



ALBERTA
MUNICIPAL AFFAIRS

*Office of the Minister
MLA, Lesser Slave Lake*



AR87841

November 30, 2016

Ms. Lisa Holmes
President
Alberta Urban Municipalities Association
300, 8616 - 51 Avenue
Edmonton AB T6E 6E6

Dear Ms. Holmes,

Thank you for your letter of November 2, 2016, requesting responses to five resolutions endorsed by your membership at the 2016 Alberta Urban Municipalities Association (AUMA) convention:

- 2016 Submission on *MGA* Amendments
- Amendments to Educational Requisition Cap
- Education Property Taxes on Properties Eligible for GIPOT
- Fixed Date for Educational Levies
- Process for Enumerating Shadow Population

I appreciate the opportunity to review and respond to these resolutions and I look forward to continuing to work with the AUMA to strengthen Alberta's communities. I have attached a copy of Municipal Affairs response to these resolutions.

Thank you again for writing.

Sincerely,

Hon. Danielle Larivee
Minister of Municipal Affairs

Attachment: Alberta Municipal Affairs Response to 2016 AUMA Resolutions

Alberta Municipal Affairs Responses to 2016 AUMA Resolutions

- 2016.A1 – 2016 Submission on *MGA* Amendments
- 2016.B2 – Amendments to Educational Requisition Cap
- 2016.B5 – Education Property Taxes on Properties Eligible for GIPOT
- 2016.B8 – Fixed Date for Educational Levies
- 2016.B13 – Process for Enumerating Shadow Population

WHEREAS Bill 21 – the Municipal Government Amendment Act was released in May 2016;

WHEREAS changes to the Municipal Government Act will have a significant impact on urban municipalities in the long-term; and

WHEREAS the AUMA received substantive input from urban municipalities through multiple channels, including surveys, working sessions and discussions;

NOW THEREFORE BE IT RESOLVED THAT the Alberta Urban Municipalities Association 2016 General Assembly approve the “2016 Submission on MGA Amendments” Convention Policy Paper.

Municipal Affairs Response:

Bill 21, the *Modernized Municipal Government Act*, was introduced in spring 2016 and will lead to changes in the *Municipal Government Act (MGA)* and regulations. In the summer of 2016, Municipal Affairs toured the province to hear what Albertans think about the draft legislation. A summary of the feedback (i.e. *What We Heard*) that was collected during the tour has been made available on the *MGA Review* website at www.mgareview.alberta.ca.

The feedback collected in summer 2016 will also assist in updating the regulations that fall under the *MGA*. Drafts of these regulations will be posted on the *MGA Review* website for public review and comment in early 2017.

The AUMA has been a valued partner throughout the *MGA Review* process, contributing significantly to the development of Bill 20 in 2015 and Bill 21 in 2016. The AUMA’s further input through this policy paper will be considered alongside the feedback received from other Albertans this summer.

WHEREAS the collection of Education Property Tax via the municipalities has a profound effect on member municipalities and ultimately the individual tax payer;

WHEREAS the Province of Alberta utilizes Alberta municipalities to collect Education Requisition on their behalf to support educational requirements through the Alberta School Foundation fund;

WHEREAS the Province of Alberta has been steadily increasing the amount of Education Requisition since 2005/2006;

WHEREAS in 2005/2006, the Education Requisition was capped at 8% and has been steadily increasing each year since the removal of the cap in 2013;

NOW THEREFORE BE IT RESOLVED THAT the Alberta Urban Municipalities Association advocate for the re-establishment of the Educational Requisition Cap at 8% or the elimination of the Education Requisition via municipalities.

Municipal Affairs Response:

The Government of Alberta will continue to collect education property tax from municipalities that are already collecting from their ratepayers.

The education property tax that is collected by municipalities on behalf of the province is based on education operating costs (instructional costs including teacher salaries, textbooks, and other classroom resources). Municipalities collect the education property tax from ratepayers and then forward it to the province for deposit into the Alberta School Foundation Fund (ASFF), which was established by the province in 1994 to make certain the education property tax is accounted for separately from general revenues. Once pooled into the ASFF, the education property tax is then distributed among Alberta's public and separate school boards on an equal per-student basis.

Prior to 2013, the province applied a mitigation formula to calculate municipalities' share of the provincial education property tax requisition. The formula sheltered high-growth municipalities from experiencing rapid requisition increases, but shifted the tax burden to lower-growth municipalities. The mitigation formula averaged assessments over a number of years and capped the annual requisition increase.

Between 2002 and 2012, each municipality's education requisition was based on the least of:

- a percentage increase from the previous year's requisition of:
 - 8 per cent between 2002 and 2004,
 - 10 per cent for 2005,
 - 12 per cent for 2006 through 2012;
- a 4-year average of the municipality's equalized assessments; or
- the municipality's current year equalized assessment.

Beginning in 2013, the mitigation formula was eliminated. While the formula limited the total annual increase to a municipality, it did not impact the size of tax increase an individual taxpayer may encounter. Municipalities now pay the education property tax based on their total property assessments.

This is similar to how property taxes are currently requisitioned using provincial uniform education property tax rates that are applied to each municipality's equalized assessment base. This method enables the province to allocate education property taxes in an equitable manner. The province and municipalities use the same fundamental principles for levying property taxes on assessment.

Eliminating the mitigation formula and having municipalities pay the education property tax based on their total property assessments has greatly improved equity in the distribution of the provincial education property tax. Owners of similarly valued properties in the same assessment class now pay similar amounts of education property taxes no matter where their properties are located in the province.

WHEREAS beginning in the current tax year, a change was made to the grants in place of taxes (GIPOT) program whereby Municipal Affairs will no longer pay the education property tax on properties eligible for GIPOT;

WHEREAS this places an unfair burden for education property taxes on the remaining non-residential properties within the Municipality;

NOW THEREFORE BE IT RESOLVED THAT the Alberta Urban Municipalities Association urge the Provincial Government to reverse its decision from Budget 2016 and reinstate payment of the education property taxes on properties eligible for GIPOT.

Municipal Affairs Response:

A decision was made to discontinue paying the education property tax on GIPOT properties beginning in 2016/17. To implement this decision, properties for which Municipal Affairs (MA) paid GIPOT for the 2015 tax year were removed from the equalized assessment. This change will not impact the financial benefit municipalities receive from the GIPOT program.

Historically, municipalities collected the education property tax from MA for GIPOT properties and then forwarded those funds to the Government of Alberta to fund the provincial education system. Municipalities did not retain any education property tax funding.

If MA was paying the education property tax on GIPOT properties, the ministry would contribute approximately \$14 million to the education requisition in 2016/17. As the ministry is not paying the education property tax and the value of the GIPOT properties has been removed from the equalized assessment, this \$14 million will be distributed among all other property taxpayers in Alberta. The cost will therefore be absorbed by taxpayers, rather than municipalities.

The proportion of the \$14 million being distributed among all other property taxpayers in Alberta is about 0.58 per cent of the 2016/17 education property tax requisition of \$2.4 billion.

WHEREAS section 351 of the Municipal Government Act (MGA) requires Municipalities to collect the Education Property tax to be pooled into the Alberta School Foundation Fund;

WHEREAS Municipalities require the amount of this tax, reported by the Government of Alberta, before tax notices can be sent to property owners;

WHEREAS In 2016 the Education Property Tax amounts were not announced until April 14th when the budget was released;

WHEREAS section 242 of the Municipal Government Act (MGA) requires Municipalities to have a budget for the calendar year or adopt an interim budget before the beginning of the calendar year;

WHEREAS instating a fixed date provides a mechanism for Municipalities to schedule the release of tax notices to residents;

NOW THEREFORE BE IT RESOLVED THAT the Alberta Urban Municipalities Association urge the provincial government to instate a deadline of no later than February 28th annually for the release of the Education Property Tax for municipalities as to allow municipalities to send tax notices in a timely manner.

Municipal Affairs Response:

Each year, Treasury Board and Finance provides information to assist the province in determining the level of funding necessary for the provincial basic education system. In 2016, education property tax will be 32 per cent of the annual consolidated education operating costs, with the remainder being provided through provincial general revenues.

Because the education property tax requisition is based on the K to 12 educational operating costs, it is not viable to release the education property tax requisitions prior to the release of the annual budget.

WHEREAS Alberta attracts a significant number of people who spend extensive amounts of time in one municipality of Canada but declare their primary residence elsewhere in another municipality for census purposes;

WHEREAS this population is commonly referred to as a “shadow population”;

WHEREAS the MGA allows for the ability under section 57 for municipalities to conduct its own census;

WHEREAS the Determination of Population Regulation allows for the inclusion of the “shadow population” in the census, whereby the actual procedure limits the ability for accurate census numbers of the “shadow population”;

WHEREAS the “shadow population” is not truly reflected in official population counts, it is challenging to plan infrastructure and program service delivery in the affected municipalities;

WHEREAS many Federal and Provincial funding programs are based on population;

WHEREAS many Alberta communities are affected by these funding inequities especially smaller communities;

WHEREAS the government has acknowledged in February 2016 that they would be interested in exploring options for enumerating the “shadow population” at the sub-provincial level and further investigation into other types of shadow populations;

NOW THEREFORE BE IT RESOLVED THAT Alberta Urban Municipalities Association encourage the Alberta government to develop a process where the “shadow population” can accurately be reflected in all funding programs for municipalities.

Municipal Affairs Response:

Municipal Affairs (MA) is in the process of reviewing the *Determination of Population Regulation*. Part of this review will be to ensure that the procedures outlined in the regulation allow municipalities to accurately enumerate their populations. MA is in the process of soliciting input from all municipalities regarding the regulation, and a draft regulation will be posted for public review and comment in early 2017.

In addition, MA’s staff will work with municipalities on the municipal census manual once the regulation is finalized. This will provide further guidance and direction on how municipalities can best enumerate their citizens.