

## 2015 Alberta Budget Analysis

### Introduction

Budget 2015 covers the period from April 1, 2015 to March 31, 2016 corresponding to the 2015-16 fiscal year (FY). Due to the change in government on May 5, this budget replaces the March 2015 budget that was tabled but never passed by the previous government. In this Fact Sheet, Budget 2015 refers to the current budget introduced on October 27, 2015.

Budget 2015 forecasts a deficit of \$6.1 billion, an increase of \$1.1 billion from March. The larger deficit is due to several factors: reversing Conservative cuts to people services to cover inflation and population growth, a further drop in energy prices below levels forecast in March, and additional costs for forest fires and crop losses due to the summer drought. While the forecast deficit is a record in dollar terms, as a percentage of the overall budget, it is less than half that of budgets in the mid-1980s when there was a similar dramatic decline in energy prices.

### Revenue Measures

Most of the major tax changes were passed into law back in June. The 10% flat tax on personal incomes was replaced with a progressive tax that tops out at 15% on individual taxable income above \$300,000 per year. The corporate tax rate was increased by 2 percentage points to 12%. Budget 2015 increased markups on liquor and tobacco and insurance premiums. Post-secondary tuition fees are frozen for two additional years and school board fees will be reduced by \$45 million starting in the next budget year.

As promised during the election, the new government reinstated the 21% credit on charitable donations over \$200 that had been rolled back in the March budget.

### Poverty Reduction

Starting July 1, 2016, the Alberta government will make a major investment in child poverty reduction by implementing a refundable tax benefit that will be the most generous among Canadian provinces. The Alberta Child Benefit (ACB) will support 235,000 of the lowest income children in Alberta and their families. The ACB will provide \$1,100 annually for one child, and \$550 each annually for up to 3 additional children regardless of source of income. The Alberta Child Benefit will begin to be phased out at \$25,500 of net family income and be fully phased out once net family income reaches \$41,220.

The existing Alberta Family Employment Tax Credit (AFETC) is also being enhanced to cover more of the working income of low income families. The phase-out threshold will be increased from \$36,778 to \$41,250 of annual net family income. The higher threshold is designed to ensure the two benefits are not phased out at the same level of income. This ensures families will always be better off by earning more working income.

Both programs will be indexed yearly to reflect changes in living costs. Once fully implemented, the two programs will provide an estimated \$336 million in annual benefits to Alberta's lowest income families, an increased investment of \$220 million compared to the \$116 million invested in the existing AFETC. Raising family income is a one of the best ways to help families to move out of poverty.

When combined with the enhanced Canada Child Benefit promised by the incoming federal Liberal government, tens of thousands of Alberta's poorest children will be lifted out of poverty. An improved child benefits system like the one announced in Budget 2015 is a key component of a comprehensive poverty reduction strategy. A promised \$20 million in 2016-17 and \$40 million for a targeted school nutrition program is another important component.



### **Child Care**

The \$297 million allocated in 2015-16 is an increase of \$18 million from a year earlier. The government promises new funding of \$75 million in 2016-17 and \$100 million in 2017-18 to create new child care spaces, and improve quality and affordability of existing spaces.

### **Family and Community Support Services**

As previously announced, Family and Community Support Services funding is being increased from an actual \$76.6 million in 2014-15 to \$101.1 million in 2015-16. This is the first funding increase for many years for this provincial/municipal partnership that provides a wide range of preventative social services delivered by community agencies.

### **Affordable Housing and Homelessness**

Six years in, the goal of ending chronic homelessness by 2019 is not likely to be achieved. Both Edmonton and Calgary have seen increases in homeless numbers in the past two years, undoing some of the progress made during the first four years.

Budget 2015 increases the provincial investment in outreach support services for the Housing First program from an actual \$82.7 million in 2014-15 to \$85.7 million in 2015-16. At \$37.6 million in 2015-16, funding for homeless shelters is \$2.3 million less than the actual amount spent in 2014-15. As previously announced, funding for women's shelters is increasing substantially from \$34.9 million in 2014-15 to \$49 million in 2015-16.

People who can't afford to pay their rent risk becoming homeless. It is more cost-effective to help low income Albertans pay their rents, than trying to re-house them after they become homeless. Funding for rent supplements is going down slightly from an actual \$65.6 million in 2014-15 to \$65.3 million in 2015-16.

On capital funding for affordable housing construction, the priority in Budget 2015 is on additional housing units for seniors with funding going from an actual \$50.3 million in 2014-15 to \$150.9 million in 2015-16. Capital funding for family and community housing will drop from an actual \$19.0 million in 2014-15 to \$17.1 million in 2015-16. The cities of Edmonton and Calgary have made affordable housing construction and renewal a top infrastructure priority. This provides some hope that a portion of the \$4.4 billion in unallocated capital dollars (over five years) may go to affordable housing.

### **Income Support**

Monthly benefit levels for Alberta Works, Assured Income for the Severely Handicapped and the Alberta Seniors Benefit have been frozen since April 2012. This freeze will continue at least until March 2016. For families with children, the freeze will be more than offset by the Alberta Child Benefit (see above). This is not the case for singles and seniors. Provision has been made for increases in caseloads in all income support programs.

### **Other Human Services Programs**

The October 2015 budget restores funding to address caseload growth and other cost pressures for Support to Persons with Disabilities, Child Intervention, Foster Care, and Early Intervention services .

*Data in this fACT sheet is taken from the Alberta government's webpage available here: <http://alberta.ca/budget/>*