

## The Alberta Jobs Plan

Budget 2016 covers the period from April 1, 2016 to March 31, 2017 corresponding to the 2016-17 fiscal year (FY). There are revenue and spending projections for the following two fiscal years. This year's budget is called The Alberta Jobs Plan.

### Introduction

Budget 2016 forecasts a deficit of \$10.4 billion. A contingency of \$700 million is included in case oil prices keep declining or unforeseen emergencies require extra spending. The large deficit is due to a further drop in energy prices. The oil price underpinning this year's budget has been reduced from \$62US per barrel last October to \$42US per barrel in Budget 2016. Low energy prices are causing job losses that in turn result in lower revenues from corporate and personal income taxes. The forecast deficit is a record in dollar terms; as a percentage of the overall budget, the deficit is still less than that of budgets in the mid-1980s when there was a similar dramatic decline in energy prices.

60% of low and middle income Alberta households will be eligible for carbon levy rebates: \$300 per adult or \$540 for a family of four will be provided once the carbon levy is fully implemented in 2018. A single person with net income between \$47,500 and \$55,000 and a family with net income between \$95,000 and \$106,000 will be eligible for partial rebates. The rebates will be indexed, non-taxable, refundable, and only require the filing of a tax return.

Most low income Albertans (especially seniors, public transit users, and those living in smaller homes) will likely get back more in rebates than they pay in extra home heating and transportation costs.

*“The Alberta Child Benefit (ACB) will support 235,000 children in Alberta and their families.”*

### Revenue Measures

Several tax changes were made in last year's budget to restore fairness and reduce reliance on energy revenues. There were no further changes in personal or corporate income tax rates, except for a reduction in the small business tax rate from 3% to 2% effective January 1, 2017.

The major new revenue change is carbon pricing to encourage a shift away from fossil fuels that cause climate change. A carbon price of \$20 per tonne will be applied on January 1, 2017, increasing to \$30 per tonne one year later. At the consumer level, the price of a litre of gasoline will increase by 4.49 cents in 2017 increasing to 6.73 cents in 2018. The price of natural gas for home heating goes up by 1.011 \$/GJ on January 1, 2017 and 1.517 \$/GJ on January 1, 2018.

### 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 is 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 total investment in this fiscal year is \$147 million.

The Alberta Family Employment Tax Credit (AFETC) is 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 \$340 million in annual benefits to Alberta's lowest income families, an increased investment of \$224 million. Increasing family income is the best way to help families to move out of poverty.

When combined with the enhanced Canada Child Benefit being implemented by federal government, up to a third of Alberta's poorest children will be lifted out of poverty. An improved child benefits system is a key component of a comprehensive poverty reduction strategy. Other promised measures to benefit children including a school nutrition program and a reduction in school fees are being deferred.

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 up only slightly from \$65.3 million in 2015-16 to \$66.6 million in 2016-17.

### Child Care

The government's commitment on \$25 per day child care is being deferred. The \$307 million total budget is only \$16 million higher than what was actually spent last year. Of this increase, only \$10 million additional dollars will be provided for new initiatives such as addressing space pressures and better training for child care practitioners.

### Family and Community Support Services

After a prolonged freeze, Family and Community Support Services (FCSS) funding for preventative social services was increased from \$75.5 million in 2014-15 to \$100.7 million in 2015-16. Funding is being maintained at the same dollar level (\$100.7 million) in 2016-17. While not unexpected, the failure to index the FCSS funding delivered through an innovative provincial/municipal partnership is nonetheless disappointing.

*“Provincial dollars ... should go some way to begin addressing the wait list of 15,000 households needing affordable housing.”*

### Affordable Housing and Homelessness

An unexpectedly large proportion of infrastructure investment is going to build or renovate affordable housing in the budget's five year Capital Plan. The \$233 million being allocated in 2016-17 is almost triple the \$85 million targeted in last year's budget. The five-year total of \$892 million is more than double the five-year target of \$387 million in last year's budget. These additional provincial dollars combined with additional dollars allocated by the federal government should go some way to begin addressing the wait list of 15,000 households needing affordable housing. Municipalities need to move quickly to identify suitable sites for new affordable housing construction.

Budget 2016 provides only modest increases in outreach support services for the Housing First program from an actual \$86.4 million in 2015-16 to \$87.4 million in 2016-17. At \$40.1 million in 2016-17, funding for homeless shelters is \$2.5 million more than was spent in 2015-16. Funding for women's shelters was increased substantially from \$34 million to \$49 million in 2015-16, and is being reduced slightly to \$48.9 million in 2016-17.

### 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. For families with children, the freeze will be more than offset by the Alberta Child Benefit and the carbon levy rebate (see above). Singles and seniors may receive a net benefit from the carbon levy rebate especially if they don't drive or drive very little or live in modest accommodation. Only a small provision has been made for increases in case loads in income support programs due to the economic downturn.

### Other Human Services Programs

Last year's budget did provide significant adjustments to address case load growth and other cost pressures for Support to Persons with Disabilities, Child Intervention, Foster Care, and Early Intervention Services. Very few if any further adjustments were made in this year's budget. Particularly concerning is the freeze in funding this year for child intervention services. In an economic downturn, demand for these services usually increases.

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