

# 2019 Alberta Budget Analysis for Nonprofits



“ Don’t tell me where your priorities are. Show me where you spend your money and I’ll tell you what they are. ”

– American Author James W. Frick

In the recently released Alberta Budget 2019, the provincial government chose to reduce spending, with the explicit goal of eliminating the deficit by 2022-23. A budget is a valuable tool for effective planning and a clear demonstration of choices – all choices come with consequences, both intended and unintended.

Despite the rising cost of living and population growth, Budget 2019 proposes to shrink total government spending by 2.8 percent over four years. The government projects an \$8.7 billion deficit for the current fiscal year, up \$6.7 billion from last year. The pre-budget consultation process consisted of a single question, asking for strategies on balancing Alberta’s budget by 2022-23.

With the passing of legislation that decreases the corporate tax from 12 percent to 8 percent by 2022, the government signals that taxes on businesses should be reduced as a means to stimulate investment in the short-term and job growth in the long-term. This approach relies on the premise that the benefits of broad economic policy changes trickle down, eventually, to those most in need. The counter argument is that an increase in the income share of the wealthiest can lead to a decrease in GDP growth, furthering economic inequality, and falling short in the promise to lift all segments of society.<sup>1</sup>

The government is forecasting decreases in revenue sources for various reasons, including its decision to offer a corporate tax cut and to discard the consumer carbon tax. As such, the de-indexing of income tax brackets was introduced as another source of revenue. This change will earn the government at least \$600 million in revenue by the end of the 2022-23 fiscal year, the equivalent of a 0.3 percent provincial sales tax, according to University of Calgary Economist Trevor Tombe, and will likely impact middle-income households the most.<sup>2</sup> The same will apply to the pause on indexation of non-refundable tax credits such as the Assured Income for the Severely Handicapped (AISH), the Alberta Seniors Benefit, Income Support, and Special Needs Assistance programs.

Achieving the goal of eliminating the deficit over the next few years by reducing spending, with little priority on increasing revenues or economic diversification, will have an impact on the nonprofit sector and therefore the individuals it serves, the communities it works in, and the issues it addresses. The full impact on the nonprofit sector will take time to realize, and while not all nonprofits in Alberta receive funding from the provincial government, provincial budget decisions impact the sector as a whole.



## IMPACTS ON THE NONPROFIT SECTOR

### **Dissolution of The Alberta Lottery Fund**

The Alberta Lottery Fund (ALF), established in 1989, has been used to support thousands of public and community-based initiatives annually. Programs supported by the ALF allow communities to innovate, repair aging buildings, expand operations and meet growing demand. The ripple effect of these programs is multifold: higher-quality services and programs, and valuable employment opportunities for Albertans.

In Budget 2019, the ALF is dissolved into General Revenue to “reduce organizational complexity, clarify accountability and decision-making, and better manage cash to reduce borrowing requirements and debt servicing costs”.<sup>3</sup> After some confusion regarding what this means for communities and organizations that rely on this source of funding, the Minister of Finance clarified in response to a question in the legislature, that the government will continue to honour program spending in this area. We know, however, that many granting programs have experienced significant cuts through Budget 2019, decreasing the levels of funding that the ALF was intended to support (see below: CFEP, OIP, CIP, STEP).

Revenue collected from the ALF is rooted in the controversial history of the gambling industry. These tensions provided the backdrop for discussions at the Alberta Lotteries and Gaming Summit in 1998, which resulted in a series of recommendations, including one that states gaming and lottery profits should not be directed to the General Revenue Fund and should support the charitable and nonprofit community. In subsequent years, the government set a target that all Lottery Fund disbursements would support charitable, nonprofit, public, and community-based initiatives and projects.

Even before dissolving the ALF, there was a need for more education and transparency around ALF initiatives – including how they are approved, and how they contribute to public benefit. CCVO is concerned that dissolving the ALF might further exacerbate the lack of transparency given that General Revenue entails unallocated funds that can be utilized for any purpose. For example, a question to consider is whether the programs/initiatives that have been supported by the lottery funds will continue to be bound to public benefit, which is voted on in the legislature.

As of now, it remains unclear how dissolving the ALF will create a more streamlined process for nonprofits. This is particularly true for smaller organizations who may find it more challenging to access funds with a prospective new ALF structure. These changes might appear negligible, but without more information, there is a risk of less transparency and more complexity for organizations that are applying for grants.

Part of recognizing the contributions of the nonprofit sector in Alberta is providing meaningful information on how these types of changes will impact the sector – including how the revenue will be collected and the funds disbursed. As such, CCVO will continue to follow this matter, and we look forward to working with the government in understanding and communicating how these changes will impact the sector.



## **Funding for Family and Community Support Services Remains Flat**

The Family and Community Support Services (FCSS) budget will remain the same for 2019-20. The FCSS funded programs focus on support for individuals, families, and communities through preventative social programs and services, which benefit Albertans experiencing vulnerabilities. Funding for FCSS has remained flat for a few years now and has not met the increasing demand for essential services. This presents challenges for the sector and the individuals and communities they serve, including the quality of the services provided with negative implications for staffing levels.

## **Other Funds Dissolved**

The dissolution of the ALF is part of a larger group of dedicated funds that have also been eliminated, including: Access to the Future Fund, Alberta Cancer Legacy Prevention Fund, Historic Resources Fund and Environmental Protection and Enhancement Fund. The government states in the budget document that it will continue to honour program spending for these funds.

## **Reduced Budget for Culture, Multiculturalism, and Status of Women**

As a result of Budget 2019, nonprofits will experience overall reduced spending on programs that support the sector along with restructuring and administrative changes in certain areas. The operating budget of the Ministry of Culture, Multiculturalism and Status of Women was \$236 million in 2018-19, reduced to \$218 million in 2019-20, and \$158 million by 2022-23 – a total cut of \$78 million over 4 years. This Ministry supports Alberta's nonprofit sector, including recreation and sport, and the cultural and arts communities.

The Community Facility Enhancement Program (CFEP), which provides financial assistance to purchase, build, renovate, or upgrade community facilities, will see capital grants reduced from \$37.4 million to \$25 million, a reduction of \$12.4 million in the current year.

The Other Initiatives Program (OIP), which provides support to projects that cannot be funded by other Community Grants, including one-time projects, international disaster relief, and projects that are emergency or urgent in nature, will be reduced from \$8.6 million in 2018-19 to \$1.5 million in 2019-20. This is a dramatic drop of \$7.1 million for the current year.

The Community Initiatives Program (CIP) is a project-based grant stream, which provides funding for organizations that strengthen leadership and organizational capacity and support community-driven goals that have a public benefit, will receive \$23.6 million for 2019-20, a \$4.8 million reduction from last year. One of the grant streams affected by the cuts in CIP include the elimination of the 45-year-old International Development program.

The Community Engagement budget remained relatively stable when compared to previous years amounting to a total of \$8.1 million. This area of the budget "provides assistance to enhance the capacity of the nonprofit/voluntary sector; provides leadership on civil society sector issues; leads research, planning, and the Alberta Nonprofit/Voluntary Sector Initiative."<sup>4</sup> It is encouraging that the government recognizes this as a priority – the importance of collaborating with the sector to guide the development of strategies and policies to support the sector.



## FUNDING IMPACTS ON THE SECTOR

### Arts

Providing access to ongoing, sustainable funding will remain a pressing challenge for the arts sector as its funding has been cut drastically. The expected \$78 million cut for the Ministry of Culture, Multiculturalism and Status of Women over the next four years will mainly be achieved through a cut in the Arts and Creative Industries from \$84 million in 2019-20 to \$39 million in 2022-23. The Alberta Foundation for the Arts will be allocated a total of \$28.4 million for 2019-20 budget, which is a 5% reduction, equal to \$1.5 million. Additionally, the Alberta Media Fund will receive \$46.7 million, which is a 6% cut or \$2.8 million for 2019-20. This cut can have a significant impact on arts groups in several ways, such as reducing programming and leading organizations to re-focus their work as a result of financial difficulties.

### People with Disabilities

The Assured Income for the Severely Handicapped (AISH) will benefit by \$142.5 million in new funding for 2019-20 fiscal year, but will not be adjusted for inflation. The government has made the decision to de-index benefits for AISH recipients, which translates to maintaining benefits at their current levels without adjusting for inflation in the following year.<sup>5</sup> De-indexing of AISH benefits places burdens on individuals' living standards by shrinking their purchasing power by \$35 for 2020, \$65 for 2021, and by \$100 the year after that.<sup>6</sup> Although the government has stated that this a temporary pause for de-indexing AISH benefits, it is still unclear on when the benefit will be re-indexed.<sup>7</sup>

Prior to the budget release, there was uncertainty about whether families who relied on government programs of Family Support for Children with Disabilities (FSCD) and Persons with Developmental Disabilities (PDD) would lose funding.<sup>8</sup> However, funding was not reduced in the new provincial budget. Support for PDD increased by 5%, or \$50.4 million, receiving about \$1 billion for 2019-20 year. This is a positive direction as PDD funded programs provide critical services and support to adult Albertans with developmental disabilities in their homes, places of work, and social environments, allowing individuals to be a part of their communities as independently as possible.

### Heritage and Culture

Funding for Heritage is slightly reduced for 2019-20 amounting to \$52 million and is projected to continue with reductions resulting in a total of \$46 million for 2022-23.

Capital grants for Support for Culture Infrastructure that assist nonprofit organizations in the construction of cultural facilities are reduced by 68% or \$27.7 million, amounting to a total of \$13.3 million for 2019-20.

### Homelessness

Homeless and Outreach Support Services is kept at \$197 million and will be maintained at this amount in the next four years. Funding is distributed to Alberta's seven major cities through a 'Housing First' approach, which provides permanent housing for individuals experiencing homelessness, coupled with wrap-around supports such as addictions treatment, mental health services, employment skills training, and rent support.



## **Housing**

The Ministry of Seniors and Housing will have an operating budget of \$638 million for 2019-20 and will rise slightly to \$639 million by 2022-23. Within this ministry, the overall housing budget for 2019-20 is \$11.5 million, which is a 91% reduction from the previous \$123 million. A large part of these cuts in housing will be from the elimination of the Assistance to Alberta Social Housing Corporation (ASHC). The ASHC provides funds for Family and Seniors Community Housing, Rental Assistance, and Special Needs Housing. The remainder of the budget, although also experiencing additional cuts, will go to program planning and delivery work with housing management bodies, municipalities, and nonprofit organizations that provide housing and related supports to over 110,000 Albertans in need.

## **Health**

The Ministry of Health will see an overall increase of about 1% by 2022. The Government of Alberta plans to allocate funding over four years with: \$100 million toward Addiction and Mental Health Strategy, \$40 million for an Opioid Response Strategy, \$20 million for Palliative Care, \$6 million for a new Sexual Assault Hotline, and \$4 million for the Health Quality Council of Alberta which shows commitment to improving the lives of some of the most vulnerable in Alberta. There are no mentions of the Supervised Consumption Services in the budget, although this is currently under review.

## **Sports**

Overall, funding for Recreation and Physical Activity decreased by \$2.2 million resulting in \$24.4 million for 2019-20. Over four years, this will decrease to \$20 million by 2022-23. Responsibility for the Alberta Sport Connection has been moved into the General Revenue under the administration of the Ministry of Culture, Multiculturalism and Status of Women. The government states that this move saves \$2.7 million over four years.

## **Children and Families**

The Alberta Child Benefit (ACB) and the Alberta Family Employment Tax Credit (AFETC) have both been replaced by the Alberta Child and Family Benefit (ACFB). This new benefit will take effect in July 2020, with the intention of providing more benefits to lower-income families, while reducing administrative costs. Essentially, the major changes include the introduction of a base component and a working component. The amount received is dependent on family net income and the number of children in the family. The amounts are to be paid quarterly, are non-taxable, and will not affect eligibility for other benefit programs. The effects of combining the ACB and AFETC may result in leaving out many working families in need.<sup>9</sup>



## **Labour and Immigration**

There is a decrease in funding for Workforce Strategies of 4% or \$4.3 million, amounting to \$114.7 million for 2019-20. A portion of this reduction is from the elimination of the Summer Temporary Employment Program (STEP). The elimination of STEP, which helped students improve their job prospects by gaining on-the-job experience and skills, will have consequences not only for the nonprofit and voluntary sector, but other sectors across Alberta that relied on this program. Some nonprofits depended on the program as a key component of their human resources strategy and as a way to attract talent into the sector. The elimination of STEP leaves many organizations within and outside of the sector with a limited amount of time to make alternate plans. The program was eliminated in 2013 and reintroduced in 2016, employing 3000 students.<sup>10</sup>

Settlement and Integration program funding will face a reduction of 24% for 2019-20, which is approximately \$2.7 million. Immigrant-serving agencies use this funding stream to provide programs that help increase the ability of newcomers to successfully settle and integrate in Alberta. However, \$2.5 million has been budgeted for the creation of the Alberta Advantage Immigration Strategy to increase foreign qualification recognition for newcomers, which ensures immigration is aligned with Alberta's economic needs.

## **Municipal Affairs**

The Municipal Sustainability Initiative (MSI) funding will be reduced by \$94 million in 2020-21 and \$142 million in 2021-22. This directly impacts the sector through reduced municipal service-delivery (i.e. public transit, water and wastewater, roads and bridges) and support dedicated to nonprofit organizations (i.e. recreation and sport facilities and other local priorities).



## THE WAY FORWARD

Budget 2019 is a deliberate effort to apply a range of measures that reduce government spending. This approach has led to cuts in many important areas, including programs that directly impact the work of nonprofits.

The lead-up to the budget was marked by financial uncertainty for many organizations, which has not been completely alleviated. For instance, the government's party election platform committed to creating a \$20 million civil society fund. We are supportive of the government's desire to help community groups thrive, but it is unclear where this funding can be found or where it will be allocated.

We also do not yet know the cumulative impact of government cuts and how they will affect programs, services and supports. Overall, decreases in funding to public services and to local governments inevitably impact the nonprofit sector. As fewer public programs and services become available to ever-growing demands, people often turn to nonprofit organizations with the hopes that they will help address unmet needs. And so, in a time when the sector was looking for clarity to respond to new realities, a sense of strain and uncertainty persists.

To implement parts of Budget 2019, Bill 20 and Bill 21 have now been **introduced in the legislature**. If passed, these bills will allow parts of Budget 2019 to materialize, including the removal of several dedicated funds mentioned in this analysis. CCVO will continue to monitor these developments and attempt to clarify as information becomes available.

The current fiscal year is only the first wave of decreased funding by the provincial government, and the years to come are projected to include similar cost-cutting measures. We are also anticipating another provincial budget in Spring 2020, which will likely continue to shed light on the direction and priorities of this government.

As the current government made clear in its party platform, civil society organizations are an essential component of a healthy and strong Alberta. The challenge is that the power of civil society cannot be harnessed without the necessary support and resources needed to help deliver crucial programs and services across the province. We look forward to working with the government and community groups to clarify the impact of these budget measures and find ways forward that will empower nonprofits to continue to help deliver essential programs for Albertans.



## REFERENCES

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