



# BULLETIN

## GOVERNMENT FINANCE OFFICERS ASSOCIATION

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of the United States and Canada

*Alberta Chapter*

### Alberta GFOA Special Release Bulletin #25

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### **Alberta Government 2018 Budget Announcement**

The Alberta Government tabled the 2018 provincial budget on March 22, 2018.

The three components of this year's Provincial Budget are:

- *Diversifying the economy*
- *Protecting vital public services; and,*
- *Returning to balance.*

The following are some of the highlights of the budget's impact on Alberta municipalities:

- **Municipal Grants** – A number of grants saw no change or minor reductions in this year's budget. The biggest changes will come in after the 2021-2022 fiscal year at which time the Province has committed to replacing the current Municipal Sustainability Initiative (MSI) program with a permanent and legislated municipal funding model based on the sharing of provincial revenues.

The following changes were made to municipal granting programs:

- **Municipal Sustainability Initiative (MSI) Capital** - The Province changed the timing of grant payments under the MSI capital program. The Province advanced \$800 million to municipalities in early March to coincide with the end of the Province's 2017-18 fiscal year. The grant advance will be offset by \$400 million reductions in the program in 2018-2019 and 2019-20. A further \$152 million will be reduced from the program in 2018-2019 and 2019-20. This reduction will affect only Calgary and Edmonton who will receive the funding from other programs. Individual municipal amounts will vary depending on updates to population
- **Strategic Transportation Infrastructure Program (STIP)** – This program was reintroduced in 2017-2018 but has now been reduced by \$8.5 million to \$26.5 million and is projected to decrease by a further \$8.5 million in 2019-20. Municipalities have used this project specific program to fund bridges, resource roads and airports.
- **Basic Municipal Transportation Grant (BMTG)** – Funding remains stable at \$344 million in 2018, which is an increase from 2017 of \$9 million. This increase

offsets the reduction from 2017. Further increases of \$9 million are planned for the next two years after.

- **Municipal Sustainability Initiative (MSI) Operating** – Despite previous years’ plans to eventually phase out funding, the grant will be maintained at \$30 million in 2018. The three-year business plan also calls for stable MSI operating funding for 2019, 2020 and 2021. Funding for this program will end at the same time as the MSI Capital program is wound down.
- **Federal Gas Tax Fund** – Grant funding remains stable at \$229.5 million per year over the next five years.
- **New Building Canada Fund** - No new funding has been allocated in 2018 for the Small Communities Fund component.
- **Water and Wastewater Grant Programs** – Both the Municipal Water and Wastewater Program and the Water for Life remain at levels lower than historic levels. In fact, the Municipal Water and Wastewater Program will see a decrease of \$5 million in 2018 and a further reduction of \$20 million is expected in 2019. The Water for Life program will increase by \$20 million 2018 but will see a decrease of \$19 million in 2019.
- **Clean Water Wastewater Funding – Phase 1** – This program is a federal matching funding program with the Province’s funding coming from the Water for Life program. Funding is expected to decline from the original program amount of \$165 million in 2017 to \$59 million in 2018, with the balance of \$20 million paid out in 2019.
- **First Nations Water Tie-In Program (formally called Access to Regional Drinking Water Systems (UNDRIP))** – This is program, which was introduced in 2017 will remain funded at \$25 million for 2018.
- **GreenTRIP** – Funding for this transit program is to decrease from \$285 million to \$136.5 in 2018 and is reflective of the conclusion of the federal funding for this program.
- **Public Transit Infrastructure Fund (PTIF) Phase 1** – Another federally funded transit program will decrease from \$285 million to \$136.5 million in 2018 and represents the unused allocation from 2017.
- **Alberta Community Transit Fund** - This is a Provincial transit program first introduced in 2017. Like the other transit programs, funding will be reduced from \$40 million to \$22.4 million in 2018.
- The Province has yet to announce its matching share under the new federal infrastructure program “Investing in Canada”. The Province will announce its funding once it completes the funding agreement with the Federal Government.

- Grants in Places of Taxes – There will be no change to funding levels.
- Operating grants to municipalities in areas such as FCSS, police, library, STEP, and Agricultural Services Boards remain at 2017 budget levels.
- Climate Leadership – The Province forecasts that the total Climate Leadership Plan for 2018 will total \$1.9 billion of which \$1.3 billion will come from the Carbon Levy. Over the next three years, the Province plans to spend \$5.3 billion on such things as public transit, energy efficiency programs, small business tax rate reductions and investment in clean technologies, and household rebates. Included in the energy efficiency program is \$54 million over 5 years for the Municipal Climate Change Action Centre.
- Education Property Taxes – The 2018 requisition remains unchanged at \$2.4 billion. When converted from the provincial fiscal year to the calendar year, there still be a small increase of \$13 million. Tax rates will increase from 2.48 to 2.56 for residential/farmland and from 3.64 to 3.76 for non-residential properties per \$1,000 of equalized assessment. The effect on individual municipalities will vary depending on the growth in equalized assessment for each municipality.
- Cannabis Revenue – The Province has indicated that revenue from the legalization of cannabis is expected to be \$26 million in 2018 and increasing to \$80 million in 2019. However, there has been no mention of any revenue sharing with municipalities in the existing Provincial Business Plan.

To view the complete 2018 Provincial Budget visit: <https://www.alberta.ca/budget.aspx>

To view AUMA's analysis of the 2018 Provincial Budget visit:

[https://auma.ca/sites/default/files/Advocacy/analysis\\_of\\_provincial\\_budget\\_2018\\_-\\_march\\_23\\_2018\\_final.pdf](https://auma.ca/sites/default/files/Advocacy/analysis_of_provincial_budget_2018_-_march_23_2018_final.pdf)

To view the Province's response to AUMA's 20 questions visit:

[https://auma.ca/sites/default/files/20\\_questions\\_from\\_auma\\_on\\_budget\\_2018\\_final.pdf](https://auma.ca/sites/default/files/20_questions_from_auma_on_budget_2018_final.pdf)

Prepared by the Emerging Issues Task Force

**Alberta GFOA's Special Release Bulletins**

*Alberta GFOA, through the Communications Task Force, augments its Quarterly Newsletter Publications with Special Release Bulletins that will be distributed from time to time to all Members. These Bulletins are intended to provide information pertinent to various aspects of municipal finance. They will also be utilized to profile upcoming professional development and training opportunities. The Bulletins are intended to outline information on a specific topic in a brief and concise manner. In some cases, contact references will be provided in order that readers can obtain more detailed information from specific sources. Current and archived Special Release Bulletins can be viewed on the Alberta GFOA Website at [www.gfoa.ab.ca](http://www.gfoa.ab.ca).*