



Legislative Assembly of Alberta

The 29th Legislature  
Third Session

Standing Committee  
on  
Public Accounts

Treasury Board and Finance

Wednesday, September 6, 2017  
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**Legislative Assembly of Alberta  
The 29th Legislature  
Third Session**

**Standing Committee on Public Accounts**

Cyr, Scott J., Bonnyville-Cold Lake (UCP), Chair  
Dach, Lorne, Edmonton-McClung (NDP), Deputy Chair

Babcock, Erin D., Stony Plain (NDP)\*  
Barnes, Drew, Cypress-Medicine Hat (UCP)  
Carson, Jonathon, Edmonton-Meadowlark (NDP)\*\*  
Fildebrandt, Derek Gerhard, Strathmore-Brooks (Ind)  
Fraser, Rick, Calgary-South East (UCP)  
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Gotfried, Richard, Calgary-Fish Creek (UCP)  
Hunter, Grant R., Cardston-Taber-Warner (UCP)\*\*\*  
Littlewood, Jessica, Fort Saskatchewan-Vegreville (NDP)  
Luff, Robyn, Calgary-East (NDP)  
Malkinson, Brian, Calgary-Currie (NDP)  
Miller, Barb, Red Deer-South (NDP)  
Panda, Prasad, Calgary-Foothills (UCP)  
Renaud, Marie F., St. Albert (NDP)  
Turner, Dr. A. Robert, Edmonton-Whitemud (NDP)  
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\* substitution for Nicole Goehring

\*\* substitution for Cameron Westhead

\*\*\* substitution for Derek Fildebrandt

**Also in Attendance**

McIver, Ric, Calgary-Hays (UCP)

**Office of the Auditor General Participants**

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Brad Ireland	Assistant Auditor General

**Support Staff**

Robert H. Reynolds, QC	Clerk
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Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk
Karen Sawchuk	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications
Jeanette Dotimas	Communications Consultant
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Janet Schwegel	Managing Editor of <i>Alberta Hansard</i>

## **Standing Committee on Public Accounts**

### **Participants**

Ministry of Treasury Board and Finance

Lowell Epp, Assistant Deputy Minister, Treasury and Risk Management

Darren Hedley, Assistant Deputy Minister, Strategic and Business Services

Lorna Rosen, Deputy Minister

Catherine Rothrock, Chief Economist and Executive Director, Economics and Revenue Forecasting

Dan Stadlwieser, Controller

Bryce Stewart, Assistant Deputy Minister, Budget Development and Reporting



**1 p.m.**

**Wednesday, September 6, 2017**

[Mr. Cyr in the chair]

**The Chair:** Good afternoon, everyone. I'd like to call this meeting of the Public Accounts Committee to order and welcome everyone in attendance.

My name is Scott Cyr. I'm the MLA for Bonnyville-Cold Lake and the chair of this committee. I'd ask that the members, staff, and guests joining the committee at the table introduce themselves for the record, and then I will go to the members on the telephone lines. To my right.

**Mr. Dach:** Good afternoon. Lorne Dach, deputy chair, MLA for Edmonton-McClung.

**Ms Miller:** Good afternoon. Barb Miller, MLA, Red Deer-South.

**Mr. Malkinson:** Good afternoon, everyone. Brian Malkinson, MLA for Calgary-Currie.

**Ms Luff:** Robyn Luff, MLA for Calgary-East.

**Ms Babcock:** Good afternoon. Erin Babcock, Stony Plain.

**Mr. Carson:** Good afternoon. Jon Carson, MLA for Edmonton-Meadowlark.

**Mrs. Littlewood:** Good afternoon. Jessica Littlewood, MLA of the beautiful rural constituency of Fort Saskatchewan-Vegreville.

**Ms Renaud:** Marie Renaud, St. Albert.

**Dr. Turner:** Bob Turner, Edmonton-Whitemud.

**Mr. Hedley:** Darren Hedley, Treasury Board and Finance, assistant deputy minister.

**Mr. Stadlwieser:** Dan Stadlwieser, Controller.

**Ms Rosen:** Lorna Rosen, deputy minister, Treasury Board and Finance.

**Mr. Stewart:** Bryce Stewart, assistant deputy minister.

**Ms Rothrock:** Catherine Rothrock, chief economist, Treasury Board and Finance.

**Mr. Ireland:** Brad Ireland, Assistant Auditor General.

**Mr. Saher:** Merwan Saher, Auditor General.

**Mr. Gotfried:** Richard Gotfried, MLA, Calgary-Fish Creek.

**Mr. McIver:** Ric McIver, MLA, Calgary-Hays.

**Mr. Panda:** Prasad Panda, MLA, Calgary-Foothills.

**Mr. Fraser:** Rick Fraser, Calgary-South East.

**Mr. Hunter:** Grant Hunter, Cardston-Taber-Warner.

**Dr. Massolin:** Good afternoon. Philip Massolin, manager of research and committee services.

**Ms Rempel:** Hello. Jody Rempel, committee clerk.

**The Chair:** Those on the phone? Mr. Barnes, can you introduce yourself, please?

**Mr. Barnes:** You bet. Drew Barnes, MLA, Cypress-Medicine Hat.

**The Chair:** Okay. A few housekeeping items to address before we turn to the business at hand. I would like everybody at the table to make sure that they speak clearly and loudly into the mikes so that everybody can hear. The microphone consoles are operated by the *Hansard* staff, so there's no need to touch them. The audio and video of this committee's proceedings are streamed live on the Internet and recorded by *Hansard*. Meeting transcripts are obtained via the Legislative Assembly website. Please turn your phones to silent for the duration of the meeting.

I'd like to go to the approval of the agenda. Are there any changes or additions to the agenda? Seeing none, would a member move that the agenda for the September 6, 2017, meeting of the Standing Committee on Public Accounts be approved as distributed? Thank you, Mrs. Littlewood. All for? Any against? On the phones? Carried.

I'll move on to the approval of the minutes. Do members have any amendments to the minutes? If not, would a member move that the minutes of the June 6, 2017, meeting of the Standing Committee on Public Accounts be approved as distributed? Ms Miller. All for? On the phones? Any against? Carried.

All right. I'd like to welcome our guests from the Ministry of Treasury Board and Finance, who are here to address the consolidated financial statements and Measuring Up section of the government's 2016-2017 annual report. I invite the officials from Treasury Board and Finance to provide opening remarks not exceeding 10 minutes. Thank you.

**Ms Rosen:** Thank you, and good afternoon. I'm here to provide an overview of the government of Alberta's 2016-2017 annual report. The annual report offers a detailed look back at what was a challenging year for both the provincial government and Albertans. It includes the consolidated financial statements, a section on Measuring Up, and an executive summary, which provides the overall fiscal results for the province, including total revenue, spending, assets, and liabilities. The financial statements contained in the report also compare budget to actual financial results.

Before I get too far into some of the details, I would like to note that this government is committed to following the highest standards of conduct and accountability. I appreciate the work of the Auditor General and his staff to ensure that government is conducting business as effectively and efficiently as possible.

The Auditor General's report on page 31 is unqualified, indicating that the financial statements are presented fairly and in accordance with Canadian public-sector accounting standards. The Auditor General audits more than 150 government entities that are included in these financial statements, all of which also received an unqualified opinion. As a result, Albertans can know that they are receiving accurate information on the province's financial performance.

Turning your attention first to the economy, it's important to remember that while Alberta's economic situation is improving, we did experience significant challenges in 2016, hitting a low point in mid-summer. Alberta's economy contracted by an estimated 3.5 per cent in 2016, after a 3.6 per cent decline the year before. Oil prices reached a 12-year low of \$26 a barrel in February 2016. In addition, the Wood Buffalo wildfire also disrupted oil production and investment. These events had a significant impact on the government's bottom line and the province's economy. Worse yet, many Albertans were affected through job loss and decreased household incomes. Employment fell by 1.6 per cent, the largest contraction since 1983.

Though we saw many people leave the province to seek job opportunities elsewhere, strong levels of immigration continued to support population growth of 1.8 per cent, adding pressure to public services. The government's focus was to keep as many Albertans working as possible and to build a business-friendly climate. Government decreased the small-business corporate income tax rate by 33 per cent, from 3 to 2 per cent, and introduced new tax credits to spur economic growth and diversification.

Looking at the results from the past year, it's clear the oil price shock and resulting recession had a significant impact on government revenue. Both corporate and personal income tax revenue were lower as the economy continued to contract for a second year, and the effects rippled through the province. This was compounded by the Wood Buffalo wildfire, which disrupted oil sands production. Total revenue was \$42.4 billion, a decrease of \$0.2 billion from 2015-16 but an increase of \$1 billion from the budget. Lower tax revenue was partially offset by higher investment income and federal transfers primarily for wildfire assistance. Resource revenue was up by more than \$1.7 billion from budget due primarily to slightly higher than expected oil prices and a lower differential as well as lower costs for industry.

The heritage fund provided record investment income due largely to strong performances in global equity markets, particularly in the latter part of 2016-17. The fund surpassed its benchmarks and produced a net investment income of \$2.3 billion, breaking the previous record of \$2.1 billion, set in 2013-14. This was the result of excellent returns in global equity markets as well as Canadian markets seeing improved returns in the energy sector as crude oil rebounded from multiyear lows. Of the fund's \$2.3 billion net income for 2016-17, \$182 million was retained for inflation-proofing as required by the legislation. More than \$2.1 billion was transferred to the general revenue fund, bringing the five-year total of transfers from the fund to \$7.7 billion.

The carbon levy, which came into effect January 1, generated \$250 million in revenue in 2016-17. Most of the revenue was allocated for direct rebates to Albertans and to finance the small-business tax reduction. The remaining balance of \$45 million carried into this fiscal year for allocation to climate leadership initiatives. Climate leadership revenue expense will net out over time as the funding is recycled back into Alberta's economy.

I also wanted to quickly note that we included the Balancing Pool in our reporting, following consultation with the office of the Auditor General. Under these accounting standards the government will now include the Balancing Pool in our financial reporting. The notable effect was a decrease in income from government enterprises by \$1.95 billion for 2016-17.

#### **1:10**

Total expense was \$53.2 billion, an increase of \$4.1 billion from 2015-16 and \$1.9 billion more than budget due largely to disaster assistance for the Wood Buffalo wildfire and the agriculture sector and a one-time accounting requirement for future coal transition payments. While this \$1.1 billion treatment is being reported for the 2016-17 year, the actual amounts will be paid out annually over the next 14 years. The expense was simply booked in 2016-17.

This resulted in government exceeding the in-year spending increase limit as outlined in the Fiscal Planning and Transparency Act. While other extraordinary one-time expense increases were excluded from the rule such as emergencies and disasters, the accounting for something like the coal transition agreement was not contemplated when the legislation was drafted. Alberta's population continued to grow significantly. Combined with the effects of the downturn, this put significant pressure on government programs and services.

The operating expense was \$519 million higher than budget due primarily to drug costs and physician compensation; school enrolment growth; higher caseloads for social programs such as income support, AISH, and child intervention programs. At the end of the fiscal year the deficit was \$10.8 billion, with the consolidation of the Balancing Pool and the accounting of the coal transition agreement offsetting the increases in revenue.

The capital plan supported \$6.6 billion worth of infrastructure projects in 2016-17. This is a decrease of \$1.9 billion from budget but approximately the same amount as was accomplished in 2015-16. The majority of the decrease is related to the reprofiling of funding into future years to align the timing of cash flows with the progress of projects.

In terms of Measuring Up this section provides a high-level overview of the results achieved under the five strategic priorities, which are: a diversified economy that creates jobs and opportunities for all Albertans, demonstrated leadership on climate change, education and training, safe and inclusive communities, and sustainable and accessible health care and supports. The performance measures and indicators reported in Measuring Up are the same ones reported in the government of Alberta strategic plan for 2016-2019. They are based on data collected at the ministry level, with the majority appearing in ministry annual reports and in Measuring Up.

Since 2014 we have been implementing the Auditor General's 2013 systems audit recommendation related to improving results analysis in ministry annual reports. As part of this implementation you will see a greater focus on performance measure results analysis with less focus on just reporting our activities. We have placed a new emphasis on reporting through the eyes of management. This offers a strategic perspective which analyzes performance results within the context of past results and the current environment. It also includes strategies for achieving improved future results.

To wrap up my comments, even after a prolonged downturn Alberta's economic foundation remains strong. We still have the lowest overall tax burden among the provinces and a young, skilled, and educated labour force. Our economy is expected to expand in 2017, with real GDP now forecast to increase by 3.1 per cent. Activity is picking up and many economic indicators are on the rise, but full recovery will take time. Financial recovery for the province will also take some time.

This concludes my formal remarks, and I and my colleagues would be pleased to answer your questions about the report. Thank you.

**The Chair:** Thank you, Ms Rosen.

I'd like to now turn it over to the Auditor General for his comments. Mr. Saher, you have five minutes.

**Mr. Saher:** Thank you, Chair. I won't need five minutes. In fact, the deputy minister told you what I was going to tell you. I will just stress the fact that the audit office gave what in simple language is a clean audit opinion on the consolidated financial statements of the province, confirming to Albertans that the results that are reported and the balance sheet, those numbers are in accordance with Canadian public-sector accounting standards. I would like to just add that the audit office is not directly engaged in providing any assurance on the information provided in Measuring Up.

Thank you.

**The Chair:** Thank you, Mr. Saher.

Our time allotment format for questions from the committee members has been adjusted specifically for today's three-hour

session. The first rotation will be 20 minutes each for the Official Opposition and government members. Our second and third rotations will be 20 minutes for any opposition committee members, followed by 20 minutes for the government members. The final rotation will reduce these time slots to 10 minutes each for any opposition committee members and government members and a five-minute slot for any independent, Alberta Party, Liberal, or members in attendance who wish to participate. With the agreement of the committee the first rotation will continue in five-minute increments for any time remaining.

I will now open the floor to questions from members. Just as a note before I do that, there is a three- to four-minute time frame that is designated at the end of this meeting for questions to be read into the record.

All right. Mr. Gotfried.

**Mr. Gotfried:** Thank you, Mr. Chair, and thank you to our senior representatives from Treasury Board and Finance for joining us today and providing us with some insights and information.

The first question I'd like to ask is with respect to page 11 of the report, where it's reflected that the total expense was \$53.2 billion, which is a \$4.1 billion increase from 2015-16 and a \$1.9 billion increase from the budget. The increase of \$4.1 billion, from my calculations, is a 7.7 per cent increase, far more than population and inflation. Yet on page 2 of your report it says that growth was limited to 3.3 per cent. Not only is this spending far above inflation, but it is over double the limit set by the Minister of Finance. Can you explain to us why government is not able to or committed to spending within and according to their own preset limits?

**Ms Rosen:** Thank you for the question. I think that it's important to understand that 2016-17 was an unusual year in a number of aspects with respect to expenditures. The variance from budget was largely due to significant assistance required for Wood Buffalo and other wildfires. In addition, accounting standards required reporting a \$1.1 billion liability and expense for future-year coal phase-out transition payments. I think that it's important to understand that a disaster the magnitude of Wood Buffalo could not be foreseen and that the transactions that gave rise to the \$1.1 billion liability and the expense for the future-year coal phase-out transition payments were anticipated as occurring on an annual basis as opposed to being accounted for all at one time. I think that those are the two major pieces that it's really important to understand in terms of the increases to the expense budget.

**Mr. Gotfried:** Okay. Thank you. Certainly, the disaster in Fort McMurray is not within our control, but possibly the coal transition could be.

How did the Minister of Finance let other ministries increase their spending by double the limit set by the Minister of Finance? You know, in looking at extension of various other line items, where were the controls, and why were those controls and those limits not adhered to?

**Ms Rosen:** I think that of the two major areas that I'll speak to with respect to other ministries exceeding their expenditures, the first would be Health. There was a strong plan in place to actually reduce the rate of growth for Health expenditures, and that was accomplished in 2016-17, just not to the degree that had been anticipated. A typical percentage increase for Health year over year is in the neighbourhood of 6 per cent, and where Health actually wound up for '16-17 was in the 3 to 4 per cent range. It was a little bit higher than what had been anticipated, predominantly because while there was some success in reducing physician costs, it came a little bit later in the year than had been anticipated. So the full

result that had been budgeted for was not seen, but that will continue on and have a positive benefit in 2017.

The other area that I'll speak to in terms of significant increase in cost is Education, and that was because we underestimated the enrolment increases in the K to 12 system. We're very good at projecting increases that are related to natural increases in Alberta population, but it's harder for us to actually project an increase that arises from immigration. So we were out on those estimates.

Those were the two largest ministry increases in terms of moving forward. There was also some increase with respect to what is now Community and Social Services in terms of income supports and also supports to those on social programs such as AISH and support for persons with developmental disabilities.

So those were the major areas, and I really do believe that in Health in particular there was a very strong effort put in to actually control those expenditures and that we're on track to see good results in that area.

1:20

**Mr. Gotfried:** Thank you. It sounds like we've got to bend the curve a little bit further.

Does the ministry, under the direction of the minister, not have adequate controls over the budget to ensure that he and his department stay within their own preset limits? We're now pushing it down and saying that some of the other ministries are not living within the limits, but what about the ministry and the minister themselves within Treasury Board and Finance? What controls do you think maybe could be brought into place that will help you to meet those preset limits?

**Ms Rosen:** In terms of Treasury Board and Finance's budget one of the challenges that the ministry itself has is that it's an area where a number of uncontrollable expenditures actually reside: pension liability and tax collections, et cetera. If you actually isolate the department's budget itself, we did stay within our budget, and in fact we surplussed some money. It's just that when you look at what I would call the statutory expenditures, whereby we don't have any choice as to whether or not they're paid or not paid, they're just dealt with at the levels where they come in. We do our best possible job that we can in estimating them, but it is difficult. Within the actual ministry expenses that we control, we did in fact come within our budget, and in fact we're a little bit under our budget.

**Mr. Gotfried:** What are the functions of limits, then, if in fact there are so many other factors out there that will prevent you from meeting those limits? Is there a way for us to mitigate those extraordinary items there or at least ensure that there is some contingency within that to actually meet preset spending limits? I'm having a hard time understanding why we have preset limits that we will continually exceed because of factors beyond our control.

**Ms Rosen:** Just in terms of the use of the word "limits," I think that it's important to understand that we have a budget which does act absolutely as a control mechanism, but where, say, for example, the limits on in-year increases in expenditure apply, they actually don't apply to those areas of what I would call statutory expenditure, over which we have no control. The reason that they don't apply is simply because we're expected to do the best possible job we can with the information that we have available to actually project what those expenses are going to be. But it's acknowledged that we cannot control them, and that's why it's not included in, say, the 1 per cent limit, for example.

In the other areas I think that, absolutely, we want to, in particular in these tough times, set stretch targets. We want to set targets that actually will cause us to use the best of our ability to try and actually

hit them because that's what the circumstances demand, and I think that it's better for us to try and stretch to those targets than to set something that's easier that can be accomplished, you know, without much effort.

**Mr. Gotfried:** So are you seeing a bit of a move towards some austerity, then, within the budgets and within the ministries to try and achieve and stay within those limits?

**Ms Rosen:** Well, yeah. If I can focus just for a minute on operating expenditures, I do believe that the plan, which is to keep operating expenditures to less than the rate of population growth and inflation, actually is akin to taking a real cut. If you think about it, most government services are people based, for example education. As population increases, as education enrolment increases, because we fund on a per-student basis, then your expenditures are going to increase. If you add any kind of inflation factor into that as well, with us keeping up to 1 per cent below the rate of population growth and inflation, it is actually like us taking a cut. That's a very difficult thing to do. As long as we can keep to that, I believe that in the absence of looking at reducing services to Albertans, which this government has said repeatedly that it's not going to do in these tough times, it is the best way for us to try and control expenditure.

**Mr. Gotfried:** I guess my perspective on that is that it takes efficiency and improved productivity off the table if we're not able to achieve certain results within the same expenditures.

But I'll move on to another question. On page 2 it outlines cost-saving measures, specifically using health care as an example, saying that health care was limited in growth at a lower rate than the average of the previous five years, yet according to page 129 health care is set to increase in 2016 by the highest amount per capita in the last five years. It looks like it'll increase \$90 per person compared to double the previous high at \$44 per person. We've already pointed out that the government was unable to stick to the 3.3 per cent increase. Now we're seeing that health care spending, which you highlighted earlier, is out of control, in fact more than double the increases we've seen in the past. How do you reconcile this apparent contradiction in the report with what you mentioned here earlier in terms of controls and in terms of bending that curve on budget expenditures?

**Ms Rosen:** I do believe – and as I provide this answer, staff are going to perhaps help me with this – that what you're seeing on the graph on page 129 is in constant dollars. It's not in terms of actual inflated dollars on a per capita basis, and our costs do go up for health by more than just population growth. The Conference Board of Canada has actually come out and said that it is reasonable to expect that health care expenses across Canada will increase by at least 5.2 per cent per year, and while part of that is for population growth, that's less than 2 per cent. The balance is because we are seeing inflated costs for new drugs, new processes, new technology, and, quite frankly, for demographics for the aging of Canadians and in our case Albertans.

So what we are trying to do is to bend the total cost of the percentage of the health care budget from that 5 to 6 per cent level down to something that's more akin to the 3 to 4 per cent level. Between 2015-16 and '16-17 we actually were successful in bringing that down below 4 per cent, when in the previous year it was 6 per cent.

If somebody has something supplemental that they want to say in answer to that.

**Mr. Gotfried:** So still above inflation and population growth?

**Ms Rosen:** If you actually count inflation as being the consumer price index, then, yes, because the basket of goods that health care purchases has nothing to do with the basket of goods that consumers buy.

**Mr. Gotfried:** Right. Thank you.

This year the deficit was able to stay the same, at \$10.5 billion, due to the fact that the contingency account was there to draw from. Projections for spending are set to increase, as you said, to meet the needs of growth and sometimes exceeding that. Meanwhile revenues are not increasing, and oil prices are not recovering. Once our savings, or in this case the contingency account, are gone, how does the ministry plan on keeping the deficit from increasing without a savings account to draw from and without relying on oil price recovery, which, of course, is contrary to indications from economists, analysts, and oil futures markets?

**Ms Rosen:** I just want to, with all due respect, be clear with respect to '16-17. Oil prices did increase, and they did increase quite significantly. As I said in my opening comments, the price of oil hit a low of \$26 a barrel in February 2016, and we ended the year with an average of \$48 a barrel. So that is quite a significant increase over that period of time. If we're talking more future oriented, it is absolutely true that we started off Budget 2017 with high hopes and had increased the price of oil to \$55 a barrel, which was then \$7 more than in '16-17, and in Q1 we did draw that back to \$49 because it was obvious that we probably were a little bit ambitious with respect to the price of oil in Budget 2017.

But in '16-17 we actually did better than we had anticipated because in the budget originally we had actually based it on \$42 a barrel, and we did increase that once in quarterly reporting and then wound up the year with an average of close to \$48. So I think that for last year we made significant gains, albeit because we bottomed out. Like, the price of oil went extremely low, and one could say that if you were going to place any value on the commodity at all, we only had one way to go, which was up. But we actually gained quite a bit of ground in '16-17. If your question is, "Are we relying on similar gains for the future?" I would suggest to you that no, we're not because I don't think that it would be prudent to do so.

1:30

**Mr. Gotfried:** So without having the contingency account to rely on to close that gap and not having any expected significant increase in revenue, what are the plans, then, when the contingency account is no longer there to draw from to keep us from going above the \$10.5 billion deficit?

**Ms Rosen:** Minister Ceci's commitment to a path to balance by '23-24 is still within the government's commitment. Of course, they are looking at a number of different ways to bring that to fruition. We're going to continue to emphasize expenditure control without reducing programs and services that are of significant value to Albertans. We are absolutely looking at ways, as you had indicated, to be more efficient and effective and thereby reduce the growth in costs.

**Mr. Gotfried:** Okay. Thank you. I hope that we'll work more closely with the Energy department on our projections because we seem to be very reliant, of course, on what those projections look like.

In the report that we've got in front of us today, where and on what page can I find the outline plan you've mentioned to balance the budget by 2024? I don't see any actual clear indications of how we're going to achieve that or how the minister intends on achieving that on behalf of Albertans.



**Ms Rosen:** There is not a published plan, so I'm not sure that you would find it in this document, anyway, because it is an annual report. We do, in our three-year budget, Budget 2017, demonstrate the ambition to reduce the deficit in each one of the years of the fiscal plan so that you establish that downward trajectory. With respect to actual publishing of a path-to-balance plan, I'm afraid I don't have any comment on that at this time.

**Mr. Gotfried:** Okay. It's notable that this 2024 date is not mentioned anywhere in this document that I can find, and in my experience, without having things clearly stated and a plan in place, goals are not very easy to achieve.

On page 23 it says that Albertans "would have paid an estimated \$7.5 billion more in taxes and carbon charges if Alberta had the same taxes and carbon charges as the next lowest... Canadian province." Is this mentioned in the annual report as a point of reference as to how much more the government is planning on raising taxes in order to match the next-lowest province? Maybe you could give me some insights on that.

**Ms Rosen:** No, I don't think that that's the reason it's mentioned at all. I think that it's actually mentioned as an indicator of fiscal sustainability because while we do have a challenging situation right now, compared to other Canadian provinces, we actually have a fair amount of tax room. Despite how significant our fiscal situation is at this point in time, we're still better off than any one of our provincial counterparts, and we do have options. I think that it's meant to convey that from a fiscal sustainability perspective we have quite a bit of tax room.

Of course, since this report was published, Budget 2017 does demonstrate that that has changed because other provinces have raised their taxes, so the difference is now \$8.7 billion, and the next-lowest jurisdiction is now B.C. and not Saskatchewan. That kind of measure is, I think, just relative to our capacity and our fiscal well-being compared to other provinces.

**Mr. Gotfried:** Okay. I think that, if I'm not mistaken, is in light of the fact that our debt is actually higher than all of the other jurisdictions combined, but we'll leave that one aside.

**Ms Rosen:** If I could, our debt is not actually higher. It may be at this particular point in time growing faster, but our net debt is still one of the lowest in Canada.

**Mr. Gotfried:** I understand. I meant deficit when I mentioned that.

With the carbon tax rising 50 per cent in January of this year, obviously Albertans were paying more taxes than the \$7.5 billion figure, and that Albertans paid lower taxes than other jurisdictions will need to be updated. Can the panel ensure that this number is updated in the next annual report so that Albertans know how much more the government is taxing them each year, so that we have a measure of like to like?

**Ms Rosen:** In Budget 2017 it actually does raise the \$8.7 billion figure, and that is including the full implementation of the carbon levy at \$30 a tonne, so all of that is already considered. With that considered, we still have an \$8.7 billion, I guess, tax advantage over B.C., so we do work to make sure that the most relevant, up-to-date numbers when we're doing those comparisons are out in the public. The only thing that would change that is if something new happens in terms of a province either reducing their taxes or raising their taxes. It may take us a little bit of time to catch up and do that, but our economic and fiscal policy shop does that on a regular basis, yes.

**Mr. Gotfried:** Thank you for your answers today. You've been very helpful.

**The Chair:** Thank you, Mr. Gotfried.  
Mr. Carson.

**Mr. Carson:** Thank you very much, Chair as well as to the Auditor General for being here and Treasury Board and Finance. My first question is in relation to page 1 in your report. The government highlights the work that it has done to create jobs, diversify the economy, and invest in some badly needed infrastructure. I'm hoping that you can provide some examples of projects that were completed last year and the number of people that these projects employed.

**Ms Rosen:** As you know, the first half of the year was quite weak, but the Alberta economy did start to recover in the second half along with the improvement in oil prices, so a number of things picked up in terms of the economy overall, and we recovered about 35,000 jobs since the low of last year, all in full-time positions. With those gains, the economy has recovered over half of the job losses that we saw during the recession. The unemployment rate is still high at 7.8 per cent but is 1.2 percentage points below the 20-year high that we reached in November of 2016. So I think that there is progress in that report. If what you had wanted were some specific examples of where activity has picked up, I can also provide that.

**Mr. Carson:** Sure.

**Ms Rosen:** Drilling activity has certainly picked up in the second half of 2016 and actually ended the year at a higher level than in 2015. Exports and manufacturing shipments rebounded from recession lows, recording year-over-year growth in the last quarter of 2016, and that was after really sharp declines for two years. Housing starts stabilized. As I had mentioned, the labour market improved. So I think that there are positive signs on a number of fronts, that we started to see in the latter half of '16-17.

**Mr. Carson:** Thank you.

My second question. Last year, of course, Alberta experienced the costliest natural disaster in Canadian history, the Wood Buffalo wildfire, threatening homes, businesses, and the well-being of thousands of Albertans. Page 1 gives an overview of the impact of the fires on the province, but I'm hoping that you can expand on the impact that this has had.

**Ms Rosen:** Yeah. From an economic perspective, of course, the fire was devastating, particularly centred in Fort McMurray, and the infrastructure loss was very significant. But the fires also disrupted oil production, disrupted business activity, employment, and capital expenditures, so oil sands production was interrupted for more than a month, leading to an estimated decline of 51 million barrels, 140,000 barrels per day, on an annual basis of production during that time. A month of reduced oil production in that area is quite significant. The impact on GDP growth in 2016 was estimated to be about .6 percentage points, and it's still an estimate at this point in time, but we believe it's pretty solid.

Rebuilding efforts, however, and the return to production should add 1 percentage point to the real GDP growth that we're projecting for this year. As is often the case with a disaster, you suffer and the economy suffers during the year that the disaster occurs, but rebuilding efforts then actually give a boost to the local economy afterwards. Just from a statistical perspective there have already been 785 housing starts in the Wood Buffalo region in the first half of 2017, and that's actually quite significant. The next-highest

number of starts in their history was half that number. It's pretty good.

**1:40**

**Mr. Carson:** Thank you very much.

Chair, I would like to pass the rest of my time to Member Babcock if I may.

**The Chair:** Please, Ms Babcock.

**Ms Babcock:** Thank you. Thank you for being here this afternoon. On page 23 of the annual report it's noted that there were signs that the economy was beginning to recover at the end of last year. Can you expand on some of those primary economic indicators and explain how you saw those moving towards the positive side of things?

**Ms Rosen:** In addition to the drilling activity that I talked about, business output also has picked up momentum. Year-to-date manufacturing shipments and exports were up over 15 per cent and 40 per cent respectively compared to the same period last year. Housing starts have strengthened to an annualized pace of above 30,000 units since March. Retail sales have been improving in recent months to reach a new all-time high in June. With the improvement in the economy average weekly earnings have actually started to recover.

So I think that there are a number of positive indicators. I would just ask Catherine, who's our chief economist, if she has anything that she wants to add to that.

**Ms Rothrock:** No. I think you've covered everything.

**Ms Babcock:** Speaking of the employment numbers, specifically how many jobs have we gained since the low of last year? I know you said that we've recovered over half of what we had lost during the recession. I'm just wondering if they're all full-time jobs and the sectors that they might be mostly found in at this point.

**Ms Rosen:** We recovered 35,000 full-time jobs out of a total recovery of about 43,000 jobs, and as I had indicated, that's about half of the job losses that we actually suffered.

I think the thing that one has to remember is that a two-year recession is actually quite significant. For us to be bouncing back to not only have a significant GDP increase in the year following the recession but to actually lead Canada again in GDP growth is a testimony to the resilience that Alberta has in its economy, which is in a large part due to the kind of industry we have here but also, I would like to believe, to Albertans' resiliency as well.

**Ms Babcock:** I have to agree.

On page 22 of the annual report it states that investment income hit a record high last year, up \$1.2 billion over the prior year. Could you comment on any of the factors that were noted to contribute to the success of our investment income?

**Ms Rosen:** Sure. There are predominantly two factors that contribute to that very significant income on investment, and the first – while I'd love to take some credit for it, I cannot. The equity markets were just very much better than expected, particularly during the last quarter of the fiscal year. From January to March the markets were very, very good, up 13 per cent from late 2016 to the end of March 2017. For a three-month period of time that's a very significant increase, you know, 13 per cent in terms of the markets.

The other reason – and this is a little bit more difficult perhaps to understand. From an accounting perspective when you make investments, you may actually understand that those investments

are improving and are earning what I would call a return. You don't actually get to record that or realize that until such time as you actually sell that investment. We actually have quite a few sales in '16-17 of investment assets that had significant returns over a number of years, and we got to realize those returns all at once. Those were the two major reasons that we did better than budget.

Now, you might ask why we couldn't project the latter part. It's because we don't actually determine in any way, shape, or form when our investments will be sold or turned over. We leave the management of those investments to AIMCo. That's handled totally by them. It's not something that we can budget for.

**Ms Babcock:** Thank you.

I'd like to turn it over to Dr. Turner.

**The Chair:** Thank you.

Dr. Turner.

**Dr. Turner:** Thank you, Chair, and thank you to the Auditor General as well as the Treasury Board and Finance officials for presenting all of this information. It's actually very impressive what we've been able to accomplish given the economic challenges of the last two or three years.

I'm actually particularly impressed when I look at my constituency of Edmonton-Whitemud. We've got Nellie Carlson school open with over 600 students from K to 9. That opened a year ago, September of 2016, and we've been operating that school. I understand we're opening 53 new schools this coming year, and we're going to operate that under those constraints that you're talking about. I really want to congratulate the government, or at least the ministry, on doing that. Some days I'm not so happy with you folks when I can't get my schools opened as fast as I would like, but there are things like the Calgary cancer centre that are going ahead that I'm obviously, as a cancer doctor, very impressed with. I know the people in Calgary are going to be appreciative of that.

Even in the riding of Edmonton-Whitemud there's a phenomenal entity called Fort Edmonton Park. The Ministry of Culture and Tourism has been able to invest \$31 million into that over this last year, and it's going to lead to the development of a world-class indigenous peoples experience. That is going to bring tourists from all over the world to this city. Again, we've been able to do those sorts of positive things under the constraints. I think you folks really should be congratulated.

I want to talk about economic diversification and actually go to page 88 of the report. This is the Alberta Enterprise Corporation. This is a relatively unique structure in government, and it's one that I don't think that the general public – in fact, some of our MLA colleagues don't seem to have a real appreciation of what is being done with this. As I understand it, this is trying to help Alberta businesses start up and grow and contribute to economic diversification. I understand from the report that 30 Alberta companies are now in receipt of that. I just wondered if you could give us some comments on how the AEC has been able to accomplish that.

**Ms Rosen:** I'd be pleased to. The Alberta Enterprise Corporation actually works towards development of a diversified economy by, as you've indicated, attracting and investing in basically venture capital funds with offices in Alberta. The funds then invest in knowledge-based companies, including those in information technology, clean technology, energy technology, and life sciences sectors. Investments in the Alberta Enterprise Corporation support enhanced access to capital. What you then have is businesses that have good ideas and that are operating in those areas, in those

sectors. They have access to capital, commercialization, and management experience to help them become innovative Alberta knowledge-based companies.

The investments, then, in AEC help to diversify Alberta's economy because we're actually making investment into different sectors than just oil and gas. As you had indicated, it supported the growth of 30 Alberta companies and more than 2,500 jobs. It's a good investment, and it's an investment that you can keep turning over as those companies are successful.

**1:50**

**Dr. Turner:** It's my understanding that these jobs are what would be called good jobs, and we're actually getting some tax . . .

**Ms Rosen:** Yes. They're jobs that pay taxes. Very definitely. Those are the kinds of jobs that I like.

**Dr. Turner:** That's right. I really like this.

On the next page – page 89, I guess it is – it refers to the amount of money that's been invested. What is actually impressing me is that basically we're using the AEC as a kind of leverage system to attract venture capital. You know, I've heard some of this in my work on the Alberta heritage trust fund committee, where the growth mandate has been quite successful in getting companies going. Can you give us some information about what AEC has been able to do in this regard?

**Ms Rosen:** In terms of their ability to spur business and support economic growth and diversification, the aggregate value, as it indicates in the report, is growing quite significantly. But I think that the major role that AEC plays, as you have indicated, Dr. Turner, is in actually attracting other venture capital money to Alberta as well. It's sort of like: if we have confidence in ourselves, then others will have confidence in us as well. Sometimes companies with good ideas just need that little bit of a leg up, and if we invest, then we can attract other investment as well. From a diversification strategy perspective it's probably a strong one because it then allows you to utilize the knowledge workers that we already have resident in Alberta and capitalizes on the postsecondary education that we have in Alberta as well. It becomes sort of a holistic approach. I think that it's a good way to approach diversification.

**Dr. Turner:** Thank you.

I realize that it might not be within the mandate of this report, but the investments last year through AEC far exceeded the target. Is that the expectation for the coming years as well?

**Ms Rosen:** You know, Dr. Turner, I'm afraid I can't speak to that specifically. It's just not a piece that I have right now.

**Dr. Turner:** Okay. Thank you.

I'll pass my time on to Member Malkinson.

**Mr. Malkinson:** Thank you very much. You know, before we have these meetings, we of course have a briefing from the Auditor General, so I'm going to switch gears a bit and talk about the Measuring Up portion. The AG in the Measuring Up report – and feel free if he wants to jump in and correct me here if I'm perhaps misquoting him a little bit – talks about that when it comes to Measuring Up and the priorities, at the end of the day we have to know what these things mean to actual Albertans. What do these Measuring Up graphs and various performance measures actually mean to somebody on the ground? I mean, the Measuring Up report covers the whole gauntlet of various things that might matter to an

Albertan. It has things like health expenditures, which we do often talk about, to other things that are for those who perhaps need a helping hand from the government, things like FSCD funding, and whether those programs are having a positive effect for families who are receiving those services.

It's important that, you know, this report does include the full 24 performance measures. There are 15 indicators. There my question at the end of the day for the ministry staff we have here is, you know: how do you in the ministry – again, I'm perhaps quoting the Auditor General here a bit, taking what he said. How do you assess the relevance of the performance measures and indicators that are included in Measuring Up? Do you feel from your perspective that these are indeed the most relevant measures?

Before answering, I'm just going to ask the Auditor General: is this about the right quote I have in trying to lead in there? I'm making sure I'm not misquoting you.

**Mr. Saher:** No. I think you've captured the essence of our advice in our briefing, which was to have a discussion with ministry staff on the subject of the relevance of the measures, given that Measuring Up is the performance measures document at the highest level and, to the best of my knowledge, the intent is to connect it with the government's strategic plans. So lines of inquiry, in my point of view, are relevance and, generally speaking, how targets are set. I mean, there was a specific discussion just a few minutes ago on the AEC, and I noted that the – oh, I can't find that now, but . . . [A timer sounded] Sorry. Presumably, we'll have to come back to that.

**Mr. Malkinson:** I'll come back to this one because it sounds like my time is done there, Mr. Chair.

**The Chair:** Thank you, Mr. Malkinson.

Mr. Panda.

**Mr. Panda:** Thank you, Mr. Chair. Thank you for taking time to come and answer our questions, Deputy Minister and your team. I'm just building on what Member Turner and Member Malkinson talked about. Actually, most of my colleagues and I want to share that good news, if we could get information that is easily explainable to the people about job creation. You're already celebrating that, it looks like, but I'm still in the dark. I just want to know where those 2,500 jobs are, in which sector and company by company and by region. I asked those questions in this meeting, in budget estimates, and in the Leg. I didn't get any information from the minister. I asked him for an appointment. I've been waiting for more than eight months now.

**Ms Rosen:** I apologize for any deficiencies in responding to questions in the past. I don't have that specific information with me, but I will provide you with that information after today's meeting, or we can see if we can find that information for you during the course of the meeting and respond to the question later on if that's acceptable.

**Mr. Panda:** Thank you.

Before coming into this room, we had presentations from the Auditor General and also the Canadian Audit and Accountability Foundation. They asked us – they trained us, actually, to ask questions objectively and get the answers so we can share with our constituents. That's why I'm asking.

**Ms Rosen:** Okay.

**Mr. Panda:** Hopefully, I'll get that information. Thank you.

Now, coming back to page 13, there are higher debt-servicing costs, which were the primary reason for an increase of \$408 million compared to last year's expenses. How much of this was due to higher interest rates from our lower credit rating? We were downgraded already five times. How much of it impacted this increase in expenses?

**Ms Rosen:** Can I just clarify that the specific question that you have is: out of the increase in debt servicing, how much of it is due to . . .

**Mr. Panda:** Credit downgrading.

**Ms Rosen:** Oh, okay. Our experience after, in particular, the last credit downgrading that we had of significance, which was Standard & Poor's, was that we saw in the next deal that we did only a difference of a few basis points. Since then we've actually recovered. While I'm not saying to you that a credit rating is not important in terms of the cost of our debt – it absolutely is – it's not the only thing that is looked at by investors in Alberta bonds, so our actual experience was not as significant as we thought that it might be in terms of a downturn. I do believe – and I'm just seeking some confirmation here from one of my staff – that what we saw was a three to four basis point increase, which is not really very significant.

2:00

**Mr. Panda:** Those three to four basis points: how much of that can you translate into dollar figures in the increased expenses?

**Ms Rosen:** Three basis points is .03 per cent more for a 10-year bond issue than the province of Ontario. In terms of a \$19 billion program that's approximately \$7.5 million in interest costs on an annual basis. I'm not saying that \$7.5 million is inconsequential, but in terms of the actual \$19 billion program it is not that significant an increase.

**Mr. Panda:** So there's definitely an increase in the interest rates because of a lower credit rating.

**Ms Rosen:** Again, I want to say that since there have been a number of months go by and we've actually put out a few more deals and we're sort of right back up to where we were, we do carry a differential between us and Ontario in terms of what we pay for our debt. That's more because they have a more established program because their credit rating is actually right now, for Standard & Poor's, anyway, the same as ours is. The reason that they get a little bit more preferential is because they have a little bit more liquidity because they have more debt. So they have a bigger portfolio.

**Mr. Panda:** Thank you.

Alberta borrows for ATB. When Alberta's credit rating decreases, our borrowing costs increase, so ATB has to increase their borrowing costs. As a result of that, mortgage rates for consumers can only stay so low for so long. At some point it has to go up, when the borrowing costs for ATB are increasing. Naturally, those costs get passed down to the consumers. How much of an effect will our credit downgrade have on the mortgage rates for ATB customers?

**Ms Rosen:** I'm going to suggest to you that they didn't have any impact, and I'm going to try and explain it to you. The amount of our wholesale costs for debt is not the only or the most significant determinant of what ATB charges in terms of its market rates. They set those for a number of reasons. This .03 per cent – and I want to emphasize that, 3 one-hundredths of a per cent change – is not

significant enough to actually impact the market rates that ATB would charge. I think that if you actually look at their history over the last period of time, you would find that they would respond more closely to any changes that the Bank of Canada might make in terms of its interest rates and the other banks than our on-lending to them because we do borrow for them.

The other thing that I would point out is that us actually borrowing for ATB lowers their cost of capital as opposed to increases their cost of capital. So I think it's just a little bit more complicated than that. There's not a direct relationship between our cost of borrowing and their market rates.

**Mr. Panda:** So assuming there is no impact as of now, what assurances can we get that ATB will not have to raise their mortgage rates due to increased borrowing costs related to our lower credit ratings?

**Ms Rosen:** Specifically due to a lower credit rating? Well, I think that we've already felt the impacts that have arisen as a result of the most significant downgrade that we've had, and it was not a significant enough impact to actually change their market rates. I can't tell you what might happen in the future in terms of credit ratings.

**Mr. Panda:** Yeah. We have seen multiple credit downgrades time and again. So if that is going to continue, what actions were in place to prevent the credit downgrade, and why did they fail?

**Ms Rosen:** I think that just in order to illustrate the complexity of this issue, I'd like to highlight that there's a really wide range of credit ratings given to us between the three rating agencies that currently do rate the province of Alberta. There is a very significant difference between Standard & Poor's and Moody's and DBRS. They all have their own formulas, and they all look at different things. In the conversations that we have had with them, one of the things that is very obvious is that they apply metrics that they use on non resource-based economies to this resource-based economy, so we have the same challenges in presenting our information to the rating agencies as might other resource-based economies because that's not the norm in Canada. I think that where that bears out is the difference in their methodologies. They wind up with significantly different results between DBRS and Standard & Poor's and Moody's.

We don't actually budget or plan for the fiscal health of the province with the rating agencies in mind. We don't do that to please them. We do that to actually better the economy of Alberta for Albertans, so I can't tell you that we do anything specifically to try and keep our credit ratings high because what we do, we do in the best interests of Alberta. If the credit-rating agencies don't see it that way, there's not really much that we can do about that.

**Mr. Panda:** So is it fair to say, then, that you just disregard the credit ratings?

**Ms Rosen:** No, that's not fair to say. In fact, we put a tremendous amount of effort into understanding their models and their systems. The minister and I actually made a trip to Toronto – and Toronto and back in one day is not a fun trip – to visit with three credit-rating agencies so that we could make sure that they actually understood the Alberta situation. Some of what we got back was: well, that's helpful to them, but they still have their own model, their own formulas, as it were, that they're going to apply. That doesn't mean that we would give up trying to influence their thinking with respect to what Alberta's economy is like.

It's really ironic, from my perspective, given that our fiscal health is so much better than the province of Ontario's, that we have the same credit rating as Ontario does when we have the lowest net debt in the country, where we have the biggest tax advantage. Like, it's inconceivable to me that we could be rated at the same as Ontario.

**Mr. Panda:** Thank you. But every time the Finance minister returns from his trips, we'll see another downgrade.

Anyway, Mr. Chair, if you don't mind, I'll share my time with my colleague Mr. McIver.

**The Chair:** Thank you, Mr. Panda.

Mr. McIver, please.

**Mr. McIver:** Thanks, Chair. I appreciate everybody being here. On a positive note we'll start out with congratulations on an unqualified audit, okay? We'll start off on a positive note.

On the credit rating you had said to my colleague just a minute ago that you didn't have any plans to keep the credit rating from going down, and then after that you corrected and said: no, I went to Toronto – and I use different words – to try to change their minds or to prevent it. Are there any actions planned in the future to stop the credit rating from sliding even further?

**Ms Rosen:** I believe that the most important action that we can actually take is to move forward on the government's path to balance, and I understand that there are questions with respect to that, but as long as we keep our trajectory going down in terms of the deficit, I think that that is the most important action that we can take at this particular time. I certainly do believe that what the credit-rating agencies are looking for is for us to actually stick to our plan, so if we can stick to our three-year fiscal plan from a perspective of our results and our downward trajectory in terms of the deficit, I think that . . .

**Mr. McIver:** Okay. Well, your results are, if you don't mind me saying, that your interest payments you're paying per year are up \$408 million. The savings that the Finance minister has promised yet not delivered are \$400 million, so even if the Finance minister is a hundred per cent successful – and we all hope that he is – then we're still going backwards by \$8 million. So would you not agree that if something doesn't change, we'll never balance when even the \$400 million of savings is overrun by \$408 million of increasing debt? You would agree with me that we'll never balance unless something changes, would you not?

2:10

**Ms Rosen:** Mr. McIver, I'm going to suggest to you that it's a little bit more complex than that because if we actually had looked at – there were two unexpected results for the year that we're actually looking at, '16-17. Well, there were more than two, but there were two that were what I'm going to call accounting results. That was the consolidation of the Balancing Pool and the coal transition payments all being recorded in one year. Were it not for those two things, we would actually have had much more significantly positive results than even we had budgeted. I think that to pick two pieces in isolation out of a \$52 billion budget and suggest that that's indicative somehow of the path forward: I'm not sure that that's appropriate.

**Mr. McIver:** I would say that several years in a row of 10-plus billion dollar deficits might be indicative of a pattern, and we can't be sure that the government won't make any more disastrous decisions like they did with the Balancing Pool and with the coal shutdown. We don't know what their plans are. Do you know if

they have plans not to do any other things that will cause major costs to themselves?

**Ms Rosen:** Again, it's certainly not my intent to quibble, but we're looking at '16-17, which, as opposed to several years, is the second year of this particular government's fiscal plan. So we don't have years of . . .

**Mr. McIver:** I appreciate that, but you would agree with me that so far we've been going under by \$10 billion a year in deficit . . .

**Ms Rosen:** We do have some significantly high deficits.

**Mr. McIver:** . . . and you would also probably agree with me because you're an accountant, so you know this better than I do, that the longer that the minister and the government wait to start digging out of that hole, the steeper the climb will be. If they're going downwards by \$10 billion a year and they've got fewer years to climb out of that hole, then they'd have to make – would you not agree? – each year that goes by, more dramatic changes in order to meet that timeline if they don't start right away. Would you not agree with that?

**Ms Rosen:** I do agree that the more you accumulate, the harder it is to come out. I also, though, would want to take that in relative to the current situation that we're in, which is that we're still in, from a fiscal perspective, better shape than any other province in the country.

**Mr. McIver:** I appreciate that. I acknowledge that, but you would also agree that the government didn't have a net debt when they took office? It was the only province that had no net debt, and now we have an ever-expanding, increasing, ballooning net debt, which probably has everything to do with the credit-rating downfall. So yes. Is our goal to actually end up at the bottom of the Canadian provinces, in the middle, or to stay at the top? Let me at least ask you that because we were at the top. We're losing ground. Is our goal to stay at the top or head for the middle or the bottom of the financial compared to other provinces?

**Ms Rosen:** I think that signs show that where we're going to wind up is still at the top. We have on a per capita basis the highest capital investment of any province in the country. We have a growth in GDP that's higher than any other province in the country. So I think that . . .

**Mr. McIver:** Over how many years' period, if you don't mind? You say the highest GDP growth. I get that, but over, what, one year, two years, three years?

**Ms Rosen:** Currently.

**Mr. McIver:** Okay. But the GDP growth since this government took office: is it positive or negative?

**Ms Rosen:** The two years of recession when they started . . .

**Mr. McIver:** I think the answer is negative, isn't it?

**Ms Rosen:** Recession doesn't happen at a particular date. Recession is led into. All I'm suggesting here is . . .

**The Chair:** Just one second here.

Mr. McIver, could you let her answer your questions?

**Mr. McIver:** Yes. Thank you for that reminder, Chair.

**The Chair:** Thank you.

**Ms Rosen:** It's not my intent in any way to be argumentative. All I'm suggesting is that it's a complex system, and you actually have to take into consideration more than just one measure: more than just the deficit, on my side more than just the positives, more than just GDP growth and capital investment. You have to actually look at the whole system together and see what that means from a fiscal health perspective. So if government sticks to its plans with respect to slowly reducing the rate of growth of expenditures and looks to balance by '23-24 and keeps to their fiscal plan, then I do believe that we will not see a further downgrade below Standard & Poor's credit rating at this time.

**Mr. McIver:** So you say that if the government sticks to its plan, it won't get worse. Do you actually believe that the government will stick to its plan?

**Ms Rosen:** I do.

**Mr. McIver:** Wow. Okay. It's a straightforward answer, at least; I'll give you that. Thank you.

You made comments about the wildfire's blame for a lot of the poor economy. How much of the recovery and expanded GDP from this year is actually due to reconstruction from the fire, and how much is from the rest of the economy?

**Ms Rothrock:** Lorna mentioned in her remarks that we're estimating that about one percentage point of GDP growth this year is coming from . . . [An electronic device sounded]

**Mr. McIver:** My colleague apologizes.

**Ms Rothrock:** What I was saying was that we're forecasting about one percentage point of the GDP growth recovery for this year coming from the wildfire reconstruction.

**Mr. McIver:** Okay. If that 1 per cent was off, would we still be at the top in Canada for GDP growth this year?

**The Chair:** Thank you for that, Mr. McIver. You can follow up in the next time block.

If we can move on to Mr. Malkinson.

**Mr. Malkinson:** Thank you very much, Mr. Chair. I am, you know, strangely enough, going to follow up where I left off. Just before I ran out of time there, I was talking about the Measuring Up 2017 section of the report. I talked a bit about the importance of: what do these measures mean to Albertans? What is Measuring Up telling Albertans? The AG talked about how it was kind of a bit of a high-level measurement and that these are good measurements. I mean, some of them talk about health expenditures per capita, which is a good financial measurement, as well as things like FSCD, which is a support that is provided to families who need some of that government support and various measures in there. The question I had asked just as I ran out of time there was: how do you in the ministry assess the relevance of the performance measures and indicators included in Measuring Up, and are these, in your opinion, the most relevant measures?

**Ms Rosen:** I'm going to tackle that from a perspective of first stating that the province of Alberta provides a great many programs and services to Albertans, so each ministry, of course, selects key performance measures and indicators that they report on as a ministry. What falls to us for the annual report, then, is to try and look at: what are the most relevant performance measures and

indicators to report on on behalf of the government as a whole in its annual report? The way that we actually do that is by looking at the government's strategic plan. The measures and indicators in Measuring Up, contained in the annual report, are reflective of the goals that were in the 2016-17 strategic plan.

They are, for the most part, repeats of things that you will find in more detail in individual ministry plans. So if you could look at it as if there is a big pool of performance measures and indicators, because you have all of the 20-plus ministries that actually track those for their own goals for their own programs and services and the objectives around those, then it's a matter of: what are we going to elevate to the annual report and report on? What we use as guidance for that is the government's own 2016-17 strategic plan.

What we do as Treasury Board and Finance and, quite frankly, building on some recommendations from the Auditor General is that we try and make sure that at the ministry level the performance measures and indicators are as relevant as they possibly can be to those programs and services and their objectives.

2:20

Therefore, when government states in their strategic plan that these are their priorities for any given year, it's not that all of the programs and services are not important to them. It's that at any particular time you do a little bit of prioritization and you say: what do you want to focus on particularly in any given year? Government has said in '16-17 that there are some things that they actually wanted to focus on, and there are the five statements that we looked at, then, to try and provide performance measurement around. We worked with the ministries to say: how did we contribute in terms of both target-setting and measurement around things that were important and prioritized by government in their strategic plan?

It's a collaborative effort. I guess that is what I'm saying. It's not done just by Treasury Board and Finance. It's an effort on behalf of all ministries. Budget development and reporting: one of their responsibilities is to actually do the co-ordination of business planning and performance measurement for all of the ministries and to provide guidance and assistance and try and get a consistency of approach to that. It's also our responsibility, then, in that regard to implement the Auditor General's recommendations.

Do I think that they're relevant? I think that they're very relevant to the government's 2016-17 strategic plan, yes.

**Mr. Malkinson:** Perfect. Thank you very much.

Again, sort of by the same token, on page 86 of the 2016 annual report you indicate that, actually, further work is under way to develop performance measures and indicators that align with government policy, and I believe you alluded to that in your last answer. Could you provide an update on the types of measures and indicators that are being developed and, specifically, how they relate to current government strategies and priorities? As you mentioned, there are, you know, a great many things you could measure in this report, but the government, of course, from year to year does strategize and prioritize. I wonder if you could answer that.

**Ms Rosen:** Ministries are working to develop new performance measures and indicators that are better aligned to the outcomes and strategies that they actually identify in their business plans. It's actually – and I think that even the Auditor General would acknowledge this – difficult because typically a strategy or an outcome that you might have is not, on its whole, measurable through just one performance measure or one indicator. It's just one sort of hallmark of success towards accomplishment of that strategy or that objective.

**Mr. Malkinson:** Support for disabilities would be an example.

**Ms Rosen:** We are working with them to try and be a little bit more what I would call aligned in a way that is more transparent and more meaningful to the public. That's ultimately what this performance measurement is about. How can the public look at what government is proposing to do in a way other than fiscal? Fiscal is pretty easy to see: you make a target, or you don't make a target. It's a little bit harder to see if you're talking about, say, for example, the actual impact of social programs on Albertans. That's something where, number one, it's hard to actually identify particular objectives in that regard that are not sort of multifaceted, and because of that, it's hard to just come up with one performance measure or one indicator. We're trying hard, I think, to do a better job of that and to then set realistic targets and measure progress towards those goals. The big challenge that we have is that the province doesn't actually deliver too many programs and services that aren't complex, that aren't, you know, multifaceted, so it is a difficult experience.

The other challenge that we have, quite frankly – and this is a subject, you might be able to tell, that I feel quite strongly about as well – is that our data collection is perhaps not where it should be. There is a cost to actually collecting data and turning that data into relevant information. We're looking to see where better data collection could actually help us improve our programming because it would actually give us more of an indication where we stand with respect to our objectives.

So there are quite a few things, I believe – and I hope that the Auditor General would agree – where we've actually made some significant progress, but it doesn't mean that we've arrived. Like, we still have work that we can do. One of the things about this area, because this is an area that I've actually worked in for over 25 years in my career, is that you're never done. You're never done. You always have to keep improving how you do performance measurement and how you report on that.

**Mr. Malkinson:** Absolutely. I really liked what you were saying about the importance of data. I was just thinking of my constituency office. Yesterday I was looking up some Stats Canada information and did notice there's a fair dearth of detail from about 2006 up to sort of the most recent Canada-wide census. You know, when I talk to constituents about various issues, it sometimes can be not helpful when you're trying to figure out if there's a trend in what the stats say now versus what they said in 2016 when you have such a large gap without any data points in between. Granted, Stats Canada is federal, but it's, I think, a very excellent example.

**Ms Rosen:** It's a very germane comparison, particularly when you consider that they collect the bulk of their information on a five-year rotational basis, and if you actually look at their budget, it costs a significant amount of money for Canada to collect that kind of information and maintain it even though they only do it every five years. It is actually expensive to collect information, and that's why it's important to understand: what is the relevant information that you need to actually help you improve your performance? That is assisted by developing good performance measurement. I guess I'm saying that I agree with what you're . . .

**Mr. Malkinson:** That's okay.

Well, I think this might be a really excellent segue to perhaps, you know, dive into a little bit of detail on one of those performance indicators. On page 122 in performance indicator 4, which is women's labour force participation rates, you note that Alberta

actually has the highest labour force participation rate for women out of all the provinces, which I think is excellent, outpacing the next runner-up by 2.2 per cent. I was wondering if you can speak to what sets Alberta apart on this particular front.

**Ms Rosen:** I'm wondering if Catherine wants to take a stab at responding to this and give my voice a rest for a moment.

**Ms Rothrock:** Sure. I'll speak to it more from kind of an overall labour market perspective. In Alberta, in pretty much almost every sort of cohort or gender group, we tend to outpace the other provinces by a fair margin in our labour force participation. That's partly related to our younger population. Alberta has quite a young population, and we've also seen incredible amounts of growth, especially between 2010 and 2014, of a lot of young people coming to the province. When you look at labour force participation across pretty much every group, we tend to outpace the other provinces by a fair margin.

That also speaks to women. We found that even pre-recession we actually saw higher participation for even women in older age groups, older cohorts. I think that speaks to the strength of the Alberta economy and also to the fact that our income and our earnings are quite a bit higher than in the rest of the country. Our average weekly earnings, for example, outpace the rest of the country by quite a fair margin. So all of those things support participation in the labour force.

**Mr. Malkinson:** Excellent. Thank you very much.

Mr. Chair, I'm going to send my time over to MLA Littlewood if I could.

**The Chair:** Mrs. Littlewood, please.

**Mrs. Littlewood:** Thank you very much, Chair. Thanks, everyone, for being here. I want to jump over to talk about value-added agriculture products, that's in your report here. I see that there has been a lot of growth, and I was wondering if you could talk about the products that are coming to market and being invested in by government, including a \$280,000 investment that was just announced in Bunge in Fort Saskatchewan to help that sector grow. If you could talk about the impacts that this is having on rural communities as well as where this positions Alberta in a larger sort of global context.

2:30

**Ms Rosen:** As you know, agriculture is very important to Alberta and to our economy. In 2016 value-added exports grew 5 per cent, over \$5 billion, and represented 50.4 per cent of Alberta's total agri-food exports. Of the value-added agriculture products that went to market, approximately 40 per cent of them were in rural Alberta. Rural, just so that we're clear, is defined as anything outside of Edmonton, Red Deer, Calgary, and Lethbridge. There are still cities in what we consider to be rural, but they're smaller cities.

It's estimated that it costs \$100,000 to develop and market a new product. Therefore, approximately \$13 million has been invested in rural Alberta just in product development costs alone. Data from our Growing Forward 2 agri-processing product and market development grants – try and say that really quickly – for crops and livestock show that 42 per cent of the products that resulted from this grant funding came from agri-processors located in rural Alberta. This correlates to an investment of approximately \$8.2 million to develop and launch these new products into the marketplace.

Sales that are generated from these products are difficult for us to quantify because we don't actually get to share in the confidential

information from these companies, but I think that the real benefit to rural Alberta is that these kinds of companies very often locate close to their source of raw materials and that agriculture, of course, is the business of rural Alberta. Also, because of that, they tend to have a direct economic impact in that community, so it's kind of a positive cycle, I would suggest to you.

Does that answer your question?

**Mrs. Littlewood:** Yeah. Thank you. I mean, I think one only has to look into where small towns are located across Alberta to see where economic driving used to be on rail lines being close to communities.

Just a follow-up: do you have any sense as to whether the sector has benefited from increased investment through the new investment tax credits that have been made available?

**Ms Rosen:** We do have some information with respect to that. On the capital investment tax credit, seven agribusinesses will receive conditional approval letters from Economic Development and Trade, EDT, resulting from the first intake of the capital investment tax credit, which, as you know, came into effect earlier this year. These companies operate in various agricultural subsectors in Alberta, including malt, meat and dairy processing, and beverage manufacturing, and have been verbally advised of the success of their applications. The majority of the projects will take place in rural Alberta. An additional 10 agribusiness firms did not score high enough in the first intake but are encouraged to reapply. Applications for the second intake of the capital investment tax credit are being accepted until September 8.

With respect to the Alberta investor tax credit the AITC offers a 30 per cent tax credit to investors who provide capital to Alberta small businesses doing research, development, or commercialization of new technology, new products, or new processes. Two agricultural companies have registered since the program opened on January 15. Applications are adjudicated on a first-come, first-served basis until the budget is used up for that fiscal year. We do have two agricultural companies that are being considered there.

**Mrs. Littlewood:** Okay. Thank you.

How much time do I have left, Chair?

**The Chair:** Two minutes.

**Mrs. Littlewood:** Okay. Thanks.

I just want to start onto a question about performance measure 2, environmental sustainability in agriculture. That's on page 99. My first question is: why is it a biennial survey that's conducted?

**Ms Rosen:** Page 99, you said?

**Mrs. Littlewood:** Yeah.

**Ms Rosen:** Can I get back to you on that? I'm not sure that I actually know why it's biennial.

**Mrs. Littlewood:** Okay.

**Ms Rosen:** That's the crux of your question, just: why is it biennial?

**Mrs. Littlewood:** Yeah, because I see that we have some data over about five years, and we're not going to see another report until next year.

**Ms Rosen:** Yeah. So you just want to understand why that is? Okay.

**Mrs. Littlewood:** Yeah. I would like to talk about the static nature of the numbers that we're seeing, tracking. Now, I was looking at

your numbers and how you get responses and that there seem to be some challenges there. Obviously, you know, when farmers are busy all of the time, it can be difficult to get them to dedicate time to something that isn't out in the field.

**Ms Rosen:** Yeah.

**Mrs. Littlewood:** I was wanting to ask you some questions around that and, as well, talk about the static numbers. You know, obviously, they're only going to do things that make sense with their business plan. So I was hoping to get some feedback from you around that, on signing on to these measures that may or may not make sense for their business on their farm.

**Ms Rosen:** Okay. With that guidance I'll see what I can find out, but we may in fact have to defer that question to Agriculture because I'm not sure that I know their business well enough to understand why they would survey every two years as opposed to on an annual basis. I take it that what you're suggesting is that an annual survey might actually fit into a farmer's schedule.

**Mrs. Littlewood:** I just want feedback.

**Ms Rosen:** You're just asking the question?

**Mrs. Littlewood:** Yeah. I'm just posing it.

**The Chair:** Thank you, Mrs. Littlewood.

Mr. Barnes.

**Mr. Barnes:** Yes, Mr. Chair.

**The Chair:** Are you ready for your set of questions?

**Mr. Barnes:** I am. Thank you very much, and thanks to everybody in the room and everybody with the government for their work for Alberta.

I have three or four questions, please. I'd like to start with debt and interest and credit ratings again. According to page 13 interest costs were the primary reason for an increase of \$408 million compared to last year's expenses. I've been listening intently to how our dramatically declining credit rating maybe only cost us three to four basis points and maybe only 7 million or 7 and a half million dollars in annual interest expense. But today the Bank of Canada, of course, increased our central rate, and the Canadian dollar has been on a 2 or 3 cent rise over the last couple of days. I'm wanting to ask: has your department figured any contingencies, any direct amounts, how much this higher borrowing cost could cost us, and what this rise in the dollar could do to us?

Thank you.

**Ms Rosen:** With the chair's permission I'm actually going to ask one of my staff in the gallery to come forward and perhaps try and give a different answer or a more detailed answer than I obviously have been able to do on this topic. Lowell?

**Mr. Epp:** Lowell Epp, assistant deputy minister with the department. We haven't done specific modelling with today's interest rate rise. Most of the debt that we've borrowed so far, almost all of the debt we've borrowed so far over the last few years has been fixed-rate debt, so it will not impact the money that has been borrowed so far. The rate that was increased today is the short-term interest rate. We borrow more five- to 30-year debt, and those interest rates don't necessarily move with other interest rates, with the short-term interest rate. We saw a little bit of movement today, a few basis points. The Bank of Canada rate rose 25 basis points.



The long-term debt rates rose about five basis points today, so you don't see the same rise. It will take time to see what impact the interest rate increase has on long-term rates. I'm not sure if that answered the first part of your question. I've forgotten that.

2:40

**Mr. Barnes:** That's good. Thank you for that.

I think that last year we borrowed \$13 billion, and of course we don't have that \$2.5 billion in contingency anymore. How do you anticipate us borrowing the \$15 billion or \$17 billion that our government plans to borrow for operating and capital this year? Do you see that being at least five points higher on a long-term basis?

**Mr. Epp:** I would assume that the interest rates, you know, today's and earlier interest rate increases, will have some impact on our interest rate. But the interest rate forecast that's embedded in the budget also built in an increase in interest rates. The budget did anticipate some increase in interest rates to begin with.

**Mr. Barnes:** Okay. Thank you.

I heard something earlier that was counterintuitive to me. Somebody said that Ontario has an easier time borrowing because they owe more money. I wish my personal business life worked like that, where I could borrow easier because I owe lots.

I also remember that when I was first elected in 2012, the Macdonald-Laurier commission had a report out stating that Alberta was tremendously exposed to a reduction in commodity prices because of our high public spending. Of course, at that point oil was \$100 a barrel, and we know where it's gone since. I'm wondering. Our declining credit record and us paying higher interest than Ontario, which owes \$335 billion, must be reflective of the risk from Alberta. Do you or do you not agree that lenders look at the risk of lending to the province or the jurisdiction or the person that has to pay it back? Have you accounted for the fact that our continuing to borrow may make it even harder for Alberta to borrow?

**Mr. Epp:** As Lorna likes to say, it's a complex marketplace. Certainly, our credit is one part of the equation when you look at our interest rates. The reason that Ontario can borrow at a lower rate than us is not that they are viewed as a better credit in the market but that they are viewed as and they are more liquid. They have more bonds, which means that investors who are looking to buy and sell quickly have a better market in which to do so. As our debt grows, ironically, yes, it becomes a little more valuable because investors have an easier time getting in and out of it. Credit is certainly one part of it, but availability – the ability to buy and sell quickly, the availability of liquid markets in which that debt is traded – is also an important part of pricing.

**Mr. Barnes:** Okay. It's still kind of counterintuitive to me.

If I recall correctly, the Alberta government's estimated deficit last year was \$10.3 billion and ended up being \$10.8 billion; \$500 million is a tremendous amount of money. Does your department look at the departments that got off track? Is there any accountability? Is there oversight? What do we do to hold departments and ministers accountable for that \$500 million over budget?

**Ms Rosen:** With respect to the \$500 million over budget, as it were, in a budget the size of Alberta's, in that \$50 billion range, if you look at the analysis of the results, there are some ups and downs in different categories. But the one thing that I think could be pointed to that had a net impact of about \$500 million on the government was the wildfire in terms of things that we were not expecting.

Perhaps what that means for us in the future is that we should actually revisit how much we budget for disasters. It's just one that's very difficult because it's something that, of course, you don't necessarily anticipate.

In terms of actually holding departments accountable or ministries accountable for their budgets, they are held accountable for their operating budgets and in particular for what they get voted. So if they actually exceed in any given year spending over their voted amount, they get encumbered in the next year. Basically, they have to pay that amount back.

We don't actually have very many ministries ever that exceed their voted amounts. I realize that their budgets are made up of more than just their voted amounts, but I think that in answering your question about control and review, all I can do is assure you as well that in order for the changes to be made that were made throughout the year in terms of actually acknowledging pressures that ministries brought forward, there is a very rigorous examination done any time a ministry comes forward and says that they're having a hard time sticking within their budget because they have a particular pressure. Who do they bring that forward to? Well, they bring that forward to the Treasury Board, and the Treasury Board has a very vigorous discussion around that because, of course, their goal is to stay within the budget.

So I wouldn't characterize it in any way as being an easy thing for a department to overspend their budget because there are pieces in place and controls in place. But there are some things that do surprise you in any given year in a budget that's as big as ours and some things that ministries, despite their best efforts, cannot actually control.

**Mr. Barnes:** Okay. Thank you. I was Health critic in the past, and I remember that at the halfway or three-quarters mark the Health minister was already \$200 million or \$300 million over budget. I'm sorry I don't have the information right here with me. But I'd like to see where Alberta Health Services and Alberta Health ended up the year. You know, to me, that was probably a \$500 million number all by itself over budget, never mind the wildfire.

You said something earlier that I'd like you to clarify. You said that we may see some long-term savings in Health because of the new agreement with physicians and doctors. I know there were some modifications made to remuneration for physicians, but I thought that the ending part of the agreement that the government made with physicians was that any savings would be reinvested into other doctors' compensation. Is that not the case? Are we expecting a lower amount of physician fees next year compared to last year?

**Ms Rosen:** If I can go back and start at the beginning of your question, Health actually identified a pressure and was granted a change from the budget at Q3 of \$257 million. They wound up \$257 million over the original budget for '16-17. What I had said was that part of the reason was that they had known that physician costs were going to grow in '16-17 over '15-16, but they actually pegged the rate of growth for physician costs to be lower than where it actually wound up because they did negotiate some changes. Yes, we do expect and, in fact, have budgeted based on some of those changes in savings being affected predominately in 2017. So while they did wind up with more significant costs in '16-17 around physicians in particular, it was because they had budgeted for a greater reduction than they could actually achieve.

I think that the important thing to understand, though, is that expense was \$646 million, or 3.2 per cent, higher than it was in '15-16. This is on page 13 of the actual annual report. It's in the first paragraph on Health because it's very important from the perspective of that in prior years we were looking at 5 to 6 per cent

increases in Health every year, and they actually managed to keep their operating expense growth down to 3.2 per cent. The thing, though, that I think is important to understand is what made up that increase.

2:50

Physician services: they did increase, but there was also a \$70 million increase for drug costs and volume. One of the things that Alberta Health Services and the Department of Health have to work on with pharmacies and the drug companies and physicians is actually the prescribing of drugs because that's not something that they have direct control over. The volumes go up because doctors prescribe more and because we get more people in Alberta – absolutely – but also drug costs continue to escalate, so Alberta works in conjunction with all of their provincial counterparts in negotiating drug costs across the country.

But if you wanted more detailed information with respect to Health than basically the view that I've just given you, I think that it's probably best to talk directly to Health at their Public Accounts meeting because that's probably as detailed as I can go.

**Mr. Barnes:** Okay. Thank you very much.

I'd like to pass my question time on to my colleague Grant Hunter.

**The Chair:** Mr. Fraser.

**Mr. Barnes:** Oh, Rick Fraser. Sorry.

**Mr. Fraser:** Thanks, Chair. I appreciate it. How are you guys today? Thanks for coming.

I just have some questions around the disaster relief funding back in the 2013 floods. How much of that outstanding money is still owed to us from the federal government?

**Ms Rosen:** From the amount of the receivable that we had for the 2013 floods? If you can perhaps ask me a different question and I will see if I can give you the answer to that question.

**Mr. Fraser:** Yeah, sure. How much are we on the hook right now for the wildfires, and how much money will we expect to receive from the federal disaster relief?

**Ms Rosen:** We're anticipating receiving in the neighbourhood of about \$700 million. Just to clarify. When you say, "on the hook for," it's not reflected negatively in our results because we created a receivable for that. Do we actually think that that receivable will be forthcoming? We absolutely do. We think that the federal government is good for it.

**Mr. Fraser:** But in the meantime the money has to come from somewhere. The work has to be done until that money . . .

**Ms Rosen:** In the meantime we have quite a few what I would call ups and downs with respect to cash. You're right. We count that as being a receivable, money that's owed to us, but if I could just give you an equivalent-level example, the \$1.1 billion that we expensed related to the coal transition actually didn't have any money attached to it at all in '16-17 because it is paid out over the next 14 years. There are lots of transactions in a budget this big that either are non-cash transactions or where we're actually waiting to receive money.

**Mr. Fraser:** Okay. Thank you.

Just another question, too, when it comes to disaster relief planning. You know, it's been said that this year is starting a five-

year drought, so the anticipation is that in the next five years we're going to face significant drought in southern Alberta and Alberta as a whole. We already know that this year they've had to have farms not use irrigation systems, which no doubt is going to spark another, you know, disaster relief or DRP claim. Are you planning for that?

**Ms Rosen:** When you say planning for that from a . . .

**Mr. Fraser:** In terms of money. You talk about the wildfires, that there are unforeseen costs, but now we know that the drought – they say that this five-year drought will cost us probably more than the floods and the wildfire combined over the next five years. So we can plan for that.

I guess it just relates to the credit rating. Then I'll leave it, and you can kind of answer the whole question. You know, you talk about Ontario, and you've asked the question: why do they have the same credit rating as we do even though we're going to lead the country in growth and those sorts of things? In your mind what are the things that we should be doing? Is it saving? Is it things like infrastructure bonds that are going to give us that better rating and maybe increase investment? We might have something like infrastructure bonds and those types of things. In your mind what could we be doing? Maybe putting a little bit away will help with that credit rating and show that Alberta is a more stable place. Obviously – you've said it yourself – why would Ontario have that even though they carry much more debt, a lot more debt, versus Alberta? Why would we have, you know, the same negative credit rating? What is it that we're doing wrong, and in your mind what should we be doing better?

**Ms Rosen:** As it relates specifically to the credit rating, I don't think that we are doing anything wrong. I used that as an example to illustrate that Ontario is what I would call a typical economy. It's a typical manufacturing-based and agricultural-based economy. Alberta is not a typical economy. We are sort of unique within Canada, so if you take a formulaic approach to actually assessing creditworthiness, which is what the rating agencies do, anybody who falls outside of that formulaic approach gets penalized because of that. All I meant is that when you compare us to Ontario, our fiscal fundamentals are actually better than Ontario's, but why do we rate the same way? It's because we're a resource-based economy, and they're applying a non resource-based economy framework to our creditworthiness.

**Mr. Fraser:** Would you say that that maybe flies in the face of the idea that we are diversifying the economy? Now, I do believe that we have over the years, from an oil-based economy, and it is more diverse than it has been. What should we be doing to make it more diverse? Like, my understanding is that factory jobs are up. Again, it just leads me to believe with the, you know, western hub of plants like Walmart and that sort of thing, distribution hubs – again, what is it that we need to be doing better? What is the message that the government and Treasury Board and Finance need to be sending about these credit ratings to say that we're on a path to a more formulaic economy, like you said? What is it that we need to be doing?

**Ms Rosen:** One of the challenges that Alberta has – and it's actually a very significant challenge, and we're very lucky to have it – is that in a conventional sense it is hard for us to ever be truly diversified because we actually are diversified. We have quite a significant presence in a number of different sectors. It's just that amongst those sectors, we have what I would call a juggernaut. Oil and gas is so big in Alberta that it kind of distorts the picture of our

diversification because it is just huge, but I think that what we should be doing and what we are doing is trying to actually emphasize some of those other sectors and invest in those other sectors.

**Mr. Fraser:** If you could just get me that disaster relief funding stuff in writing, that'd be great. Thanks.

**Ms Rosen:** Yes. We will.

**The Chair:** Ms Luff.

**Ms Luff:** Yeah. Thanks very much. Thank you, Chair. Thank you to everyone for being here.

I want to focus my questions on strategic priority 3 from the Measuring Up document, which is education and training to enable Albertans to succeed in the global economy. I was really pleased to see that this was one of the strategic priorities that was included in this report, you know, because I believe that education is hugely important. I've recently attended some economic conferences, including the Pacific NorthWest Economic Region conference in Portland, where folks from Boeing and folks from Microsoft and all sorts of major corporations talked about how having a well-educated population can be a huge asset to a jurisdiction. It's something that folks are looking for when they're looking to invest in a particular area, the level of education of their population. I think that that's an asset that we have in Alberta, and it's something that we can really build and grow upon. I think that having this strategic priority is really important.

There are a few performance measures that you list here as indicators of how we're doing on this. You know, the report says that the "government is committed to ensuring that all Alberta children and students are provided with an education that enriches their lives, prepares them for their future careers in a diversified economy, and prepares them for success," which I think is exactly what we should be trying to do. The different performance indicators that you have: you have high school completion; two different literacy measures, both the grade 12 diplomas and the PISA measures; transition to university and postsecondary as well as participation in postsecondary; and then also sort of two different measurements of investment in research in the province.

I'm just following up, I guess, a little bit on the questions Mr. Malkinson was asking about how you choose performance measures. I'm wondering if you could comment on the choices of those particular performance indicators. I recognize this might be something that Education has more to do with. You know, my questions would be: why the transition to postsecondary as opposed to, like, the number of people who have diplomas or the percentage of postsecondary completion rates, why literacy and not math scores, and then why the particular investments in research? If you could just sort of touch on how you came to choose these performance indicators for this particular strategic priority.

3:00

**Ms Rosen:** As luck would have it, before I got this role, I was the Deputy Minister of Education.

**Ms Luff:** I knew I recognized you from somewhere.

**Ms Rosen:** I'll talk first about how the ministry develops its performance measures and indicators and then talk a little bit about how we summarize them in the annual report.

High school completion rates. What you look at in education, if the goal is to actually have as productive a population as possible, in today's knowledge-based economies the best way to actually

assure that is to have a good education system and to actually have as many students graduating from that education system as possible on as timely a basis as possible, for the most part, then having a significant percentage, or at least being average or above average, moving on to university education so that you have what I would call a homegrown labour force, a homegrown, well-educated labour force. High school completion is really an important statistic for Alberta because we actually have in the past not been really successful at that. It's one of those ironies that the very reason that we want well-educated people, so that we can have a good economy with high-paying jobs, is actually what for a long time pulled students out of school, because high-paying jobs were readily available even if you didn't have high school completion.

What we have seen, though – and some of the strategies and focusing on high school completion, say, just as an example: what it allows you to do is to just then walk outside of, "What is it that you control yourself?" and "How can you encourage kids to stay in school?" et cetera, and move out into the community. What happens there, then, is that the Department of Education in particular has worked with big industries in the north, particularly in the oil sands, where they actually encourage employers to not accept even labourers who don't have a high school education, with the goal of ensuring that students actually do stay in school and complete. The key to actually having a good knowledge-based economy is having good labour supply, and it's best if you can actually do that within the province. Companies will actually take that into consideration, as you said, in terms of how they locate.

The measurement of, then, the participation in postsecondary is just the continuation of that, right? So complete high school, and move on to postsecondary. That then helps us to ensure that we have a homegrown, knowledge-based workforce. I think that that's why it's important. You then say: "Okay. Well, why are those particular measures, out of the ones from education and postsecondary, in the strategic plan? Why are they in the annual report?" Well, because '16-17 was the jobs plan. It was all about: how do you actually encourage job creation, and how do you meet the needs of a knowledge-based economy? I think that it's logical. To maybe speak a little bit to Mr. Malkinson's question, it's relevant, right? It's relevant to the strategies and the priorities that government espoused in Budget 2016, so it's relevant, then, to report on from an annual report perspective.

**Ms Luff:** For sure. Yeah.

**Ms Rosen:** Is that sufficient in terms of how we got there?

**Ms Luff:** I think so. Yeah. I mean, there's a lot . . .

**Ms Rosen:** And English as opposed to math, literacy as opposed to math: of course, in the Education business plan and performance measurement all of those things are important. It's about, then: what's the percentage of achievement at the acceptable standard and the standard of excellence, et cetera? One of the things that I think Alberta has been able to proudly say for quite some period of time and can still say is that we have a world-class education system.

**Ms Luff:** Yeah. I absolutely agree with you on that. As someone who was formerly an educator within the Alberta education system, I tell people at every opportunity I get that we have one of the most excellent, most equitable education systems in the world. You know, we're continually working on improving that.

I mean, I like that you talked about high school completion rates. Like you did mention, Alberta for a long time has been perhaps a bit of a laggard in the country on those, so it was really nice to see

in this particular report that we actually beat our target by a little bit, which is really wonderful. There are, you know, some statistics out there, from outside of just this report, that speak to the work that's been done, like that First Nations graduation rates have increased 8 per cent since 2010, and the graduation rates for kids with emotional and behavioural disabilities have increased similarly, about 10 per cent since 2010.

I'm wondering if maybe you could speak to, you know, the investment that the government is putting into education even in this time, when we're experiencing a recession, that we're trying to make sure – you just spoke earlier about how we've had higher than expected enrolment in school and that that's some of the reason for the cost overruns. If you could speak to how the investment in education that we're seeing is reflected in these higher graduation rates.

**Ms Rosen:** I think that it's important to understand that some students require extra resources in order to actually get to that point to graduate. Our First Nations, Métis, and Inuit students are one of those categories, and students with special needs are another. Both of those are funded. They get an allocation on top of the base grant. What it allows, then, is for the schools to provide extra resources in those areas and to employ strategies to actually focus on helping First Nations, Métis, and Inuit students succeed, achieve, and graduate and to even help students with special needs do the same.

I think that what it's about is understanding that any program like that is not successful in a short period of time, and it's about investing and continuing to invest but at the same time monitoring the performance and understanding the strategies that take place at the school level and holding them accountable for using the funds in an appropriate manner.

I think, education being as important as it is, that this government has continued to put dollars into education.

**Ms Luff:** Thank you.

I will cede the rest of my time, Mr. Chair, to MLA Miller.

**The Chair:** Please, Ms Miller.

**Ms Miller:** Thank you, Mr. Chair. In Red Deer I go to the public market just about every Saturday and speak to hundreds of families about the new Alberta child benefit and the expansion of the Alberta family employment tax credit, and I have heard nothing but good things about how it's helped ease the stress and the burdens during this recession. That's people from all around central Alberta. But I'd like some information on how it affects the families in general in all of Alberta. Would you be able to provide an update on the amount of benefits that are paid out and the number of families or the number of children that are benefiting from these programs?

**Ms Rosen:** From a numbers perspective, yes. The Alberta child benefit provided \$106 million in benefits in 2016-17 to about 110,000 families with 205,000 children. That's a fairly significant amount of money and a fairly significant reach. The Alberta family employment tax credit provided \$138 million in benefits in 2016-17 to about 155,000 families with about 305,000 children. What's important to note in there is that many families will be receiving, of course, benefit from both of those programs. But I think that it really speaks to government's commitment to continue to provide help to the less fortunate in the province with respect to, particularly, those with children.

3:10

**Ms Miller:** Thank you.

Also, on page 2 of the annual report it talks about efforts that the government has made to find cost savings while protecting the programs and services Albertans rely on. I know we've had many people come into our constituency office that have needed the assistance of these programs. They've been quite pleased with how fast they're getting service and how dedicated the employees are and are glad that we haven't cut all the front-line people. What are some of the other examples of savings that the government did find?

**Ms Rosen:** Ministries were made responsible for identifying internal savings or expense reductions, and the criteria was that they couldn't result in a service level reduction to Albertans. As you noted, that was of prime concern. Depending on each ministry's specific circumstance, they would all take a different approach or probably, more likely, a combination of approaches across a number of areas to reduce expense because there's really – every ministry has different programs and services that it delivers. Some of them have more staff, more percentage of staff; others have fewer staff.

If I give you an example from Treasury Board and Finance, the easy way of saying it is that we managed vacancies. What does managing vacancies mean? We actually delayed some hirings, and we took on an approach of restraint from a perspective of: not every vacancy was automatically approved to be filled. We looked at: was the vacancy absolutely essential to cover the priority business of Treasury Board and Finance? Could we do things a little bit differently? So as vacancies arose, we looked at how much of our business we were doing the same way we always did. Could we actually change the way that we did some things? We undertook some efficiency process reviews and therefore were able to not necessarily fill all of the vacancies as they came up.

We also looked at our contracts and our supplies. We perhaps negotiated a little bit harder than we have in the past, and we cut supplies wherever we felt we could without actually impacting dramatically the work that we do.

Now, one of the challenges that you have when you take that kind of approach, of course, is that you can only do that for so long, right? But it's a good way to get every ministry to focus on making sure that they are reviewing at least part of their processes and their services on an annual basis to see whether or not they are doing things as efficiently as they possibly can and not just relying on status quo.

**Ms Miller:** Okay. Thank you.

I'd like to pass any time I've got remaining on to MLA Renaud.

**The Chair:** Please, Ms Renaud.

**Ms Renaud:** Thank you. How much time do I have left?

**The Chair:** You have two minutes, 53 seconds.

**Ms Renaud:** Well, I just wanted to piggyback on what MLA Miller was sort of getting to and maybe get you to speak to this a bit more. I think your comments earlier about Alberta being unique and that we're a resource-based economy, that we're unique in Canada, are absolutely true. I think previously, when there were, well, maybe a recession but also huge dips in the commodity prices, sectors took big hits. I think people were used to – whether it was Education, Health, or Community and Social Services, people really did brace for huge cuts and hits and not just cuts in terms of not funding intake or uptake, but sometimes there were clawbacks, so you were already doing, you know, work within the year, and the cut went back, and it was difficult. It was more than difficult, and it impacted individual lives.

Now, as I also understand, I'm certain that there are impacts when you're managing vacancies and people are taking on additional work and the focus is on not reducing services to the public. I wonder if you could just expand on what – maybe you can't speak to other ministries – yours in particular is doing to manage that or to ensure that the indicators are still being met and the work is still happening.

**Ms Rosen:** I'm not trying to avoid answering the question, but one of the challenges with Treasury Board and Finance is that it's not what I'm going to call your typical ministry. It's what is commonly referred to as a corporate ministry in that it actually, for the most part, does not provide services directly to the public unless you count tax collection as a service to the public. It's certainly a good program for us. It generates quite a bit of money.

I could explain that on that same basis, then, what we look at is: what are our highest priority activities within Treasury Board and Finance, and do we have a standard associated with those activities? Believe it or not, we do absolutely have a standard associated with the collection of taxes because it's such a vital revenue for government, so it's important, say, for example, that we have good compliance, and therefore we have to have good auditing. We look at what is a reasonable standard for us to employ and how many people we actually need, then, to employ that standard. But also in doing that, because our tax collection unit, our tax and revenue administration, is our biggest unit, we look at whether or not there are some synergies that we can employ and whether or not we can reduce people by employing synergies and not reducing standards.

**Ms Renaud:** Thank you.

**The Chair:** Thank you.

Mr. Hunter.

**Mr. Hunter:** Thank you, Mr. Chair, and thank you, Ms Rosen and your team, for coming and speaking and trying to clarify some of these questions. I wanted to just start off really quickly by saying that I recognize that it is a difficult position that you're in. Everything's changing. The world dynamics have changed. I recognize that it's probably like hitting, you know, a moving target 50 different ways. I also recognize that you have to mitigate risk. You've got factors such as the NAFTA agreement coming up. You've got factors such as low or volatile oil prices. You've got the Trump effect. You've got a multiplicity of other issues.

But one of the questions that I had – and I need your clarity if you can give me some clarity on this. From what I understand, the way that the public-sector contracts in the past have been signed shows that there's a caveat in there that in the event that future contracts show a raise – I know you guys have tried to keep these raises to a minimum – that will be retroactive to all prior contracts. So my question to you is: what kind of risk does that put future governments, whoever that government could be, in if at the end of 2018 one contract is signed with a higher contract in terms of raises? What would that do to the books in your perspective?

**Ms Rosen:** I think that what you're referring to is that in the now public settlement with the Alberta Teachers' Association with respect to the two years of zero per cent increases that were awarded to them, they had a me-too clause. That said, basically, all of the contracts, as you probably also know, are coming due in the same time frame. This is what I would call a time-limited exposure, and what it actually demonstrates is the government's commitment to

the strategy that they have with respect to bargaining in an austerity environment. We are working hard on those other agreements now.

3:20

In terms of leaving this, for example, to another government, given when the timing of the next election is and when these contracts will actually be settled, I don't think that that is in the cards unless you had one that didn't settle for a year and a half, and I really don't think that that would be possible. It's time limited. It's only for this round of negotiations that we're in now, so anybody that's actually negotiating now: that's what the ATA is comparing to. It's not something that goes past that. It expires when their contract expires, which actually is just a year from now, but I would suggest to you that it's a signal of commitment to continue austerity bargaining.

**Mr. Hunter:** Okay. Well, thanks for that.

The other issue I had was – look, I haven't been in your position. I don't know your position. I don't know your job, but I will say that I imagine that your department has been around for a long time, that you create models to mitigate or to facilitate ups and downs and all the factors, all the moving parts. I would say that that would be a competent department, yet earlier you had said, "Look, in the Health department we had a 3 per cent increase," and then you talked about all the things that you couldn't forecast such as an increase in the costs to physicians and the cost of medication and so forth. Again, the question is: do you not have that in terms of a model? Is that not already built into a model? You guys have been doing this for a long time. Those things should have been built into a model, so I'm just not sure how as Public Accounts Committee members we can accept that as an excuse.

**Ms Rosen:** It wasn't meant to be an excuse, and what I actually said was that there are certain things we can't control as opposed to can't forecast. We actually do forecast to the degree that we can. Forecasting is just an action that's based on the degree to which the future actually resembles the past, so you look at what's happened in the past, and you see whether or not that's a reliable indicator of what's going to happen in the future. You do an environment scan to determine what other things are happening, like the things you mentioned with respect to our esteemed president to the south and other factors that are occurring, and you make your best judgment. When I say "you," we have a whole bunch of people who have expertise in a bunch of different areas that actually look at how that might impact your forecasting. But there are still some things that we do not control. We don't control when a new drug might become available. We certainly don't control the price of those drugs. We can control the availability and whether or not we insure some of these drugs as they come on board, but as you can imagine, particularly in Health, there's quite a bit of pressure to insure as many drugs as possible.

I think that it's fair to say that we actually do wield a considerable amount of experience and expertise with respect to forecasting, but at the same time we understand that there are things that are always going to happen that are outside of our control. A great example would be the nonrenewable resource revenue for the province. While we put a considerable amount of not only our own expertise but external expertise into forecasting the price of oil, the only thing that we can be sure of is that we will be wrong. Everybody will be wrong. It's about, though: how do you actually then use that information to budget appropriately, and when you budget, how do you take the risk, the forecast risk, into consideration when you do that?

One of the things that the government did do, say, for example, with respect to risk management on that very important revenue, is that they added a risk adjustment. They said: we've talked to the best experts that we can find about what the price of oil is actually going to do, but because it's so important to our overall fiscal position, we're actually going to, say, add, for the year that we were in, \$700 million to the budget just to manage that risk.

There are different techniques, different approaches, but one of the things that I would say, in my limited experience, Mr. Hunter, is that things right now are evolving at a much quicker rate than they have in the past, and things are taking significant swings for Alberta, much greater than they have in the past. Our past is not a good way to predict what's going on. It's more about what the experts say about what the environment is right now and how those things are going to impact some of our major areas. Yes, absolutely, we do look at that, and I think that we're actually fairly good at that.

**Mr. Hunter:** Well, thank you. I do have actually some more questions, but I think I'll cede my time over to my other colleague. But I will just finish with this. You know, with the success of AIMCo you might want to ask them a little bit more about forecasting because they seem to be doing a really good job. It wasn't a shot at you; it was just saying: look, as a conservative I believe you should be very conservative about your forecasting models. Perhaps what you've done with these – you know, whenever you see a deficit, you have to ask yourself: what can we do better next time? I hope that that's what the Public Accounts Committee is committed to.

**The Chair:** Mr. McIver, you have one minute and five seconds.

**Mr. McIver:** One minute. Okay.

I'll start where I finished. I learned at the end of the last session that the 1 per cent of this year's GDP is due to repairs in Fort McMurray from the fire. After that 1 per cent is taken out of the projected GDP, will we still be the highest projected GDP in Canada?

**Ms Rothrock:** For this year?

**Mr. McIver:** Yes.

**Ms Rothrock:** We're actually more about middle of the pack for 2017.

**Mr. McIver:** Okay. That's more of a true number than what the government has been saying because, of course, once you take out the Fort McMurray number – that's very helpful, very helpful.

**Ms Rothrock:** Well, I think, too, it's important to – if you're looking at the impact of the Fort Mac fire this year, then you need to look at the impact of it last year, so where we were last year compared to this year.

**Mr. McIver:** Yeah. Indeed. That would make it even less impressive. I agree with what you just said, but that would make what the government is saying even less impressive.

The Conference Board of Canada said today that the federal carbon tax will take \$3 billion out of the economy next year. How much do you think that the provincial carbon tax is taking out of the economy each year?

**The Chair:** Thank you. We can follow up with that question with the next round.

Ms Renaud.

**Ms Renaud:** Okay. Thank you. I wanted to ask just generally how Alberta compares to other jurisdictions across Canada when it comes to accountability initiatives.

**Ms Rosen:** By accountability initiatives you're talking about something, say, for example, like the Measuring Up report, where we actually go out and say: this is what we're trying to do; this is how we want to improve, so we set some targets, and then we actually go back and report on it. Actually, a lot of jurisdictions no longer publish high-profile public reports on performance measurement. It kind of reached a peak in popularity in the 2000s. But just in general public-performance reporting has changed significantly over the last 20 years. Measuring Up is one of the longest running consistently published performance reports in North America, and its strength is its adaptability and its enduring nature. As the expertise of performance management changes as new experiences are shared and as learning happens in that area, I like to think that we look at those and that we adapt and that we try to improve.

I also think – and I don't know whether or not Merwan would agree with this – that part of what sets us apart is our willingness to work with and accept the recommendations of the Auditor General with respect to performance measurement. I realize that we may not always get there quite as quickly as he might like, but we do take the recommendations on performance management seriously, and we do try and improve the work that we're doing.

3:30

We will look at similar reports this year, but we expect to find that among Canadian jurisdictions we're still at the top with respect to advanced results analysis and consistent results analysis. That long-term nature and that consistent application allows you, particularly in certain performance measures, to go back a considerable period of time and actually see what kind of progress is being made over a longer time horizon.

If I might just answer your colleague's question with respect to the survey and why it's done on a biennial basis as opposed to annually. It's because the survey size is fairly large, it's quite expensive to do, and the information doesn't change much on an annual basis. From a cost-containment perspective it's done every two years because it doesn't actually impact the results that significantly. It's pretty static. It doesn't move that much. That's why we do it on a biennial basis as opposed to annually.

**Ms Renaud:** Thank you.

Just looking at one of the pages – sorry; I can't pull it up right now – under the Community and Social Services section of the Measuring Up document is an example of what I think you said earlier, which was great, that not all of the programming areas or ministries have goals that are clean. A lot of them are very complex, they're multidimensional, and they're quite difficult to measure. I think that what we heard this morning is always about oversight and measurement and then follow-up and going back and looking. It is important to note trends.

One of the things that was noted here was that persons with disabilities supports expense was \$1.1 billion, \$58 million higher in 2015-16 due to increasing caseloads and complexity of cases, with approximately 11,400 people impacted by this. Of course, we know that our population is growing. We have people all of the time being born, also turning 18 and requiring different supports. Then, obviously, the complexity of the supports that are required: perhaps it's somebody who has a disability, then has dementia and so requires additional care, whatever those things are. People graduate high school and need employment support.

I'm just wondering if you could speak to some of the other things that you would look for when you look at, sort of – there's a growth number here attached to a ministry. What are some of the other things you look for to identify complexity or to identify the fact that this number isn't just a number that has grown, but it's actually attached to individual people and it's attached to individual services?

**Ms Rosen:** I think that the most important thing is to have good data and to understand why it's grown. Why has your persons with developmental disabilities grown, for example, at a rate greater than what you would expect from a population perspective? Once you understand what are the underlying reasons for something that's grown, then you can actually tailor your programs and services to better effect and perhaps help to control that growth.

I think that good data and understanding what good data is, what it means, and how you understand more about service delivery and what that accomplishes is very important, particularly when you're talking about services that directly impact Albertans. If you look at, for example, income supports, which is one that you mentioned, it's important for us to understand so that we can project, forecast appropriately. When you have an economic downturn such as what we experienced in '15-17 and '16-17, the cases for income support actually kind of lag the economic downturn. It's because unemployment will take you so far, but if you need continued additional support after that runs out, you'll see a little bit of a spike. So it's about actually understanding the patterns and what happens. Then it's about: when you're trying to diversify the economy, what are the important things to consider when you have people that are on income support in terms of retraining, and where could they potentially find jobs in a more diversified economy?

It's about taking all of the things that the different ministries do and trying to find commonalities and synergies and looking at where, then, you can actually make the best use of your dollars. The best dollar that you spend, absolutely, is the dollar that you spend in quest of multiple objectives. So if you can actually look at it that way, doing good analysis and understanding how services are related and how services are delivered helps to get you there.

**Ms Renaud:** Okay. Thank you.

My other question. The recommendations from the office of the Auditor General: are ministry annual reports and Measuring Up improving in terms – sorry; that's a question. Are the ministry annual reports and Measuring Up improving in terms of effective results analysis and performance variance analysis?

**Ms Rosen:** I'm going to say yes, but then that's because my staff have actually put a considerable effort into providing – they've done a lot of research. They've visited with each and every ministry in government. They've provided a great deal of guidance and support to ministries in terms of preparing results analysis and performance variance analysis in ministry annual reports. We've seen some positive results, I believe. They're improving in results analysis, in performance variance analysis, and in balanced reporting. Giant steps? Maybe not giant steps but more than baby steps. I think we're making good incremental improvement. I really do.

**Ms Renaud:** This is changing topics a little bit. There has recently been a lot of talk about the small-business tax rate. Can you tell me what the government has done or did with the small-business tax rate and what economic activity was spurred as a result or what measurable activity was spurred as a result?

**Ms Rosen:** Well, I'm going to take the easy part of that question, which is that we reduced it from 3 to 2 per cent.

**The Chair:** Can we follow up with the next round of questions here?  
Mr. McIver.

**Mr. McIver:** Thanks, Chair.

**The Chair:** Sorry. You have five minutes.

**Mr. McIver:** Yeah. I'll try to make the best of it.

Thanks, Treasury Board and Finance staff. I know you're the last line of defence between the taxpayers and the current government, so I appreciate your efforts.

Now, on Tuesday of this week the Conference Board of Canada released a report that said that the federal carbon tax will shrink the economy by \$3 billion and hurt the value of the Canadian dollar. How much has the provincial carbon tax shrunk the provincial economy by from the best you can tell?

**Ms Rothrock:** In terms of how we estimate the impact of the climate leadership plan, we look at several factors. We do estimates on what we think the potential impact is on investment, on activity, on other sectors outside of oil and gas. We also look at different policies that are going on outside of Alberta. We looked very carefully at the federal carbon policy that they've recently announced in addition to some other things like pipelines, things like that. What we've estimated is that the impact of the CLP compared to, say, a business as usual case, which would be just continuing on without, the annual impact is about .05 percentage points to our GDP.

**Mr. McIver:** Half a per cent. Okay.

**Ms Rothrock:** No; .05.

**Mr. McIver:** Half of .1 per cent. Okay.

**Ms Rothrock:** Yeah. When we look at that compared to what the impact would be on a federally imposed carbon price without an Alberta plan, the CLP incorporates things like trying to protect trade-exposed industries, looking at performance standards, looking at output-based allocations by industry. Those things are really important design factors of the plan. We're actually better off with an Alberta-made plan when we look at the impacts of a federally imposed carbon price, the \$50 price that they've announced. Then, you know, when we look at the impacts of . . .

3:40

**Mr. McIver:** Okay. But still in that half per cent negative to the economy.

**Ms Rothrock:** Well, actually, if we measure the impact compared to a federally imposed price, without this plan . . .

**Mr. McIver:** That wasn't my question. That's interesting stuff, but okay. All right. Please go ahead. Sorry, Chair.

**Ms Rothrock:** When we look at it, we're actually better off compared to what we would see.

**Mr. McIver:** Compared to the federal plan.

**Ms Rothrock:** Yeah.

**Mr. McIver:** All right.

**Ms Rothrock:** Then when we look at the pipeline impacts, we're actually in a net positive economic position when we look at the impacts of . . .

**Mr. McIver:** The pipelines that aren't built yet, for example? Okay.

All right. Thank you, Chair. Now, at some point I think it was the deputy minister who talked about how important it was to keep data. I think she went on quite a – and frankly I agree with her. How does that fit into the government's plan? I know we heard in the House here recently that, for example, the department for tourism has stopped keeping a lot of the data they used to keep. How does that square with the importance of keeping data as far as controlling your numbers goes?

**Ms Rosen:** I apologize, Mr. McIver. I'm not familiar with that particular circumstance in Culture.

**Mr. McIver:** You probably have a life without watching question period, but that is something that the minister actually made clear, that they're keeping less data in that department. I just thought that was . . .

**Ms Rosen:** Is that something that you want us to follow up on for you?

**Mr. McIver:** I would be interested in hearing how that squares with the importance of keeping data when at least that one ministry has said out loud several times that they're keeping less.

**Ms Rosen:** Okay. I will follow up on that for you.

**Mr. McIver:** Okay. Now, on page 23 it says that Alberta would have paid an estimated \$7.5 billion more in carbon taxes compared to the next lowest province. You talked also about the tax advantage, where it's gone up to \$8.7 billion because of tax increases in other provinces. Does that number include the 50 per cent increase to the carbon tax that's budgeted to happen January 1 this year?

**Ms Rosen:** It does.

**Mr. McIver:** It does. Okay. So that's after that. Thank you. That's helpful.

On page 89 it talks about how AEC has five new and four expanded venture capital offices open in Alberta. How much money has been invested by those five new and four expanded venture capital offices in Alberta?

**Ms Rosen:** I'm not sure that I have that kind of detail here, Mr. McIver. Can I get back to you on that as well?

**Mr. McIver:** All right. You should, because it also says on that page that judging the success of the Alberta Enterprise Corporation investment is contingent upon it actually attracting other investments. Obviously, my question about whether it has actually done that, I think you would agree, is probably a pertinent question based on the comments that you're making.

**Ms Rosen:** I'm wondering if I could respond to the question that was asked before about the disaster receivable. The amount was just over \$1 billion. We've received \$600 million to date and so are still owed \$450 million on the 2013 disaster from the federal government.

**Mr. McIver:** Four hundred and fifty million dollars outstanding. Thank you for that.

**Ms Rosen:** You're welcome.

**The Chair:** Thank you very much, Mr. McIver.

I would invite Mrs. Littlewood to follow up with questions.

**Mrs. Littlewood:** Thank you very much, Chair. I want to go back to talking about the labour force participation and interprovincial ranking. I want you to explain a little bit more about why you track participation by groups and if you could elaborate some on groups that you identify, including women, youth, indigenous, off-reserve, members of armed forces, and people housed in institutions, whom I saw mentioned in your discussion of labour force participation.

**Ms Rosen:** Again, further to what Catherine said previously, we track labour force participation because it's good to understand whether or not there are impediments to certain groups participating in the labour force. Why is it good for us to understand that? Because the more people that we have in Alberta working, the better it is for all of us, the more productive we are. If we identify participation rates and therefore it leads to us identifying the impediments to participation, the idea is that we can remove some of those impediments.

If I take one of the groups that you talked about, I can provide a little bit more information with respect to women. As Catherine mentioned earlier, more women and men participate in Alberta's labour force than in other parts of Canada. The labour force participation rate of women 55 years or older in Alberta is 40 per cent; nationally it's only 32.4 per cent. It's a little bit higher than the national average in Manitoba and Saskatchewan, but we're significantly higher than both of those. What that suggests is that women in Alberta are actually retiring later than women in other provinces.

Some of the things, then, that we believe are important to look at when we look at women in the labour force – even though we have a higher participation, it's good to still look at that – are that women make up 67 per cent of minimum wage workers, and there's a higher representation of women in minimum wage jobs than there are of men. They occupy the majority of the lower paying jobs in service, hospitality, and retail. One could say that in some ways that disadvantages that group, so it's good to understand why that is. One of the things that is evident when these things are looked at, particularly with younger women, is that child care comes into play. It then begs the question of whether or not investing in child care pays its own dividends later on through greater participation in higher paying jobs in the workforce.

With respect to the other kinds of population groups that you talked about, I don't have specific information here in terms of percentage of participation, but the same philosophy applies with respect to any participation group that you actually follow. It's to find out: what is the average participation? Are they below the average? If they're below average, why? What are the barriers to entry into the labour force, and how do we actually address that? The goal is to have the maximum participation in the labour force that you can. That's good for the economy.

**Mrs. Littlewood:** So if you're tracking that and looking at rates of participation in the labour force, are you involved? You were talking about removing barriers. Is your department involved with removing barriers, or do you work on strategy with relevant ministries that would interact with those populations?

**Ms Rosen:** Probably not surprisingly, we're involved in collecting numbers. In economic and fiscal policy we have the statistics section for the government, and we collect the numbers that actually talk about: what is the participation rate?



In terms of the various strategies, ministries like Labour, ministries like Community and Social Services would play a bigger role in, then, actually assessing what the barriers are to participation and what you do about that.

I'm not sure if Catherine has anything to add to that. Okay.

**The Chair:** Okay. Thank you, Mrs. Littlewood.

Let's provide two to three minutes for questions to be read into the record. Mr. Hunter, you have a question? Be brief, please.

**Mr. Hunter:** Yeah. Thank you, Mr. Chair. On page 23 it is outlined that "employers continued to cut hours and jobs." According to the National Bureau of Economic Research in Seattle the minimum wage increase from \$11 to \$13 caused hours of work to be reduced by 9 per cent. While wages increased, the average earnings decreased by \$125 per month. Are there any indicators that hours are being cut due to the minimum wage increases we have seen here in Alberta and that have been seen in Seattle?

**The Chair:** Thank you, Mr. Hunter.

Was there anything further? Mr. McIver.

3:50

**Mr. McIver:** Yeah. Page 40 of the annual report indicates that the Public Service Commission "is responsible for ensuring that the public service has experienced, competent, engaged and professional employees." What does it mean to have engaged employees, and what does it mean to have only 62 per cent in the Alberta public service employment engagement index? Now that the 2016 Alberta public service engagement survey shows that 33 per cent of employees believe that essential service information does not flow effectively from senior leadership to staff – this was highest, ironically, in the Public Service Commission at 41 per cent, followed by Environment and Parks at 36 – why is the leadership not providing timely communications with the staff? The same survey showed that a quarter of the public servants do not have confidence in the senior leadership or their ministry department, do not have meaningful recognition for a job well done, and do not have opportunities for career growth within the Alberta public service.

**The Chair:** Thank you, Mr. McIver.

**Mr. Panda:** On November 1, 2016, four Alberta Innovates corporations were consolidated into one innovation powerhouse to save \$3 million according to page 16. After 10 months there is still

no business plan for Alberta Innovates. When can we expect this business plan to be presented?

Alberta Transportation had a lapse in the capital budget of \$356 million. What happens to the unspent money? Does it just roll over into the department, or are they forced to give it back to Treasury Board and Finance?

**The Chair:** Thank you Mr. Panda.

Were there any further questions? Okay. Thank you very much.

I'd like to thank the officials from the Ministry of Treasury Board and Finance for attending today and responding to the committee members' questions. We ask that any remaining questions be responded to in writing within 30 days and forwarded to our committee clerk.

Moving on to other business, are there any items for discussion?

**Mr. Dach:** I'd just make one notice that I want to put on the record that I have asked counsel to address the question of reading questions into the record in rapid fire, as we've just seen, to determine what the history of this practice has been. We'll hopefully refer this to the working group to discuss, going forward, whether we continue with it.

**The Chair:** Okay. Thank you to the deputy chair. Is the intent of the deputy chair to discuss this just at the working group meeting and then move it forward to the entire committee meeting?

**Mr. Dach:** Yeah. Once the working group has discussed the parameters, then we'll bring it forward to the committee.

**The Chair:** Fair enough. Thank you very much.

Was there any further discussion for the committee? All right.

The committee meets tomorrow to hear the Auditor General respecting his report Better Healthcare for Albertans. We will also be joined by officials from the Ministry of Health, Alberta Health Services, the Alberta Medical Association, and the College of Physicians & Surgeons of Alberta. The committee will be meeting with officials from the Ministry of Energy in the afternoon. Our meetings are scheduled to begin at 9 a.m., with a premeeting briefing for the committee members at 8 a.m. tomorrow. Please keep that in mind.

I will call for a motion to adjourn. Would a member move that? Thank you, Ms Miller. All in favour? On the phones? I'm not sure if we've got anybody on the phones. Any opposed? Carried.

Thank you very much.

[The committee adjourned at 3:54 p.m.]





