

Overview

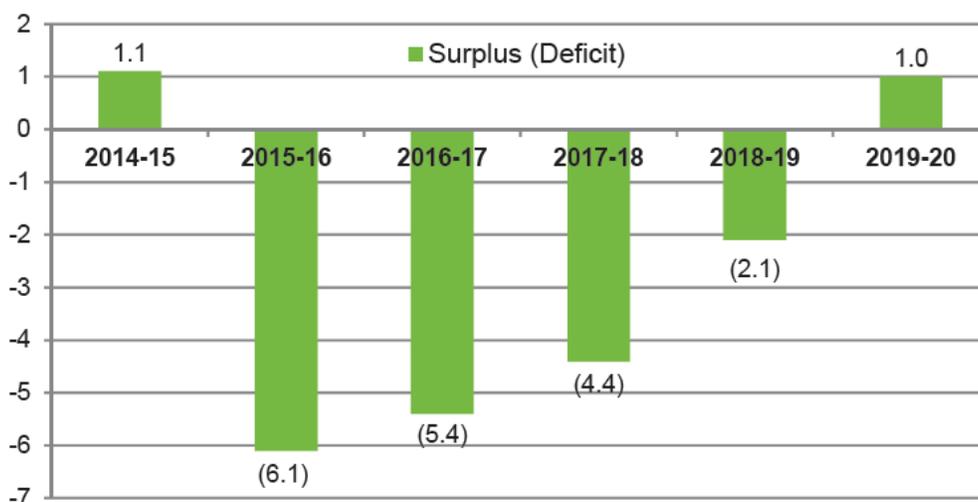
The Government of Alberta (GoA) released their budget on October 27, 2015. The Honourable Minister of Finance and President of the Treasury Board, Joe Ceci, presented the budget to the Legislature.

The budget is based on the following three priorities:

- **Protecting and stabilizing front-line public services** including health care, education and social services;
- **Setting out a plan to return to balance** by restoring fairness to government revenue and ensuring the province is in a stronger fiscal position when the economy recovers, and;
- **Stimulating economic growth and diversification** including partnering with job creators, entrepreneurs, and visionaries to stimulate economic growth and diversification.

Overall, the Government of Alberta announced a \$6.1 billion dollar deficit this year. The budget's forecast is shown in the graph below with plans to return to a balanced budget in 2019-20:

Chart 1: Plan to Return to Balance
 (billions of dollars)



Source: Alberta Treasury Board and Finance

This budget is considered, “the most interventionist steps a government has taken in [Alberta’s] history”¹ due to an increase in borrowing and capital spending to support programs. This budget forecasts WTI oil prices to an average of US \$50 in 2015-16, \$61 in 2016-17, and \$68 in 2017-18.

¹ Giovannetti, Justin. “NDP budget signals shift in Alberta’s economic direction.” Globe and Mail. Published October 27, 2015. <http://www.theglobeandmail.com/news/alberta/alberta-budget/article27003816/%3bjsessionid=pL7PWwgTtT17fk0qmq04XHj22rmXprctRY0MZV4pSqhZI1W4NQhz!-1652790576/?ts=151028104903&ord=1>

Relation water issues and the environment^{2,3}

Alberta Environment and Parks will receive a multi-year budget increase (\$527 million in 2015-16, up almost 14% from \$461 million in 2014-15)

- This includes dedicated funds for an energy retrofitting loan program, and improved environmental monitoring and enforcement.
- GoA will continue their commitment to develop a framework for addressing invasive species.

The following AEP programs will receive increased funding:

- **Environmental monitoring and enforcement:** increase of \$5 million per year beginning in 2016-17. AEMERA received \$78 million which is what they requested.
- **Water, Land and Wastewater Management:** \$180 million increase for Water and Wastewater Management, with a total allocation of \$706 million over five years. General water management remains funded at \$40 million.
 - o Minister Ceci mentioned there will be more announcements on water projects in the coming months.
 - o Increased spending on critical water infrastructure was highlighted in David Dodge's capital spending report.
- **Drought Management:** \$725 million to manage drought and wildfires (i.e. disaster assistance).
 - o Minister Ceci emphasized that there is a direct price if we don't get our act together on environmental issues.

The majority of AEP's budget's increase is related to flood mitigation projects. Specifically, the Capital Plan includes \$926 million for flood recovery and mitigation projects over five years, with \$100 million in new funding for the Elbow River mitigation projects. This work includes;

- A commitment to building the Springbank Dam; other structural flood mitigation options on the Bow and Highwood River basins.
- Enhanced floodplain and flood hazard mapping.
- Flood Development Regulation implementation limiting future development in provincially-mapped floodways.
- Local government-level grant funding under the Alberta Community Resilience Program to mitigate future extreme flood and drought events.
- Support for the Bow River Working Group.

The **Climate Change Strategy** is currently being updated and will be released before COP21 that starts on November 30th, 2015. It is expected this plan will include recommendations on how to price carbon, grow the renewable sector, promote energy efficiency, reduce the reliance on coal-fired electricity, and improve Alberta's international reputation.

² Derworiz, Collette. "Budget introduces energy retrofit loan program for Alberta families and businesses." Calgary Herald. Published October 27, 2015. <http://calgaryherald.com/news/local-news/budget-introduces-home-energy-retrofit-loan-program-for-alberta-families-and-businesses>

³ Budget 2015: Fiscal Plan. Government of Alberta. Page 46. <http://finance.alberta.ca/publications/budget/budget2015-october/fiscal-plan-complete.pdf>

Other key budget announcements

- A Job Creation Incentive Program will provide eligible employer's grants of \$5,000 for each new job created. This policy aims to help small businesses, non-profits and charities.
- The introduction of a new Fiscal Planning and Transparency Act will limit the Alberta Government to a borrowing capacity of 15% of GDP. The province's total liabilities and borrowing will hit \$18.9 billion this year.
- There will be a 15% increase to the capital spending plan for infrastructure to help repair roads, schools and hospitals. This increase brings capital spending for infrastructure to \$34 billion.
- All cabinet ministers, MLAs and political staff will be under a salary freeze for the entire term of this legislature.⁴
- Some new tax increases were announced, including; an additional tax on cigarettes and liquor, the move to a progressive tax system (instead of Alberta's current flat tax), and the corporate tax increase from 10% to 12%.

Analysis

This budget is focused on stabilizing public services including health, education, advanced education and human services. Additionally, the budget focuses on job diversification throughout the province, which will be supported by the new Ministry of Economic Development and Trade and the new Job Creation Incentive Program.

Capital spending on infrastructure is pegged at \$34 billion, as recommended by David Dodge. In order to manage the policies announced in this budget, the Government will borrow \$4 billion over the next two years for programs and services, and another \$8 billion over the next five years for capital projects. In addition to this, the Government of Alberta plans to;

- Take \$540 million from Alberta's Heritage Fund to invest in "growth-oriented" companies in Alberta, which will deplete the Fund, and;
- Increase small business access to \$2.1 billion through ATB, Alberta Enterprise Corp and the Alberta Investment Management Corporation (AIMCo) to support job creation and diversification. This process will remain independently governed.

Minister Joe Ceci stated that, "if oil prices recover quickly we will use revenue to balance the budget more quickly. If prices do not rebound, the budget will be revisited."

⁴ "Ten things to know about the new Alberta budget." Calgary Herald. Published October 27, 2015.
<http://calgaryherald.com/news/politics/ten-things-to-know-about-the-new-alberta-budget>

Support for the budget

Liberal leader, David Swann, stated that he is supportive of the capital plan, but hoped for more leadership on addressing the boom-and-bust cycle. City of Calgary Mayor, Naheed Nenshi was pleased to see the increase in infrastructure spending.

Generally, most civil services including those in health care and education supported the budget. Environmental groups such as the Pembina Institute and Greenpeace also applauded the budget and its attention on supporting environmental policies.

Opposition to the budget

Opposition parties have been highly critical of the budget. The Wildrose Party leader, Brian Jean, stated that the budget is filled with risky economic theories, fantasy five year projections, record deficits, and more tax increases that will plunge Alberta into the deepest level of debt in its history⁵.

Progressive Conservative Leader, Ric McIver, emphasized the NDP's lack of a plan to pay back the money that will be borrowed for infrastructure. Alberta Party Leader, Greg Clark, also expressed concern over the high debt load the GoA will take on⁶.

Download the budget

A copy of the budget is available at <http://finance.alberta.ca/publications/budget/index.html>

⁵ "Budget 2015: risky economics, record debt, higher taxes, higher spending." Wildrose Party. Press Release on October 27th, 2015. http://www.wildrose.ca/budget_2015_risky_economics_recod_debt_higher_taxes_higher_spending

⁶ Henton, Darcy. "New budget features record \$6.1 billion deficit, greater borrowing." Calgary Herald. Published October 28, 2015. <http://calgaryherald.com/news/local-news/ndp-forecast-record-deficit-of-6-1-billion>