



Legislative Assembly of Alberta

The 30th Legislature
Second Session

Standing Committee
on
Resource Stewardship

Ministry of Treasury Board and Finance
Consideration of Main Estimates

Tuesday, March 9, 2021
3:30 p.m.

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The 30th Legislature
Second Session**

Standing Committee on Resource Stewardship

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Ceci, Joe, Calgary-Buffalo (NDP), Deputy Chair
Gray, Christina, Edmonton-Mill Woods (NDP),* Acting Deputy Chair

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Standing Committee on Resource Stewardship

Participants

Ministry of Treasury Board and Finance
Hon. Travis Toews, Minister

Alberta Gaming, Liquor and Cannabis
Kandice Machado, Acting President and Chief Executive Officer

3:30 p.m.

Tuesday, March 9, 2021

[Mr. Hanson in the chair]

**Ministry of Treasury Board and Finance
Consideration of Main Estimates**

The Chair: Good afternoon, everyone. I'd like to call the meeting to order and welcome everyone. The committee has under consideration the estimates of the Ministry of Treasury Board and Finance for the fiscal year ending March 31, 2022.

I'd ask that we go around the table and have members introduce themselves for the record. I'm David Hanson, the MLA for Bonnyville-Cold Lake-St. Paul and chair of this committee. We will begin starting to my right.

Ms Gray: Good afternoon. I'm Christina Gray, the MLA for Edmonton-Mill Woods, and I'll be acting as deputy chair for the purpose of this committee.

Ms Issik: Good afternoon. I'm Whitney Issik, MLA for Calgary-Glenmore.

Mr. Turton: Good afternoon, everyone. Searle Turton, MLA for Spruce Grove-Stony Plain.

Mr. Guthrie: Good afternoon. Pete Guthrie, Airdrie-Cochrane.

Mr. Loewen: Good afternoon. Todd Loewen, MLA, Central Peace-Notley.

Ms Phillips: Good afternoon. Shannon Phillips, MLA for Lethbridge-West.

Ms Hoffman: Sarah Hoffman, Edmonton-Glenora.

Mr. Huffman: Good afternoon. Warren Huffman, committee clerk.

The Chair: Okay. Now we'll go to the members participating virtually. When I call your name, please introduce yourself for the record. Mr. Getson.

Mr. Getson: Shane Getson, MLA, Lac Ste. Anne-Parkland.

The Chair: Mr. Yaseen.

Mr. Yaseen: Muhammad Yaseen, Calgary-North.

The Chair: Mr. Singh.

Mr. Singh: Good afternoon, everyone. Peter Singh, MLA, Calgary-East.

The Chair: Thank you.

Due to the current landscape that we're in, all ministry staff will be participating in the estimates debate virtually.

Minister, please introduce yourself for the record. Can you hear me okay? If you could introduce yourself for the record, please.

Mr. Toews: All right. Travis Toews, Minister of Finance and President of Treasury Board.

The Chair: I'd like to note the following substitution for the record: Christina Gray for Joe Ceci as deputy chair.

Before we begin, I would note that in accordance with the recommendations from the chief medical officer of health, attendees at today's meeting are advised to leave the appropriate

distance between themselves and other meeting participants. In addition, as indicated in the February 25, 2021, memo from the hon. Speaker Cooper, I would remind everyone of committee room protocols in line with health guidelines, which require members to wear masks in committee rooms and while seated except when speaking, at which time they may choose not to wear a face covering.

A few housekeeping items to address before we turn to the business at hand. Please note that the microphones are operated by *Hansard* staff. Committee proceedings are being live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and videostream and transcripts of meetings can be accessed via the Legislative Assembly website. Those participating virtually are asked to turn on their camera while speaking and to please mute their microphone when not speaking. Members participating virtually who wish to be placed on a speakers list are asked to e-mail or send a message in the group chat to the committee clerk, and members in the room are asked to please signal to the chair. Please set your cellphones and other devices to silent for the duration of the meeting.

Speaking rotation and time limits. Hon. members, the standing orders set out the process for consideration of the main estimates. A total of six hours has been scheduled for consideration of the estimates for the Ministry of Treasury Board and Finance. For the record I would note that the Standing Committee on Resource Stewardship has already completed three hours of debate in this respect. As we enter our fourth hour of debate, I will remind everyone that the speaking rotation for these meetings is provided for under Standing Order 59.01(6). We are now at the point in the rotation where speaking times are limited to a maximum of five minutes for both the member and the minister. These speaking times may be combined for a maximum of 10 minutes. Please remember to advise the chair at the beginning of your rotation if you wish to combine your time with the minister's. One final note. Please remember that the discussion should flow through the chair at all times regardless of whether or not speaking times are combined. If members have any questions regarding speaking times or the rotation, please feel free to send an e-mail or message to the committee clerk about the process.

With the concurrence of the committee I will call a five-minute break near the midpoint of the meeting; however, the three-hour clock will continue to run. Does anyone have opposition to a break? Seeing none, we will set that accordingly.

When we adjourned this morning, we were five minutes into the exchange between Member Singh and the minister. I will now invite Member Singh or another member from the government caucus to complete the remaining time in this rotation. You have five minutes.

Mr. Singh: Thank you, Mr. Chair. I did finish my questions. I would hand it to member Todd Loewen.

The Chair: Okay. Mr. Loewen.

Mr. Loewen: Okay. Thank you very much. Thanks, Minister, for being here today. I appreciate the opportunity we have to have this kind of discussion. On page 149 of the fiscal plan it notes that a competitive business tax environment is crucial to attracting companies that will invest and create jobs in Alberta. Just a couple of questions on that. What measures has the government taken to enhance competitiveness, and why is that so important?

Mr. Toews: Well, thank you for that question. Firstly, I'll make a couple of comments on why it's so important. Again, as we discussed this morning, creating an excellent value proposition for

investors in the province of Alberta is really our goal. There are a number of facets to that value proposition, one being a very competitive jurisdiction from a tax standpoint. The first thing we did as a government, I think as everybody in this committee will recall, is that we repealed the carbon tax. The repeal of that tax very much improved competitiveness of the business environment in the province. On average, that carbon tax was adding an additional \$4,500 to Alberta businesses. Unfortunately, the feds have introduced a federal tax. Of course, we've challenged that in the courts. We won at the Alberta Court of Appeal, and now that issue is before the Supreme Court.

The other significant move that we made was to reduce the corporate tax, business tax, income tax in this province from 12 to 8 per cent. Initially we planned on phasing that in over a period of time. After we experienced the significant economic challenges of COVID, we expedited the reduction from 10 to 8 per cent to send a signal to capital markets, to investors across this continent and, really, around the world that at a time when many jurisdictions would be looking to raise income taxes, we were going to follow through on our commitment to create a most competitive business environment. That included a preferential business tax rate.

As I mentioned, the tax environment is one piece of a larger value proposition that includes a competitive regulatory environment. It includes a relatively low cost of living, which Alberta has right now. The MacKinnon panel pointed that out. That's a very key component to a competitive business environment. Part of that is ensuring that we can keep our personal tax proposition low. We don't have a payroll tax in this province, which is key, and we don't have a capital tax as well.

Mr. Loewen: Okay. Thank you very much, Minister.

Just to kind of follow up on that, how much has the job-creation tax cut and the innovation employment grant cost government? Do you have any figures that you can relay there or at least some idea of what that has cost?

Mr. Toews: Well, in the current year the acceleration from 10 per cent to 8 per cent is going to cost – well, it's going to reduce revenues by approximately \$200 million to \$300 million. The reduction from 12 to 8 per cent in the out-years is estimated to reduce government revenues by approximately \$400 million a year at this point.

In terms of the innovation employment grant, we're budgeting a relatively modest cost for the upcoming year, I believe in the neighbourhood of \$15 million in that area. Then that is increasing to approximately between I believe \$70 million and \$80 million in the out-years as businesses start to take advantage of that grant, that nonrefundable tax credit.

Mr. Loewen: Okay. Has there been any work done to figure out – okay; you know, we see how much that would cost the government – as far as the benefits of that and how that would relate and benefits to the government treasury and jobs?

Mr. Toews: Well, you know, there's been a fair bit of econometric work done around the relationship between business taxes and economic growth and investment over the years. We certainly had very credible private-sector economists that suggested that our job-creation tax cut would result in over 50,000 jobs over time for the province of Alberta. That was as a result of increased investment in the province, so that was, again, a projection from . . .

3:40

The Chair: Sorry to interrupt, Minister.

At this point we'll move on to a five-minute block for the Official Opposition. Would you like to combine your time with the minister for a 10-minute block?

Ms Phillips: Yes, I would, Mr. Chair. Thank you.

The Chair: Thank you very much. Go ahead, Ms Phillips.

Ms Phillips: I'd like to just start off with a few questions about the nonrenewable resource forecasting budget '21 just to get a good sense of what's driving the budget. Minister, you provided a description of the royalty structure on page 94, and that was welcome. On page 175, the schedule of revenues, and on bitumen in particular we don't see royalties recovering to where they were in '19-20 and for the entirety of the fiscal plan until '23-24. This was a little bit surprising given that a substantial amount of our production should be entering into the postpayout structure, so I just want to get a little bit of a sense of what our assumptions are there. When the previous government did the royalty review, it was expected we'd start to enter into postpayout in the early 2020s.

Since those assumptions were made, two things have happened. On the downside we have curtailment, we have the crisis in the differential, and there was a period of oil price softening in 2020, relatively short, but on the positive side we've seen quite large reductions in per-barrel cost of production. I think it's surprising to many people the extent to which the cost of production has come down, and that's good. That is a driver in the formula. Folks that we've spoken to suggest that it's not quite a wash, but it's pretty close. My first question is: what percentage of the natural resource revenue in 2021, '22, and '23 comes from prepayment and postpayout?

Mr. Toews: All right. Well, I don't have that information at my fingertips. I can certainly ask officials to look to find it. In fact, I'm getting nods here around the table. But you're absolutely correct. When oil producers reach the postpayout stage, their royalty contributions go up very significantly. One thing I will say is that the big crash, the energy price crash experience last spring, will have delayed some of those companies from getting to postpayout. There's no doubt about that. The other reality is that, again, we've taken a very, I think, conservative, very cautious view in terms of economic assumptions leading to revenue projections, so with a \$46 WTI and a \$14 differential obviously companies will get to postpayout slower than they will with a \$64 WTI price and a \$11 differential. We would love to be surprised on the upside; we just don't think that's a credible way to budget.

Ms Phillips: Thank you for that. That was helpful just so that I could understand the role of payout, because it is changing, as you point out, Minister.

We have the economic assumptions in low and high in the fiscal plan, so do the high scenario assumptions on natural resource revenues include a change in a proportion of revenues coming from pre- and postpayout scenarios? Is that what is driving some of that low and high modelling?

Mr. Toews: Yes, it would. When department officials ran the modelling, they actually ran the scenarios through their models comprehensively, so it would have impacted the postpayout periods. Other economic factors would be reflected in those revenues as well.

Ms Phillips: Thank you for that. That's also helpful in terms of how we understand the low and high scenario and the interplay of those things.

I'm interested in some of how the royalty system is interplaying with and driving various aspects of the budget. This is just some basic stuff, Minister, and we're just talking about technical things here, so I'm wondering if officials could provide to the Legislature before we vote on these estimates: the schedule of royalty payments for each project by fiscal for the length of the fiscal plan, the expected date when each project is meant to convert to the postpayout structure at this point in time of our understanding, and finally, the three core assumptions used by Energy and TBF to model the payout structure in each of the fiscal years under consideration in the fiscal plan. So project volumes, price, production cost, any level of that kind of technical information: if you wouldn't mind following up in writing, I think that would be appreciated.

Mr. Toews: Well, I'm certainly willing to provide as much information as we can. Some of it will necessarily need to be aggregated data as there will be commercially sensitive data there. But I'm happy to provide as much information as we can within those confines.

Ms Phillips: Yeah. I understand those limitations, and thank you, Minister. It's more just to get a sense of how this particular economic reality in which we find ourselves is having an effect on the overall royalty structure and therefore, obviously, our revenues, which you point out and certainly is reality. A lot of our budget bottom line depends on that.

I want to turn now to car insurance and just insurance in general. We have outcome 2 of the business plan on page 109, which states that the department does "policy and regulatory oversight for . . . insurance . . . that is effective, fair and in the interests of Albertans." That's fine as far as it goes, but I am always keenly interested in performance metrics. I'm wondering why the ministry doesn't have the cost to consumers, especially automobile costs to consumers, the rate of insurance coverage, as a performance metric.

Mr. Toews: Well, that's a fair question. We've not included it as a key metric. As you know, though, we have taken some action around automobile insurance with Bill 41 and regulatory reform on a number of issues. I think the number one most significant move-the-meter issue is that our reg changes will provide clarity around the definition of a minor injury. That definition that we're using is used in other jurisdictions. Based on feedback we received from the industry and from our actuaries, our overall approach is expected to bring down automobile insurance premiums by approximately \$120 from what they would otherwise be. So we've taken action. Automobile insurance continues to certainly be a priority for us.

Ms Phillips: Minister, I heard there that maybe there was a certain enthusiasm for having a performance metric around affordability and rate of coverage. I think my request would be that that be included in future year business plans for Albertans to be able to review and see if the government is meeting those performance metrics and if we can trust but verify that this reduction is a result of some of the policy changes that have been made. Will that performance metric be in future business plans?

Mr. Toews: Well, we certainly know – I've heard the request, so we'll take that under advisement. The Automobile Insurance Rate Board would have those stats available, and I certainly am very interested in how the reforms that we introduced last fall will be affecting automobile insurance premiums.

Ms Phillips: Thank you for that.

Has the ministry quantified how much automobile insurance has increased since 2019, and is that on an average cost of car insurance or an aggregate total of rate increases? I'm wondering if that analysis could be provided to the Legislature.

3:50

Mr. Toews: I think that's a reasonable request in terms of the information. I'm going to be very interested in following automobile insurance premiums, again, relative to the reforms that we've introduced. Recognize this, that COVID has changed driving behaviour, so that will also be factored, no doubt, into risk profiles and automobile insurance premiums. There have been a number of insurance companies that have actually provided premium rebates to Alberta automobile insurance customers across the province. That's been welcomed. But, again, I'm very interested to understand how our measures have affected automobile insurance premiums going forward.

Ms Phillips: There's publicly available information on lowestrates.ca, a report released on March 3, 2021, that shows that the average cost of insurance for automobiles in Alberta has gone up by 36 per cent. Does that conform, Minister, to your ministry's understanding of the rate of increase?

The Chair: My apologies again for interrupting. This is going to happen quite often, every 10 minutes here, so we'll have to get used to it. I do apologize for it, but it is part of the protocol.

We will now move over to the government caucus for five minutes. Do you wish to combine with the minister for a full 10 minutes?

Mr. Loewen: Yes, please.

The Chair: Thank you. Go ahead, Mr. Loewen.

Mr. Loewen: Okay. Thank you. I guess we'll just move on from my last question there. Taxpayer-supported debt outstanding is estimated to total \$98.3 billion at the end of '20-21 and \$115.8 billion at the end of '21-22, as noted on page 165 of the fiscal plan. Why are these estimates so much higher than what was estimated in Budget 2020, which was \$21.4 billion and \$32.9 billion respectively?

Mr. Toews: All right. Well, thank you. I would suggest that the taxpayer-supported debt in Budget 2020 was higher than the number you quoted. Nonetheless, there's no doubt that taxpayer-supported debt projections are much higher than they were in Budget 2020, and that's as a result of increased borrowing requirements, again largely due to the significant drop in revenues that the provincial government experienced in 2020. Of course, we're projecting a modest recovery year over year for the term of the fiscal plan, which is resulting in increased borrowing over and above what we expected in Budget 2020.

Just to identify that data in Budget 2020, we projected a need to borrow just under \$16 billion. With refinancing we, in fact, are required to borrow just under \$28 billion, and again that's due to a complete collapse in revenues as a result of the energy price crash and the pandemic and, to a lesser degree but to some degree, a requirement to roll out some relief programs and certainly finance health care to deal with the pandemic. This is also supported in our enhanced capital plan.

Mr. Loewen: Okay. Thank you very much.

What is the plan on reducing debt and deficit without raising taxes?

Mr. Toews: That's a great question. There are going to be – that points me back to our fiscal anchors. Again, this government brought forward I believe a very credible plan in Budget 2019 to balance the budget in this term. COVID has interrupted that plan. But we've identified, again, a few key fiscal anchors, the first one to keep our net debt to GDP ratio below 30 per cent. That's going to be critical to ensure that we maintain a reasonably strong balance sheet as we get past the pandemic.

The second fiscal anchor: to align our government spending on a per capita basis, cost of delivering services on a per capita basis, with that of other provinces. That is going to be critical, a critical goal to put this province on a sustainable fiscal trajectory. You know, that's really almost job number one in ensuring a sustainable fiscal trajectory.

Of course, the third fiscal anchor is that when we do get past the pandemic, when we have additional economic clarity, then we will provide a timeline and path to balance. Economic recovery will be absolutely critical as well in terms of getting this province on a sustainable fiscal trajectory, and that's why so much in Budget 2021 is in fact co-ordinated, earmarked, and designed to find economic recovery in the province.

Mr. Loewen: Okay. Thank you.

I'll turn my time over now to MLA Turton. Go ahead.

Mr. Turton: Yes. Thank you very much, Minister, for, obviously, being here this afternoon. I have a number of questions I'd like to ask you to kind of kick-start us off for this section specifically involving red tape reduction. I know that Member Singh asked a question regarding red tape, and I'd like to continue on his train of thought. On page 109 of the 2021-2024 ministry business plan your ministry has included objective 1.1, which is to "lead government's red tape reduction efforts to remove unnecessary regulatory and administrative burdens on Albertans and businesses [that exist here in the province and to do so] while maintaining consumer, environmental, health and safety protections and fiscal accountability." I guess a couple of questions regarding objective 1.1 and your ministry's operations to reduce red tape.

The first question is that on page 109 your ministry mentions that it will be allocating \$2.4 million to corporate planning and red tape reduction. How has this been allocated to ensure that the department is successful and operates responsibly within its mandate?

Mr. Toews: Well, red tape reduction regulatory modernization is an absolute critical goal, and it's a critical goal in positioning this province for economic growth and recovery. Those funds will be used to ensure that the red tape reduction effort is adequately resourced. We will also be working with industry advisory committees around red tape reduction. That's going to be a very important part of the effort, and that's one reason why we can keep our costs relatively low for this very important initiative.

I certainly continue to be of the belief that in so many ways government rarely knows best, and if we're going to truly modernize our regulatory system to improve our competitiveness, we will have to take advice from those on the front lines, from those in the pertinent industry sectors that deal with the regulatory environment every day. That's why our Associate Minister of Red Tape Reduction has in fact appointed a whole series of industry panels, advisory panels around red tape reduction. The associate minister meets with those panels reasonably regularly, and they've identified a number of red tape reduction initiatives. Many of those have been actioned, and work is being conducted.

Mr. Turton: Excellent. Thank you for the answer, Minister.

Obviously, for a lot of residents of Spruce Grove and Stony Plain, when the discussion of red tape comes up, there's always the concern that, you know, red tape might be cut placing certain programs at risk or some type of regulatory systems in place that affect them negatively, which could obviously affect residents both in my riding and, I guess, around the province. My question to you is: how does your department determine what sort of red tape is to be reduced, first of all, and what sort of evaluation or collaboration needs to be pursued to guarantee that this reduction doesn't inadvertently affect that regulation or process negatively? It would obviously affect families in my riding.

Mr. Toews: Well, sure. I appreciate that question. Government has a very important responsibility to provide protection for individuals, certainly for the environment in this province. We have a great responsibility there. But we also have a responsibility to do that by the most efficient means and, I would argue, provide adequate protection, protection that Albertans expect, with the lightest touch, and that's really the baseline premise for regulatory reform and red tape reduction.

Ultimately, in my view – and I know that this is shared by the Associate Minister of Red Tape Reduction – if a regulation is not serving a material purpose, it should no longer exist. If it is serving a material purpose – and many do; a robust regulatory environment is critically important – then that regulation needs to be implemented and structured in such a way to have a minimal effect on the freedom of Albertans and on the ability for businesses to operate nimbly and without additional government cost and burden.

Mr. Turton: Mr. Chair, how much time do I have?

The Chair: Just under a minute.

4:00

Mr. Turton: Okay. Excellent. I was just hoping, Minister, that perhaps you can elaborate a little bit further in terms of the process that the Associate Minister of Red Tape Reduction goes through when they are busy evaluating if red tape is redundant or if it's actually still needed to ensure, you know, that Albertans are protected in whatever ministry it is. Obviously, it's a broad portfolio. It has yourself and the Associate Minister of Red Tape Reduction looking at all different ministries. Perhaps just maybe clarify a little bit about how you go about that decision process to make sure that the appropriate red tape gets cut.

Mr. Toews: Well, again, the minister does rely on industry panels to identify appropriate regulations and regulatory burdens to consider. At that point the associate minister will work with affected ministries, and they will do some additional analysis. They'll determine and ensure that those very pertinent issues that the regulations were designed to protect, that that protection . . .

The Chair: Thank you, Minister.

We will now move back over to the Official Opposition for 10 minutes. Do you want to go back and forth with the minister . . .

Ms Hoffman: I'd be happy to.

The Chair: Thank you.

. . . for a 10-minute block? Go ahead.

Ms Hoffman: Yeah. Thanks so much, colleagues. While I was in Health this morning, I hope my questions aren't redundant. If they are, I am apologizing for that, but I want to make sure that I can be in as many different estimates as possible and represent some of the concerns and questions that have been asked. I want to very briefly

comment – and then I’m going to get back to the thread that Member Phillips was on – around the “government rarely knows best” piece. I would say that teachers, who I hear from very regularly about their pensions, feel very strongly that that is the case when it comes to their pension and that they would appreciate if the government would give the same kind of consideration in consulting and engaging with, I believe, the minister said folks on the front lines when it comes to their own pension management as he’s referring to when it comes to red tape reduction.

With that comment on the record, I’d be happy to hear the minister respond. Member Phillips highlighted that since government changed, according to lowestrates.ca automobile insurance here in the province has gone up 36 per cent. Can the minister confirm?

Mr. Toews: No, I certainly can’t confirm that number. The weighted average increase based on our statistics between November 2019 and October 2020 was 11.4 per cent. Anecdotally, it appears that rate increases have really started to level off. In fact, there have been a number of companies that have provided automobile insurance premium rebates to customers since then. No, I don’t agree with the 24 per cent based on our data.

Ms Hoffman: Thirty-six, actually. But thank you very much, through you, Mr. Chair.

Definitely, we hear regularly from Albertans who talk about driving less, parking their vehicles more, and their rates continuing to go up. I think having it back to at the very beginning, when the government chose to eliminate the rate cap, would be a helpful analysis because it’s definitely had an impact. I understand the minister wants to measure impacts going forward, and I think that’s fair, but I think it’s also important to know what’s happened since the government came into office and started removing the rate caps that were in place before. If further analysis is going to be done and if it could be tabled in the House, I think that that would provide greater certainty to all Albertans on what the actual hard facts are for everyone.

In terms of auto insurance, continuing on that outcome 2 as it is in the business plan, has the ministry forecast what expected changes to automobile insurance rates will be as a result of the legislative changes that were brought in this last fall? The expert panel report in October 2020 forecast that the approximate average decrease could be 10 per cent in annual premiums. Is this in line with the ministry’s current expectations, and if not, why not?

Mr. Toews: Well, yes. Our expectations based on, again, our actuaries’ work as well as the automobile insurance industry confirmation: we expect that adjustments that we made, both regulatory and legislative adjustments, will result in premiums dropping by over \$120 per vehicle per year. Now, that’s from where they would have otherwise been. We’ll be monitoring that closely. I really believe that it’s also our role to ensure that we remove barriers in this province for insurance companies to come in and compete. Based on what I’ve seen, we have active competition in the province of Alberta. That’s essential to ensure that consumers are provided good value.

Here’s the problem with the rate cap, and we were observing it. In a competitive environment with a rate cap in place, over time, as companies start to lose money, they simply start to pull back product offerings in a market. We were observing that in the automobile insurance market in this province. A rate cap would have ultimately disintegrated the automobile insurance industry provincially, and that would have been unacceptable as Alberta consumers simply wouldn’t have had an option, and that would

have eventually led to very significant premiums because we would have had fewer players in the market, creating a lack of competition. What we’ve done . . .

Ms Hoffman: Sorry, Minister – through you, Mr. Chair, if possible – I think you did answer my question about a minute ago. I appreciate what you have to say on other topics, but our time is so precious. I’d appreciate it if we could keep it focused on the questions at hand if possible.

I’ll go to my next one as it relates to insurance for other sectors as well. You’ve probably heard from school divisions, as I have, about the significant increases that they’ve experienced to their insurance for their own school divisions. I know that there was talk about maybe making some changes, but the only change I know to date is that school boards were authorized to use some of their capital allowance to pay for their insurance instead of paying for windows or boilers or those types of things, or they were allowed to spend money that they had in savings. Is Treasury Board and Finance doing anything to actually address the significant increase that school divisions felt on their insurance rates last year?

Mr. Toews: Well, we certainly recognize that there has been upward pressure on property insurance premiums over the last, really, number of years in Alberta. We have in this province what insurance experts describe as a hard market. There have been pretty significant weather events and other events in the province that have created some losses for insurers, and that’s not only here in Alberta. Actually, that’s been experienced across the country, and, you know, some I think would argue that even globally many, many jurisdictions are experiencing a hard insurance market.

Again, our role is to ensure that we have a very competitive environment in the province, that we have very few barriers to entry so insurance companies can come in and offer their product offerings. I also know that it has paid to shop around in this province relative to insurance premiums. There have been a couple of things that we’ve done. Certainly, one thing we’ve done with respect to condo insurance: we have eliminated the best price practice . . .

Ms Hoffman: Sorry, Minister. I appreciate that there are a whole bunch of insurance things you want to talk about. I want to talk specifically about the issues that school divisions have experienced, because that’s money coming out of the classrooms that could be spent on education, and it’s an issue with the insurance. A big piece of it is the lack of options when it comes to insurance or a government-run program. Does the minister have anything in this budget as it relates to insurance and affordability for school divisions?

Mr. Toews: Again, we have worked with the Education department with respect to ensuring that school boards can all procure insurance, number one. I know that there were some school boards that were challenged in even procuring property insurance, and I know that there was a satisfactory outcome at the start of this year, which was critically important so that school boards could open their doors and know that they would be covered if they experienced any losses.

Ms Hoffman: So no changes through budget or through policy in this budget as it relates to affordability for school divisions for a long-term strategy to be able to make their insurance affordable and accessible. That quick fix that was done in the fall was temporary. Is that not true?

Mr. Toews: Yes, the provisions were in our current fiscal year, and there is not an additional requirement in the upcoming budget year.

Ms Hoffman: So school divisions should expect that their insurance rates – they have to start from scratch again, essentially. There is nothing being done this year to make their insurance more affordable for the upcoming school year. I think that’s been asked and answered unless you have a different answer.

Mr. Toews: Chair, can I speak here?

The Chair: Yeah. Absolutely.

Mr. Toews: School boards can know that we will continue to work with them on their insurance challenges. We’ll be there for them, and we will work shoulder to shoulder to provide solutions as required.

4:10

Ms Hoffman: Okay. Thanks, Minister.

I think we have about a minute left, so I’d like to go back to the auto insurance piece. I believe you said that it would be 10 per cent lower than what it would be otherwise. I’m assuming that means, then, what it would be with fewer regulations. Will it actually be 10 per cent lower than it is today? Can Alberta ratepayers expect that their auto insurance is going to go down today, or is it going down from what it would have been in a disaster-case scenario, so it’s actually going up? I think that’s the question that most people ask me: what’s my insurance going to be next month? Because it keeps going up.

Mr. Toews: Sure. I think that, as members would know, there are a number of factors that affect risk profiles and, ultimately, automobile insurance premiums. What our actuaries have concluded and the insurance industry has confirmed is that automobile insurance premiums are expected to go down by approximately \$120, which is almost 10 per cent on average, from where they would have otherwise been. Here’s the nuance there: COVID has changed the scenario. The reality is that, as the member pointed out, in some cases people are driving less. In some cases they’re parking a vehicle. There’s been less activity, and that’s resulted in insurance . . .

The Chair: Sorry to interrupt, Minister.

Quickly, we will take a health break as close to 5 o’clock as possible, depending on the speaking order whenever it comes up.

I’d just like to address an issue that we’re having. We can’t have speakers on in both rooms because we get a pile of feedback. Please bear with us. This is unprecedented. We’re doing our best. We’ll try our best to make sure that everybody has the time to ask the questions and answer the questions as well as possible.

We’ll now move to the 10-minute rotation for the government caucus. I assume you want 10 minutes back and forth?

Mr. Turton: Yes, please.

The Chair: Go ahead, Mr. Turton.

Mr. Turton: Thank you, Chair. Thank you, Minister. Just to continue on some of the questions that I was asking in the last block specifically regarding red tape reduction, I guess my last question on this point is on performance metric 1(a). It’s found on page 109 of the business plan. It provides us with the information that Treasury Board and Finance has “reduced red tape by 2.97 per cent in 2019-2020.” Can you please provide this committee with more information as to what some of these reductions were and what plans the ministry has in the future to cut more?

Mr. Toews: Sure. I’d be happy to. Well, the first thing we did was, of course, repeal the carbon tax. From Treasury Board and Finance’s standpoint, that was a significant red tape reduction and a red tape reduction effort that made a very, very significant and positive impact for all Albertans and Alberta businesses.

In terms of the count, we had made modest progress – let’s call it that – in our first year, and we’ve doubled down on our red tape reduction efforts. Right now, in fact, we’ve reduced red tape in the Ministry of Treasury Board and Finance by 13 and a half per cent, exceeding government’s target of 12 per cent by the end of this fiscal year. We’ve made great progress, and I want to thank my officials for that. They’ve really doubled down on red tape reduction efforts. I want to thank our folks and partners at AGLC. They have really made great progress. In fact, AGLC, I believe, is about at the 23 per cent mark right now, so that’s been tremendous progress. We’re on track as a ministry to meet our target by the end of this term, and at this point in time we are ahead of schedule.

Mr. Turton: Excellent. That’s fantastic to hear.

At this point I’d like to move the rest of my time over to Mr. Yaseen to continue. Thank you.

The Chair: Go ahead, Mr. Yaseen.

Mr. Yaseen: Thank you. Minister, red tape reduction has been an integral part of our government’s effort to deliver services more efficiently and more effectively. I will kind of continue much like Member Turton on that topic. My question is directed towards red tape reduction initiatives, more specifically key objective 2.1, mentioned under outcome 1 of the business plan, on page 109 again.

The question is: how has the ministry approached its review of the Gaming, Liquor and Cannabis Act, the supporting regulations, and the AGLC handbook?

Mr. Toews: All right. Well, that’s a great question, and I will turn it over just shortly to Kandice from AGLC, who is here with us today. I will say that AGLC has made great progress overall on red tape reduction. There have also been some very key changes that have assisted small Alberta businesses, particularly restaurants, who had their operations severely curtailed due to public health measures. There were some changes that assisted them. One of the most significant changes was allowing restaurants to offer liquor sales as part of their off-site food delivery. I’ve heard from many restaurants that that was really critical, and in fact I believe that in some cases that made the difference between the restaurant continuing and not.

I will ask Kandice to make a few comments from AGLC just around the greater effort of red tape reduction. It’s been significant.

Ms Machado: Good afternoon. Thank you, Minister. My name is Kandice Machado. I am the acting president and CEO at AGLC. Yes, we’ve had considerable effort in the past year on red tape reduction, reviewing all of our handbooks and seeking opportunities to enable the private sector and make it easier to do business with AGLC. Many of those have impacted restaurants, bars, liquor stores, and our gaming operations, so we continue looking at all of our handbooks with that lens. We’ve achieved a 23 per cent reduction as highlighted, and we’re on track to achieve the 33 per cent before the end of next fiscal year.

Any other specific questions on that?

Mr. Yaseen: No, I think you have answered the question. You have already even gotten to my second question, so I will pass it on to Member Guthrie.

The Chair: Mr. Guthrie.

Mr. Guthrie: Thank you. I just wanted to go back to a topic that was discussed just a little earlier in this session. It was brought up around the \$46 average WTI forecasted price. Minister, in the 2021 budget and today as well you've spent a great deal of time talking about the three pillars, one of which is a future path to balance. You know, obviously, we must get through COVID before putting forward a reliable path to that balance, but with that in mind – and I'm not going to hold you to it, but we have very strong oil and gas prices right now. Just as a rule of thumb – and maybe you have thoughts around this – what can you tell us about what a \$1 increase in oil prices might mean above the \$46 forecast? What would that mean for the treasury, and what would, say, a 10 cent increase in gas prices mean as far as looking to Albertans in the future and strengthening and supporting those pillars that you were talking about?

Mr. Toews: Well, that's a great question. Because of the amount of economic uncertainty we're dealing with right now, we did create a high and a low scenario for Albertans in Budget 2021. There is significant sensitivity to energy price fluctuation. In fact, for every dollar change in WTI, the effect on the fisc is about \$230 million, which is really significant.

But one thing to keep in mind is that there is an interrelationship with WTI prices, certainly our differential, which would indicate the price for western Canadian select prices. Also, because the Canadian economy and trade flows remain so dependent on the energy sector, we continue to have, well, what some may call a petrobuck. When we see significant fluctuations, actually even not significant fluctuations but simply changes in energy prices, it does affect our currency. So there is an interrelationship there as well.

In terms of the fiscal effect, the effect on our revenue, with western Canadian select, a dollar change has an effect on the fisc of something like just under \$200 million. In fact, it's \$185 million. For every cent change in our currency, it affects the fisc by \$165 million. So, again, there's a very significant impact, and there's an interrelationship there. Again, our high and low scenarios were run through our department modelling, and that recognizes that interrelationship impact.

4:20

Now, in terms of natural gas prices, for every 10-cent move in the Alberta reference price – the Alberta reference price is a combination, basically, of the AECO price and the Henry hub price – there's a \$20 million effect to government revenues. As the member points out, Chair, there is a very elastic effect, a very sensitive effect on government revenues with minor changes in energy prices. That's why we determined it was important to be transparent with Albertans on both the low and the high scenarios.

Mr. Guthrie: Yeah. That's excellent. That's exactly what I was looking for. Thank you very much for that. I could certainly understand why you guys, you know, decided to use \$46 as the baseline. The last six years have been so volatile. We've seen negative oil prices along that path. I think that was prudent.

I'll shift gears here and go to key objective 2.2 of the Treasury Board and Finance business plan, found on page 110. It is to "support Alberta businesses ..."

The Chair: Sorry, Mr. Guthrie, to interrupt.

We'll now move on to the Official Opposition for, I assume, a 10-minute back and forth.

Ms Phillips: Yes, but it will be Member Gray.

Ms Gray: I will jump in. Thank you.

The Chair: Go ahead, Ms Gray.

Ms Gray: Thank you very much. I'm pleased to be joining the estimates here today. Minister, I would love to ask you some questions about the Alberta jobs now program listed in your fiscal plan. The federal government announced \$185 million for Alberta jobs on December 16, 2020. While I will note that your government did not put out any announcements on that, on page 98 of the fiscal plan as well as in media and the budget highlights the government is talking about \$136 million over three years for the Alberta jobs now program. I'm just curious why the government is announcing less than that \$185 million. Why is \$136 million being shared?

Mr. Toews: I'm sorry, Chair. I was a bit distracted. Could I ask the member just to repeat the actual question. I think I caught all the preamble, but then I missed the question. I apologize.

Ms Gray: Yes. The question is: why, when the federal government announced \$185 million for this program, is your government through the fiscal plan advertising or celebrating \$136 million over three years for the Alberta jobs now program?

Mr. Toews: All right. Well, good. Thank you for that. In terms of profiling the program, again, this is a program that has just been announced. It is a program that utilizes federal funds and also has a provincial component to the funding. It's a program that will be rolled out and I believe will be very instrumental in improving the skill set for thousands of Albertans and will also assist employers in ensuring that they can obtain the right talent to ensure that they're competitive and successful going forward.

Ms Gray: Thank you, Minister.

As a follow-up, you did not answer why the government is talking about \$136 million and not \$185 million. Secondly, reading the federal announcement, there is no provincial component to this funding that is available from the publicly available documentation. This is very different from the critical worker benefit, where there was a provincial component. My understanding is that this is a continuation of the labour market development agreement funds and straight flow-through dollars to create jobs for Albertans. So why, when the federal government is giving Alberta \$185 million to create jobs through an existing program, is your government only talking about \$136 million?

Mr. Toews: Firstly, Chair, to the member, we will provide some additional detail so that the member has the profiling for the full fiscal plan with respect to jobs now. This, again, is a plan that utilizes federal funding in part and is also funded by the province. We view this as a critically important plan, a plan that will ensure that Albertans can upgrade their skills and also position employers to attract the right kind of talent and, in fact, grow the talent within their organization.

Ms Gray: Thank you very much, Minister.

The provincial government has allocated, at most, \$4.5 million to this critically important plan, where the federal government has allocated \$185 million, so what you define as critical importance doesn't seem to be very much money when we're talking about the provincial component. I'm very curious about the \$136 million, and I hope that perhaps we might be able to get an answer to that.

I'm also curious about over three years, because the federal government and your fiscal plan on page 85 make clear that this was money intended to be spent now, immediately, using existing

programs from labour market development. On page 85 it reads that the profiling, the moving of over 65 per cent of the money into fiscal 2021-22 rather than using it in fiscal 2020, was subject to federal approval because the intent was only to be able to reprofile 20 per cent. The Alberta government is asking to reprofile over 65 per cent. I'll just break that down into two questions: why are you advertising across three years when obviously the federal government program is intended to use this money immediately, and, secondly, have you received the approval from the federal government to reprofile such a large amount when it appears they intended that money to be spent over this past quarter?

Mr. Toews: Well, there are a couple of reasons for that. Firstly, the best program would actually align the funding and program availability with employers as the economy starts to improve. In the event we rolled this funding out as the economy is being really, really challenged due to COVID, employers would have a very difficult time utilizing it because there simply wouldn't be opportunity. You can't create a job by simply just providing the training. There has to be an opportunity for an employer to be able to place an Albertan who needs a skills upgrade. I think the timing of the rollout is actually going to coincide very well with our recovery from COVID and the great economic challenge, and in fact it will ensure that employers, as they take a look and see opportunities in the future, can step out and hire Albertans who wouldn't otherwise be employed and allow them to upgrade their skills, which will create a win-win for both the employer and employees.

Ms Gray: Thank you, Minister. A lot of hopes and dreams for this program, which has not yet been announced. Again I will ask: has the federal government, who is putting up \$185 million, approved Alberta's request to reprofile over 65 per cent into next year, and if they have not, why are you advertising over three years? What are the chances they're going to let you reprofile more again?

Mr. Toews: We're certainly working with other provinces, who are joining us in advocacy of the federal government to provide sufficient flexibility so that this program can actually deliver on its intended goals, and that is to ensure that Canadians across the country can upgrade their skills and employers can be positioned for economic recovery.

Ms Gray: Okay. Thank you, Minister. If you or your officials are able to respond in writing to some of these questions, given more time to look at the details, that would be appreciated.

You currently are booking \$62 million to go out the door this year. That is in the 2020 budget, \$62 million. Today's date is March 9. Are you going to be able to get \$62 million into the hands of employers by the end of this month?

4:30

Mr. Toews: Well, that would be a good question, of course, for Labour as they're working forward to deliver this program as soon as they can. At the time that we drafted the budget, of course, we determined, based on the best information we had at that time, what we will allocate in terms of funding for each fiscal year. I think, Chair, the member can rest assured that if that program is delayed because the federal government is slow to provide necessary flexibility, then that program will be available for the following fiscal year.

Ms Gray: Minister, it's clear in the federal announcement, given that there is no provincial announcement, that the intent of this program was to build on the strong delivery networks already in

place in Alberta. We have, through the labour market development agreements, amazing workforce training programs, particularly through the Labour ministry. I would suggest that if there's been a delay, it may be because your government is trying to invent a new way to get this money out to employers rather than using the systems that we already have and getting it out as quickly as possible to the Albertans who need it immediately, calling into question the naming of the program, which is Alberta jobs now, because right now it's delayed, delayed, delayed. I understand that you will try to pin that on the federal government, but I would suggest that there may be other factors involved. Do you know how many full-time employees will be involved in administering this Alberta jobs later program?

Mr. Toews: There will be some additional hires required to administer this program. I don't have the actual number available to me, but it will involve staffing up at Labour.

Ms Gray: Are you aware of, just as part of the FTEs, what the administration costs may be to do with administering this program?

Mr. Toews: There will be additional costs, obviously, required to administer the program.

The Chair: Sorry to interrupt again, Minister.

We will now move on to what I assume is a 10-minute block, back and forth, with the government caucus. Mr. Guthrie, have I assumed correctly?

Mr. Guthrie: Yes. Thank you. We were just getting started there, Minister, on key objective 2.2 of the Treasury Board and Finance business plan. It was on page 110. It says that it's to "support Alberta businesses by encouraging investments and improving access to capital with a flexible and responsive regulatory framework." It's a bit of a mouthful there, but I was wondering if we could unpack that a bit. The first question in this regard, then, is, you know: how does the ministry ensure that the regulatory framework provided here does stay flexible and responsive and does promote growth rather than just creating a regulatory burden, something that may hinder growth?

Mr. Toews: Well, that's a great question. The efficient function of capital markets is critical to the efficient function of an economy, and it will be critical to economic recovery as we seek to see, you know, maximum capital deployed in the province of Alberta. Firstly, there are ongoing initiatives through the Alberta Securities Commission on ongoing regulatory review, and that work continues now, so stay tuned. We will be bringing forward some additional red tape reduction items, regulatory and legislative changes very soon that will in fact improve the efficiency of capital markets function.

Part of our effort as well that will be tied to our financial services sector strategy is that we're going to again be working with the ASC and working with an advisory committee, which will be appointed quite soon, on considering and moving forward with what's called a regulatory sandbox approach, and that is to provide an environment here, an opportunity in the province of Alberta for innovators in the fintech space to offer limited product offerings under the very high-level regulatory oversight regulators in the province but offer product offerings for which there's not a definitive regulatory framework in place. I've certainly been advised that if we could offer that kind of opportunity in the province, it would attract innovators. It would spur on additional tech advancements and also likely attract additional investment into that space in the province. That will be part of our fintech strategy.

Again, we'll be working with experts in the finance and fintech fields on structuring that. We'll be working closely with the Alberta Securities Commission as well.

Mr. Guthrie: Okay. Excellent. Actually, you've answered my next question for me here on encouraging investment and that access to capital, so thank you very much.

Coming out of COVID-19, job creation is going to be paramount, so how does this framework create opportunities and contribute to job opportunities for Albertans?

Mr. Toews: Well, as I mentioned, access to capital is a key ingredient for businesses to start and for businesses to grow, so efficient capital markets are critical to that exercise. That's why we're focused on reducing red tape and modernizing our capital markets regulatory environment here in the province.

Mr. Guthrie: Thank you, Minister.

Chair, I'd like to cede my time to MLA Getson.

The Chair: Go ahead, Mr. Getson. Are you online?

Mr. Getson: I sure am, Chair, and I'm clicking buttons as feverishly as I can to get caught up here.

The Chair: Very good. Go ahead, sir.

Mr. Getson: Thank you, Minister, for that. The central banks around the world supported us both through the 2008 recession and currently, and then we've been actually very fortunate. There have been some record low interest rates. History does show us that these, you know, interest rates do recover once the economy starts to strengthen. With that, on page 165 of the fiscal plan the government shows a large amount of debt maturing in the second half of this decade. How would the increasing interest rates affect the government of Alberta and all its debt and refinancing at the higher interest rates, sir?

Mr. Toews: Well, higher interest rates are going to be a risk for every government, every jurisdiction coming out of COVID. I think you'll go a long ways to find a government that hasn't had to borrow, you know, funds over and above what they had intended to because of the great economic challenges of the pandemic. As you point out, right now we are in a period of time, really, a period of historically low interest rates, so the province of Alberta, going forward, will have additional interest rate risk that would be reflected in increased debt-service costs. That's why, Chair, it is so absolutely essential that we hold fast to our fiscal anchors, ensure that coming out of this pandemic we've maintained a reasonably strong balance sheet, ensuring that, in fact, we've brought our spending in line to deliver government services at least as efficiently as other provinces. That's why it's going to be critically important for us to lay out a timeline and a fresh path to balance because, again, Alberta will have interest rate risk, debt-service costs risk that obviously would be exacerbated by increasing rates.

Right now we're hearing from economists that, you know, going forward, they're expecting economies to perhaps recover quicker than they might have otherwise predicted. There's been significant fiscal stimulus by governments certainly in the western world and with central bank practices around quantitative easing and around bond purchase programs. That combination with significant fiscal stimulus could put some pressure on inflation on upcoming periods, which could push central bankers to push up interest rates. That's why it's so important that we continue to focus on fiscal

responsibility, on efficient delivery of government services, and ensuring we maintain a strong balance sheet.

Mr. Getson: I appreciate that, Minister.

You did touch on it a bit, but what are some of the metrics that we're going to be using or guideposts, as it were, to ensure that our government's budget returns to a sustainable path once the pandemic is over?

4:40

Mr. Toews: Really, I've mentioned those, and that is ensuring that our net debt as a percentage of our GDP stays below 30 per cent. Again, that ratio is important because, really, there's a strong correlation between that ratio and a jurisdiction's, an entity's ability to service its debt, so that one is going to be critical.

Again, as I mentioned, our cost per capita of delivering government services needs to get into line with other provinces. I've said this before, but it's never been more pertinent than it is today. Alberta can no longer afford to be an outlier in the way we spend money. We have to ensure that we're delivering most efficiently to Albertans and most respectfully to Alberta taxpayers.

Mr. Getson: Thank you. I appreciate that, Minister.

With respect, I'm going to point out the blatantly obvious. We have a deficit that's pushing over \$18 billion. Obviously, we need to control the costs to do that, but we also need our revenue to rebound so that we can, you know, bring in that cash flow. The reduction we experienced was because of COVID and the drop in oil prices, and you've mentioned before the triple black swan event. Page 150 of the fiscal plan talks about the job-creation tax cut, which was to accelerate in the summer of 2020. With that, what is the estimated difference in the revenue because of that acceleration? What are we seeing for positive or anticipated trends?

Mr. Toews: Well, that's a great question. As I mentioned earlier, we're expecting revenues to be affected by between \$200 million and \$300 million this year as a result of the accelerated rate reduction from 10 per cent to 8 per cent, and we're starting to see our value proposition in this province, the fact that we've really created a very competitive business environment. We're starting to see that take hold. You know, we've seen mCloud Technologies announce that they're moving their head office from Vancouver to Calgary: very, very positive. Infosys has decided to set up shop in Calgary in a very significant way, creating 500 job opportunities, certainly renting a significant amount of commercial space, and they have plans to grow beyond that. In 2020 we landed record levels of venture capital in this province, in fact, I believe, for the city of Calgary and maybe Edmonton as well by Q3.

The Chair: Again, my apologies for interrupting, Minister.

We'll now move on to the Official Opposition for five and five again.

Ms Gray: I would love that. Thank you.

The Chair: You'd love that. Okay. Thank you. Go ahead, Ms Gray.

Ms Gray: Thank you very much, Minister. Minister, I'd still like to talk about the Alberta jobs now program. I wonder if officials had enough time to be able to answer some of those questions I started off with, so I'll just ask again. Do you know how much will be spent on administration costs for the Alberta jobs now program, which has yet to be announced?

Mr. Toews: Sure. I have to thank the officials because they were able to gather that information. Our budget for the current fiscal

year that we're in right now: in the event that they're able to deal with grant applications, the funding will be \$60 million. Relative to the applications, there will be a \$2 million cost of administration. For the following fiscal year, '21-22, we're expecting \$120 million in terms of program funding, and the administrative cost will be \$7.5 million. There will be some additional admin costs as well in the out-years as there will be some costs of compliance related to this program.

Ms Gray: Thank you very much, Minister. That's quite helpful in trying to understand why you were advertising \$136 million across three years. I had supposed that perhaps 25 per cent was being booked for administration, but you're telling me that that is not the case, that you won't be taking 25 per cent for administration of this important program.

Mr. Toews: That is not the case, Chair. That would be a grossly inefficient program, one that would be unacceptable to this government as well as, I'm sure, to the member.

Ms Gray: I was very surprised when I thought that might be the answer, so I'm glad that's not the answer. Were you able to find out why you were advertising \$136 million and not \$185 million?

Mr. Toews: Well, the reality is that this program will be delivered over two years, so it is going to be fully funded over those two years. I believe the total cost of the program will be just under \$200 million over those two fiscal years.

Ms Gray: Thank you.

Now, this program announced by the federal government in mid-December – the provincial government has decided to call it Alberta jobs now. My understanding is that this is intended to be immediate fiscal help for the provinces to be able to get people back to work, to inject some stimulus into the economy, a significant amount, but your government has not yet announced the program, has not started creating those jobs yet. I will say that I see parallels to the critical worker benefit, where you left significant amounts of money on the table in Ottawa for nine months, costing our Alberta economy, as verified by credible economists. Will your government be prioritizing getting this money out and helping to create jobs for Albertans immediately, other than titling the program Alberta jobs now?

Mr. Toews: A couple of things. In terms of the critical worker benefit we've not left any money on the table. At the end of the day, we anticipate utilizing all the federal funds in that program. You know, given the fact that the second wave hit us last fall, the fact that we kept our powder dry, I think, turned out to be a responsible decision. We're expecting to fully use federal funding in the critical worker program.

Again, as I mentioned on the jobs now program, to roll that program out in the middle of one of perhaps the largest economic contractions since the Great Depression would have actually been irresponsible as well. It will do far more good as we align that program timing with economic recovery, at a time when employers actually have some opportunity to add staff. At that point in time employers will be able to reach out, hire Albertans who are sidelined, likely right now, due to the pandemic, due to the economic collapse, and bring them on, onboard them, and train them on the job. We know that so much training, excellent training, takes place on the job. This program will afford that.

Ms Gray: Thank you, Minister.

To be clear, I acknowledge that you did spend the critical worker benefit money, but it took over 280 days to announce the program and to get it out the door, and that did impact Alberta. To say that the program now released has been better because of the delay: on behalf of taxi workers, the people who clean child care centres, on behalf of hundreds of different types of employees who've reached out to me, I would say that your program, despite having nine months to be designed, still had significant flaws.

That being said, I'll ask you a final question about this Alberta jobs later program, which is: how many jobs do you think \$185 million will create here in Alberta?

Mr. Toews: When the minister announces the program, I expect the minister will have something to say around job volume and their expectations in terms of job creation. I don't have that information here.

Ms Gray: Fair enough. I apologize.

I do have one final question, which is: if your intent is to get the \$60 million out this year, do you anticipate the minister will be announcing this program before the year ends, the fiscal year, I mean?

Mr. Toews: In order to get the program funding out before this fiscal year would require the minister to announce the program before the end of the fiscal year, so the answer is yes.

Ms Gray: Wonderful. I look forward to that announcement.

I'd like to switch into public-sector compensation and public-sector bargaining. Within your fiscal plan, on page 122, you have announced that the size of the public service will be reduced by 7.7 per cent, and the total compensation bill for the government of Alberta is forecast to decrease by \$560 million between now and 2023. Can you tell us how much of this decrease in total compensation will need to come out of bargaining?

Mr. Toews: No, I'm not prepared to say that right now, Chair. As the member would know, public-sector cost is a function of price times volume. One thing I will point out is that the MacKinnon panel concluded that, again, Alberta was an outlier in terms of our public-sector costs. Alberta on a per capita basis spends just under \$5,500 a year per person in Alberta. In British Columbia, for instance, the number is just over \$4,800 a year. That's a delta of about \$635, which, if you extrapolate that against the population of Alberta, is about \$2.8 billion. Again, Alberta can no longer afford to be an outlier.

4:50

We're looking to thoughtfully and compassionately right-size the public sector in this province as well. We will need to ensure that our public-sector remuneration costs are aligned with those of comparable provinces.

Ms Gray: Minister, on the fiscal plan, page 122, just related to public-sector compensation, I'd like to connect that to a briefing note that we received through freedom of information that was originally drafted for you in September 2019, where you were being briefed that a legislated mandate model for public-sector bargaining would, quote, not be ready in time for the 2020 bargaining round. Is your legislated mandate model for public-sector bargaining ready now, and is that part of what's driving assumptions in the fiscal plan?

Mr. Toews: Chair, our goal is to negotiate co-operatively and successfully with our public-sector union partners. That's our goal, and I'm hopeful that we will be able to achieve a mutually

beneficial outcome, an outcome that can ensure a sustainable fiscal trajectory for the province of Alberta, an outcome that's fair for our hard-working public-sector workers, and an outcome that will also ensure the sustainability of those programs that they deliver.

Ms Gray: Thank you, Minister. I will suggest that having talked to many of the front-line workers who you are thanking, they do not at this point feel appreciated, respected, or that they can trust for a fair outcome.

Along those lines, I would simply like to follow up. That briefing note that we obtained that was prepared for you has parts of it that are redacted. Using that term "legislated mandate model" of bargaining legislation, which was characterized as being under consideration by the government, can you confirm that you've been briefed that such legislation is, in fact, unconstitutional?

Mr. Toews: Right now, again, we are looking forward to a successful, mutually beneficial, agreed-upon settlement with our public-sector partners. That's what I can state unequivocally right now. I'm very hopeful that we can achieve an agreement, again, one that will ensure fiscal sustainability for the province, sustainability of our programming . . .

The Chair: Thank you again, Minister, for your input.

We will now move on to a five-minute block with the government caucus. I assume you want to go back and forth to make it a 10-minute block, very closely followed by a five-minute health break. Going to the government caucus, Mr. Turton? Are we back to Mr. Getson?

Mr. Getson: Getson is still up if that's okay.

The Chair: Go ahead, Mr. Getson.

Mr. Getson: Perfect. Minister, I got cut off a little bit short there. I apologize. I get a little bit long-winded. I get excited when it comes to interest rates and how some of the impacts are there. Back in that vein itself, we were talking about some of the job-creation tax cuts and some of the corporate items that we have that are taking place and some of the interest. Obviously, you know, Infosys has been talked about a couple of times here, both by the members opposite and ourselves.

However, you know, I want to offer you some feedback from the folks that I talk to, and I hear about that. The tax may not be in whole by itself the reason why it comes here. I'll concede that to the opposition members. We do have a strong resource pool. We have a ton of transferable skill sets. If you look at the energy sector, 80 per cent of those transferable skill sets we've built up over the years for the quality assurance, the engineering, the acumen, it all transfers over to aerospace, aviation, or even in so much as that coding world, as much as I'm on the teleconference this morning with a company down in Calgary that exports that technology around the world by having 3D modelling and doing those types of things. They can do clash detections and otherwise. This is a small Alberta company that's built on innovation from that energy sector that is going into all those environments.

With that, Minister, if you could talk a little bit about what you're hearing as well, not only on the skill sets that we have, you know, the livability that we have in our province, but I will rest assured with you, sir, that the feedback that I've had also is that those corporate tax savings are palatable. As we all well know, private industry is made on a bottom line, and if you keep taking away from that bottom line, you might have the most talented resource pool, but they won't come here. If you could offer some insight on some

of the dialogues that you've heard on the job-creation tax cut and how it is a benefit to some of those private companies.

Mr. Toews: Yeah, absolutely. Chair, I appreciate this question. I've heard from many private-sector investment proponents that a very competitive tax jurisdiction, a very competitive tax environment is critical to the greater value proposition. We recognize that the greater value proposition includes but is not exclusive to our tax rates, but our business tax rates are critically important. I also want to point out again that one of the most, I believe, lasting and durable positive changes we'll make to our business environment is modernizing our regulatory environment, reducing red tape. That is absolutely critical, and that's a key component, again, to Alberta's value proposition.

I've tested our value proposition with capital investment specialists from, actually, across the continent, and the response I've had is that Alberta has an incredibly good story to tell around our business environment, again, on our greater value proposition. But it's a story that is poorly understood. That's one reason why we created Invest Alberta. Invest Alberta will have the job of ensuring that, you know, investment proponents across North America and, in fact, globally know the great value proposition that exists in Alberta.

That value proposition, of course, includes our very preferential business tax rates. It includes our advantageous cost of living. It also includes access to, again, world-class commercial space at very affordable rates. It includes a province that is incredibly livable, obviously, in cities like Calgary and Edmonton, but more than that, rural Alberta offers so much to so many. It includes a jurisdiction that's been blessed with abundant natural resources and very progressive, responsible players in that resource sector that are on a path of continual improvement in terms of environmental and social governance metrics.

So we have an incredible story to tell. I'm getting very positive feedback. I think we're just starting to see what will become a wave of investment moving into the province of Alberta. That's backed up by BMO forecasts of Alberta leading the nation in terms of economic growth in 2021.

Mr. Getson: I appreciate that, Minister.

Back to the context for the folks at home that may not appreciate the order of magnitude, again, as fiscal conservatives, it was, you know, quite frankly, a bit of a train wreck, the fiscal program that we had in place and the number of people that were actually leaving the province when it came to the issues that were placed in by – I'm trying not to say the wrong words and to be politically correct to a degree, but quite frankly the area that was set up for them was not conducive to conducting business and making a go of it in some of the sectors, so we saw that flight of capital.

With the \$18 billion here and if we're looking at interest rates, can you advise how much of our annual income, if you would, the cash revenue, actually goes towards debt servicing versus going into some of the other ministries?

Mr. Toews: Well, right now we're projecting \$2.8 billion for debt-service costs for the upcoming year. That's rising to over \$3.3 billion in the out-year, by '23-24. That's going to be, you know, somewhere in the neighbourhood of 6 or 7 per cent of government revenues, which is not insignificant. Fortunately, relative to many other provinces our debt-service costs are still lower. In fact, when we've developed the metric of our per capita cost of delivering government services and as we compare to other provinces, we've removed debt-servicing costs because those are not program costs. So it's critical that we continue to ensure that we have a relatively

strong balance sheet; hence, the fiscal anchor of net debt to GDP below 30 per cent. But in spite of that, we will see our debt-service costs take an increasing amount of government revenues. That's why it will be so important to get to balance and define a path to balance and timeline as soon as we have economic clarity postpandemic.

Mr. Getson: I appreciate that, Minister. I would like to give you some words of encouragement. If you can recall back last fall, when you were out in God's country, out in our area, we had our town hall at the Villeneuve airport, and one of the ladies came forward and said that she was glad that you had your hand on the rudder, and she was very glad that you were hired for the job that you're doing to navigate through these tough times and challenging times. In her words, "Make sure you get the job done, Minister; we're behind you," and I am as well, sir.

With that, I would like to cede my time over to the MLA for Calgary-East, please.

Mr. Singh: Thank you, Mr. Chair, and thank you, Minister. I appreciate the work of the minister and all the staff of the ministry for the responsible financial management and budget planning towards economic stability for Alberta, as mentioned. On page 110 of the business plan, under key objective 3.3, my question is: what is the ministry doing to provide responsible, efficient leadership when it comes to board governance and evidence-based recruitment of qualified candidates for public agencies?

Mr. Toews: Well, that's a great question. There are 247 public agencies across government. They actually account for almost 50 per cent of the province's budget, so the efficient operation of those public agencies is critical to ensure that taxpayers in this province are getting good value, to ensure that Albertans are well served by their programs.

A critical component of our agencies, boards, and commissions in this province is to ensure that we're constantly reviewing their mandate and ensuring that they're delivering effectively on that mandate. It's also important to ensure that we don't have redundancies. At times organization objectives can change over time, and sometimes the needs change within the province, so it's important that we're constantly reviewing mandates and the abilities of organizations to deliver on the mandate and ensuring that we don't have redundancy across government. That's why we've taken on this review of the organizations.

Part of the review has been to ensure that we have appropriate governance in our agencies, boards, and commissions and that every agency, board, or commission has the appropriate leadership, that is, the appropriate board leadership. Part of this effort involved centralizing our recruitment process for directors on our agencies, boards, and commissions. By centralizing that function, we've found efficiencies, and it's actually also resulted, I believe, in ensuring that we can have the best candidates, board members with the appropriate skill set and experience to ensure that competencies are delivered.

The Chair: Thank you, Minister.

I hesitate to interrupt again, but we will have a quick, five-minute health break, followed by a 10-minute rotation with the Official Opposition. Please be back in your chairs in five minutes.

[The committee adjourned from 5:03 p.m. to 5:08 p.m.]

The Chair: All right. Back in line, everyone. Please take your seats.

We will proceed with five and five, with the Official Opposition again?

Ms Gray: Yes, please.

The Chair: Okay. Who is your speaker? Ms Gray, go ahead.

Ms Gray: Thank you very much. Minister, in our last opportunity to ask questions we were just talking about public-sector bargaining. I would just like to remind anyone who is currently watching this estimates process that we are talking about the workers and the families that have been keeping us running through the pandemic. We're talking about the health care heroes, not just those with medical training but everybody who is part of our system, from the people working laundry and food services, porters, up through to the nurses and health care aides and others as well as other workers all around our province.

I would like to ask you again just around: when you were looking at how you're going to be moving forward with various bargaining models, are you considering or have you been briefed on the constitutionality of imposing arbitration processes or otherwise truncating bargaining? Without going into too much detail, please – a yes or no answer would suffice – are you considering the issues of constitutionality as you look forward into bargaining?

Mr. Toews: Again, my answer will be the same. We're focused on a successful negotiated outcome. I absolutely recognize the great contribution that so many have made in the public sector over the last number of months, in many cases in difficult circumstances, and that's one reason why we were really pleased to roll out the critical worker benefit program. That would at least provide some token of appreciation to all those on the front line, certainly in health care, and that does include, absolutely, those in laundry and cleaning and food service, every front-line worker as well as those in the private sector who worked in transportation and . . .

Ms Gray: Thank you. Thank you very much, Minister. I appreciate that I won't be getting an answer to my question.

With that, I would like to cede the remainder of my time to my colleague MLA Hoffman if that would be acceptable to her.

Ms Hoffman: Sure. That's fine. I've got my notes.

Thank you so much, Minister and Member. Can we get a time check?

The Chair: You have seven minutes and 32 seconds.

Ms Hoffman: Fantastic.

I want to start by talking about – one of the things that I like to do is go through the business plans. I feel like they're a covenant with the people of Alberta around what we as the board responsible for their resources are allocating. When I went through the business plans this year, one of the big things that stood out to me is how much shorter they are than what they've been in past years. Education, I think, was 13, and it's four now. I think Health was 11, and it's three. So I'd like to have some clarification, because it seems – and I think it was actually said in Health estimates earlier – that there was direction from Treasury Board and Finance to reduce the actual business plans for each individual ministry. Can you confirm that that is indeed the case?

Mr. Toews: Yes, we have provided direction to ensure that our objectives and business plans are concise, that they're very readable for all Albertans, and that they're measurable. We're committed to continuous improvement in business planning and reporting and to better integrate financial and nonfinancial results by relating costs to the results achieved and explaining the links between spending

and outcomes, objectives and initiatives. So they have been. They've been streamlined to be more targeted.

Ms Hoffman: I will agree that they are much, much shorter. I guess one of my concerns is that when whole sections around indigenous health outcomes are removed or whole sections around safe, caring, and inclusive working and learning environments for students are removed, it says that it's not part of the commitment that's being made by government to the people of Alberta that those are going to be priorities because they're not going to be measured, and they're not objectives that have been highlighted in the budget this year any longer. I think that it's incredibly short-sighted, and I think it could really harm some of the trust that the government is asking Albertans to put in them through their budget process.

Happy to hear your response to taking those items out specifically or in general, to reducing it by such a large – it's about 25 per cent of what it used to be in those two ministries. Health alone is over \$20 billion. I don't think that as a shareholder in a corporation, a \$20 billion a year corporation, shareholders would be fine with a three-page summary of what the objectives are for the corporation. I think that they would want far greater accountability and transparency for their investment and their outcomes.

Mr. Toews: Well, again, Chair, we're focused on streamlining these reports so that they include measurable, relevant information that better conveys information that can be presented clearly to Albertans. The new business plan also ensures a greater emphasis on performance measures, indicators, and targets to support accountability in annual reporting on government's priorities, which also helps drive change and continuous improvement in performance. Again, we believe this streamlined, efficient approach will actually result in better outcomes than a lot more complexity and volume.

Ms Hoffman: I would just add to that that I think that the objective around indigenous life expectancy, being a measurable target, how long indigenous Albertans are living for, what infant mortality rates are for indigenous and nonindigenous Albertans – I think that's absolutely measurable. I think it's very easy to track and to report on that. The fact that a number of these measurable targets have been taken out does not bode well for government in a number of areas, including safe and caring schools, for example. There have always been surveys. It's always been tracked, it's always been measured, and now it's taken out as being one of the measures and objectives for this upcoming school year.

5:15

I understand that you're saying that you want it shorter, you want it more succinct, but I think it actually takes away a lot of transparency and accountability when government works so aggressively to downsize our accountability measures to the people of Alberta and in turn, I would say, to the Auditor General. The Auditor General measures success against business plans and how our annual reports line up with that.

I know that the government was recognized by the media as being secretive, and I had hoped that there would be more transparency and accountability through the budget process. I think a \$20 billion Health budget deserves more than a three-page business plan. Maybe we disagree.

Mr. Toews: Well, again, I believe there is accountability and transparency in simplicity very often and in a lack of complexity, and that's our approach. We, obviously, didn't write Health's business plan. That was Health's decision. But in general terms the

direction we set was to ensure our business plans are concise, they're focused, they're measurable, and I believe that will result in additional transparency to Albertans.

Ms Hoffman: They specifically told us that they were directed to cut it substantially and that they were following direction from Treasury Board and Finance. Are you saying that they could have had an 11-page business plan and that they chose to go down to three or that it was a direction to become so much more concise?

Mr. Toews: No. What I'm saying is that in terms of the metrics that Health included, that was Health's decision. I'm absolutely saying that Treasury Board did direct departments to concisely deliver objectives and ensure that we are transparent, concise, focused, and measured.

Ms Hoffman: Okay. Well, the last thing I'll say on that – and then I'd like to go on to some insurance matters again – is that I do think that accountability around setting priorities around infant mortality for indigenous Albertans or life expectancy is something that we should be holding ourselves accountable for and that we should be putting those as targets, that we are going to enact policies to improve those outcomes. By taking out any measure, it definitely doesn't say that it's a priority or a target.

In terms of insurance I wanted to touch on school bus insurance because we've seen reports of school bus insurance going up over 300 per cent. I think the one that I received from southern Alberta was 320 per cent. Minister, you've talked generally about insurance, and I know you've wanted to touch on condos. I specifically want to ask about school bus insurance and liabilities as it relates to school buses, because, of course, we need to get kids to school and that needs to be done in an affordable way. So is there anything in this budget that will address the huge spikes in school bus insurance?

Mr. Toews: With respect to school bus insurance one thing I want to point out is that the rate cap only applied to private passenger vehicles; it didn't apply to commercial vehicles or fleet insurance. So the rate cap did not apply. There were no changes there. Of course, there has been pressure on automobile insurance premiums, and that's, again, why we brought in Bill 41 and the related regulatory changes. We needed to do something tangible, not just patch a problem up that would just lead to other unintended consequences. We brought in fundamental changes, real changes in Bill 41 and the related regulatory changes. That will result in reduced premiums.

The Chair: Again, I apologize for interrupting.

We will now move on to again five and five with the government caucus. Mr. Singh, I believe you had the floor. Go ahead, sir.

Mr. Singh: Thank you, Mr. Chair, and thank you, Minister. I have a similar question to my previous question as well. As mentioned on page 110 of the business plan under key objective 3.3, how is the ministry working with public agencies to be able to provide proper resources and advice on board governance and evidence-based recruitment?

Mr. Toews: Well, good. Chair, that's a very good question and particularly in light of the fact that public agencies deliver such a significant portion of government programs and affect such a significant portion of our budget. To support governance excellence for Alberta's public agencies, the government has updated and further developed governance policies, best practices, and implementation as well as provides advice which supports all public

agencies to be effective and accountable to Albertans. The policy was updated to align with current legislation, facilitate and inform governance best practices, and clarify accountability and oversight for public agencies.

The policy and requirements are further clarified based on leading practices and research and reinforces government's commitment to strengthening governance excellence for all agencies, boards, and commissions by increasing governance literacy across agencies and departments. This specifically includes providing clear information, direction, and best practices, support for competency-based recruitment, and clarifies roles and responsibilities and accountability.

I do want to make a couple of comments on centralized recruitment because I really believe that ensuring that you have the right individuals around the board, the right individuals leading these organizations is critical to accountability, to efficiency, and to ensure that they deliver on their mandate. When we took office, it was very clear that a number of these boards had individuals serving on the board that, you know, I'm sure in their own right had a significant skill set, but their skill set in many cases just was not aligned to the skills and competency matrix that was required by these agencies. That's one reason, again, why we moved to centralized recruitment, to ensure that we had a very efficient recruitment process to where we could appoint individuals that had the appropriate skills, the appropriate experience to deliver the mandates of those organizations.

Mr. Singh: How is the minister and ministry ensuring that this support does promote accountability, efficiency, and effectiveness in public agencies?

Mr. Toews: Well, that's another good question. Annual reviews are critically important for these agencies, government agencies, and, you know, periodically we should be undergoing very significant reviews of our agencies. I can point to the performance review that the Minister of Health initiated with AHS as an example of the type of in-depth review that's periodically required to ensure that agencies are delivering most efficiently and effectively and delivering on their mandate.

It's critically important as well with a number of these agencies, with many agencies to determine that the programs they're delivering are still needed by the province of Alberta. You know, I think all of us can probably point to, perhaps, an organization that delivered programs well past its mandate. Sometimes it's much easier to create an organization than, in fact, to dissolve one. I've certainly seen that. That's why the review process is critically important.

Mr. Singh: Once again, thank you, Minister, for answering my questions and for all the efforts to ensure accountability, effective public agencies under the ministry.

I will turn it over to MLA Loewen.

The Chair: Mr. Loewen.

Mr. Loewen: Thank you very much. Thank you, Minister, again. I want to, I guess, dive right into something here. On page 217 of the government estimates document line item 12.2 shows an increase in operating expense for the horse racing and breeding renewal program. I understand this is a program that's been going on for some time now through multiple governments. I just wanted to see if you could explain to the committee here the change in operating expenses from 2019-20 to 2020-21. There's obviously a change there. It seems like a drop in operating expenses, and I just wonder

if you could give an explanation for that, and then I'm not sure if there's any other information you can provide on what some of these funds are used for, too.

Mr. Toews: Sure. I'm happy to provide additional information around the horse racing and breeding renewal program. Of course, that does involve Horse Racing Alberta. We can see that in 2019-20 there were amounts paid out to HRA of \$35 million. I think it's important for members to know that this really consists of a portion of the gambling proceeds, slot machine proceeds at racing entertainment centres across the province. There have been a couple of changes, but as you can see, we were budgeting \$38 million for 2020-2021, and, in fact, our actual forecast is only going to be just under \$30 million, and that's due to, you know, decreased activity at these venues due to public health restrictions and the pandemic.

5:25

One change that we've made in the current year is that we've changed the funding agreement. We've amended the funding agreement. Previously, a number of years ago, Horse Racing Alberta received, I believe, 51.66 per cent of gaming revenues, and the previous government reduced that amount to 40 per cent over time. Forty per cent just simply wasn't sustainable to support the horse breeding programs and to support the industry, and we were in fact seeing a reduction in the size of the industry. We were seeing a reduction in industry activity. In fact, some of our breeders were moving out of the province, moving to other jurisdictions. So what we did this last year is that we increased the funding percentage from 40 to 50 per cent for Horse Racing Alberta to ensure that the industry is adequately funded so they can continue forward with a world-class breeding program to ensure that industry participants can have a future in the province of Alberta. Again, unfortunately, COVID got in the way, and it reduced revenues, again just due to decreased activity.

But we are forecasting a recovery in the upcoming year. You can see that we're forecasting just over \$37 million under the new funding formula to be allocated to Horse Racing Alberta, and down the road we would project that that amount will increase.

Mr. Loewen: Okay. Thank you very much, Minister. You basically answered my next question, which was the estimated cost of \$38.8 million, looking at '21-22. You've explained that to us very well, so appreciate that. And I appreciate the information, too, on where that money comes from and why it's directed right back there. I think that's a great explanation for us here today.

I'll cede my time now to MLA Turton.

The Chair: You have one minute and 30 seconds.

Mr. Turton: Excellent. Thank you very much, Minister, again for being here. Obviously, I'm not going to have a chance by the time I get to my question to be able to hear the complete response, so I'll start prefacing my question now, and then we'll continue the conversation in the next block. My question is really regarding page 216 of government estimates. It only talks about the Public Agency Secretariat. For the countless individuals online that are watching this – I'm sure there are many, many tens, perhaps, taking part in today's discussion – the Public Agency Secretariat really has four primary functions, and my question is going to be pertaining to that.

Number one, the first function, obviously, is according to centralized recruitment function for appointments to the ABCs here in the province of Alberta. It also provides assistance tools and advice to departments and public agencies to outline the best

practices in public agency governance and legislative requirements. As well, the third one, obviously, as you know, is to develop and implement consistent compensation frameworks for designated public agencies and also provide information to Albertans to increase public awareness about the role of public agencies and the value of serving on a public agency. My question, obviously, you know, going through the budget is that line item 10.5 shows an increase in the operating expenses for this important . . .

The Chair: Sorry to interrupt, as usual.

We will now move on to a 10-minute block of five and five. I assume that you want to continue with that. Go ahead, Ms Phillips. I believe you have the floor.

Ms Phillips: Yes. Thank you, Mr. Chair. I want to get back to a couple of things on gaming. I'm happy to be corrected on this, Minister. There are a lot of documents in front of me. But I seem to remember that there were projections on online gaming revenue, projections before, at some point. I don't know if it was just in the media or if it was in last year's budget. I'm wondering if you can confirm what those projections are. Direct me in the fiscal plan if they are there, and if not, if you can disaggregate them out of page 89, revenue from other sources.

Mr. Toews: Well, Chair, I thank the member for that question. We will disaggregate those. I don't have that information in front of me, but we will disaggregate that and provide that information to the member.

Ms Phillips: Minister, I just want to kind of go off memory here. It was a couple of hundred million dollars, as I recall, but there was some phase-in and there were some costs, too, to set it up, right? I just want to confirm, though, my understanding that the AGLC gaming/lottery revenue from other sources, in the fiscal plan on page 89, includes the online, whatever those revenues are. My memory is fuzzy on that one. It does?

Mr. Toews: Yeah. The answer is yes.

Ms Phillips: Is there any change here? This is just an item, purely technical, of me being able to read what the changes were from the dissolution of the lottery fund, Minister. Is there any difference here on, like, the AGLC gaming/lottery? The lottery fund, you know, goes into GRF now, but it was just from what they call electronic casino activity. Am I correct in that? Explain to me: what was the gaming, and what was coming out of the lottery fund? What activities on the casino floor were affected by that?

Mr. Toews: In terms of removing the lottery fund, there was nothing affected in terms of actual function.

Ms Phillips: I know. But my question is: what was going into the lottery fund? It was VLTs? Can you walk me through the types of activities and types of casino activities that were going into that?

Mr. Toews: Chair, I think we would all benefit from AGLC's representative. Kandice is prepared to make some comments there. I think that would be appropriate.

The Chair: Please go ahead.

Ms Machado: Thank you, Minister. Regarding the Alberta lottery fund it was certainly a portion of slot machine proceeds and VLT proceeds that flowed into the Alberta lottery fund. Those funds are still distributed as outlined in the report. It was only an administrative change to the Alberta lottery fund.

Ms Phillips: My question here. In the revenue on page 89 we used to have other revenue pieces as well that said that there was \$1.4 billion – or it was a little bit north of \$1.4 billion – in '18 and '19 that was transferred at AGLC into the lottery fund. I think that in '18, according to the AGLC financial information, it was \$1.417 billion, and in '19 it was \$1.453 billion. This line on page 89 of the fiscal plan is the same? I'm just trying to make sure that I'm getting apples to apples on what the revenues are. It's the same plus the online: is that what I'm to understand?

The Chair: Go ahead, Minister.

Mr. Toews: All right. Our AGLC gaming and lottery revenue line as on page 89 includes all total gaming and lottery revenue. That also includes the online component.

Ms Phillips: Okay. Can I have that disaggregated – I think there are some transfers from Western Canada Lottery – just to make sure that I have confirmed my understanding of what is in that revenue?

What's curious to me – I mean, we all understand that the '21-22 estimates are going to be lower, you know, than '18-19. That stands to reason. I mean, we obviously understand that the forecasted \$869 million for the last fiscal year, obviously, is because of the pandemic. What I don't understand is that this is the whole rolled-up number, including online, but it's less than what was coming out of lottery fund transfers, like, for a couple of years, or it's about the same that was coming out in '18-19. Why is that just staying static, I guess, when you're adding new activities and aggregating more things in?

5:35

Mr. Toews: I'll certainly be pleased to have AGLC comment, but here's the reality for '21-22. Right now we have public health measures that are affecting our casinos and gaming venues, and we don't know how much longer those public restrictions will remain. No doubt AGLC has taken that into consideration, and our department has taken that into consideration as . . .

Ms Phillips: Oh, for sure. Minister, I understand that. That's why it's \$1.2 billion, right? We all understand that. Then the target for '22 and the target for '23 is essentially what it was in 2018, but it includes more sources of revenue. I just don't really understand what is keeping that revenue line the status quo when one would think, with the proliferation of online gaming and counting of other revenue sources, it would go up, at least a little bit.

Mr. Toews: Sure, and it is going up a little bit, but it's going up gradually. Again, we believe these are very realistic projections. For the online gaming, we do have our projections, and it's projected to be \$150 million over, I believe, five years. That's not going to be a super significant number relative to the whole. I think we need to also recognize that the gaming market in Alberta is a mature market, so it's not going to experience massive growth year over year. We can see that we are expecting this sector to recover, and it will recover from what was budgeted, at just under \$1.4 billion, to just under \$1.5 billion in '23-24.

Ms Phillips: Minister, I have here a stack of lobbyist registration records that Nick Koolsbergen, a close friend of the Premier, has been lobbying for changes to casino revenues and the revenue-sharing model for charities for months. He is registered to lobby for helping casinos seek a more equitable share of the monetary split of gaming revenue. He also has been raising with the minister's office for months now . . .

Mr. Loewen: Point of order.

Ms Phillips: . . . the risks of having charities volunteer . . .

The Chair: Member . . .

Ms Phillips: Oh, sorry.

The Chair: Member, a point of order has been called. I don't believe I even have to listen to it. I think I will rule in favour of the point of order. I think you're kind of crossing the line here with bringing up people that aren't here in the room to stand up for themselves or to defend themselves. Member, if you persist with that line of questioning, I'll have to call you to order.

Ms Phillips: I will rephrase.

The Chair: Thank you.

Ms Phillips: There is a charitable gaming review happening – the minister affirmed that for the people of Alberta before question period – and there is considerable evidence that people are asking for changes so that casinos can have a more, quote, equitable share of the monetary split of gaming revenue . . .

Mr. Loewen: Point of order again.

The Chair: Go ahead, Mr. Loewen. Point of order.

Mr. Loewen: Yeah. A point of order under 23(b). Again, it doesn't seem like the member is talking about the estimates at hand here. I haven't seen any relevant discussion to that point yet. She seems to be talking about different discussions happening in the Legislature and elsewhere but not the actual estimates that we're discussing here today. I'd just ask that we get her back on track as far as talking about estimates.

The Chair: Okay. Thank you.

We'll continue with the point of order. Go ahead, Ms Gray.

Ms Gray: Thank you. On my colleague's behalf she listed page 89 of the fiscal plan, AGLC, where all of the revenue from other sources – that table is there. Plans for that revenue are directly related to Budget 2021-24 as well as the minister's intentions. I would argue that this is directly related, and I appreciate that the minister listed the page before she began this line of questioning.

The Chair: The member, not the minister.

Ms Gray: Oh. Thank you.

The Chair: Thank you.

I'll refer back to my original ruling on the last point of order that was brought up. I did agree with that, and I ruled accordingly to leave individuals out of the questioning. But I do believe that the line of questioning does follow a line item or a page in the fiscal plan, so I will leave it up to the minister, when we get back to questions from the Official Opposition, whether he would like to answer that as long as the member continues on a path that is acceptable to the chair. All right. Is everybody okay with that? Thank you very much.

We'll now move to five minutes and five minutes with the government caucus. Go ahead, Mr. Turton.

Mr. Turton: Yes. Thank you, Mr. Chair. Just to kind of continue along my question, obviously I did, I feel, an appropriate description of the actual program that I'm going to be talking about, but just to repeat the question for the minister's benefit, regarding page 216 of the government estimates line item 10.5 shows an

increase in operating expenses for strategic services and the Public Agency Secretariat over last year's forecasted cost. Minister, can you please explain this change and what this means for operations for strategic services and the Public Agency Secretariat?

Mr. Toews: Sure. Good. Thank you, Chair. I'm pleased to answer that question. What happened, the dynamic that was taking place, was that in 2021 the Public Service Commission was in fact managing some vacancies at that point in time, so they were actually underexpended on that line item. If we would take a look in '21-22, so for the upcoming year, the budget is actually decreasing by approximately \$1.5 million relative to the previous budget, the '20-21 budget. The actual results for '20-21, in fact, came in significantly under budget again because the Public Service Commission was managing some vacancies throughout the year.

Mr. Turton: Just a quick supplemental. Given your comments, I mean, is it your expectation that the trend lines that we have experienced this last year will continue, or do you think that they will either adapt one way or the other in upcoming, future years?

Mr. Toews: Well, our expectation would align with the projections we made in the budget. We are expecting, we're in fact budgeting for a \$1.5 million saving from the previous year, but we are expecting that our '21-22 costs will be higher than the actual costs in '20-21.

Mr. Turton: Excellent. Yeah. Thank you so much for the answer, Minister.

At this point I would like to cede my time over to MLA Guthrie. Thank you.

Mr. Guthrie: Thank you. Minister, item 9 on page 216 of the government estimates shows that operating expenses for corporate planning and red tape are seeing a decrease from \$3.48 million forecasted in '20-21 to an estimated \$2.43 million in 2021-2022. Could the minister speak to this reduction?

Mr. Toews: Sure, Chair. Happy to. This reduction does not demonstrate any diminished focus on red tape reduction. Our focus on regulatory modernization and red tape reduction is absolutely as strong now – in fact, I would suggest that it is even stronger now, that we're really focused on economic recovery, than it was in the past. The reason for the reduction is that the Associate Minister of Red Tape Reduction found that the advice and expertise of industry panels was very, very sufficient, in fact exceeded expectations, so it resulted in less dependence on external third-party contracts, fee-for-service contracts. Again, it's going to be a cost saving, which is very welcome, of course, at a time like this, but it will not result in diminished advice, in diminished analysis, or in diminished recommendations on red tape reduction and regulatory modernization.

Mr. Guthrie: As you had referenced earlier today, we had in Alberta moved from an F to an A minus, I believe, now as far as red tape and red tape reduction, and that represents a tremendous amount of effort on this government's part. Is the success of the reduction in red tape showing up in savings? Do you see further reductions coming?

5:45

Mr. Toews: Well, the answer is yes, this is a work in progress. We are seeing the effects of our regulatory modernization red tape reduction efforts. Earlier I noted a couple of examples. Certainly, there's that great example at AGLC, which is just one of hundreds

and hundreds of red tape reduction. But this remains a work in progress.

We've got a lot of work to do because, as the member pointed out, we inherited and we actually have a straight A right now. Not only do we want to hold on to the rating – the rating in itself isn't important – what really matters is, in fact, that we are reducing red tape regulatory burden for Albertans and for Alberta businesses, for other Alberta entities, both nonprofit entities, even government organizations so that we can operate most efficiently and so that we can ensure a significant economic recovery, which is critical to job creation and also critical to expanded fiscal capacity, which will be critical to increase government revenues.

Mr. Guthrie: Thank you, Minister. Thanks for the correction, there, too. Earlier today we were talking about the long-term debt, so I went and looked up Alberta's long-term debt issues, and I see that borrowing rates, at least, have been very good through COVID. I know it was difficult there for a while, but how has the availability of cash been in the marketplace, and, you know, what do you expect going forward?

Mr. Toews: Well, thank you, Chair. Thank you, through the Chair, for that very pertinent question. We had a rough couple of weeks, as I think every jurisdiction did, every province did across the country, back in March in terms of capital markets were effectively frozen. Fortunately, we had a thaw, and we got back on the market.

We actually have an excellent team here at Treasury Board and Finance. I've been very impressed with their competence, their connectedness, and the way they performed in what was a very difficult period of time last spring. What happened as capital markets thawed: we got back on the market, we've been able to issue bonds, we've been able to borrow effectively. Since then our cost of capital has been low, which has been, you know, truly favourable as we've had to be on the markets borrowing larger sums than we would have otherwise had to, again, because of the pandemic.

We've seen our cost on capital inch up recently, yet we're still borrowing at favourable levels. But we know we can't take that for granted forever. Again, that's why as expeditiously as possible, as soon as we have economic clarity we will provide a path and timeline to balance. That's going to be essential in order to ensure that we are on a sustainable fiscal trajectory and to ensure that we can maximize revenues for program spending as opposed to debt-service costs.

Mr. Guthrie: When you were speaking to MLA Getson, you had mentioned inflationary pressures. I know it's not something that we've seen in quite some time. There have been stimulus packages that are being put out across Canada, the U.S., around the world. The U.S. just approved a \$1.9 trillion stimulus package. It makes me curious, though, about the possibility of inflationary pressures as the supply becomes greater. What are your thoughts on that, on inflationary pressures in the near term and how that might affect borrowing rates?

Mr. Toews: Well, obviously, if inflation rises significantly, it could affect decisions of central banks, and we could see rates increase. I think we are seeing some creep already in the trade, in the market. But, really, we're looking to manage what we can manage right now. We live in a world of many uncertainties, and that's why Budget 2021 is focused on managing well, funding health adequately for the pandemic, positioning the province for economic recovery, and positioning the province for fiscal sustainability by ensuring that we keep a strong balance sheet.

The Chair: Thank you very much, Minister. Again, I hesitate to interrupt.

We will now move on to the Official Opposition, but if we're going to proceed with the member opposite, I would just like to, before we begin, refer to section 23 in the Standing Orders. "A Member will be called to order by the Speaker if, in the Speaker's opinion, that Member," and then it goes on. I think that line of questioning is getting very close to imputing false motives, so I would just caution the member to proceed. I'll allow the question, but please be cautious.

Ms Phillips: Thank you. In the course of my duties as the Finance critic I've been contacted by a number of people who rely on casinos or other charitable gaming activities to fund their operations, and they have significant concerns, as we talked about this morning, related to the charitable gaming review. Among those concerns are anticipated changes to, potentially, pooling agreements, the three-month pooled funds arrangements, the 50 per cent of profits from slot machines that are operated in the casinos for that three-month period. Charities and nonprofits of all kinds are looking for reassurances that they will not see an effect on their bottom line and the type of funding that they get. I would like to provide the minister one more opportunity to give those assurances to all of those people who volunteer at those casinos.

On the other side, we have seen industry saying that there are issues related to the distribution of charitable gaming proceeds from charitable casino events and that there are also concerns from the industry related to an equitable share of the monetary split of gaming revenue. They've also raised some concerns about the risks of having charities volunteering in those casinos. I would like to give the minister a chance to respond to whether he thinks that the industry concerns have merit and whether he is willing to extend the assurances that I asked for on behalf of so many nonprofits that have reached out to me as a result of this gaming review.

Mr. Toews: Well, thank you, Chair. The gaming review is not considering changes to the funding model, and I think that's very important right now. It is focused on wait times. It's focused on the use of proceeds, on eligibility. It's focused on location disparities. I certainly hear concerns around that, and I think some of them are legitimate. It's focused on process. But, again, it's not considering the funding model.

Ms Phillips: Okay. I'd like to pass my time over to Member Hoffman now.

Ms Hoffman: Thanks so much, Mr. Chair and colleagues, for this opportunity. I'm going to take a few minutes to talk a little bit about communications, which I note is on your Treasury Board business plan: "delivering effective, efficient communications between Albertans and the Government of Alberta." I can't help but think of one of the modes of communication that I often hear from, particularly, parents in the disability community who feel targeted and harassed by issues managers in the government of Alberta. So I was trying to look into more things that the issues managers do in addition to their engagement on Twitter with parents who are talking about their experiences and fighting for their children.

5:55

I specifically initiated a FOIP for issues manager agendas for their calendars, and there was one that came back that I'm going to highlight right now. It's from Mr. Bateson, and it's from January until the middle of May, May 21. I think there are two actual meetings in it. One is around FOIP and records management, a teleconference to discuss FOIP and document management, and

then another one is around economic recovery plan. But the rest is just to check StatsCan or cancelled meetings or nothing at all.

I would say that in terms of communications with Albertans, the examples I've seen coming out of that office most probably, I don't think, meet the goals that you've outlined in your business plans. So I'd be happy to hear either if the minister condones that behaviour or if there are other things that are going to be done to ensure that the communication is effective and efficient, as outlined in the business plan.

Mr. Toews: All right. Well, firstly, issues managers are not under CPE. They're not under this ministry. They would be under the ministry offices.

Ms Hoffman: Okay. So you want me to ask the minister of environment about Mr. Bateson's conduct and if it meets with the PMSEO, as is outlined in his contract, which I believe is related back to public relations?

Mr. Toews: I think the affected or relevant departments would be the Premier's office or Exec Council. But this isn't a CPE issue, so, Chair, I don't see that this is relevant to this discussion.

Ms Hoffman: Okay. There are also references in the business plan about value for dollar around public investment. I imagine the target of some of these objectives is around public-sector compensation and the public service at large. But this is a government of Alberta employee who has two meetings over five months. Is that acceptable to the minister, that there would be employees being paid under his budget that have literally two meetings in four and a half months?

Mr. Toews: Chair, I don't have the details of that allegation or assertion, so I can't comment on that.

Ms Hoffman: I'll be happy to table them in the Legislature tomorrow, consistent with the standing orders. And if the minister wants to respond in writing, that would be fantastic, I think.

I'm happy to go to another topic.

The Chair: Yeah, and thank you, Minister. Just to assure you that you are under no obligation to answer a question if you don't have the information on it.

Please carry on.

Ms Hoffman: I'm happy to make sure the information is tabled tomorrow and to await a response. I think that that would be fair and appropriate. Certainly, the moms specifically who have expressed concerns about this, I think, would appreciate the government taking their concerns seriously.

I do want to touch a little bit on fees. They are up significantly. If I look to the fiscal plan page 175, premiums, fees, and licences, postsecondary institution fees is probably the largest grab and area where fees are being increased. But there's also health/school board fees and charges and motor vehicle licences that are all projected to go up in this budget. How does this align with your priorities around restraint for Albertans when you're asking Albertans to pay considerably more in fees in this upcoming fiscal year?

Mr. Toews: As I take a look at page 175, we see, I would say, a very modest increase in postsecondary institution fees. Budget year 2020-21 versus budget '21-22: very modest; \$15 million on an almost \$1.5 billion budget line. If we take a look, actually, at health and school board fees and charges, they're going down.

Ms Hoffman: Sorry. Through you, Mr. Chair, I know the minister just referenced budget versus estimates, but I'm talking about the actual money that people paid in fees, so the forecast versus the estimate.

Mr. Toews: Of course, the fact that we've been in a pandemic, that behaviour has been significantly affected has resulted in lower fees almost across the board. And when I take a look at health and school board fees, I believe those would include parking. I know parking fees were suspended for a period of time by Alberta Health, just in recognition of the challenges around COVID. Again, we know that in terms of regular behaviour, behaviour was affected, particularly around health but really across the board.

I would suggest to the member, Chair, that that's a very poor comparison. I think a much more relevant comparison is to take a look at the budget year over year, and I think the member would conclude that when we look at the budget year over year, we're actually seeing a reduction in fees, not an increase.

Ms Hoffman: Yeah. Thank you, Mr. Chair. The budget was passed at the beginning, actually, before there was a public health emergency. Well, maybe it was passed after there was a public health emergency, but it was written before there was a public health emergency. I think that to say that we can compare a budget that was based on assumptions a year prior, before we lived through the impacts of COVID, is not reflective of the reality of Albertans and what they've gone through over this last year. I think that what has actually been spent and what we're asking people to spend next year is a far more fair comparator, especially while we're still in the midst of COVID and responding to its impacts.

I would say also that increasing postsecondary tuition and getting rid of the tax credit I think is another grab at folks who were doing everything they could to live within their means and provide an opportunity for themselves to pursue higher education and, in turn, be able to support their families.

The Chair: Thank you, Member.

We will now move on to a 10-minute segment for the government caucus. I assume you want to go back and forth with the minister. Mr. Yaseen, have you got the floor?

Mr. Yaseen: Yes, sir.

The Chair: Thank you.

Mr. Yaseen: Thank you, Chair, and thank you, Minister. My question is on debt servicing on page 219. I think Mr. Getson made a very eloquent observation on that as well. You know, if there was one wish for me in this budget, I didn't want to see these two lines there on page 219 under debt servicing. We could have used this money more meaningfully for our communities, businesses, schools, and even in this pandemic. But, anyways, we have to deal with what we have to deal with, and I thank you, Minister, for your efforts to reduce the deficit and move towards balance.

My question in reference to page 219 of the government estimates is: can you please describe to the committee the amount of debt servicing that Albertans have shouldered in the past few years and the lost opportunities we have seen from uncontrollable spending that could have otherwise helped the province during this pandemic?

Mr. Toews: Well, thank you, Chair. Thank you to the member for the question. As I mentioned earlier, for every dollar of debt servicing we lose a dollar for program spending or we have to raise an additional dollar from Albertans. That's the reality, and that's

why it was so important to our government to actually present a balanced budget and get to balance in our first term. Again, unfortunately, COVID has necessarily delayed that goal, but it hasn't diminished the importance of getting to balance. In previous years our debt-service costs were just under the \$2 billion mark, and we're projecting those to increase to \$2.4 billion in the current year that we're in. Again, this will increase to close to \$2.8 billion in our upcoming budget year. One can see how quickly debt-service costs can increase when we're in an environment like we're in, and it's fortunate that we're in a low interest rate environment, or we would be dealing with a bigger problem than we have today.

Again, what's going to be very important is that we stick to our plan. It's going to be important that we keep our net debt to GDP ratio below 30 per cent. It's going to be very, very important that we, in fact, deliver on aligning the costs of delivering government services with that of comparator provinces. We inherited a spending trajectory that was increasing 4 per cent per year. That was unacceptable at a time when revenues were flat, and that was also unacceptable when the Alberta government was spending over \$10 billion more per year on a per capita basis than that of comparator provinces. Again, that's what really informed our budget and fiscal plan of 2019, and that fact and the objective of ensuring that debt-service costs don't overwhelm us is also informing Budget 2021.

6:05

Mr. Yaseen: Thank you, Minister. My second question: with debt servicing leading to some costs for our province, can you please speak to the ministry's effort in lowering our government debt to ensure that we can pivot some of that money towards more fruitful investments for this province?

Mr. Toews: Sure. Chair, I probably answered part of that question, but I really believe that it's important to Albertans to balance the budget. It's certainly important to our government. I remain convinced that Albertans, by and large, believe in the value of a balanced budget. I believe that most Albertans would find it really reprehensible to leave our spending, excessive spending, for the next generation. Again, that's why we've identified these fiscal anchors that will inform our fiscal decisions until we can lay out a path and timeline to balance. That's going to be critical. That's also why we are choosing our investments in strategic capital projects very carefully, to ensure that those investments will in fact truly provide value for future generations of Albertans, both by replacing and building and caring for core infrastructure but also by focusing on projects that will improve our productivity and competitiveness as a province. That will result in increased private-sector attraction and job creation for Albertans and increased fiscal capacity in the future.

I can identify what those projects look like. If we take a look at the twinning of highway 3, which is in this capital plan, that's a project that will ensure that we have adequate transportation infrastructure in a region where investment proponents – agriculture, manufacturing investment proponents – have identified a lack as holding back investment. It's those kinds of projects that make good sense today. Given our slack capacity and the economy we can actually get a lot of that work done for 70 and 80 cents on the dollar and position the province for economic recovery.

Mr. Yaseen: Thank you, Minister, for your efforts and dedication towards this aspect of our budget. I really appreciate that.

Now I will give my time to MLA Getson.

Mr. Getson: I appreciate that, MLA Yaseen. Again, I think we're very much aligned when it comes to the issues of debt servicing. With your lead-in to the capital plans – I know your background of

working on the Mackenzie valley delta pipeline and working in that area – I'm sure that my next line of questioning to the minister will be something else that you'll share as well.

Minister, with the capital plans – you know, being a former major projects person working in those industries both in Canada and the U.S., predominantly with linear projects, and the number of years but being a fiscal conservative, understanding that in our vein we were elected to spend dollars prudently, you had mentioned that through some of your contacts, the construction industry is bidding things at a really decent rate. Unlike some of the folks opposite, we don't just throw cash around and, hopefully, something sticks to the wall and generates revenue maybe sometime sort of down the road.

With that, the capital plan is key to the economic recovery. It's part of the strategy. On page 128 of the fiscal plan the total three-year plan amounts to about I believe it's \$20.7 billion, if I'm not mistaken, and there's about a \$170 million increase from '21 until '22. Can you kind of give an idea of the first part of that? As a breakdown on that funding, what is it going towards, sir?

Mr. Toews: Sure. That's a great question. I'll hit a few highlights of the \$20.7 billion capital plan: \$5.9 billion is going to support municipal infrastructure, and of course that includes roads and waste-water/clean-water infrastructure and public transit; \$3 billion is going towards capital maintenance and renewal, and in fact we increased the capital maintenance and renewal budget by \$300 million. We really think that at a time like this it's important to protect the assets that we already own.

I know the Minister of Transportation is very keen on that objective, to ensure that we can maintain our transportation system. It's much cheaper and more cost effective to maintain what you have than building from new. It also will ensure that we're positioned well for economic recovery, and it has the added advantage of being able to ratchet that kind of work up quickly and put, again, thousands of Albertans to work at a time when they really need a job. Some of the larger projects, of course, require a fair bit of front-end work, Chair, as the member would know, require a fair bit of engineering and design. In order to responsibly initiate those, it can require a lead time of, you know, nine months or a year. That's why capital maintenance and renewal has been such an important part of our infrastructure and stimulus effort.

Two point four billion dollars is invested in roads and bridges across the province. I think many will recognize that included in our capital plan is a bridge across the Peace River in northwestern Alberta. It will replace a ferry. Again, that has held back economic development up there. The residents are very keen on that effort. In fact, it will be a toll bridge. Over time the users of that bridge will actually pay for the infrastructure, so that's really a win-win. Again, that project will also result in increased productivity and competitiveness and, I believe, result in increased investment attraction in that region.

Mr. Getson: I appreciate that, Minister. I found it interesting last year. I was fortunate enough to have Motion 501, and Motion 501 was to, you know, make a motion, essentially, to talk about transportation, energy utility corridors, both in-province and external, inclusive of rail projects.

The Chair: Thank you, Member. I hesitate to interrupt.

At this point I'd just like to caution all members that budget estimates is a place to get answers on the budget for Albertans and not to take personal shots and throw barbs at one another. Please, let's hesitate. We're almost done. We've got about 20 minutes left.

Let's move on to the Official Opposition.

Ms Hoffman: Thank you very much, Mr. Chair, for that reminder to members.

I want to talk a little bit about communications as it relates to government announcements and specifically this budget. I believe this morning it was confirmed both in this room and in the other room, where Health is being considered, that the announcement last Friday around surgical initiatives isn't actually in the Health budget. That was definitely said very clearly in the estimates for Health, that it was money that was planned to be spent out of the contingency fund, which I know is not part of Health right now under its current allocations. But the minister was under the impression that it would absolutely be approved by Treasury Board and Finance.

I believe that in this room it was said that there weren't requests for that at this point, and of course I get why. If it's supposed to be contingency, it's supposed to be unplanned, and you haven't passed the budget yet, so how can you start dipping into contingency if you haven't actually approved the actual budget?

That being said, my question, through the chair to the minister, is around communications and being forthright with the information that's in the budget and being forthright with folks about how this is being financed or not financed at this point. If the minister could respond to the fact that this money is not in the budget but that, and probably with the support of communications professionals under the responsibility of the Minister of Finance, there have been significant announcements being made about money that's not actually budgeted at this time.

Mr. Toews: Well, in terms of Health, again, we are permanently, well, certainly within the tenure of this fiscal plan, adding \$900 million per year, and that funding will go to ensure that we can reduce our surgical wait times. It will also ensure that we can reduce our wait times for other procedures, procedures and wait times lists that have grown during COVID. The \$900 million will also ensure that Health can continue to function well in light of the fact that a number of the Ernst & Young recommendations have been delayed in terms of implementation, and that has created some pressures within Health. Obviously, we recognize the great importance of delivering excellent health care, so that's also part of the reason why we're increasing our base funding to Health. As well, we're increasing our funding for home care, continuing care to the tune of \$200 million a year. Again, that's also included in the base budget increase of \$900 million per year.

6:15

The \$1.25 billion contingency related to COVID has been established to adequately fund our health care system in light of the pandemic, recognizing that at this point in time we don't know the duration of the pandemic, so consequently we don't know the resources that will be required to adequately deal with it.

Ms Hoffman: Thank you, Mr. Chair. The Minister of Health was very clear that there wasn't money in the Health budget for the initiatives that were announced on Friday around surgical wait times, that that was going to be funded under COVID contingency funding, and that he was confident it would be approved by Treasury Board and Finance. That's why they went forward with the announcement. What the minister in this room is saying does not reflect what the Minister of Health said on the record a little after 11 this morning. It's definitely very counter to the assertions that were made just across the hall from here.

I would encourage both ministers to sort of sit down and clarify exactly how it is that they're going to deliver two things. The Minister of Health said that it wasn't in his budget, that it was

through the COVID contingency fund that these additional surgeries would be funded. Perhaps that's something that issues managers can be digging into and ensuring that they clarify because I think that in terms of communicating something to the people of Alberta, implying that it's in the budget when the Minister of Health very clearly says that it's not is not effective communication. I don't think it's efficient, and I don't think it's fair. Will the minister confirm to report back to the House in some form around the lack of consistent information that we're getting in these two rooms during simultaneous estimates debate?

Mr. Toews: Chair, I really don't have a response to the statement that the member made. Again, I won't reiterate my position, but the \$900 million is designated for the priorities that I listed.

Ms Hoffman: Thank you, Mr. Chair. The minister responsible for that budget doesn't believe that he can deliver the outcomes that he announced on Friday in that budget, so I definitely encourage you to confirm with him.

I also want to take a few minutes to talk about AGLC from a slightly different angle. I appreciate and I've had many school councils and community leagues reach out to me about their desire for some assurances that their funding won't go down because of lack of access to casinos. Also, the other side of me reflects on my experiences in health and around addictions. We know that particularly during times of crisis, including things like a shutdown or other stressful times in families' lives, addictions are heightened. So I am hoping that the minister or, through the Chair, through the minister to AGLC can talk about some of the initiatives that are going to address addictions before they are even further exacerbated.

Mr. Toews: Good. Well, thank you, Chair. I'll certainly invite Kandice to the podium to make a few comments from AGLC. But I absolutely concur that social responsibility is critically important, and AGLC, I believe, does a good job of including social responsibility mechanisms when they roll out gaming options for Albertans. I believe that's a critical component, because we know that addictive behaviour in the gambling sphere has a great social cost.

We also know that gambling will take place whether it's offered by AGLC or not. That's one reason why we moved forward with the online gaming model, to ensure that AGLC could roll out a very responsible version, a version with some very significant social responsibility protections and ensure that the funding proceeds would be available to Albertans for health, for mental health, and to fund our social programs.

Chair, with your permission, I would invite Kandice to make a few comments.

Ms Machado: Thank you, Minister. Yes, AGLC has been reviewing all social responsibility programs and equally feels it's very important that we remain focused on these programs, particularly in light of COVID-19. We are currently running some new programs. DryDay is one of those programs that's gained some considerable attention from Albertans, and it's resonated with them. We also have new campaigns coming out focused on GameSense and a continued DrinkSense and, of course, fetal alcohol syndrome disorder. In addition, as the minister has already provided, our online gaming platform certainly focuses on the social responsibility lens and ensuring that gameplay is responsible. There are significant measures built into the system to allow for responsible gambling.

Thank you.

Ms Hoffman: Thanks very much. Yeah. I would say that this is an area that I think a lot of folks have some concern on.

I would also say that there are a couple of other items, that I imagine have already been addressed this morning. They aren't AGLC, so feel free to sit down. They are items that are around the increases to personal income tax through deindexing, a total of \$600 million over the three-year period. I appreciate that the minister backed off on the increase to education property tax for this year, but that he's planning on doing it in the next budget I think is going to be of significant concern to Albertans.

Finally, I just want to say that in comparing a budget based on assumptions prepandemic to a budget now, I think that it absolutely makes sense that we look at the forecast. I think that that's the only fair and reasonable thing to do when the world has experienced such significant changes. The minister himself last year said that he felt like Rome was burning behind him while he was delivering the budget, so why would we use that as the baseline when we're in very different territory today? Those are some of my final thoughts around the assumptions as they relate to Treasury Board and Finance. I think that it is about priorities. When folks talk about not wanting to throw money at the wall and seeing if it sticks, I'd say that a \$1.5 billion, at least, bet on Donald Trump being re-elected President was absolutely throwing money at the wall, and I think that's problematic.

The Chair: Thank you, Member.

We will now move on to a 10-minute rotation for the government caucus. Mr. Getson, you still have the floor, with a caution, sir.

Mr. Getson: Oh, absolutely. I took that as the last member speaking had that same cautionary note, so I'll give her the same latitude, sir. Thank you.

With the capital plan, Minister, if I could continue on with that, again, we were talking about page 128, the \$20.7 billion, the increase from '21 to '22. How does that capital plan compare to previous years? I think we got cut off at the last part there.

Mr. Toews: We're increasing the capital spend for the upcoming year by \$1.7 billion, so it's a significant increase. Again, I believe that it's a very warranted increase for three reasons. One is that right now, as we invest in strategic infrastructure, as we ensure that we're protecting the infrastructure the province already owns, we're able to put thousands of Albertans to work at a time they really need an opportunity. Secondly, we're getting great value right now. Based on my conversations with those in the construction business, we're likely getting a lot of this work done for 70 and 80 cents on the dollar. And, thirdly, a number of our projects will in fact really position this province for economic recovery and growth. I think that's a real priority right now, when we're looking to create a business environment where we will attract disproportionately investment into this province.

Mr. Getson: Oh, I appreciate that, sir. Again, the long-range strategy isn't just for, you know, fixing the potholes although we need to ensure that our roads are in good repair. I think we have the auspices of having the most paved miles per constituent in the province, and, you know, we've managed to maintain that for a number of years. But with that also comes the impetus to make sure that we are maintaining those and continuing on and that any infrastructure growth that we have going forward facilitates logistics, transport, and continuing the economy.

With that, however, in the capital plan, how many direct and indirect jobs do you propose that Budget 2021 is going to support and help facilitate?

Mr. Toews: Well, thank you, Chair. We are projecting that this capital plan over the three years will support 50,000 direct jobs and 40,000 indirect jobs. This capital plan will, you know, provide significant opportunity for Alberta businesses, contractors, and, maybe most importantly, for Albertans that really need a job opportunity right now.

6:25

Mr. Getson: I appreciate that, sir.

If I can change gears a bit here. On pages 92 and 93 of the fiscal plan alternate forecast scenarios have been presented with respect to the key fiscal assumptions. Minister, I'll give you a chance to flip your pages there. Really, what I'm going to be talking about is the forecast in the west Texas intermediate and what's been carried in the budget. I guess the first question I'd ask, sir, is: what assumptions did you take into account in the budget you propose to us here?

Mr. Toews: Sure. We took, I think, what many would view as a cautious approach. I think it was a very responsible approach to our economic assumptions that informed our revenue projections. We're projecting WTI prices at \$46 for the upcoming year and then moving to \$54 and \$55 in the out-years. We're projecting a differential between western Canadian select and WTI at just over \$14, increasing towards just over \$15 in the out-year. Again, all of these variables are interrelated. We're projecting a currency of approximately 77 cents relative to its U.S. counterpart this year, moving up towards 79 cents, closer to 80 cents by the end of our fiscal plan. Obviously, if we see continued strength in WTI prices, strength that we're seeing today, that will likely affect the differential although we're experiencing a very narrow differential today, which is welcome. No doubt it will result in a stronger Canadian currency, and we're seeing that on the ground today.

The reality is that we are still in a pandemic. There is still incredible economic uncertainty. That's why, in an effort to be transparent with Albertans, we provided, obviously, our base budget based on our economic assumptions but with both a low and a high scenario so that Albertans can understand what different economic assumptions would look like with respect to fiscal outcomes.

Mr. Getson: I really appreciate that, Minister. If WTI does remain above that \$60 mark, is there anything in the bank? Again, not counting on fairy tales and pixie dust – I appreciate you being conservative with your numbers – but if it does, what positive windfalls would we have, sir?

Mr. Toews: Well, in the event, we can take a look at the high scenario because my department has run these assumptions through their modelling. Under the high scenario we would be looking at WTI at 55 and a half dollars for the upcoming fiscal year. That would result in increased revenues and a deficit of \$15.4 billion. In the out-years under the high scenario we would be projecting WTI prices at \$63 and then \$64.50 in '23-24. In the out-year that would result in a projected budget deficit of \$3.4 billion. That would assume that we're holding expenses largely flat, which is what our fiscal plan calls for and which will also ensure that we align on a per capita basis a cost of delivering government services with that of other provinces.

Mr. Getson: I appreciate that, sir.

With that, I'd like to cede it to my friend and neighbour to the south of me, MLA Searle Turton, please.

Mr. Turton: Yes. thank you, Mr. Chair. How much time do I have?

The Chair: You've got one minute.

Mr. Turton: I've got one minute. Excellent. I was afraid my good friend was going to give me about 10 seconds or four seconds to do what I . . .

Ms Hoffman: Now you've got 40.

Mr. Turton: Yes.

Anyways, obviously, Minister, thank you again very much. I know it's been a long day for you. Thank you so much for the answers.

To be real quick, many residents in Spruce Grove and Stony Plain are concerned about what's going to happen next, over the next 12 months. It's been a crazy last year with COVID-19 and the pandemic. Regarding Alberta's recovery plan, I guess, do you anticipate any sort of transition when we move past the postpandemic, move past that into future years as we get Alberta back on track?

Mr. Toews: Well, Chair, I will use these last few seconds to express my optimism in the future of this province. I truly believe that our best days are ahead, and I believe that as we position this province for . . .

The Chair: Thank you, Minister. That was a great wrap-up.

I apologize for the interruption, but I must advise the committee that the time allotted for consideration of the ministry's estimates has concluded.

I would like to remind committee members that we are scheduled to meet in half an hour, at 7 p.m., to consider the estimates of the Ministry of Municipal Affairs.

For health reasons, please remember to take any drinks and other items with you as you leave.

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 6:30 p.m.]

