Responsibly Rebuilding Alberta

CTF Recommendations for Rebuilding from the 2013 Floods

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan advocacy organization dedicated to lower taxes, less waste and accountable government. The CTF was founded in 1990 when the *Association of Saskatchewan Taxpayers* and the *Resolution One Association of Alberta* joined forces to create a national taxpayers organization. Today, the CTF has more than 84,000 supporters from coast-to-coast.

The CTF maintains a federal office in Ottawa as well as provincial and regional offices in British Columbia, Alberta, the Prairies, Ontario and Atlantic Canada. Provincial and regional offices conduct research and advocacy activities specific to their provinces in addition to acting as local organizers of nation-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences, utilize social media like twitter, Facebook, YouTube and our own blog, as well as issuing regular news releases, commentaries and publications to advocate on behalf of CTF supporters. The CTF's flagship publication, *The Taxpayer* magazine, is published four times a year. *Action Update* e-mails on current issues are sent to CTF supporters regularly. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nationwide.

CTF representatives speak at functions, make presentations to government, meet with politicians and organize petition drives, events and campaigns to mobilize citizens to affect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. Contributions to the CTF are not tax deductible.

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I-Summary of Facts & Recommendations

Summary of Facts

- The consolidated deficit is estimated to grow from $5.1 billion to $8.1 billion due to the flood.
- Without major corrective action, Alberta will run a cumulative deficit of $14 billion over the next three years.
- The Sustainability Fund is estimated to be entirely depleted this fiscal year based on pre-flood spending plans.

Summary of Rebuilding Recommendations

- In addition to Minister Griffith's 'soft cap' on aid for private property damage, introduce a 'hard cap' by setting an aid limit of $100,000 on "basic repairs."
- Mandate that all at-risk property owners purchase private overland flood insurance. Determining which properties are 'at-risk' should be based on claims under the DRP within the last ten years.
- Provide relocation assistance to owners in high-risk areas up to the 2013 tax assessed value up to a hard cap of $500,000.
- The government should indicate its intentions towards an insurance requirement immediately in order to allow property owners to make decisions between rebuilding and relocating.
- Work with the federal government to towards the establishment of a federal natural disaster insurance mandate.

Summary of Fiscal Recommendations

- Reduce non-disaster related operating spending by $2.7 billion during the 2013-14 and 2014-15 fiscal years, and freeze the remaining operating spending for 2014-15 and 2015-16.

- Extend the 2014-15 and 2015-16 Capital Plan over three years. Operating and capital spending measures will free up a cumulative $4.4 billion annually for emergency flood spending.

- Calgary should spend the initial $52 million of 'tax room' on upgrades from damaged public infrastructure, with the strict condition that the 'tax room' is returned to taxpayers in future years.

- Budget $500 million for disaster and emergency spending each year.

Conditions for a Responsible Recovery

1. That the government have a plan to pay for the rebuilding program by redirecting existing spending commitments towards the flood to ensure that the pre-flood deficit of $5.1 billion grows as little as possible.

2. That there be reasonable limits – commiserate with past disaster aid – on the amount that taxpayers will be liable to pay for individual property owners facing damages; and

3. That taxpayers and property owners be protected in the future to ensure that payments made to private property owners are one-time only, with future property damage costs externalized to the property owner.

II-Introduction

On June 20th, 2013, the realties of life changed for thousands of families and businesses in southern Alberta as floods on a scale rarely seen. This meant that nature altered their reality and people had to adapt to new circumstances.

A flood stricken family might cancel their plans for vacation or to buy a new car. A small business might cancel plans to buy new capital items like machinery. A large business might put off plans for expansion. This doubtless happened on a large scale for the thousands affected.

The financial realities of governments have also been affected.

The federal, provincial and municipal orders of government all reacted quickly to the flood, and first responders, victims, volunteers and everyday Albertans stood together to pull through the initial challenges.

But major problems await Alberta in the medium-and-long term. With the natural disaster behind Alberta, a fiscal disaster now looms. While significant spending and deficits will be required to rebuild, demand threatens to turn the provincial government's already reckless fiscal footing into an all-out disaster.

Like the flood-stricken family that had to cancel its vacation plans, so too must Alberta's government responsibly reset its priorities in order to ensure that the physical damage of June 2013 does not become fiscal damage long into the future.

This is the Canadian Taxpayers Federation's plan to responsibly rebuild Alberta.

III-Context: Pre-Flood Fiscal Status

Budget 2013-14

Alberta Finance Minister Doug Horner tabled Alberta's 2013-14 budget on March 7th, 2013, titling it "Responsible Change." It was a curious title for budget that promised to turn Alberta back to Getty-era deficits and obscure financial reporting.

The budget itself moved most capital spending off of the books and altered what was traditionally measured as the province's deficit. In the budget lockup, the Canadian Taxpayers Federation (CTF), opposition parties, media outlets and stakeholder groups were universally unable to peg the deficit with total confidence. As a result, there were dozens of estimates calculated by all concerned groups, but no one could say with total certainly, just how much the province was coming up short.

The next morning the *Globe and Mail* projected the deficit was $1.9 billion[1]. The opposition Wildrose projected $5.5 billion[2]. The *Edmonton Journal* and *Calgary Sun* claimed a $1.97 billion deficit, $4.3 billion in borrowing and a $2.1 billion withdrawal from the Sustainability Fund[3]. The confusion is understandable with everyone having to do the math backwards and try to rebuild the budget based on earlier years.

On March 13th, the CTF released its post-budget analysis with a deficit projection for Budget 2013-14: $5.1 billion.

The confusion stems from a drastic change in accounting practices, that the province's auditor general has condemned as extremely difficult for Albertans – and his own office – to understand[4]. In short, the government went from one budget and one deficit number, to three budgets and a pile of different numbers representing deficits, borrowing and "adjustments."

[1] Wingrove, Josh and Walton, Dawn. 'Canada's wealthiest province cuts deep as Alberta embraces austerity.' The Globe and Mail. March 7 2013. http://www.theglobeandmail.com/news/national/canadas-wealthiest-province-cuts-deep-as-alberta-embraces-austerity/article9474700/

[2] 'Budget 2013: Back in debt.' Wildrose Alliance Party. http://www.wildrose.ca/feature/budget-2013-back-in-debt/

[3] Larson, Jackie. 'Alberta going deeper in debt, unveils budget.' March 7, 2013. Calgary Sun. http://www.calgarysun.com/2013/03/07/alberta-releases-budget

[4] Henton, Darcy. 'Even the auditor general has trouble figuring out Alberta's 'complicated' finances.' Calgary Herald. http://www.calgaryherald.com/Even+auditor+general+trouble+figuring+Alberta+complicated+finances/8636505/story.html

Table 1: Pre-Flood Fiscal Outlook ($ millions)

Operating Budget	2013-14	2014-15	2015-16
Total Revenue	$38,612	$41,911	$44,998
Less			
Revenue received for capital purposes	$(522)	$(464)	$(389)
Investment income retained by the Heritage Fund	$(297)	$(379)	$(651)
Savings of resource revenue	-	$(416)	$(492)
Allocation for the Capital Plan debt servicing costs	$(238)	$(404)	$(593)
Operational Revenue	**$37,555**	**$40,248**	**$42,873**
Operational Expenses			
Operating expenses (net of in-year savings)	$36,422	$37,144	$37,904
Disaster / emergency assistance	$200	$200	$200
Amortization / inventory consumption / loss on disposals	$982	$1,000	$1,040
General debt servicing costs	$402	$424	$437
Total Operational Expense	**$38,006**	**$38,768**	**$39,581**
Operational Surplus / (Deficit)	$(451)	$1,480	$3,292
Capital Budget			
Capital Plan Spending	$5,209	$5,172	$4,660
Capital Plan Borrowing			
Alternative financing (P3s)	$344	$206	$114
Transfer from Contingency Account	-	-	-
Direct borrowing	$3,190	$4,379	$4,039
Withdrawal from Capital Plan financing account	$1,067	-	-
Deposit to Capital Plan financing account	-	-	-
Total Capital Plan Borrowing	**$4,601**	**$4,585**	**$4,153**
Funded Capital Plan			
Revenue received for capital purposes	$522	$464	$389
Retained income of funds and agencies for capital purposes	$84	$118	$118
Disposals of capital assets	$2	$5	-
Total Funded Capital Plan	**$608**	**$587**	**$507**
Capital Plan Surplus / (Deficit)	**$(4,601)**	**$(4,585)**	**$(4,153)**
Consolidated Surplus / (Deficit)	**$(5,052)**	**$(3,105)**	**$(861)**

The 'operating deficit' in 2013-14 was projected to be $451 million. That is a cash shortfall for the day-to-day expenses of the government for things like government employee salaries and running MRIs. This is the figure that Finance Minister Doug Horner claimed was the deficit.

Yet, while the government planned to spend $38.6 billion on operations, there is still another $5.2 billion spent on the Capital Plan, which has been rolled into separate budget entirely.

The Capital Plan will now be funded almost entirely by debt (88%), in one form or another. The reason that this is not considered spending, is because the government now effectively considers 'borrowed money' to be 'revenue.'

To understand how much of the Capital Plan is borrowed, one has to peel out several line items that are already counted in the Operational Plan. This includes things like federal transfers for capital funding and self-generated income from arms-length agencies. This leaves the Capital Plan with a funding shortfall of $4.6 billion. This is money that will come from traditional debt and public-private partnerships.

The funding shortfalls for the Capital and Operational plans taken together produce a 'consolidated deficit' of $5.1 billion. This is the number that Alberta's government is obfuscating.

The CTF's calculation of the real, consolidated deficit excludes one area of the operational budget that some calculations have included: "cash adjustments." For the most part, these "cash adjustments" consist of things like student loans and profits returned to the Alberta Treasury Branch. While several media organizations and opposition parties have included "cash adjustments" in their calculations of the deficit, the CTF believes that these items should be rightfully excluded.

The point being, before a single drop of rain fell in June, Alberta was already on track to run a $5.1 billion consolidated deficit in 2013-14.

Sustainability Fund

CTF Supporter Survey Comments

"What happened to the Sustainability Fund that was designed to assist Albertans in cases of emergencies?"

"Where is the $16 billion of the Sustainability Fund? That should be used and only that. Answers need to be given on this."

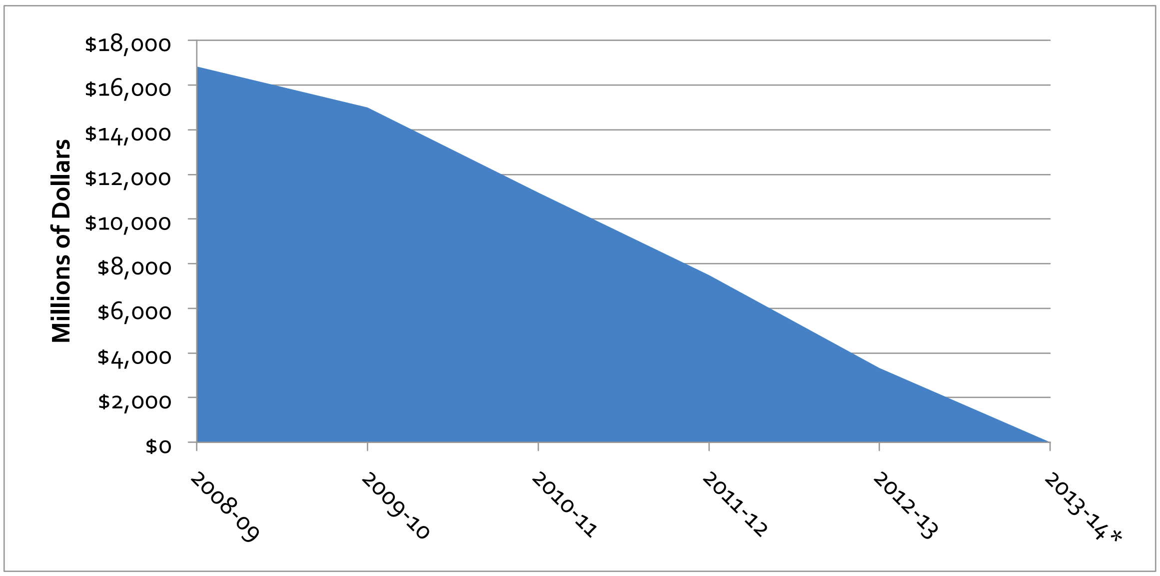
The Sustainability Fund exists – or existed – as Alberta's 'rainy day fund.' Established as a way for the province to save for short-to-medium term downturns in revenue or upticks in emergency spending, it was *intended* as a vehicle to smooth fiscal variances. Unfortunately, it was abused as a long-term crutch for overspending.

Table 2: Sustainability Fund Balance 2008-09 to 2013-14*	
Year	Millions of $
2008-09	$16,822
2009-10	$14,983
2010-11	$11,192
2011-12	$7,497
2012-13	$3,326
2013-14*	$0

*CTF Projection

In just five years, the Sustainability Fund will have gone from an impressive surplus of $16.8 billion, to being drained by the end of the current fiscal year based on the CTF's pre-flood projections. By the end of fiscal year 2012-13, the Sustainability Fund had been drawn down to just $3.3 billion.

Chart 1: Sustainability Fund, 2008-09 to 2013-14*



*CTF Projection

With a pre-flood deficit projected of $5.1 billion for 2013-14, this will leave the Sustainability Fund entirely eliminated, and a further $1.7 billion in borrowing requirements. While Finance Minister Doug Horner may technically leave some cash in the fund, it will be more than borrowed against to the point where it will be effectively liquated.

For all intents and purposes, the Sustainability Fund is gone. As a result, the province does not have the money necessary to fund any flood relief program.

IV-Recovery Package

CTF Supporter Survey

In July of 2013, the CTF sent an online survey to over 21,000 Alberta supporters. 1,476 responded to the survey's 11 questions, including hundreds of personalized recommendations. This report and its recommendations are guided by the survey's results.

CTF Supporters Impacted

Four per cent of CTF supporters directly suffered property damage from the floods in Southern Alberta, and another 6% were evacuated from their homes. Twenty-seven per cent had family or close friends with property damage and 19% had family or friends who were evacuated.

CTF supporters and family affected

- 4% of suffered damage
- 6% were evacuated
- 27% had family or close friends suffer damage
- 19% had family or friends evacuated

Of those who suffered property damage, 38% estimated their losses to be less than \$10,000, 31% estimated their losses to be between \$10,000 and \$50,000, 15% between \$50,000 and \$100,000, and another 15% between \$100,000 and \$500,000. No respondents reported damages over \$500,000.

Damages suffered by CTF supporters

- 38% less than \$10,000
- 31% between \$10,000 and \$50,000
- 15% between \$50,000 and \$100,000
- 15% between \$100,000 and \$500,000

Rebuilding Private Property

Conditions for Aid

The issue of taxpayers paying to rebuild and repair private property has initiated some discussion since Premier Alison Redford pledged to do so. Since the first days of the flood, the CTF has recognized that government assistance will be required in the rebuilding process, albeit with conditions. The CTF's 'Conditions for a Responsible Recovery' are:

1. That the government have a plan to pay for the rebuilding program by redirecting existing spending commitments towards the flood to ensure that the pre-flood deficit of $5.1 billion grows as little as possible.

2. That there be reasonable limits – commiserate with past disaster aid – on the amount that taxpayers will be liable to pay for individual property owners facing damages; and

3. That taxpayers and property owners be protected in the future to ensure that payments made to private property owners are one-time only, with future property damage costs externalized to the property owner.

This report will deal with condition one – ensuring that the program is responsibly funded – in Section VI of this report.

The province went at least some way to satisfying condition two (reasonable limits) when Municipal Affairs Minister Doug Griffith served notice on June 28 that private properties would only receive funding to a "basic level of finish." In practice, this means that taxpayers will pay to rebuild peoples' homes, but that they will not pay for upgrades like hardwood floors and granite countertops. Nonetheless, large luxury homes will potentially leave taxpayers on the hook for similarly large bills that go beyond what is necessary to make a home livable again.

The Canadian Taxpayers Federation supports rebuilding homes and businesses, but only if this is truly a one-time venture.

CTF Supporter Views on Aid

CTF supporters expressed a willingness to open the public purse to help rebuild private properties, but with a variety of strong caveats.

Should there by a maximum cap on the amount of flood relief paid?

- 7% No, government should cover all damages entirely.
- 78% Yes, there should be a maximum amount that the government will cover.
- 15% There should be no funding to private owners whatsoever.

At 84%, the overwhelming majority of CTF supporters believe that there should be government aid to flooded-out property owners, with 7% believing that all damages should be covered regardless of cost, and 78% supporting aid, but with a maximum cap. Fifteen per cent believe that there should be no funding for private property owners.

If there is a maximum cap on assistance, at what level should it be?

- 42%. Up to $100,000
- 23%. Up to $100,000 and 50% beyond that
- 11%. Up to $500,000
- 5%. Up to $500,000 and 50% beyond that
- 1%. Up to $1 million
- 2%. Up to $1 million and 50% beyond that

CTF Supporter Survey Comments

"The government should provide all habitable homes with new furnaces, hot water tanks, electrical panels, fridges, freezers, stoves, appliances, etc. for things that are the necessity of life. If the homes are no longer habitable, the gov't should pay to tear them down and remove them and the homeowner should not pay any property taxes until a new house is acquired."

"Cap the payments and then advise no future assistance, ever if you remain in a flood plain."

Most CTF supporters were in favor of either setting a hard cap of $100,000 (42%), or a hard cap of $100,000 and 50% of damages beyond that (23%). A cap of $100,000 was also applied to victims of the 2005 floods.

Recommendation

In addition to Minister Griffith's 'soft cap' on aid for private property damage, introduce a 'hard cap' by setting an aid limit of $100,000 on "basic repairs."

V-Long Term Protection & Insurance

No Future Aid?

Premier Redford has stated that while the government will be there for private property owners *this time*, aid in the future will have strings attached. Any property owner who makes a claim under the Disaster Recovery Program (DRP) and chooses to stay where they are will have a notation attached to their property title indicating that their land was flooded. For property owners in floodways, this will come with an additional warning that they will not be eligible for future aid. For property owners in the still dangerous – but slightly less inundated – flood fringes, they will be eligible for future flood aid, but only if they take prescribed flood mitigation measures, which the government will also subsidize. Those who do so will also have the flood-warning notation removed from their property title.

These are positive measures, however few Albertans truly believe that if the province faced another major flood in 20 to 40 years that the government would allow families and businesses to face financial ruin. The result most surely would be another round of government aid for owners in both flood plains and floodways. This is exposing both property owners and taxpayers to unnecessary risk.

The premier's statement that this round of aid is one-time-only (for floodways) is commendable, but difficult to believe if it is not backed with a set of policies that builds in protection. Further to this, the government has already stated that owners in flood fringes will be eligible for future aid so long as they take mitigation measures.

On July 25th, Premier Redford met with the Insurance Bureau of Canada and several CEOs of insurance companies[5]. While some businesses had coverage, the vast majority of Albertans were unable to purchase overland flood insurance[6]. This meant that even responsible home and business owners that felt themselves at risk of flooding had little ability to protect themselves with insurance. This is a critical point in the willingness of Albertans to open the public purse to aid these families and businesses.

[5] 'Alison Redford Meets with Insurance Companies to Talk Flooding.' The Canadian Press. July 25th, 2013. http://www.huffingtonpost.ca/2013/07/25/alberta-flooding-insurance_n_3653867.html

[6] 'Alberta flood victims mostly out of luck with insurance.' The Canadian Press. June 21, 2013. http://www.cbc.ca/news/business/story/2013/06/21/business-flood-insurance-alberta.html

CTF Supporter Attitudes

How should the government protect property owners & taxpayers in the future?

- 4%. Create a government-run insurance agency for overland flooding. Purchase should be mandatory.
- 23%. Create a government-run insurance agency for overland flooding. Purchase should be voluntary, but owners must sign a waiver making clear no government aid will be available in the future.
- 5%. Require mandatory insurance for all property owners, but have private companies provide it.
- 30%. Require mandatory insurance for all property owners in at-risk or flood prone areas, but have private companies provide it.
- 39%. Nothing. Insurance companies don't insure overland flooding for a reason.

CTF supporters were divided on the issue of flood insurance. Twenty-seven per cent supported the creation of a government-run insurance company, with most of those believing that the purchase of such insurance should be voluntary, but that those refusing to buy should have to sign a waiver forgoing future aid.

CTF Supporter Survey Comments

"Do not allow building on flood plains unless the owners except full responsibility and have private insurance coverage."

"Introduce mandatory private homeowner insurance to cover flood insurance as soon as possible and make this flood money a one time deal this way the responsibility falls on to the homeowner if you choose to live in a high risk area the cost of your insurance will reflect it."

"If insurance companies don't cover this type of damage, start a government insurance program that insures property. Insurance companies are in it for profit. Give them the ultimatum, 'either cover the cost or we will start a government provincial insurance'."

"Ensure that there's a ' notification' on the property registration when the home in a flood plain so property owners know what they are buying. Under no circumstances should the government get into flood insurance. There are companies with actuaries that can do that. Only those in postal codes with risks should have mandatory coverage required."

"Any new development within a 200-year floodplain within the province must be levied a fee equal to 1/3 of the value of the construction to be paid into a flood insurance account."

Thirty-five per cent supported the government mandating that private property owners have insurance – provided by private insurance companies. Most of these believed that it should only apply to those in areas that are at-risk of flooding.

Thirty-nine per cent supported no push for insurance in the province, believing that insurance companies don't provide overland flood insurance for a reason.

While 61% of CTF supporters wanted to see some government action to make overland flooding insurance either available or mandatory, they were quite divided about the best way to go about it.

US Experience with Mandatory Insurance

Background

Like Canada, the United States has struggled with the challenge of externalizing the risk of living in flood-prone lands. The United States has experimented much further than Canada however, leaving examples and lessons to be learned from its mistakes and successes.

Private sector flood insurance was offered beginning in the 1890s, however the losses incurred by insurers in the 1927 Mississippi floods led to the withdrawal of coverage by the end of 1928[7]. From then on, flood insurance was rarely offered by the private sector until the US Congress passed the National Flood Insurance Program in 1938. This made the US federal government the primary flood insurance provider for homeowners and small businesses. This still involved private insurers who would market policies under their own names and retain a percentage of the premiums to cover costs, but was backed by the US federal government. Communities that took part in the program were required to follow land use regulations and building codes to reduce risk[8]. While private insurers refused to provide flood insurance to homeowners and small businesses without federal backing, they often were willing to insure large commercial properties.

Howard Kunreuther and Mark Pauly of the University of Pennsylvania conducted an extensive study on the difficulty of insuring against catastrophic events like terrorist attacks, floods and hurricanes. The reasons for this were numerous, including the difficulty of insurance

[7] 'Insurance: Facts and Problems.' Manes, Alfred. Harper Brothers. 1938
[8] 'The National Flood Insurance Program.' Pasterick, Edward T. A part of Howard Kunnreuther and Richard J. Roth Sr.'s 'Paying the Prince: The Status and Role of Insurance Against Natural Disasters in the United States.' 1998.

companies staying solvent after a catastrophic event in which it has many policyholders affected.

Perceptions of Risk

Phil Davies of the Federal Reserve Bank of Minneapolis argues that most people do not accurately understand the risks that floods represent[9].

This is supported by Kunreuther and Pauly who found that,

> Individuals faced with the possibility of a catastrophic loss tend to ignore the event until after it occurs, at which point they are extremely interested in protecting themselves… Most residents in areas with the potential for catastrophic losses have limited knowledge of the hazard. There is considerable evidence from field studies and controlled experiments that prior to a catastrophe individuals underestimate the chances of such a disaster occurring. In fact, many potential victims perceive the costs of getting information about the hazard and costs of protection to be so high relative to the expected benefits that they do not obtain such information, and therefore do not consider investing in loss reduction measures or purchasing insurance[10].

Kunreuther and Pauly point out that in times of short-term budget constraints, insurance coverage is often one of the first spending items dropped by families and small-businesses, especially for lower income households. For many families, insurance is considered a discretionary expense.

Expectations of Government Aid

CTF Supporter Survey Comments

"Let's help those who absolutely need it to satisfy their basic needs, but there was a level of risk people took, and afforded to take. We can't set a precedence of bailing people out – because 100 years from now, you'll be on the hook again."

Kunreuther and Pauly emphasize that another major factor depressing the demand from homeowners for catastrophic disaster insurance is an expectation of liberal government assistance. They argue that,

[9] 'Flaws in the Ointment,' Davies, Phil. Federal Reserve Bank of Minnesota. 2006. http://www.minneapolisfed.org/research/pub_display.cfm?id=3192

[10] Kunreuther, Howard and Pauly, Mark. 'Insuring Against Catastrophes'. December 29, 2006. https://hcmg.wharton.upenn.edu/files/?whdmsaction=public:main.file&fileID=1703

> Federal disaster assistance creates a type of Samaritan's dilemma: providing assistance *ex post* (after hardship) reduces parties' incentives to manage risk *ex ante* (before hardship occurs)... To the extent that parties expect to receive government assistance after a loss – a form of free or low cost insurance – they might have less incentive to engage in mitigation or buy insurance before a disaster occurs. Because less insurance is purchased, the government's incentive to provide assistance after a disaster is reinforced or amplified[11].

In this respect, governments across Canada are unintentionally guilty of depressing any possible catastrophic insurance market.

Insurance as Discretionary Spending

Empirical evidence also shows that homeowners with insurance policies are likely to cancel them if they make no claim after the first years of holding it. This was even the case in designated Special Flood Hazard Areas where homeowners are required to purchase insurance as a condition for federally backed mortgages. After major floods, many homeowners were found to be non-compliant[12].

Failure of the US Insurance Model

"Mandatory" insurance in the United States has largely been a failure in its current form. As stated previously, many homeowners are non-compliant and are not found to be so until after a disaster has occurred.

This occurs despite the fact that flood insurance in the United States is heavily subsidized by taxpayers and acts largely as a wealth transfer to affluent Americans[13]. Kenneth Green of the US non-profit Environmental Trends argues that subsidized flood insurance encourages even more development in risky areas than would otherwise occur.

According to Erwann Michel-Kerjan in the US *National Tax Journal*,

> Highly subsidized premiums or premiums artificially compressed by regulations, without clear communication on the actual risk facing individuals and businesses, encourage development of hazard-prone areas in ways that are costly to both the individuals who locate there (when the disaster strikes) as well as others who are likely to incur some of the costs of bailing out victims

[11] Kunreuther, Howard and Pauly, Mark. 'Insuring Against Catastrophes'. December 29, 2006. https://hcmg.wharton.upenn.edu/files/?whdmsaction=public:main.file&fileID=1703
[12] Kunreuther, Howard and Pauly, Mark. 'Insuring Against Catastrophes'. December 29, 2006. https://hcmg.wharton.upenn.edu/files/?whdmsaction=public:main.file&fileID=1703
[13] Stossel, John. 'Taxpayers Get Soaked by Government's Flood Insurance. ABC News. September 20, 2012. http://abcnews.go.com/Business/Insurance/story?id=94181

> following the next disaster, either at a state level through ex post residual market assessments or through federal taxes in the case of federal relief or tax breaks[14].

The Cato Institute ads to the damning evidence against subsidized flood insurance.

> Defenders of government insurance programs claim that they reduce dependence on "free" disaster assistance and promote efficient risk management by property owners and farmers. But government policies are the cause of, not the cure for, the limited supply and narrow scope of private-sector disaster insurance. Demand for private coverage is low in part because of the availability of disaster assistance, which substitutes for both public and private insurance. Moreover, a government that cannot say 'no' to generous disaster assistance is unlikely to implement an insurance program with strong incentives for risk management. The subsidized rates and limited underwriting and risk classification of federal government insurance programs aggravate adverse selection, discourage efficient risk management, and crowd out market-based alternatives… State governments also intrude on insurance markets by capping rates, mandating supply of particular types of insurance, and creating state pools to provide catastrophe insurance or reinsurance coverage at subsidized rates. By reducing both the supply and demand sides of private insurance protection, government intervention leads to greater reliance on politically controlled disaster assistance and higher costs for taxpayers[15].

Senior players in Canada's insurance industry told the CTF that the designation of Special Flood Hazard Areas is highly politicized, as US Congressmen in flood-prone areas lobby to redraw maps to include areas with little to no risk of flooding in order to ease the premiums on those actually at risk.

Flood Insurance for Albertans and Canadians

No Watertight Solution

The CTF's third condition for a responsible recovery is that taxpayers and property owners be protected in the future to ensure that payments made to private property owners are one-time only, with future property damage costs externalized to the property owner.

[14] Michel-Kerjan, Erwann. 'Disasters and Public Policy: Can Market Lessons Help Address Government Failures?' The National Tax Journal. 2008. http://opim.wharton.upenn.edu/risk/library/07-04.pdf
[15] The Cato Institute. 'Cato Handbook to Congress: Policy Recommendations for the 107th Congress.' September 9, 2009. http://www.cato.org/pubs/handbook/hb107/hb107-40.pdf

The status quo of the government de facto-insuring property at the expense of the taxpayer clearly does not meet this condition, well intentioned but unbelievable statements about the current around of aid aside.

As discussed above, the American model of heavy subsidized and politicized flood insurance is rife with problems. Nonetheless, insurance remains the only practical way of externalizing the cost of property damage from natural disasters.

Mandating Flood Insurance for At-Risk Owners

Green argues that if it is impossible to entirely abolish taxpayer subsidies for disasters, then it should be minimized through risk-based insurance premiums.

Mark Browne and Martin Halek propose several options that they consider capable of solving the problems of insurance companies not offering policies or taxpayers being forced to subsidize damages. They recommend as the best possible option that the (US) federal government mandate that private property owners purchase flood insurance on the private market with premiums that reflect the full risk[16].

Similar to the United State's National Flood Insurance Program, this would require the government to designate which areas are at risk and therefore subject to the mandatory purchase of insurance. As evidenced by the American experience, a government body responsible for this designation would inevitably be subject to political pressures and interference, regardless of stated safeguards. It would further require the government to establish and fund a large new bureaucracy similar to the Automobile Insurance Rate Board.

If flood insurance for at-risk property owners is to be made mandatory, the best way to safeguard against political interference and the creation of new bureaucracies is to base 'mandates' on properties which have made claims under the Disaster Recovery Program (DRP).

Basing insurance mandates on which properties have made flood claims under the DRP within the last ten years would successfully include most at-risk properties, and safely exclude those properties not in danger. This would eliminate political interference entirely and require minimal bureaucracy to administer. In short, if you've received flood assistance in the past ten years, you need to have insurance; if you haven't, you don't.

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[16] Browne, Mark and Helek, Martin. 'Managing flood risk: a discussion on the national flood insurance program and alternatives," in Public Insurance and Private Markets. 2010. http://www.environmentaltrends.org/single/article/managing-flood-risk.html#sthash.vaCXLxtX.dpuf

As discussed above, there have been major issues with inducing private insurers into the market for flood coverage; chief among these being that demand for insurance is very limited, even when heavily subsidized.

This would likely be solved in the event that insurance was made mandatory for at-risk properties, and enforced. Like automobile insurance, making a product mandatory creates a market where one would otherwise not exist.

Insurance premiums should be determined strictly by actuarial calculations that reflect risk. Owners in high-risk areas would pay insurance premiums commiserate with that risk, while owners in safer areas would pay less.

An insurance program based on actuarial calculations of risk will inevitably mean that the price signal will be too great for some owners in high-risk areas. Where this is the case, one-time government assistance should help these owners to relocate. The cost of relocation however means that the province must move quickly to indicate its intensions toward an insurance program. Financially incentivizing homeowners to relocate after they have rebuilt would be inefficient and unreasonably hard on families.

The government's plan to incentivize homeowners in floodways to move by providing them with the full, property tax assessed value of their homes is generous, but effectively without limit. Therefore, a hard – and still generous – cap of $500,000 should be placed on any relocation assistance.

Recommendation

Mandate that all at-risk property owners purchase private overland flood insurance with premiums based on actuarial calculations of risk. Determining 'at-risk' properties should be based on claims under the DRP within the last ten years.

Provide relocation assistance to owners in high-risk areas up to the 2013 tax assessed value up to a hard cap of $500,000.

The government should indicate its intentions towards an insurance program immediately in order to allow property owners to make decisions between rebuilding and relocating.

Federal Natural Disaster Insurance Mandate

The federal government provides a large measure of aid in the event of natural disasters for both public and private property. Should Alberta be the only province in Canada to put in place a responsible insurance program to externalize disaster costs, Albertans would find themselves paying into the program, while drawing much less than taxpayers in other provinces. Further to this, taxpayers and property owners in other provinces have just as much need of financial protection from major natural disasters as are Albertans.

Therefore, the federal government should immediately begin work towards the establishment of a federal natural disaster insurance mandate.

Recommendation

Work with the federal government to towards the establishment of a federal natural disaster insurance mandate.

VI-Paying for the Recovery

Municipal Public Infrastructure

Federal and Provincial Support

In addition to massive damage done to private property, public infrastructure has suffered millions in damages. The City of Calgary estimates the preliminary cost of damages to be $256.5 million[17]. High River, Canmore and many other small communities face significant public infrastructure repair bills.

Under the federal government's Disaster Financial Assistance Arrangements (DFAA), both the province and municipalities will be able to recoup 90% of public infrastructure costs[18]. While the federal government will not reimburse the costs until the final cost is tallied, the remaining tab will be only 10%.

However, Calgary and other municipalities will likely not face any direct costs. Premier Redford has been clear that the City of Calgary and other municipalities will not have to pick up the bill for infrastructure damages and the costs of city employee overtime[19]. Additionally, the City has $295 million in its Fiscal Stability Reserve to help it cover any temporary outlays before being reimbursed by the federal or provincial governments. In short, Calgary has or will have the money necessary for rebuilding in its areas of responsibility.

Calgary and the $52 Million

The City of Calgary may find it prudent to rebuild some pieces of public infrastructure to a better state than they were before the flood. Any such additional costs would likely have to be born by the City.

The Canadian Taxpayers Federation has steadfastly opposed attempts by the Calgary City Council to keep the over-collection of taxes made available by the province not raising their portion as much as was expected by the City. There may however be merit in improving some infrastructure over its pre-flood condition. As such, the CTF has supported spending the $52 million on one-time improvements in public infrastructure, but with the strict condition that it

[17] 'Calgary Can't Handle Flood Bills Alone, Nenshi Says.' CBC. July 3, 2013. http://www.huffingtonpost.ca/2013/07/03/calgary-flood-cost-nenshi_n_3541928.html

[18] 'Disaster Financial Assistance Arrangements Revised Guidelines.' Public Safety Canada. http://www.publicsafety.gc.ca/prg/em/dfaa/

[19] Alberta Premier Alison Redford sats taxes shouldn't be hiked to pay for flood relief.' Calgary Sun, Rick Bell. July 7, 2013. http://www.calgarysun.com/2013/07/07/alberta-premier-alison-redford-says-taxes-shouldnt-be-hiked-to-pay-for-flood-relief

is returned to taxpayers in 2014. That is, that the $52 million does not become a permanent source of revenue in the budget, but rather be treated as a one-time emergency levy.

Mayor Nenshi's initial plan was to keep the $52 million in City hands for two years to net a total of $104 million. This was commendably reduced to one-year as recommended by the CTF, but with a strong hint that the City will permanently grab this money in future years[20]. It appears that taking 'only' $52 million now – but leaving the rest on the table with no promise that it will be returned in future years – was a move to neuter the issue temporarily until the October 2013 municipal elections are over.

Recommendation

Calgary should spend the initial $52 million on upgrades from damaged public infrastructure, with the strict condition that the tax room is returned to taxpayers in future years

Alberta

Public Infrastructure

As stated above, the federal government's DFAA is likely to cover 90% of Alberta's damaged public and private infrastructure. The amount reimbursed to Alberta will not be paid until the final bill is known, so Alberta will have to carry these costs temporarily. For example, the federal government provided $129 million for flood recovery following the 2005 floods, but the province did not receive this money until April 2013[21]. For the most part, the federal government will only reimburse a provincial government once the final bill is known.

In the meantime, this leaves Alberta with a massive funding shortfall that it must make up. Alberta must find the money to begin rebuilding for both public infrastructure and private property without delay.

[20] 'Ball is in your court Calgary, after city council takes $52 million tax break for flood costs.' Calgary Sun, Rick Bell. July 29, 2013. http://www.calgarysun.com/2013/07/29/ball-is-in-your-court-calgary-after-city-council-takes-52-million-tax-break-for-flood-costs

[21] 'Alberta Flood unlikely to stymie federal plans to slay deficit.' June 27, 2013. http://www.canada.com/news/Alberta+flooding+unlikely+stymie+federal+plans+slay+deficit/8589407/story.html

Total Costs

BMO Nesbitt Burns and the Alberta Treasury Branch both estimate total damages between $3 billion and $5 billion. Premier Redford herself said that the final bill would be "well over" $5 billion[22].

The percentage break between public and private property is not yet known[23]. Even though the federal government will cover much of the cost, the province will still need to find at least $5 billion.

While it is yet unknown how fast the government of Alberta will be able to 'get the money out the door,' the CTF has built a fiscal model on the assumption that Alberta will spend approximately $3 billion in 2013-14, $1 billion in 2014-15 and $1 billion in 2015-16. This is in addition to the $200 million that the province already budgets for disaster spending each year. As Minister Horner himself said, "It's not an exact science at this point, but we're getting there.[24]" This fiscal model can be refined as more details emerge on the government's disaster spending plans.

New Deficit Projection

So far, the province does not have a plan to pay for this. Unless the provinces gets one soon, the entire cost will be carried by yet more debt. As discussed previously in Section III of this report, the province was already on track to run a $5.1 billion deficit in 2013-14 before the flood and spend the last of the Sustainability Fund.

In Table 3, the CTF projects that unless there is a major reallocation of spending resources to pay for flood recovery, that the consolidated deficit will balloon from an already massive $5.1 billion in 2013-14, to a massive $8.1 billion. Without major corrective action, these sky-high deficits will remain for the foreseeable future at $4.1 billion in 2014-15 and$1.9 billion in 2015-16.

[22] 'Well over $5-billion needed to reverse Alberta flood damage, Redford says.' The Globe and Mail. The Canadian Press. August 19, 2013. http://www.theglobeandmail.com/news/national/well-over-5-billion-needed-to-reverse-alberta-flood-damage-redford-says/article13862748/

[23] 'Costs mount, devastation rises: the flood in numbers.' The Globe and Mail, Justin Giovannetti. June 24, 2013. http://www.theglobeandmail.com/news/national/costs-mount-devastation-rises-the-flood-in-numbers/article12792247/

[24] 'Well over $3B in flood costs facing province.' Calgary Herald, James Wood. July 31, 2013. http://www2.canada.com/calgaryherald/news/story.html?id=28cdbd5a-9821-4691-81d1-4431704091a2

Table 3: Updated Fiscal Outlook ($ millions)

Fiscal Plan Summary: Operating Budget	2013-14		2014-15		2015-16	
	Budget	Updated	Budget	Updated	Budget	Updated
Total Revenue	$38,612	$38,612	$41,911	$41,911	$44,998	$44,998
Less						
Revenue received for capital purposes	($522)	($522)	($464)	($464)	($389)	($389)
Investment income retained by the Heritage Fund	($297)	($297)	($379)	($379)	($651)	($651)
Savings of resource revenue	-	-	($416)	($416)	($492)	($492)
Allocation for the Capital Plan debt servicing costs	($238)	($238)	($404)	($404)	($593)	($593)
Operational Revenue	**$37,555**	**$37,555**	**$40,248**	**$40,248**	**$42,873**	**$42,873**
Operational Expenses						
Operating expenses (net of in-year savings)	$36,422	$36,422	$37,144	$37,144	$37,904	$37,904
Disaster / emergency assistance	$200	$3,200	$200	$1,200	$200	$1,200
Amortization / inventory consumption / loss on disposals	$982	$982	$1,000	$1,000	$1,040	$1,040
General debt servicing costs	$402	$402	$424	$424	$437	$437
Total Operational Expense	**$38,006**	**$41,006**	**$38,768**	**$39,768**	**$39,581**	**$40,581**
Operational Surplus / (Deficit)	($451)	($3,451)	$1,480	$480	$3,292	$2,292
Fiscal Plan Summary: Capital Budget						
Capital Plan Spending	$5,209	$5,209	$5,172	$5,172	$4,660	$4,660
Capital Plan Borrowing						
Alternative financing (P3s)	$344	$344	$206	$206	$114	$114
Direct borrowing	$3,190	$3,190	$4,379	$4,379	$4,039	$4,039
Withdrawal from Capital Plan financing account	$1,067	$1,067	-	-	-	-
Total Capital Plan Borrowing	**$4,601**	**$4,601**	**$4,585**	**$4,585**	**$4,153**	**$4,153**
Funded Capital Plan						
Revenue received for capital purposes	$522	$522	$464	$464	$389	$389
Retained income of funds and agencies for capital purposes	$84	$84	$118	$118	$118	$118
Disposals of capital assets	$2	$2	$5	$5	-	-
Total Funded Capital Plan	**$608**	**$608**	**$587**	**$587**	**$507**	**$507**
Capital Plan Surplus / (Deficit)	**($4,601)**	**($4,601)**	**($4,585)**	**($4,585)**	**($4,153)**	**($4,153)**
Consolidated Surplus / (Deficit)	**($5,052)**	**($8,052)**	**($3,105)**	**($4,105)**	**($861)**	**($1,861)**

Rebuilding Alberta is critical however, and the money must come from somewhere. The CTF's first condition for responsibly rebuilding Alberta was,

> That the government have a plan to pay for the rebuilding program by redirecting existing spending commitments towards the flood to ensure that the pre-flood deficit of $5.1 billion grows as little as possible.

To this end, the CTF recommends the adoption of its 2013-14 pre-budget recommendations in its report, 'Restoring the Alberta Advantage.' While 'Restoring the Alberta Advantage' had the intention of eliminating the province's deficit through prudent spending reductions, the application of the CTF's recommendations would now have the effect of minimizing the inevitable growth in the deficit to allow for a balanced budget in the future, without incurring unnecessary debt. Rather than cut net spending, this plan would now see spending reallocated.

As detailed in Table 5, this would be accomplished by a $2.7 billion reduction in planned operating followed by a two-year freeze, one-time proceeds from the sale of the Alberta Enterprise Corporation, and extending the 2014-15 and 2015-16 Capital Plan over three years. The $2.7 billion reduction in operating spending would be half implemented over the duration of the 2013-14 fiscal year with the other half implemented during 2014-15.This would be netted against a $300 million permanent increase to the disaster budget.

Table 4: Summary of Proposed Changes to Budget Over 2 Years ($ millions)

Reducing Public Sector Employee Costs	**$1,570**
10% wage rollback in Public Service, school boards & AHS	$1,420
5% reduction in Public Service employees	$150
Ending Corporate Welfare & Other Business Subsidies	**$141**
Eliminate bioenergy programs	$66
Eliminate funding for carbon capture and storage programs	$60
Eliminating the Alberta Multimedia Development Fund	$15
Other Reductions	**$119**
Eliminate the GreenTRIP funding	$93
Eliminate Alberta promotion programs	$10
Eliminate the Alberta Human Rights Commission	$8
10% reduction in Legislative Assembly spending	$7
Eliminate the Francophone Secretariat	$1
Other Operating Reductions	**$882**
Total Operating Reductions	**$2,711**
Increase in Disaster/Emergency Assistance	**$300**
Net Operating Reductions	**$2,411**
One Time Savings	**$99**
Eliminate the Alberta Enterprise Corporation	$99
Savings from extending the Capital Plan	**$1,895**
Net Spending Reductions	**$4,405**

Table 5 outlines the 'Responsibly Rebuilding Alberta' fiscal plan with a net $4.4 billion reduction in *post*-flood spending. This is excluding an increase in one-time flood spending of $3 billion in 2013-14, and another $2 billion over 2014-15 and 2015-16. The result is still a $1.8 billion net *increase* in spending relative to the *pre*-flood 2013-14 budget, with a net *decrease* of $3 billion in 2014-15 and $3.3 billion in 2015-16 relative to planned spending.

This would see the consolidated deficit reduced from an estimated $8.1 billion to $6.9 billion this fiscal year. Extending the Capital Plan, implementing the second half of operating reductions and freezing operating spending for a further two years would see a belated return to deficit in 2015-16.

Reallocating Spending

Table 5: 'Responsibly Rebuilding Alberta' Fiscal Plan ($ millions)

Fiscal Plan Summary: Operating Budget	2013-14		2014-15		2015-16	
	Projection	CTF	Projection	CTF	Projection	CTF
Total Revenue	$38,612	$38,612	$41,911	$41,911	$44,998	$44,998
Less						
Revenue received for capital purposes	($522)	($522)	($464)	($464)	($389)	($389)
Investment income retained by the Heritage Fund	($297)	($297)	($379)	($379)	($651)	($651)
Savings of resource revenue	-	-	($416)	($416)	($492)	($492)
Allocation for the Capital Plan debt servicing costs	($238)	($238)	($404)	($404)	($593)	($593)
Operational Revenue	**$37,555**	**$37,555**	**$40,248**	**$40,248**	**$42,873**	**$42,873**
Operational Expenses						
Operating expenses (net of in-year savings)	$36,422	$36,422	$37,144	$37,144	$37,904	$37,904
Disaster / emergency assistance	$3,200	$3,500	$1,200	$2,500	$1,200	$2,500
Amortization / inventory consumption / loss on disposals	$982	$982	$1,000	$1,000	$1,040	$1,040
General debt servicing costs	$402	$402	$424	$424	$437	$437
Savings from Operating reductions & freeze	-	($1,356)	-	($3,433)	-	($4,193)
One-time savings	-	($99)	-	-	-	-
Total Operational Expense	**$41,006**	**$39,852**	**$39,768**	**$37,635**	**$40,581**	**$37,688**
Operational Surplus / (Deficit)	**($3,451)**	**($2,297)**	**$480**	**$2,613**	**$2,292**	**$5,185**
Fiscal Plan Summary: Capital Budget						
Capital Plan Spending	$5,209	$5,209	$5,172	$5,172	$4,660	$4,660
Capital Plan Borrowing						
Alternative financing (P3s)	$344	$344	$206	$206	$114	$114
Transfer from Contingency Account	-	-	-	-	-	-
Direct borrowing	$3,190	$3,190	$4,379	$4,379	$4,039	$4,039
Withdrawal from Capital Plan financing account	$1,067	$1,067	-	-	-	-
Deposit to Capital Plan financing account	-	-	-	-	-	-
Extending the 3 year Capital Plan over 4 years	-	-	-	($1,895)	-	($1,383)
Total Capital Plan Borrowing	**$4,601**	**$4,601**	**$4,585**	**$2,690**	**$4,153**	**$2,770**
Funded Capital Plan						
Revenue received for capital purposes	$522	$522	$464	$464	$389	$389
Retained income of funds and agencies for capital purposes	$84	$84	$118	$118	$118	$118
Disposals of capital assets	$2	$2	$5	$5	-	-
Total Funded Capital Plan	**$608**	**$608**	**$587**	**$587**	**$507**	**$507**
Capital Plan Surplus / (Deficit)	**($4,601)**	**($4,601)**	**($4,585)**	**($2,690)**	**($4,153)**	**($2,770)**
Consolidated Surplus / (Deficit)	**($8,052)**	**($6,898)**	**($4,105)**	**($77)**	**($1,861)**	**$2,415**

The CTF's recommendations for areas to reallocate spending in Table 5 are both specific and broad-based. These include specific programs and funding items, as well as across-the board actions.

Every item listed in Table 5 is explained and elaborated in the CTF's balanced budget plan, 'Restoring the Alberta Advantage' on pages 21 to 41.

As stated above, the items listed in 'Restoring the Alberta Advantage' were intended as a way to balance the budget by the end of fiscal year 2013-14. The CTF is calling for the application of this plan – as much as is possible – as a way of now mitigating the inevitable increase in the deficit.

Recommendation

Reduce non-disaster related operating spending by $2.7 billion during the 2013-14 and 2014-15 fiscal years, and freeze remaining operating spending for 2014-15 and 2015-16.

Extend the 2014-15 and 2015-16 Capital Plan over three years

This will free up a cumulative $4.4billion annually for emergency flood spending and a belated return to balanced budgets.

VIII-Budgeting for Disasters

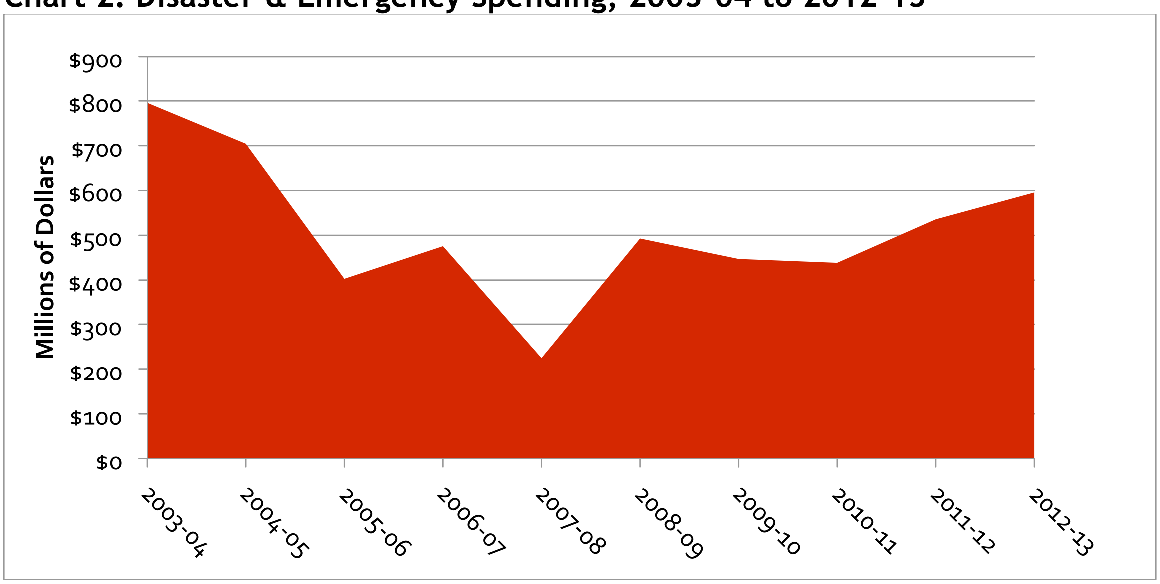
Disaster Spending History

Alberta spends a considerable sum of money every year on disasters and emergencies, yet the vast majority of those funds are unbudgeted for. Between 2003-04 and 2011-12, Alberta spent an average of $502 million on disaster and emergency relief, most of which was unbudgeted. In 2012-13, the government budgeted just $44 million for disasters, but closed the year spending $596 million.

In 'Restoring the Alberta Advantage,' the CTF recommended that the province of Alberta annually budget $500 million for disaster and emergency spending. While 2013-14 will stand as an anomalous spike in disaster spending that could not have been budgeted for (putting the Sustainability Fund aside), it does accentuate the problem of not budgeting for spending that is sure to take place.

The government partially accepted the CTF's recommendations in this area, increasing its disaster budget for 2013-14 from its planned $17 million to $200 million.

Chart 2: Disaster & Emergency Spending, 2003-04 to 2012-13



Disasters on the scale of the June 2013 floods cannot be reasonably budget for, but most can be. Disasters on this scale *could* be paid for by drawing down the Sustainability Fund, but as noted above, it was all but depleted before the flood.

In order to ensure that *most* natural disasters can be budgeted for, the province should budget at least $500 million a year for disaster and emergency spending.

Recommendation

Budget $500 million for disaster and emergency spending.

VIII-Conclusion

A Pragmatic Solution

The CTF has seldom in its history been supportive of a deficit, believing strongly that they are only ever justified in times of major natural disaster or war. This is just such a case and the CTF recognizes that the necessity of rebuilding makes a balanced budget in the short term more difficult. This is not to excuse Alberta's government from wasting away the $16.8 Sustainability Fund during good and fair-weather days, but it is recognition of the reality that we are in, regardless of how we got here.

This report is anchored in the CTF's mission of 'Lower Taxes, Less Waste, and Accountable Government,' but it recognizes that in times of major upheaval, governments – like the CTF – must be pragmatic, and sometimes change their plans.

Just as the CTF recognizes deficits to inevitable in the short term as a result of this tragedy, so too must the government come to terms with the reality of its spending to minimize an already burgeoning deficit.

IX-Appendix

Extended CTF Supporter Views

The comments below are selectively drawn from the CTF's supporter survey conducted in July 2013. They are not intended to be representative of CTF supporter views, but to express a broad range of opinions.

These are the opinions of 64 individual CTF supporters and are not necessarily representative of other CTF supporters, CTF spokespeople or the CTF as an organization.

- Living near flood plains maybe scenic and attractive but should come with a cost. The homeowner's cost, not a cost to high and dry communities. Having said that, how is it that a subdivision was ever allowed there in the first place? These areas should designated parks, always and forever.
- Cap the payments and then advise no future assistance, ever if you remain in a flood plain.
- Disallow any building or rebuilding on major flood plains. Where possible (such as High River) construct a floodway like the one in Winnipeg.
- Relocate the whole town if another disaster like that should happen again.
- Help people that need a roof over their head, on condition that they relocate. We need to mitigate future risk to all Albertans, and this would be most responsible. Rebuilding a CEO's multi-million dollar pad is not what the social safety net should be used for (unless you're buying their votes). Let's help those who absolutely need it to satisfy their basic needs, but there was a level of risk people took, and afforded to take. We can't set a precedence of bailing people out - because 100 years from now, you'll be on the hook again.
- Introduce legislation - no more building of homes or business on flood plane. Be better prepared for emergency and take action sooner - be proactive rather then reactive. Create emergency disaster fund for any future problems.
- Permanently evacuate all citizens and remove all structures that are presently on flood plains and prohibit any future development so the rivers can flood naturally on to these plains. This should have been done 40 years ago if our government was in any way responsible.
- Turn flood zones into parks only. Some limited assistance but only if they move off the flood plains
- An ounce of prevention is worth a pound of cure...they know the impact areas from the last major flood and they should now be proactive in instituting measures or programs to preclude any similar disaster in the future by building structures or what other thing would lessen or remove any threats to life and property.
- Mandate flood insurance coverage by the insurance companies for those that live in flood plain areas. Do not approve building in theses areas; it's just a tax grab to develop high-end housing in an otherwise very desirable area to live.

- Provide information to citizens regarding potential flood zones, etc., and suggest private insurance to homeowners (there's probably an opportunity now for insurance companies to start offering that service).
- We must quit building in vulnerable areas, stop rebuilding in vulnerable areas and make it mandatory that all residents have a backflow valve to prevent sewage backup. It is ridiculous how many businesses and homes repeatedly flood with backup and the residents do not have that valve when it happens again the second or third time.
- Improve flood warning procedures-why wasn't there sooner warnings? Either prohibit building near possible flood areas or introduce a 'build at your own risk' bylaw.
- Only cover homeowners up to average replacement costs for average homes for example up to $250,000. Expensive homes only up to aforementioned maximums.
- What happened to the Sustainability Fund that was designed to assist Albertans in cases of emergencies?
- Prevention is essential. Development must not be allowed on a flood plain! Why should we pay for damage when this is an area that we know will flood in the future?
- I would provide some relief for those affected but would make them sign a waiver stating that in future events such as this there will be no government relief for those living within 50 70 or 100 year flood areas. This waiver should be attached to the home so that subsequent buyers must sign as well.
- Not sure what Redford should do, and while I feel badly for those affected, I feel very strongly that neither my taxes nor my own insurance should be increased to subsidize costs for anyone who chooses (and they did choose) to live in a flood plain. One thing that Redford should do is ensure that municipalities (or provincial or federal agencies) cannot sell land for private development in areas that are bound to be affected by natural events, such as flooding or erosion (I am thinking of the millionaires' homes in Edmonton that slid down the banks a few year ago.) Why did the City of Edmonton sell land for private development when the geological reports told them it was inevitable any large structures built within a certain distance of the bank would inevitably and eventually slide? Same for municipalities selling land in flood zones.
- Am immediate ban on building permits within historical and predicted flood plain areas utilizing the most scientific methodology currently available. Historical (100 year) events would be the 'default' if differing studies were presented.
- Hold land developers accountable somewhat for building in those areas. I think municipalities who grant permits for building in those areas should be held accountable as well. I am tired of paying for the stupidity or poor planning of others. The same thing has happened in other municipalities allowing building permits near waterways. Edmonton had homes falling into the river due to riverbank erosion! Does anyone learn anything?
- Work towards eliminating the risk. Quit sprinkling taxpayer's money on recurring symptoms. Either stop development (and redevelopment) on flood plains, or build sufficient dams or water diversion channels to eliminate the possibility of future flooding.
- Do not fund the cost of rebuilding in places that are prone to flooding, do not raise taxes, cut spending and investigate the actions of the RCMP in High River.
- They need to pay for all damages because they allowed developers to build on known flood plains.
- Provide assistance to those who agree to move away from the flood plains, but only to the level provided in federal legislation. I have no quarrel with people choosing to live on rivers; just don't ask me as a taxpayer to bail them out when they get wet. Hundreds of millions have been paid to 'river dwellers' in recent decades and it makes no sense to continue such support.

- Do not allow building on flood plains unless the owners except full responsibility and have private insurance coverage.
- The first thing that comes to mind is buyer beware. People gravitate to owning riverside properties. What is needed here is that they are well informed that they do so at their risk.
- Stop spending money out of our rainy day fund.
- I would seriously consider some kind of flow mitigation on the rivers (Highwood, Elbow), which caused most of the damage. The Highwood has no flow mitigation (dams) anywhere and the Elbow only has the Glenmore, which is located inside the city limits. The Bow has two dams upstream from Calgary and it appears that these may have had a positive effect by limiting downstream flow.
- Instead of spending billions on rebuilding homes on flood plains or near rivers, consideration should be given to making it mandatory to build flood proof homes e.g. built up on pillars like in Florida or New Orleans.
- Consider people's income and choices they have made to live in these flood plains or at risk areas. The affluent should not receive everything. Also maybe an assessment on their property for the money given that some of the proceeds of the sale of their house goes to paying back the government or insurance company.
- Introduce mandatory private homeowner insurance to cover flood insurance as soon as possible and make this flood money a one time deal this way the responsibility falls on to the homeowner if you choose to live in a high risk area the cost of your insurance will reflect it.
- Legislate no homes or businesses to be built on flood plains.
- What happened to the Sustainability Fund? The government should provide all habitable homes with new furnaces, hot water tanks, electrical panels, fridges, freezers, stoves, appliances, etc for things that are the necessity of life. If the homes are no longer habitable, the gov't should pay to tear them down and remove them and the homeowner should not pay any property taxes until a new house is acquired.
- There should be no building allowed on flood plains; move people off the flood plains; offer maximum of $250,000 for flood loses and offer it as a one time payout as they already knew they lived on a flood plain. People who live in an area that is considered higher risk for flooding should be made to purchase flood insurance and sign off that they know they are in an area of risk. I don't think all Albertans should pay for the few who decided to put million dollar homes on a flood plain and $250,000 would at least give people affected a roof over their head to start again.
- Don't get me wrong, I do feel sorry for everyone involved with the floods, (I have had many disasters in my life with no government aid) but because the City of Calgary is built by two main rivers, they are on the flood plain and yes that is why the insurance companies don't cover the floods. Don't buy a property in the flood plains; it is going to flood sooner or later.
- Assistance level for property damage should be related to income.
- If insurance companies don't cover this type of damage, start a government insurance program that insures property. Insurance companies are in it for profit. Give them the ultimatum, 'either cover the cost or we will start a government provincial insurance.'
- Building permits should not be given to anyone who wishes to build in the Flood Plain areas and if they do they are responsible for either getting Insurance for their own properties. The government should not cover any damages in these areas.
- This is a serious issue considering our provinces unfortunate misuse of the 'rainy day fund'. Our spending is out of control and now this is shifting the issue to flood assistance and that is becoming an 'issue of the heart'. And unfortunately when the government is involved the cost skyrockets. Redford will have to

draw a spending line and hopefully not put us further in debt. It may unfortunately become the great excuse.

- Give people the freedom to take necessary measures to safeguard their own property against flooding as long as it does not affect others. Such measures might be cement walls as fences to hold back water. Those who choose to live in flood prone areas do so by their own choice and should bear their own responsibility. If the flooding is due to improper or poorly designed local infrastructure, the local municipality or developers should bear part of the responsibility. Proper city and infrastructure planning is crucial.
- I would have followed the recommendations from the Provincial Task Force that was formed after the 2005 flood!
- Build proper dykes etc. in flood plain areas. You will not stop people from living in these areas. For the last several hundred years communities have developed close to a water source, probably originally for the convenience of not having to carry water so far. That may not be the issue any more but those original communities did not dry up and blow away, then expanded to the cities we call home today.
- Pass legislation to prevent development on flood plains and to require people already on flood plains to provide for their own losses
- Limit the coverage provided by the Alberta government for people who built on a flood plain but cover those who were affected by the 3rd (most recent) and most devastating 100 year flood in two decades.
- Force Calgary and Edmonton as well as all other municipalities to insure for or take steps to mitigate flood issues in areas where they have built on known flood-plains
- First order of business should be eliminating the Emergency Operations Act. Damages from the flood were aggravated by the interference of various government agencies not allowing residents back into their homes to mitigate flood damage in High River. Total cost of damages will be many times what it would have been had homeowners been allowed access to their homes to pump water out of basements within days of the flood, as opposed to being forcibly kept from their homes for weeks. The few homeowners who chose to stay in town, and pump their basements, ended up with very little damage. The result of government overstepping its boundaries will end up being a very costly bill to the taxpayer.
- This should be considered an act of God. Some people do need help, but look to seniors, invalids, children and single mothers before all else.
- The government needs to stop selling land along creeks, rivers, etc, so people are not building there, they also need to put something in place to not allow any future building along creeks, rivers etc.
- Ensure that there's a ' notification' on the property registration when the home in a flood plain so property owners know what they are buying. Under no circumstances should the government get into flood insurance. There are companies with actuaries that can do that. Only those in postal codes with risks should have mandatory coverage required.
- Where is the $16 billion of the Sustainability Fund? That should be used and only that. Answers need to be given on this.
- I think the rhetoric has cast the die - there will have to be payments. They should only go to those who are means tested and to a fixed amount. Anyone who rebuilds within the 200-year flood level must sign a waiver saying they will never get anything again and the waiver must be on the property registration so that anyone subsequently buying the property is aware and must also sign the waiver in order for the transfer to be made. Any new development within a 200-year floodplain within the province must be levied a fee equal to 1/3 of the value of the construction to be paid into a flood insurance account.

- Help the folks affected to get mortgages for new homes, loans to get restarted, and things of that nature. There are many people that lose stuff in situations other than floods that do not get financial help from the Government. It's nice to build on the edge of the lake or overlooking a river valley but just because we are here geology is not going to stop. Like when the houses slid down the hill in Edmonton and we are expected to pick up the tab for someone's nice view.
- All homes built on the flood plains should not be covered; there is no reason to build on any flood plains in Alberta.
- Although I feel bad for those affected by the floods if we keep covering such things there is no incentive for people to stop building in these areas.
- I would help the people who were insured but that the insurance wouldn't cover the costs of sewer backup due to overland flooding. $1 billion dollars for flood victims is too much money to give away when we are losing teachers and other services are being cut. In my house, we donate money when we have extra money no when we are going further into debt.
- Persons with homes or businesses in old plains must accept that they may be subject to a flood. It is like earthquake insurance or hurricane insurance policies of such governments. As a taxpayer, why should I have to pay to rebuild a million dollar home! Institute a means test on the rebuild of flooded homes. California does that with earthquake damages. I do not support a temporary tax as they tend to remain in place. The government has to take a stand of moderate relief to those who have the means to rebuild or relocate. Sorry, but the taxpayers cannot pay all the rebuild costs.
- Make the cities have to pay for a portion of their own rebuild. My tax dollars should not go to fix a problem in a known flood plain when I do not live on one.
- Provide provincial assistance with a maximum limit to all those affected; in the future, people who continue to live in or purchase homes in high-risk areas (by rivers or in flood plains) should not be given government assistance. Why should all the citizens pay for their foolishness? Most of those homes were valued at or over $1 million; they are not worth that now.
- I believe major steps need to be taken in several area's such as; relocation out of flood zones where possible, introduction of new private flood insurance, (trying as much as possible to keep the government out of it), and new long term civil engineering flood diversion steps need to be taken in order to limit damage the next time around.
- Lets see a detailed budget of where this money is coming from, what is being cut, and where will the funds be spent. Government should also get back to a rainy day fund, and quit sending our revenues down east.
- Forbid people and/or businesses building on flood plains and ensure the policy is followed. Municipalities must be made accountable when issuing building permits, I feel they need to help pay for the damage caused by their lack of policies regarding building on known flood plains.