

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). In this FACT sheet, next year refers to the 2014-15 FY. This year refers to the current 2013-14 FY. It is widely expected the provisions of this budget will not be passed into law until after a provincial election.

Unlike this year's budget, the 2015-16 budget anticipates a substantial deficit of \$5 billion mostly due to a steep reduction in energy revenues. There are also several new revenue measures, widespread spending freezes or reductions, and some help for low income working families.

Revenue Measures

The additional taxes and increased user fees in Budget 2015 will be paid by individuals and families. There are no increases to corporate tax rates or royalties.

A Health Care Contribution Levy will be introduced. The levy starts at \$200 per year for those with \$50,000 in individual taxable income and goes up to \$1,000 above \$130,800. The levy is progressive. Albertans will only start paying the levy on individual taxable income above \$50,000 per year. This means all low income and many modest income earners will not have to pay the levy.

Personal income tax will also be more progressive with modestly higher rates of tax for high income Albertans. Once fully implemented, individual taxable incomes above \$100,000 per year will be taxed at 11.5% compared to the existing 10% flat rate. Income above \$250,000 will be taxed at 12%.

Other things being equal, these tax measures should slightly decrease after-tax income inequality in Alberta.

Poverty Reduction

During the 2012 election campaign, the Progressive Conservatives made a promise to end child poverty in five years. Little was done to keep this promise in the three years since. On the eve of the next election, the PC government is proposing two new measures to assist low income working families with children though they won't take effect for another 15 months (July 1, 2016).

If implemented, these measures would add \$110 million to the existing \$116 million Alberta Family Employment Tax Credit. The phase in and phase out thresholds will be adjusted to cover more working income costing \$25 million per year. A new working family supplement will be introduced which will provide additional support to families with working income between \$2,760 and \$41,220 per year.

While these measures will help reduce poverty in low income working families with children, they fall short in the following respects:

- ♦ The 15 month implementation delay;
- ♦ Families on income support due to illness or disability will not receive any additional benefit. A refundable child tax benefit based on federal child benefits that don't discriminate based on source of income would be better; and
- ♦ The steep phase-out of the working family supplement which— when combined with the phase-out of other benefits at the same level of income — may provide a disincentive to earn additional working income.



Ten Year Homeless Plan *Responsible Ministry: Human Services*

Six years in, it is becoming increasingly unlikely that the goal of ending chronic homelessness will be achieved by 2019. 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 decreases the provincial investment in outreach support services for the Housing First program from \$87.8 million this year to \$85.7 million next year. This is the first actual funding cut since the program began. Funding for emergency shelters is being frozen at the same level as this year.

Affordable Housing and Rents *Responsible Ministry: Seniors*

The October 2014 Canada Mortgage and Housing Corporation Rental Market Report shows rents going up and a continued low vacancy rate. The average monthly rent for a typical two-bedroom apartment in Edmonton was \$1,227, up 6.1% from a year earlier. The vacancy rate increased slightly to 1.7%, still close to a record low.

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. It is disappointing that funding for rent supplements is being reduced from \$64.8 million this year to \$63.3 million next year. The amount of operating funding for seniors housing delivered through the Alberta Social Housing Corporation is increasing from a forecast \$75.3 million this year to \$80.3 million. The amount of operating funding for family and community housing will decrease significantly from a forecast \$77.1 million this year to \$49.6 million next year.

On capital funding for affordable housing construction, the priority is on adding additional housing units for seniors. Capital funding for seniors housing is going up slightly from \$107.2 million this year to \$110.2 million next year. Capital funding for family and community housing will drop from \$12 million this year to only \$2.8 million next year. Capital grants for the Affordable Supportive Living Initiative (ASLI) are going up significantly, from a forecast \$35 million this year to \$91.5 million next year. Until now, ASLI capital grants have gone to supportive seniors housing only.

Income Support *Responsible Ministries: Human Services, Seniors*

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 at least another year. Provision has been made for modest increases in caseloads.

Human Services Programs

Overall funding levels are essentially frozen, with small increases in some services and reductions in others. Child Care and Support to Persons with Disabilities will see increases, while Child Intervention, Foster Care, and Early Intervention services will see decreases. Family and Community Support Services funding remains frozen. As the Premier said in his televised address, keeping funding the same for the next three years is truly a cut due to inflation and other cost pressures.

Data in this fACT sheet is taken from the Alberta government's webpage available here: alberta.ca/Budget.cfm