



AB Today – Daily Report October 25, 2019

Quotation of the day

“It's a good day for Alberta.”

*Finance Minister **Travis Toews** delivers his first budget.*

Today in AB

On the schedule

The house is adjourned until Monday, October 28. There are five more sitting weeks remaining in the fall session, plus a constituency week over Remembrance Day.

Thursday's debates and proceedings

Finance Minister **Travis Toews** tabled the United Conservative government's inaugural budget and delivered his budget speech in the chamber Thursday afternoon.

The government also gave notice of three accompanying fiscal bills that will be introduced next week:

- **Bill 19**, Technology Innovation and Emissions Reduction Implementation Act;
- **Bill 20**, Fiscal Measures and Taxation Act; and
- **Bill 21**, Ensuring Fiscal Sustainability Act.

Universities, cities and civil service hit by axe as UCP's first budget promises to get 'Alberta back to work'

Alberta's 2019 budget, entitled "A Plan for Jobs and the Economy," forecasts the province will not get back to normal unemployment until 2022-23.

The province's GDP growth will be just 0.6 per cent in 2019, rising to 2.7 per cent by 2020 and three per cent in the final two years of the United Conservative Party's mandate, according to Thursday's budget.

Under the plan, the province's debt will increase to just over of \$93 billion by spring 2022-23.

"This budget reflects our commitment to living within our means, ending a nine-year run of government overspending and balancing the budget by 2023," Finance Minister **Travis Toews** said in his budget speech.

While the government claimed it is not breaking its election promise to not raise taxes, the budget will de-index from inflation the amount Albertans are allowed to exempt from personal income tax. That means the amount of income taxes Albertans pay will effectively increase in real-dollar terms.

Highlights

- The government is sticking with its promise to balance the budget by 2023.
- Overall, provincial government spending will be cut by 2.8 per cent over four years.
- The provincial debt will continue to grow, but by less than projected by the ex-NDP government.

The forecast

- Revenues for 2019-20 are expected to be \$392 million higher than in 2018-19, clocking in at roughly \$50 billion.
- However, the government has allocated \$56.5 billion for general spending, \$1.5 billion to offload crude-by-rail contracts onto the private sector, and \$700 million for disaster assistance. That will leave the province with a deficit of \$8.7 billion in 2019-20.
- Debt is expected to climb, but at a slower rate than NDP-era projections. The 2018-19 actual debt is \$62.7 billion, growing to \$71.8 billion in 2019-20. By 2022-23, debt is projected to reach \$93.3 billion. The NDP's debt projection was \$97.1 billion.
- The government projects a return to surplus in 2022-23, which it marks at \$584 million.
- The budget includes alternative projections that take into account escalating geopolitical conflict in the Middle East driving up the global price of oil; a scenario where there is no improvement in market access for oil and gas, which would cost Alberta \$3 billion; and a global recession scenario.

Bye-bye boutique credits, hello corporate tax cut

The government is scrapping a fleet of smaller tax credits in favour of its job creation tax cut, which will gradually reduce the corporate tax rate from 12 per cent to eight per cent.

The corporate tax cut will affect 100,000 businesses.

Five NDP-era tax credits will be scrapped: The Alberta Investor Tax Credit, Community Economic Development Corporation Tax Credit, Capital Investment Tax Credit, Interactive Digital Media Tax Credit and Scientific Research and Experimental Development Tax Credit.

Those tax credits helped out approximately 15,000 small businesses.

The corporate tax cut is expected to hit to revenues. The province will take in an estimated \$4.9 billion in corporate tax in 2018-19, dropping to a projected \$4.2 billion in 2019-20 and \$4.6 billion in 2021. The UCP says it will pay off in later years thanks to resulting economic growth. The coffers are expected to take in \$5 billion in corporate taxes in 2021-22, and \$5.4 billion in 2022-23.

Stakeholders say...

"Past politicians, they ignited a flame, which is costing \$2 billion burning through interest payments on the debt alone. This government is trying to put out that fiscal flame with a water gun. That's a better approach than previous politicians who tried to put out a flame with a gas can, but Albertans voted for this government to put out the flame, not with a water gun, but with a fire truck."

Franco Terrazzano, Alberta director of the Canadian Taxpayer Federation, says the UCP's restraint is good but doesn't go far enough.

Shrinking public service will save taxpayers \$500M

The government will cut the number of public servants in ministries by 7.7 per cent over four years, mostly through attrition. It is expected to save at total of \$552 million by 2022-23.

The budget contains no provisions for public sector wage increases.

Stakeholders say...

"I think this premier has drawn a line in the sand. Protests, petitions and rallies are all good things, but our members may be willing to do more."

Guy Smith, president of the Alberta Union of Provincial Employees, says he is ready for a fight.

Post-secondary bears the brunt of funding cuts

The province will reduce its spending on advanced education by five per cent.

The NDP-era tuition freeze is over — tuition fees for post-secondary institutions can now be hiked by up to seven per cent annually, with a maximum tuition increase of 21 per cent over three years. The provincially funded tuition tax credit will also be eliminated.

Interest on student loans is also increasing from the prime rate to prime-plus-one-per-cent beginning next year.

The department is also working on a change to the funding model for 2020-21.

Stakeholders say...

“What we’re going to commit to is working with the institutions to see what pieces of financial aid can be implemented to enhance accessibility. That’s one of our main concerns right now, is having tuition increases go up means that less students are able to access post-secondary education.”

Sadiya Nazir, chair of the Council of University Students, says ending in the tuition freeze will hurt students.

Municipalities take a hit

In keeping with recommendations in the MacKinnon report, the province is cutting funding for the Municipal Sustainability Initiative (MSI) by nine per cent, including a six per cent cut to operating funding over four years.

The government is throwing out the NDP's *City Charters Fiscal Framework Act*, which passed in late 2018 with the goal of getting Calgary and Edmonton off MSI funding and onto a more secure funding base, and replacing it with a provincewide funding formula. That will be set at \$860 million in 2022-23.

MSI operational funding will be maintained at \$30 million until the program’s end of life in 2021-22. MSI funding for capital projects, which pays for projects such as roads and bridges, will drop by \$94 million in 2020-21 and 2021-22 respectively.

The government is also reducing the Grants in Place of Taxes program by 25 per cent, or \$24 million by 2020-21.

Even after the cuts, Alberta will still have the highest municipal funding in the country, according to the budget.

Stakeholders say...

“Today’s unexpected announcement that the government is effectively ripping up the City Charter fiscal deal is a profound disappointment — and it’s a broken campaign promise.”

Edmonton Mayor **Don Iveson** had cleared airport security on Thursday, but cancelled his flight to the Netherlands to [comment on the budget](#) and to schedule an emergency city council meeting.

“The starting number is much too low for us to make the proper investments. It’s a 30 per cent cut from where we were before.”

AUMA president **Barry Morishita** says municipalities can swallow the hit in infrastructure funding, but they wanted more input on the new fiscal framework.

Spending bumps target health, education

As promised, the government plans to increase spending in certain priority areas. Alberta Health will see a \$200-million increase over four years, including \$100 million for mental health, \$40 million to address the opioid crisis and \$20 million for palliative care.

The education ministry is eliminating specific grants — the Classroom Improvement Fund, Class Size Initiative and School Fee Reduction Grant.

Instead, the province will pay for an expected 2.2 per cent growth in student enrolment through general revenues.

The province is also increasing cash for the ministry of Community and Social Services by 7.6 per cent to address human trafficking and sexual exploitation.

Children’s Services will see a 15.2 per cent increase in funding over four years.

Stakeholders say...

“We don’t actually see any kind of innovative ideas as to how we can have a more responsive public health care system. What they’re doing is playing shell games with numbers.”

Sandra Azocar, executive director of Friends of Medicare, said the budget doesn’t meet the needs of population and inflation growth.

Capital funding reduced scope, delayed

The 2019 capital plan now allocates \$24.2 billion for infrastructure over four years, a cut of about \$1 billion annually.

Some projects will be scrapped altogether, while others will be narrowed in scope or delayed.

The province will continue to fund the Calgary and Edmonton LRT to the tune of \$3 billion, mostly after 2022-23.

Edmonton's south hospital will be delayed from 2027 to a projected open date of 2030. The previously announced cancellation of the "superlab" was confirmed.

The government said there is a continued plan to support the Calgary Cancer Centre with \$1.034 billion over four years.

Stakeholders say...

“The province's requisition for 2019 for the education portion of the property tax — which I remind you is a provincial tax; the city is just the collector — it was actually \$15.5 million dollars more than last year. So the province has made a massive increase to your property taxes. It's a bit surprising that a province that's prided itself on cutting taxes has actually increased the most unfair, regressive tax that every person has to pay.”

Calgary Mayor **Naheed Nenshi** began a media availability on the budget by remarking, “first of all, let's start with the good news.” He then stood in silence, as if to indicate there was none.

Promises made, promises kept

The UCP's budget follows through with a number of platform commitments including:

- Establishing the Technology, Innovation and Emissions Reduction fund;
- Enacting Alberta Indigenous Opportunities Corporation;
- Increasing funds for Alberta Law Enforcement Response Teams;
- Hiring 50 new prosecutors and acting to reduce rural crime;
- Investing in drug treatment courts; and
- Creating a Hero's Fund and Veteran's Scholarship.

Bits and bobs

- The budget includes the cost of the NDP's crude-by-rail plan. Budget documents stated the program would have brought in \$8.8 billion in revenues, but would have cost \$10.6 billion — \$3.7 billion for the rail contracts and \$6.8 billion for the cost of purchasing crude. The cost of dumping the contracts is \$1.5 billion.
- Tomorrow the cost of a carton of cigarettes will be bumped up by \$5. The government is working on a vape tax for next year.
- In spring 2020, the government is bringing in a tourism levy on short-term rentals, such as those procured through Airbnb.

- As per the recommendations of the MacKinnon panel, the province is increasing its emergency contingency fund from \$200 million to \$750 million.
- Stakeholders representing UCP-friendly groups such as the Canadian Taxpayer Federation and the Business Council of Alberta were allowed to attend a budget lockup (a standard protocol across the country), but labour groups and other stakeholder groups affected by cuts were not allowed to view the document until the embargo was lifted.

NDP reaction

NDP Leader **Rachel Notley** summed up the UCP's budget as being "a lie."

She said the budget is a wealth-distribution plan to make the rich richer while the rest of the province pays for it.

"This is an extreme ideological government," Notley said.

The ex-premier said this is the first time since 2001 that the government is not indexing tax brackets, which means will Albertans end up paying \$600 million more in taxes over the UCP's four-year term.

"What we saw today is Premier Kenney's plan to make you pay more and get less," Notley said. "What he didn't tell us was that every single Albertan was going to pay more in income tax."

The NDP also slammed \$110 million in cuts to nurses and doctors and a \$90 million cut to prescription drug coverage, which the party said will affect at least 46,000 Albertans currently on the seniors' drug plan.

Today's events

October 25 at 6:30 a.m. — Edmonton

Finance Minister **Travis Toews** will speak at a post-budget breakfast [UCP fundraiser](#) at Sutton Place Hotel organized by the Edmonton—Glenora and Edmonton—Riverview constituency associations.

October 25 at 3 p.m. — Edmonton

The United Conservative Party's Legislative Review committee will meet in the cabinet room of the legislature.

Upcoming events

October 26 at noon — Lake Louise

Culture, Multiculturalism and Status of Women Minister **Leela Aheer** will speak at the Alberta Recreation and Parks Association Energize Luncheon at the Fairmont Chateau Lake Louise.

October 27 at 7 p.m. — Calgary

Culture, Multiculturalism and Status of Women Minister **Leela Aheer** will speak at the Canadian Music Hall of Fame induction ceremony at Studio Bell.

Lobbyist registrations

If you are looking for further information on any lobbying registry, it is all public and easily searchable [here](#).

Consultants who registered as lobbyists from October 18 - 24, 2019

- **Randy Pettipas**, Global Public Affairs
 - **Clients:** Gibson Energy ULC
- **Velma McColl**, Earnscliffe Strategy Group
 - **Clients:** Shell Canada Limited
- **Hal Danchilla**, CSG Canadian Strategy Group Inc.
 - **Clients:** DynaLIFE
- **Sheila Wisniewski**, Hill+Knowlton Strategies
 - **Clients:** Ontario Municipal Employees Retirement System
- **Darren Reeder**, 1863373 Alberta Ltd.
 - **Clients:** Tourism Industry Association of Alberta
- **Jonathan Wescott**, Alberta Counsel
 - **Clients:** Metis Settlement General Council

Organizations that registered in-house lobbyists from October 18 - 24, 2019

- Lethbridge Chamber of Commerce
- Sherwood Park & District Chamber of Commerce
- ATCO Ltd.
- Shell Canada Limited
- Chemical Industry Association of Canada
- Methanex Corporation
- Servus Credit Union
- Chartered Professional in Human Resources of Alberta Association

- Canadian Energy Pipeline Association
- Alberta Catholic School Trustees Association
- Canadian National Railway Company
- Neighbourhood Pharmacy Association of Canada
- Pfizer Canada ULC