsible for the province's work on broadband, this function has shifted to the new Ministry of Technology and Innovation.

Skilled Trades and Professions

The ministry will have a budget of \$175 million in 2023-24, which represents a \$12 million increase over 2022/23. This is the result of increased investments in notable initiatives such as \$41.6 million for the apprenticeship learning grant to respond to demand for training and allocating \$99.2 million to the Foundational Learning Assistance Program that will help pay for education and living costs for students in foundational learning or skills development programs.

Technology and Innovation

The Ministry of Technology and Innovation is responsible for the implementation of the Alberta Broadband Strategy and the investments into broadband internet. Announced in 2021, Alberta has committed to invest \$390 million by the end of fiscal year 2026-27. With matching federal funds, the amount invested will total \$780 million for broadband projects in Alberta. The ministry has forecasted that \$229 million of this funding will be allocated in 2023-24. ABmunis is hopeful that this commitment means more broadband projects will be approved in 2023.

Trade, Immigration and Multiculturalism

\$45 million over three years is provided in Budget 2023 to the Investment and Growth Fund to elevate Alberta's competitiveness. This is in addition to \$17.3 million allocated to Invest Alberta in 2023-24 and \$1 million to support the Alberta Export Expansion Program.

\$50.3 million funding over three years is devoted to settlement and integration initiatives, responses to emerging issues and newcomer needs, and support for recognition of newcomer qualifications from outside of Canada. The Alberta Advantage Immigration Program will receive an additional \$21 million over three years to attract newcomers to support the province's labour market needs and economic growth by issuing nomination certificates towards permanent residence. \$8.3 million in funding is allotted to assist Ukrainian evacuees to settle and integrate into Alberta.

Transportation and Economic Corridors

Transportation and Economic Corridors will be allocating \$44.5 million from the Strategic Transportation Infrastructure Program and GreenTRIP for bridge improvements, roads, airports and public transit projects. Notable projects include \$184.4 million for the Springbank Offstream Reservoir (SR1) project to protect communities along the Bow River from flooding, and \$30 million has also been allocated for an expansion to the Red Deer Airport.

Treasury Board and Finance

For the period of 2023-2026 Treasury Board and Finance plans to focus on:

- Introducing a responsible approach to balance debt reduction, savings, and attraction of investment.

Preliminary Analysis on Alberta's 2023 Budget

- Bringing per capita spending in line with British Columbia, Ontario, and Quebec.
- Providing recommendations for the potential creation of an Alberta Revenue Agency to collect all Alberta taxes.
- Advocate for reform of fiscal transfers with the Government of Canada.
- Providing recommendations on the potential creation of an Alberta Pension Plan.

Despite advocacy by ABmunis, Budget 2023 does not offer any change to the province's policy on pricing of municipal loans at a premium based on what the Government of Alberta can borrow for capital in the bond market.



Alberta Municipalities Strength In Members

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