



Legislative Assembly of Alberta

The 30th Legislature  
Third Session

Standing Committee  
on  
Resource Stewardship

Treasury Board and Finance  
Consideration of Main Estimates

Tuesday, March 8, 2022  
9 a.m.

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**Legislative Assembly of Alberta  
The 30th Legislature  
Third Session**

**Standing Committee on Resource Stewardship**

Hanson, David B., Bonnyville-Cold Lake-St. Paul (UC), Chair  
Ceci, Joe, Calgary-Buffalo (NDP), Deputy Chair  
Gray, Christina, Edmonton-Mill Woods (NDP),\* Acting Deputy Chair

Dach, Lorne, Edmonton-McClung (NDP)  
Feehan, Richard, Edmonton-Rutherford (NDP)  
Ganley, Kathleen T., Calgary-Mountain View (NDP)  
Getson, Shane C., Lac Ste. Anne-Parkland (UC)  
Guthrie, Peter F., Airdrie-Cochrane (UC)  
Lovely, Jacqueline, Camrose (UC)  
Rehn, Pat, Lesser Slave Lake (UC)  
Rosin, Miranda D., Banff-Kananaskis (UC)\*\*  
Singh, Peter, Calgary-East (UC)  
Turton, Searle, Spruce Grove-Stony Plain (UC)  
Yao, Tany, Fort McMurray-Wood Buffalo (UC)

\* substitution for Joe Ceci

\*\* substitution for Jackie Lovely

**Also in Attendance**

Barnes, Drew, Cypress-Medicine Hat (Ind)  
Phillips, Shannon, Lethbridge-West (NDP)

**Support Staff**

Shannon Dean, QC	Clerk
Teri Cherkewich	Law Clerk
Trafton Koenig	Senior Parliamentary Counsel
Philip Massolin	Clerk Assistant and Director of House Services
Nancy Robert	Clerk of <i>Journals</i> and Committees
Sarah Amato	Research Officer
Melanie Niemi-Bohun	Research Officer
Warren Huffman	Committee Clerk
Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications
Janet Laurie	Supervisor of Corporate Communications
Jeanette Dotimas	Communications Consultant
Michael Nguyen	Communications Consultant
Tracey Sales	Communications Consultant
Janet Schwegel	Director of Parliamentary Programs
Amanda LeBlanc	Deputy Editor of <i>Alberta Hansard</i>

## **Standing Committee on Resource Stewardship**

### **Participants**

Ministry of Treasury Board and Finance

Hon. Travis Toews, Minister

Mark Parsons, Assistant Deputy Minister, Economics and Fiscal Policy



9 a.m. **Tuesday, March 8, 2022**

[Mr. Hanson in the chair]

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

**The Chair:** Good morning. I'd like to call the meeting to order and welcome everyone in attendance.

The committee has under consideration the estimates of the Ministry of Treasury Board and Finance for the fiscal year ending March 31, 2023. I'd ask that we go around the table and have members introduce themselves for the record. Minister, when we get to you, please introduce the officials who are joining you at the table. My name is David Hanson. I'm the MLA for Bonnyville-Cold Lake-St. Paul and chair of the committee. We will begin, starting to my right.

**Mr. Rehn:** Good morning. I'm Pat Rehn, MLA for Lesser Slave Lake.

**Mr. Guthrie:** Peter Guthrie, Airdrie-Cochrane.

**Mr. Turton:** Morning, everyone. Searle Turton, Spruce Grove-Stony Plain.

**Mr. Yao:** Hi. Tany Yao, Fort McMurray-Wood Buffalo.

**Ms Rosin:** Miranda Rosin, MLA, Banff-Kananaskis.

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

**The Chair:** To you, Minister Toews.

**Mr. Toews:** All right. Okay. Good. Good morning. With me I have Athana Mentzelopoulos, Deputy Minister of Treasury Board and Finance. I have Darren Hedley to my left, assistant deputy minister of budget development and reporting. We have Mark Parsons, assistant deputy minister of economics and fiscal policy, and Mark Brisson, assistant deputy minister and superintendent of insurance, pensions, and financial institutions, along with a cast of supporting folks from various agencies, boards, and commissions behind me.

**The Chair:** Thank you, sir.

**Ms Phillips:** Thank you, Mr. Chair. Shannon Phillips, MLA for Lethbridge-West.

**Ms Gray:** Good morning. Christina Gray, MLA for Edmonton-Mill Woods and acting deputy chair for this committee.

**Mr. Huffman:** Warren Huffman, committee clerk.

**The Chair:** I notice that we have Mr. Getson. Could you introduce yourself, sir?

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

**The Chair:** Thank you very much.  
We'll go online to Mr. Singh.

**Mr. Singh:** Good morning, everyone. Peter Singh, MLA for Calgary-East.

**The Chair:** Thank you, sir.

I'd like to note the following substitutions for the record: Miranda Rosin for Jackie Lovely and Member Gray for Mr. Ceci.

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. Members participating remotely are encouraged to have your camera on while speaking and your microphone muted when not speaking.

Remote participants 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.

Hon. members, the standing orders set out the process for consideration of the main estimates. A total of six hours have been scheduled for consideration of the estimates for the Ministry of Treasury Board and Finance. Standing Order 59.01(6) establishes the speaking rotation and speaking times.

In brief, the minister or member of Executive Council acting on the minister's behalf will have 10 minutes to address the committee. At the conclusion of the minister's comments a 60-minute speaking block for the Official Opposition begins, followed by a 20-minute speaking block for independent members, if any, and then a 20-minute speaking block for the government caucus.

Individuals may only speak for up to 10 minutes at a time, but time may be combined between the member and the minister. The rotation of speaking time will then follow the same rotation of the Official Opposition, independent members, and the government caucus, with individual speaking times set to five minutes for both the member and the ministry. These times may be combined, making it a 10-minute block. 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 any opposition to having a break? Seeing none, we will announce that at the time.

Ministry officials may be present and at the direction of the minister may address the committee. Ministry officials seated in the gallery, if called upon, have access to a microphone in the gallery area and are asked to please introduce themselves for the record prior to commenting.

Pages are available to deliver notes or other materials between the gallery and the table. Attendees in the gallery may not approach the table. Space permitting, opposition caucus staff may sit at the table to assist their members; however, members have priority to sit at the table at all times.

If debate is exhausted prior to six hours, the ministry's estimates are deemed to have been considered for the time allotted in the schedule, and the committee will adjourn.

Points of order will be dealt with as they arise, and individual speaking times will be paused; however, the speaking block time and the overall three-hour meeting clock for the first segment of the six allotted hours will continue to run.

Any written material provided in response to questions raised during the main estimates should be tabled by the minister in the Assembly for the benefit of all members.

The vote on the estimates and any amendments will occur in Committee of Supply on March 21, 2022. Amendments must be in writing and approved by Parliamentary Counsel prior to the meeting at which they are to be moved. The original amendment is to be deposited with the committee clerk with 20 hard copies. An electronic version of the signed original should be provided to the committee clerk for distribution to committee members.

Finally, the committee should have the opportunity to hear both questions and answers without interruption during estimates debates. Debate flows through the chair at all times, including instances when speaking time is shared between a member and the minister.

I would now invite the Minister of Treasury Board and Finance to begin with your opening remarks. You have 10 minutes, sir.

**Mr. Toews:** All right. Well, thank you, Chair, and good morning. It's my pleasure to discuss the business plan and estimates of the Ministry of Treasury Board and Finance for six hours today. Treasury Board and Finance encompasses the ministerial department as well as the Public Service Commission, communications and public engagement, and the agencies, boards, and commissions that report to me as minister.

I've already introduced my staff that are joining me at the table.

I want to make a few comments on the budget that I tabled on February 24. It's a budget that reports on the fiscal progress we've made as a province over the last three years. It's a budget that ultimately makes and reports on some plans for strategic reinvestment in health care capacity and in strengthening Alberta's labour force, and it's a budget that ultimately puts this province on a sustainable fiscal trajectory, ultimately brought on by two key approaches.

The first approach was through fiscal responsibility. Over the last three years we've identified key fiscal anchors that have informed our fiscal decisions. The first anchor was to ensure that we kept our net debt-to-GDP ratio below 30 per cent, which was a ratio that was the average of other provinces pre COVID. Ensuring that we kept this ratio below 30 per cent would ensure that the province of Alberta would maintain a strong balance sheet, would position the province for fiscal recovery when we got through the real difficulties and challenges of the last two years.

The second fiscal anchor was to align our per capita costs of delivering government services with that of other provinces. That's been a difficult task. It's taken some heavy lifting not only by this government but by all Albertans, and we acknowledge that. But, Chair, in order to ensure a sustainable, prosperous future for the next generation, this, in my view, was the most essential and most important fiscal anchor that we adopted, and I'll talk a little more about the progress we made on that anchor.

The third fiscal anchor was to continue to work towards a balanced budget. In fact, it was articulated during the depths of the pandemic that when we had additional clarity, when we were past the worst challenges of the pandemic, we would then outline a path and timeline to get back to balance. Balancing the budget has always been important to this government. I believe it's critically important to Albertans.

Mr. Chair, on those fiscal anchors I'm very pleased to report that we are now projecting a net debt-to-GDP ratio at the end of this current fiscal year we're in of just over 18 per cent. As I think all of us know, we projected that ratio to be 24 and a half per cent at the end of this fiscal year that we're currently in, but due to a recovering economy, an economy that's recovered quicker than we anticipated, and due to continued fiscal progress in this province, we're now projecting that ratio to be, in fact, much lower, again, just over 18 per cent. We're projecting that ratio to decline over the course of the fiscal plan, leaving Alberta with once again the strongest balance sheet of any province in the nation, which I believe positions not only Albertans today for prosperity but positions the next generation as well.

On the second fiscal anchor, aligning our government spend – in other words, the cost of delivering services – with that of comparator provinces, I believe, again, is a critical metric to putting the province on a sustainable fiscal trajectory. I do want to

acknowledge the efforts of previous governments to that end. There was progress made that we inherited in that effort, and I want to acknowledge that because this is an achievement that should be celebrated by all members of the Legislature. In fact, there has been progress, I would suggest, in some ways over the last number of years.

In spite of inheriting a government that was spending \$10 billion more than comparator provinces on an annual basis, as described and outlined and concluded by the MacKinnon panel report, I'm very pleased to report, Chair, that in Budget '22 we are projecting that in the upcoming year we will have aligned our costs with that of similar provinces. Mr. Chair, that is an achievement, again, that I believe is worthy of celebration by all Albertans. It's come with some heavy lifting, but it ultimately positions this province and this government to make additional strategic investments in priorities, because part of the budget development process is not just rationalizing, not just saying no; it's about actually funding key strategic priorities of the people of Alberta.

#### 9:10

Right now we've identified one of those priorities as expanding our health care capacity. I expect that every one of us around this table would agree that COVID-19 has exposed significant capacity deficiency in health care in the province, and this budget increases our baseline health care budget by \$600 million this year, \$1.8 billion over the next three years. Admittedly, that additional funding will work to off-set pressures that are within the ministry, but it will also go to add additional necessary capacity so that we can deal with future shocks to our health care system in a better way than we were able to in the last two years.

This budget also includes a real focus on a competitive business environment; economic growth, which results in job creation; additional opportunities for small businesses; and ultimately an expanded fiscal capacity, which again is reflected in Budget 2022. What we have done as we've considered the elements, the next issues that will provide a ceiling to economic growth: we've identified labour skills and talent as that ceiling.

As I've worked to understand how we can have a structural labour shortage across sectors and across regions yet an unemployment rate in this province of over 7 per cent, it's easy to blame the federal government for, perhaps, the extended nature of some of the support programs that were introduced during COVID and the fact that they weren't turned down quick enough, but the issue is much more complex than that. I've realized that there is a skills mismatch in the province, a misalignment of skills that Albertans have at this point in time, certainly have in volume, and then the requirement of so many Alberta employers in the economy of today and in the economy of tomorrow. So we've allocated \$600 million over the next three years to ensure that Albertans can achieve the skills necessary to participate in this recovering economy, this economy that will be growing at significant rates for the next three years.

Included in that effort is adding 7,000 seats at our world-class postsecondary institutions. This will not simply be block funding to our great postsecondary institutions; this will be purchasing specific capacity in occupations and disciplines that are in great demand today and will be in great demand tomorrow. These are occupations and disciplines where Albertans can step in and get trained, receive the training and graduate into great opportunity, opportunity where they can provide well for themselves and their families, where they can contribute to their communities, and where we can ensure that employers that need individuals and employees with the necessary talent can move forward to grow our economy, because, Mr. Chair, we know that governments don't grow the economy. We know that

that's a result of the investment, the effort, the ability, and willingness to take on risk by those in our private sector, by Albertans and Alberta businesses and Alberta entrepreneurs.

I believe that economic growth should be a standing agenda item in every budget that's presented, and we have certainly included it in this budget.

Can I ask, Mr. Chair, how much time I have remaining?

**The Chair:** You have 47 seconds.

**Mr. Toews:** Okay. All right. Well, I'm looking forward to the discussion as well on the specific deliverables from the Ministry of Treasury Board and Finance. Treasury Board and Finance plays a key role across government, ensuring the responsible delivery of government services, delivery in a way that respects all Alberta taxpayers and provides value to the people of the province. I look forward to a further discussion within the operations of Treasury Board and Finance.

Lastly, finally, Mr. Chair, I would suggest that we will continue to focus on ensuring the Alberta business environment is most competitive, that it will be an environment that will attract investment and result in economic growth for future generations.

**The Chair:** Thank you, Minister.

For the hour that follows, members of the Official Opposition and the minister may speak. Hon. members, you'll be able to see the timer for the speaking block there up on the two screens up above. You'll be able to see the timer for the speaking block both in the committee room and on Microsoft Teams.

Member, would you like to combine your time with the minister's and go back and forth?

**Ms Phillips:** That would be preferable, Mr. Chair. Thank you.

**The Chair:** Thank you.

Minister, are you okay with that?

**Mr. Toews:** Sure.

**Ms Phillips:** Very good.

**The Chair:** Okay. Go ahead, Ms Phillips.

**Ms Phillips:** Thank you, Mr. Chair, and thanks to the minister and all of the officials for meeting with us here this morning. We haven't met this way in some time. It feels like – I don't know – time is a flat circle. It feels like forever, so it's good to be in-person and to get some answers to questions in a way that we can go back and forth. I thank the minister for going back and forth with me as well. Just want to go over that if I do sort of interrupt, it's because I want to move on to a different topic. I do not mean to be rude; I just want to keep things moving along. We have limited time here together.

I'd like to start on the theme of accountability, which both the minister and the Premier have stated is central to this budget. We've learned today that the minister was recently approached at a town hall by a constituent in Grande Prairie who claims to be paying a \$1,900 utilities bill, which certainly checks out for people trying to run farms or small businesses. The constituent indicated that it represents a thousand-dollar increase over the same time last year, and the minister said that he was also having a hard time paying bills, considering the skyrocketing costs. Can the minister share with the committee how much the rebate program announced in this budget and outlined on page 140 of the fiscal plan would save that constituent, and where can I find that line item in the government estimates?

**Mr. Toews:** Sure. Good. Well, thank you for the question. My answer will include and, I think, should include part of the announceable of yesterday if it could because I think that's relevant. Firstly, what we did include in this budget was a consumer price protection mechanism patterned after a previous government in this province, patterned after a program that was implemented previously. Effectively, this consumer price protection mechanism will ensure that Alberta consumers are protected from rising natural gas prices if they take off like they're doing in Europe and Asia. As we take a look at the geopolitical instability, the volatility and energy markets, and commodity markets broadly, I believe that this measure and mechanism can provide Albertans comfort and reassurance that they won't be subject to those kinds of prices, again, that are experienced in other parts of the world.

Now, of course, we've added to that with the announcement yesterday. We have effectively announced a program that would provide a rebate to Albertans in the upcoming year, and we've also announced that we are going to be reducing, in fact, potentially eliminating the fuel tax for Albertans. Again, that will be based on a sliding scale and correlated to WTI prices.

But where do we find this amount in the budget? We have added \$250 million in our disaster contingency, recognizing that that's where it belongs. At the time we drafted the budget and presented the budget, one could not anticipate where utility prices would be going for this upcoming year, so we've included additional contingency for that eventuality or for other eventualities. Adding funds to the contingency effectively allows this government to respond in a time of great economic uncertainty, in a time of great geopolitical uncertainty.

**Ms Phillips:** Okay. Minister, then I want to go back to page 140 of the fiscal plan. Albertans are seeing thousand-dollar increases in their utility bills. They're coming to town halls begging for help with their \$1,900 bills. I'm sure that they can appreciate the minister's comment that he's having a hard time with his bills. How much impact will next year's rebate have? Page 85 of the fiscal plan acknowledges the cost pressures of inflation right now, but page 140 shows that the natural gas rebate alone applies to next year. There is no money associated with it even though we know what natural gas consumption is, broadly speaking, in Alberta, and we know what the price projections are because they're right here in the fiscal plan.

9:20

Can the minister tell us how much effect on people's bills, the \$1,900 bills that his constituents are bringing him right now, will that have on next year? How much effect will that have for that person who has approached the minister right now? How much effect will \$150 have for people who have seen a thousand-dollar increase right now in their bills? I can appreciate that the minister has put this in contingency, but why don't we see anything disaggregated out?

It is not news that the cost of living has skyrocketed. This has been happening for the last few months. In fact, inflation is acknowledged in this fiscal plan, yet we see nothing in terms of a specific line item. There is just a reliance on the sort of slushy contingency fund, and we're supposed to trust that this money is going to go to people who really need it right now and in a way that is efficient and actually meets their needs right now. Albertans don't see that in this budget. I'm wondering if the minister can tell us where we see that urgency in this fiscal plan.

**Mr. Toews:** All right. Good. Again I will point to the fact that we've increased our disaster contingency, our contingency for

unexpected events. We've increased it by \$250 million, so in fact we have accommodated additional spending for events given the fact that we are in such a volatile time. We have included funding in the event that we have a trigger on the natural gas consumer price protection mechanism.

Now, with respect to the announcement that we made yesterday, that would be funded from the current fiscal year we're in, so it would not impact the estimates for '22-23. I want to make that clear. The member asked: what are we doing immediately to alleviate concerns around utilities? A fair question because Albertans are feeling the pinch. That's what prompted the announcement that we made yesterday, which will provide a \$50 electricity rebate to Alberta consumers. Based on the information that I've had available to me, electricity rates have gone up on average by between \$15 and \$75 for a typical Albertan household. A \$50-per-month rebate will provide meaningful relief.

I also want to talk about what we're doing more long term about electricity costs in this province because they are a challenge. We've identified rising utility costs as not only a challenge for households – I don't want to diminish that issue – but it's a challenge for investment attraction and business competitiveness. As we've taken a look at the root causes for the increase in electricity prices such as the overbuild of our transmission system by previous governments – in fact, the four years preceding was \$7.5 billion, costs that Alberta consumers are paying for today. That has informed our policy decisions going forward.

**Ms Phillips:** Thank you, Minister. So . . .

**Mr. Toews:** In fact, for the last three years we've spent only about \$100 million in transmission upgrades as opposed to \$7.5 billion, costs that Alberta consumers are paying for today.

**Ms Phillips:** All right. So I'm . . .

**Mr. Toews:** That's on top of the premature payout of power purchasing agreements costing Alberta consumers \$1.3 billion.

**Ms Phillips:** Mr. Chair, I think we can discuss this in Energy.

**The Chair:** Yes. I will address this. We do have six hours here. I realize that you have a lot of questions, but the minister does have an opportunity to answer as well uninterrupted. It will work both ways.

**Ms Phillips:** Yeah. Thank you, Mr. Chair. I'm sure that we can discuss the overall regulatory process and the years in which decisions around transmission expansion occurred at the Energy estimates. But right now I want to focus on the contingency because that's actually in the fiscal plan and is, broadly speaking, the biggest lever that the Minister of Finance pulls in terms of the response to both rising cost of living and disasters and emergencies more broadly.

I just want to confirm, then, that in this contingency we have the disaster recovery program; we have some of the build-out of surgical clinics, as we were told by officials; we have this gasoline rebate and other relief rebates triggered by WTI; we have the as yet notional natural gas rebate program in which people's bills are going to have to go up by another close to 50 per cent for it to matter next year; and then potentially if electricity prices remain high, for whatever reasons, we have that as well.

So we have a whole laundry list of unbudgeted expenses that are just going to be scooped out of the contingency fund at the minister's whim, the whim of Treasury Board and Finance. Is this actually consistent with appropriate fiscal transparency? Is it actually consistent with how even budgets have been done in

previous years in this province whereby we actually book our expenses according to an estimates document and we are forthright with the people of Alberta about what we are spending and where? That information actually appears in a budget document that was published just 12 days ago and then now appears to be subject to an entire rewrite. How is it that we can just pop everything into contingency and have, really, no Legislature oversight – that is to say, transparency to the people of Alberta – about how this money is being spent?

I just need some clarity on how it is that this contingency fund is going to pay for everything and anything and have absolutely no oversight by the Legislature. Is this budget document going to be amended in some way, shape, or form? Are we going to be seeing any supplementary estimates? What's the actual mechanism for the public to understand how money is going to be spent and the extent to which this document isn't really worth the paper it's written on because everything has been rewritten in 12 days?

**Mr. Toews:** Well, Mr. Chair, I might need a couple of minutes to unpack that question because this – I want to take us back a little bit to our budget deliberations way back in 2019, when we effectively had evaluated previous budgets and recognized, I believe, that at that time there was \$400 million set up for kind of disaster contingencies for eventualities that couldn't be fully anticipated at the time a budget was presented and passed.

I appreciated that in the past there had been funds set aside for those eventualities because it was important, but what we found when we looked at the past history of the province was that the \$400 million simply in the preceding number of years was insufficient. It was insufficient because we live in a large province. There seems to be increasing volatility on certain lines, and let me suggest that today we have incredible volatility, and I'll talk a bit more about that in a minute. We categorically increased that line item to \$750 million in Budget 2019, recognizing that things had changed, that we needed to set aside additional funds for disasters that may occur, events that may occur that we couldn't fully anticipate in the budget process.

When we got hit with the pandemic, the energy price collapsed. The global economic recession. At that point in time we knew that we were going to be facing uncertainty. We knew that we were going to be called upon to deliver programming that we could not anticipate at budget time. That's why in last year's budget we set up a \$500 million contingency in addition to the \$750 million disaster contingency. We set up a further \$500 million for economic recovery and growth, knowing that we would be called upon to make some legitimate investments to position this province for economic recovery and growth but not knowing at that point in time what those programs would look like and for which ministry they would fall under.

On top of that, we included \$1.25 billion as a health care contingency, again, as a COVID-19 contingency, again not knowing at the time where we would be called upon to spend those funds to protect Albertans, to protect Alberta businesses from the effects of the pandemic. I look back on that response, and I'm thankful that we set those contingencies up. They have served this government. They've served Albertans well over the last year. In keeping with that approach as we considered the uncertainty that we're facing in this upcoming year, the uncertainty driven by the fact that we're not past the pandemic, as much as we all wish we were – there is still uncertainty with respect to COVID-19.

**9:30**

To that end, we've established a contingency of \$750 million for the pandemic, not knowing where we might be called upon to spend



it but knowing, well, in an old western term, that it's better to have it and not need it than need it and not have it. We've accordingly increased our contingency from \$750 million – this is our broad-based contingency – to \$1 billion, recognizing the uncertainty that we see in global commodity markets, recognizing that that could impact Albertans and Alberta businesses in a variety of ways, including potentially pushing up natural gas costs to where the consumer price protection measure would kick in. We have accommodated that measure in this budget, but we've set the funds in a contingency so that we have flexibility, so that we can nimbly provide support where support is required.

**Ms Phillips:** Thank you, Minister.

Now, I think the minister would agree that oversight and reporting to Albertans and being forthright on how funds were spent, particularly through the pandemic, when, as the minister rightly points out, we had a number of just unexpected challenges and a number of knock-on effects in the labour market and elsewhere – we all understand that. You know, I think there's a certain amount of public sympathy for the fact that there was a COVID contingency in place. However, I think the public's patience might be tested when – as the minister goes through the history of our contingency spending, that's one thing, but reporting back to the Legislature on how those funds were in fact spent and having some oversight on how they were spent by the Auditor General are equally as important.

The hon. minister's own members blocked the Auditor General from reporting to the Public Accounts Committee in June on a number of his COVID-related spending audits, and that is troubling. The Auditor General requested to the Public Accounts Committee to come and discuss how those COVID contingencies were spent. He expressed to the committee that he wanted to come in June of this year, you know, three months from now. The government members blocked him from coming.

Given that the minister has just outlined for us how important it was to have COVID contingencies to meet those challenges, will the minister then commit to allowing the Auditor General to report to the Public Accounts Committee and therefore the public on his 10 COVID-related audits that had to do with that contingency funding, that the minister describes as so virtuous, so that the public can know and trust that those contingencies were appropriately spent and not just take the minister's word for it? Right now that's all the public has to go on.

**Mr. Toews:** Well, I would suggest, as the member well knows, that the Auditor General will complete a full audit of all of the financial transactions conducted by the government of Alberta, its agencies, boards, and commissions.

**Ms Phillips:** I mean, that's all well and good, Mr. Chair, but the fact of the matter is that if he can't come to the Public Accounts Committee to share that information, it is not actually a complete process at all, not under the act and not under, you know, several hundred years of Westminster parliamentary oversight of government finances. I'm looking here for a commitment from the Finance minister that it is appropriate for the Auditor General to as soon as possible report to the appropriate Legislature committee – that is to say, the Legislature – on how those contingency funds were allocated and his overall audits of those expenditures and his recommendations for improvement.

As the minister points out, there are more contingencies in this budget. If we don't have a way to understand how things could have been done better, potential pitfalls for future contingency allocations, then this is not an approach that he should be taking.

The people have a right to know that if he's got this big old slush fund, it is being appropriately allocated and that the recommendations of the Auditor General are being taken seriously.

**Mr. Toews:** All right. There are a number of things there. Firstly, just a slight correction: there are fewer contingencies in this upcoming budget, a smaller amount set aside for contingencies than the previous fiscal year. I am looking forward to the day when we get to where we have enough economic clarity and certainty where we can continue to reduce the contingencies, but until then setting funds aside for events that are perhaps unforeseen, I believe, is responsible.

There is a full transparent process with respect to the Auditor General, who will audit every financial transaction and all of those related to any contingency account that we set up and ultimately transfer to other ministries to cover appropriate programs. In fact, again, we received for the previous year a clean audit report from the Auditor General, which is something to note and point out.

I would also suggest that I will be providing quarterly fiscal updates, where we again will communicate the fiscal progress, the priorities of the spending that's occurring within this upcoming budget year. We will report on any use of those contingencies, the allocation of those contingencies, in those quarterly fiscal updates.

I would agree with the member. Albertans need as much clarity and transparency as they possibly can receive, yet we have to move forward in a time of great uncertainty. Using these contingencies along with quarterly updates and Auditor General oversight, I believe, provides the correct balance between having funds available to be used in a time of great uncertainty yet ensuring that we're doing it in the most transparent way possible for the benefit of Albertans.

**Ms Phillips:** Thank you, Minister.

The Auditor General has, I believe, nine or 10 COVID-related audits that he requested to come to Public Accounts to share with the public, and government members blocked him from doing so. He indicated that he would go to the Provincial Audit Committee with these in June, and then he wanted them considered by Public Accounts in June. He was blocked from doing so after giving an explicit request to the committee. It was an extraordinary sight to behold, to see government members blocking an Auditor General's request.

I want to move on, though, to the contingency piece and the per capita spending levels around the fiscal anchor just to get some clarity. Is the per capita spending relative to other provinces? Does that metric include the spend in the contingencies? Is this an apples to apples? It does?

**Mr. Toews:** Let me describe what we're including. That's a good question, Chair. It's a question that I asked as we grappled with the issue of fiscal progress and ensuring that we could fully evaluate our fiscal progress or perhaps our lack of it over the last three years. I believed it was essential to categorize expenditures in such a way that we could make informed decisions. That's why in very early days I asked my department to separate out the exceptional expenses that were driven by the pandemic, largely expenses and investments that we made to our health care system, but more than that, exceptional expenses that we made to protect Albertans during that really difficult time, especially early days in the pandemic, expenses that related to supporting businesses, again, in an unusual way during this very unusual time and some key expenses that were necessary, that were unusual and extraordinary, that positioned this province for economic recovery, an economic recovery that has far exceeded my expectations.

By doing that, we could then monitor our progress on our, should I say, normalized costs of delivering government services to Albertans, and that's really what matters. The requirement for extraordinary spending: that day will pass, and we appear to be getting through it. As represented by a smaller contingency element in this budget, my expectation is that we will be able to accommodate pressures more easily through our base budgets as we get through the pandemic.

9:40

In order to evaluate the progress with other provinces on a per capita basis, we had our expert officials in our department work with effectively other budgets, financial statements, financial reports from similar provinces: the provinces of Quebec, Ontario, and British Columbia. We recognize that there is a range. Because this involves projections, because it takes some anticipation, there was a range that we needed to hit. I can confidently say that we will hit that range if we can stick to our budget plan, which I have full intention to. In this upcoming year we will hit that range in '22-23.

I'm going to actually ask our economist, Mark Parsons, to make a few comments. Mark and his team were very involved in the whole question about: firstly, what is the target? You know, the member is right to ask: in this time of great volatility how can we be certain that we even know where other provinces will land, and how can we be certain that we're comparing apples to apples? Questions I asked and questions that the department thoughtfully considered in their analysis.

**Mr. Parsons:** Thank you, Minister. Mark Parsons, ADM of economics and fiscal policy. Just to elaborate a little bit on what the minister said, we looked at Statistics Canada data on interprovincial spending because it standardizes for accounting treatment. If you just look at public accounts budgets, you can't do an apples-to-apples comparison, so we took the StatsCan estimates as the base year. Then we looked at budget forecasts from the other provinces, applied growth rates to that base year calculation, ran kind of a low and a high, and then we found that with the current projections in this budget it would be in the range of the three comparator provinces.

**Ms Phillips:** Thank you, and thanks to the officials for joining us today and providing us more clarity to some of the questions.

I want to move on now and talk about personal income tax a little bit, and I want to talk about people's pocketbooks. In Budget 2019 the minister announced what he called a "temporary pause" in indexing the tax code and associated benefits. In that budget the minister indicated that it would save the government \$600 million. Put another way, for folks at home, because of that decision, Albertans paid \$600 million more in personal income tax over that forecast period of '19, '20, and '21. Now, the decision was characterized as temporary at the time, but here we are, and it is nowhere in the forecast next three-year fiscal plan to reverse that decision and make it so that our personal income taxes keep pace with inflation and we're not paying more as a result of inflation.

I would like to know: can the minister share with us, as the Budget 2019 fiscal plan put it, how much the government will be, quote, unquote, saving? How much more are Albertans paying this fiscal year, how much next fiscal year, and how much is saved; that is to say, paid more by Albertans in fiscal year 2024-25? How much more, after six years of this, will Albertans be paying in personal income tax?

**Mr. Toews:** All right. Well, thank you. Chair, again, I'll need a few minutes to unpack that because as the member, I think, correctly noted, we did pause indexing of our personal exemption and tax

brackets in this province. It was a temporary pause. It was intended to be that. It remains a temporary pause. It was a pause due to the great fiscal challenge that we were facing as a province. It was also a pause that was consistent with the broader principle that we identified in Budget 2019, and that principle was that, you know, this province has been a province of great prosperity. This province has a history and a legacy of low taxes and high government spending.

I have to say that one of the biggest surprises for me since taking this job was, effectively, the amount of stimulus that the Alberta government has in the provincial economy, which has been challenging when we've encountered serious economic and fiscal shocks because we have everything out there. Everything is out there. The only lever we have is – what? – to borrow. The only lever we have is to further erode our balance sheet and borrow from future generations. I find that unacceptable, and that's why we set out on the path to greatly improve the fiscal sustainability of the province of Alberta.

Consistent with the principle of not being an outlier relative to other provinces, we looked at everything from our program spending to our remuneration of our great public servants to our tax structure, and we considered what adjustments might be made. I have to point out that Alberta's personal exemption in our provincial tax structure is by far and away larger than the next-nearest province. The next-nearest province is Saskatchewan. I believe ours is \$19,369. The next-nearest province is 16 per cent lower than Alberta's, and it tails off from there significantly.

Now, I'm going to require a bit of time to talk about these realities. At the time when we were facing the great fiscal challenge, we temporarily paused reindexing and committed to begin indexing again when we were on a more sure footing fiscally in the province. I will certainly commit to members around this table and to Albertans broadly that as we go through the upcoming fiscal year, a year that's still shrouded in significant uncertainty – commodity markets uncertainty, economic uncertainties, even pandemic uncertainties, certainly geopolitical uncertainty that we see in Europe – as we progress through this year, as we have more clarity and as the economy delivers on the revenue lines that we've laid out in this budget and as we see our economic assumptions that have informed our revenue projections, as those begin to solidify from projections into reality, we will reconsider for Budget 2023 the question around indexing with respect to personal income taxes, because I committed that this would be a temporary pause, and it will only be a temporary pause.

**Ms Phillips:** What we are hearing, then, is that right now the plan for a temporary pause is seven years, and even before Russia's aggression in Ukraine we are looking at, you know, a billion in surplus, potentially, based on a reasonable outlook for energy prices. But even then this budget did not commit to reindexing personal income tax. Costs are skyrocketing, people are paying more for utilities, gas, groceries, and the list goes on.

Back in 2019 the minister stopped indexing AISH payments. That is money that helps the most vulnerable members of our society. This year AISH recipients will have lost, as a result of that decision, roughly a thousand dollars in purchasing power over the course of the year. That's a lot of money, a thousand dollars. There's a significant surplus here. Why didn't this budget at least restore indexing for AISH recipients when even in these quite modest projections there was a surplus to do so? And to the minister's point about making sure that the benefits of growth are shared broadly: this was one decision that this minister could have taken, even based on very, very conservative projections, that would have still allowed us to post a surplus even within these

assumptions. So why wasn't that decision at least made? A thousand dollars a year is what people are now missing out on.

**Mr. Toews:** Chair, I want to add, you know, as we talk about indexing both on the tax side and on the program side, and I do also want to point out – and I think this is a very salient point – that Alberta does continue to have real advantage with respect to our personal income tax structure, and that's important to us. I expect it's important to all of us around this table in this committee.

9:50

I'm just going to provide one example. Still today, actually for 2022, we'll say that a family of four earning \$75,000 has a \$3,800 tax advantage to be in Alberta relative to Ontario. Overall, the tax advantage we have broadly throughout our tax structure in this province is very, very significant. If we were to overlay the next-nearest province – in other words, the next most competitive province, the lowest tax jurisdiction next to Alberta, which is Ontario – if we were to overlay their tax structure over our economy, we would be collecting just under \$15 billion more revenue in this province. That's the significance of the competitiveness of our tax structure. That's a competitiveness factor, a factor that ensures more affordability to Albertans and Alberta households. That's a factor we want to maintain.

**Ms Phillips:** Thank you, Minister.

**Mr. Toews:** I also want to respond to the AISH question.

**Ms Phillips:** Okay. Good.

**Mr. Toews:** That is a fair question. I need to take us back to 2019. Again, as we considered our approach that Alberta could no longer afford to be an outlier and we identified all those areas where we were an outlier, we certainly came upon the income assistance program for the severely handicapped. We were over \$400 higher in terms of our monthly support for those individuals. Believe me, as we took a look at every issue, every program where we were an outlier, we looked at that program, but we chose not to reduce it because of the hardship it would have created for those recipients of that program. We were willing to be an outlier. We believed Albertans would want us to be an outlier to ensure that we were supporting the most vulnerable.

Even this year we still remain \$400 higher in terms of support relative to the next-closest province. We're really glad that we are continuing to support our most vulnerable in this way. That's not to diminish the hardship that all Albertans are feeling right now, but that's to demonstrate that this is one area where we believe it's critically important to be an outlier, and we believe that Albertans would support that decision.

**Ms Phillips:** Thanks to the minister, Mr. Chair, for that response.

I am not certain that provincial AISH recipients or their families or their advocates quite appreciate the minister's magnanimity in terms of not cutting by \$400 and then proceeding to then go after a thousand dollars of annual purchasing power. I'm not quite sure that that argument quite lands for them and that they see this, as the minister apparently does, as an expression of his generosity. The fact of the matter is that page 85 of the fiscal plan shows very clearly that there are inflationary pressures in the Alberta economy. Yet there was an opportunity to meet that for AISH recipients, the most vulnerable people in society, and this minister chose not to and has just congratulated himself for not cutting AISH recipients even further.

That, you know, I think speaks to values, certainly, but what it doesn't do, quite frankly, is answer the original question, which

was: what is the amount in the '22, '23, and '24 budget years of personal income tax – there will be incremental tax savings since Budget '19 – and what is the amount of the savings from not indexing AISH payments, and what is the amount, the cost, that is, to Albertans who are receiving the low-income seniors' benefit? It's not just personal income tax and AISH. Oh, no. It is also the low-income seniors' benefit that has been paused by refusing to index it to inflation. Therefore, a low-income couple getting the seniors' benefit, by our calculations, will lose roughly \$300 this year. Can the minister explain when those benefits will be restored and how much more people receiving the low-income seniors' benefit can expect to lose in budget years '23, '24, and '25? What are those forecasts?

**Mr. Toews:** All right. Firstly, I need to clarify, I think, a notion in the question, and that is that we will not be collecting any more income tax in this province, personal income tax, as a result of freezing our personal exemption. You know, I've stated before – and I think listeners should understand – that if you made \$100,000 in this province last year or \$50,000 or \$25,000, you will pay the same amount of provincial income tax this year as you did last year and that you did the year before. We have not increased tax rates in this province. If you're an AISH recipient, you'll be receiving the same amount, and if you are a senior, there have been no cuts. You'll be receiving the same amount.

I do want to address an assertion by the Member for Lethbridge-West. This has nothing to do with generosity or my generosity. This has everything to do with, I believe, Albertans' values and the values of protecting the most vulnerable. Those are values that are shared by this government. Those are values, I believe, held by the vast majority of Albertans, and for that reason, even though we were an outlier, we've maintained AISH payments at those levels. We believe that's a priority of Albertans. I never consider managing the province's finances as my resources. These are the resources of the people of the province, and we will manage them according to the priorities of Albertans.

I want to talk a little bit about the Alberta seniors' benefit because the member raised it. That's another benefit where we were a material outlier. The top payment under the Alberta seniors' benefit is \$285 a month. The provincial average of the similar provinces is \$60 a month. We've not reduced it even though we're an outlier. Why? Because we want to support and honour our seniors in this province. We want to honour the generation that built the foundation upon which we live so prosperously in this province.

**Ms Phillips:** The minister is absolutely correct that folks aren't paying more income tax if inflation is zero – his own fiscal plan asserts that it is not – and the minister is entirely correct that AISH and seniors' benefits have not been cut if inflation is zero, which it is not. So the minister, Mr. Chair, respectfully, I would submit, is being somewhat deliberately obtuse in this and is simply disregarding the reality that is articulated in his own fiscal plan that we have inflationary pressures that are actually quite considerable and are taking money every month out of people's pockets.

Let's talk about another area where inflation is biting, and that is students. This year students will collectively pay an additional \$150 million in tuition fees. That is a lot of money. Yesterday there was a partial rewrite of the budget even before anyone made it to estimates. The Premier indicated that the announcement was, in part, to protect people from skyrocketing inflation. Why are we doing that on that side but not on skyrocketing inflation in tuition fees? The minister took great pains this morning in his introductory remarks to talk about labour and skills mismatch. Tuition fees don't just apply to, you know, degree-based, four-year programs. They

also apply at colleges and at technical institutes and at polytechnics. Why the skyrocketing fees there to the tune of some \$150 million? What is the minister's plan to reduce those fees, seeing as we're just rewriting the budget 12 days after its introduction on a whim, to meet his stated goals around labour and skills?

**10:00**

**Mr. Toews:** Chair, first I need to correct the record. There was no announcement, and the announcement yesterday did not rewrite this budget. Again, I need to be very clear. In terms of the appropriation bill, effectively, which is on the floor of the Legislature, it is not impacted by the announcement yesterday. Even though the announcement – I believe it was important to make a timely announcement because Albertans are feeling pressure today in a rapidly changing cost environment. I want to correct the record there with respect to tuition costs and our world-class postsecondary institutions, which I think we all appreciate and recognize the incredible value that they provide to all Albertans.

I need to take us back to 2019 because part of the MacKinnon panel conclusions were, in fact, that we had an unsustainable postsecondary environment in this province. We had an environment that was costing too much for full-time learning equivalents. If I recall the metrics, the average cost to educate a full-time learner at our postsecondary institutions was approximately \$35,000 a year; in B.C. it was \$30,000; in Quebec about \$25,000; and in Ontario it was closer to \$20,000. That was simply unsustainable. As we considered all the areas where we were an outlier, that was one.

I have to give credit to the boards and executive leadership teams of our postsecondary institutions who've worked with us and worked with all Albertans over the last three years at delivering education in a more efficient and more sustainable manner. You know, with government programs it's critically important that we deliver those programs so that they're not only available for students today, in this case, but students 10 years from now, 20 years from now, and 30 years from now.

So we needed to put that whole incredibly important effort on a sustainable trajectory, and part of that was ensuring that taxpayers were not disproportionately supporting our postsecondary institutions relative to student contributions, and we were an outlier there. Alberta taxpayers were paying a much larger part of the overall cost of postsecondary education than in other provinces on a percentage basis. Institutions have had the ability to make adjustments, limited by a 7 per cent cap, to their tuition fees, and they have made those decisions as institutions. Those have not been prescribed by the government.

I also want to point out that at a time when we had an extremely high level of contribution by the provincial government on a percentage basis to our postsecondary institutions, we had poor results as measured by completion rates. Alberta did not have the completion rates in its postsecondary institutions that other provinces had, and that's a problem. That's not sustainable. That's not serving Alberta students well, and it's certainly not serving Alberta taxpayers well.

So there's been a full effort, multifaceted effort, to ensure that we have a sustainable postsecondary environment, an environment where Albertans can enter into education in disciplines and occupations that have great future potential. This budget makes some key strategic reinvestments into our great postsecondary system, investments that will expand learning opportunities for the next generation of Albertans, investments that will expand capacity in areas such as technology, data scientists, IT specialists, coders, in areas such as agriculture sciences, engineering.

We're making investments in this budget that actually support students, Albertans who might be out of a job or underemployed,

who want a future in our great transportation industry. We're adding \$30 million over the course of the fiscal plan to support Albertans who would want to get a class 1 licence and get in behind the wheel and, again, have a great future in our transportation sector.

If we don't remedy some of these labour shortages that we're observing across the province, it will actually hold back economic growth, and the transportation sector is a good example of that. Not only that; we have thousands of Albertans who are underemployed or unemployed that need an opportunity.

**Ms Phillips:** Thanks. I'm sure we will get further into this in the Advanced Education estimates. I would submit that the more surgical approach that might be required in terms of addressing completion rates in apprenticeship and some certificate programs, as opposed to taking close to a quarter-of-a-billion-dollar axe to the entire postsecondary budget, might be a way to actually achieve the objective.

But I do want to ask a quick question about consolidated budgeting in postsecondary education, and I want to just get a little bit of policy clarity, for the excitement of the people at home, which is certainly at the University of Lethbridge and, to a certain degree, at Lethbridge College as well. What we've seen with consolidated budgeting is, in fact, a little bit of perverse incentives with respect to postsecondary education. So when we have a great deal of income flowing through – either in scholarship income, in donations, private donations to those institutions, income from research, then it goes through and flows through as an expenditure – what one ends up with is pumping up that per capita expenditure on the part of those institutions, and then what you have is those institutions then turning around, particularly in the case of the University of Lethbridge, \$20 million worth of cuts over four years, which is a heck of a lot of money to take out of a community of a hundred thousand. The employment and the private sector, you know, knock-on effects are considerable from that cut in the city of Lethbridge.

So can the minister clarify for those postsecondary institutions, from whom I have heard, from the level of their board of governors and administrations, if he is going to pursue a deconsolidation of at least the postsecondary budgets so that we can somewhat try to address this issue, essentially, of false presentation of their per capita expenditures and more appropriately reflect what's actually happening in those institutions, particularly if they have a great deal of scholarship or research income?

**Mr. Toews:** Yeah. I appreciate this question because this has been an issue that we've wrestled with, quite frankly, as we've looked to work with our postsecondary institutions, recognize our fiscal goals as a province broadly and also recognize, you know, the goals and the opportunities that many of our postsecondary institutions have. I would say this. We've modified our approach over the last three years because, as the member rightly points out, there are some challenges with the consolidated method of reporting. This method has been in place, however, for many, many years, brought on by changes in public-sector accounting rules, and, ultimately, as the member, I expect, knows, if there is control and that control can be defined, there's a deep, long, perhaps subjective definition around control. There are some very objective pieces to it, and there are some subjective pieces to it, but where control is in fact deemed occurring, then all the financial activity of that institution has to be combined with the province, and that has created some challenges.

What we have done, again, as I noted, over the last three years is adjusted our approach, where we've had institutions that have had great opportunity, as I expect the University of Lethbridge has, yet they've believed they've been held back by a budget line on their

expenditure side to where they could not, in fact, utilize additional perhaps research funding for projects where the funding was dependent on them moving forward with the projects.

In spite of our significant fiscal goals I've provided the latitude for our postsecondary institutions to simply not run a deficit. So where they have opportunity for additional revenues to actually roll out additional essential programming, they simply cannot run a deficit.

Now, we are also taking a look at the whole issue of deconsolidation right now. We recognize that for some of our world-class, you know, particularly our research universities, there would be some real advantages in, in a sense, decoupling. As the member would know, there are some significant policy considerations there, and the Auditor General will have many questions around whether we're going to meet the bar or not. But the member is right to raise it, and we're taking a deep look into what would be required to deconsolidate the financial activity of certainly some of our postsecondary institutions from that of the government of Alberta.

**10:10**

**Ms Phillips:** Well, thank you, Mr. Chair. Perhaps the Auditor General could come and speak to Public Accounts about that in June.

Let's just go quickly back to the bargaining mandate, and then just a very quick question to the minister. Is the minister going to revise the bargaining mandate in light of the fiscal position, particularly in postsecondary, so that we can resolve the labour disruption happening at the University of Lethbridge right now? There are 500 people who have been affected by this. It's having a significant effect on our local economy given that the students are pulling up stakes, and they are going to be not necessarily seeing out the term in Lethbridge but going back to their homes in Calgary or elsewhere or wherever the case may be.

So what is happening there, Minister? Can the minister commit to the people of Lethbridge that he will impose a little bit more flexibility in terms of the bargaining mandate, that we have been assured is extremely inflexible, that has led to this crisis in our community?

If he is at least not going to reverse some of the \$20 million of cuts that he has taken out of the city of Lethbridge for the university cuts alone over four years – because we are now headed into over a month of this disruption. It's extremely hard on the community. Layer on top of that tuition costs, making student loans more expensive, and so on, there's an extreme amount of hardship that's being borne out in the postsecondary system, and the epicentre of that is in the city of Lethbridge.

**Mr. Toews:** Well, thank you, Chair. I'm also disheartened with what's going on at the University of Lethbridge, but that is a negotiation between the faculty and the board of governors over there. I would hope that that negotiation could be completed successfully and expeditiously because I also share the member's concerns over students. It'll be Alberta students or students of that university that will be adversely affected. So I would hope that they can land a negotiated settlement very soon.

But I think implicit in the member's question was a question around labour mandate and our general approach to bargaining, and I have to say that, overall, I've been encouraged with the progress on bargaining with our public sector. We have a ratified agreement with the Alberta public service, an agreement that I believe pays our public servants well and appropriately but also an agreement that reflects our fiscal realities and will ultimately result in general alignment with other provinces. Again, that has been our goal.

Our goal has been to ensure that we have a sustainable public sector. It's not sustainable if we're significant outliers from a

remuneration standpoint. I was incredibly gratified when the nurses, the UNA, ratified their agreement recently here in the new year. The successful completion of that agreement has provided great stability in our health care system at a time stability was needed. That's an agreement, again, that pays our nurses well; in fact, it ensures that Alberta nurses are still the highest paid nurses in the country, and I'm pleased about that. But it's also an agreement that recognizes our fiscal realities and more closely aligns remuneration levels with those of similar provinces, which, again, is essential to ensure a sustainable health care system.

We've had some other agreements and other progress with other postsecondary institutions in this province. I've been appreciative of that, and I would call on both parties at the University of Lethbridge to take a look at the elements in the other agreements that ultimately achieved a settlement, for the benefit of students at the University of Lethbridge.

**Ms Phillips:** What I'm hearing here is that, yes, we can achieve labour settlements if, for example, we take off the table the proposal to cut nurses' wages by 4 per cent during the fourth wave of the pandemic and put something more reasonable on the table which reflects the bargaining mandate. My question was: given the fiscal situation will the minister be revising the bargaining mandate for the outstanding negotiations that are happening, particularly in a situation where we have a community- and economy-disrupting labour action happening in a city where taking 500 people out of the workforce and effectively shutting down the student population in a city where the small businesses rely on it . . .

**The Chair:** Thank you, Member. That concludes the first portion of questions for the Official Opposition.

At this point, before we proceed, I'd just like to provide some caution to all members, including opposition and government members and independent members and to the minister and his staff as well. At one point I came very close to calling the member to order for questioning the minister's personal values. I won't tolerate any personal attacks in this chamber at this time or at any other time. Please keep your questions to the task at hand. I will protect you from personal attacks as well, but please keep it – our decorum has been quite well. We've got a long ways to go, another five hours or four and a half hours, so let's please keep it to the task at hand. We're here to represent Albertans. There are some very good questions, and the minister has done, I think, quite a good job trying to answer them. We will continue down that path, but I will not tolerate any personal attacks.

We will now proceed to an independent member for 20 minutes. Would you like to go back and forth with the minister?

**Mr. Barnes:** Minister, is it okay to go back and forth, please?

**Mr. Toews:** Sure.

**The Chair:** Thank you.  
Go ahead, sir.

**Mr. Barnes:** Okay. First of all, thank you, Minister, you and all your staff, for being here today and the work you do for Albertans. It's appreciated. I want to start a year ago. You were estimating an \$11 billion deficit. Now it's a \$500 million surplus. Of course, with one of your pillars you were estimating a 24.5 per cent debt-to-GDP ratio, and now you're suggesting it's 18 per cent. A year ago, though, the people of Alberta spent \$60 billion. This year's estimate is \$62 billion. I will bring you to page 101 of the fiscal plan. The second bullet on the side says that total revenue in 2021-2022 is forecast at \$61.7 billion, \$18 billion higher than Budget 2021. In

your opening remarks you said that you returned to surplus, you returned to a lower pillar compared to debt to GDP quicker than you anticipated. Can I please ask you what changed? What do you attribute, the number one factor, to being able to get there quicker than you anticipated?

**Mr. Toews:** Yeah. Thank you for that question. Now, I can talk about two fiscal years. I could talk about '21-22, our current fiscal year, or I could talk about our upcoming fiscal year. I'd ask the member where I should focus my comments.

**Mr. Barnes:** Focus on the future, and focus on what changed.

**Mr. Toews:** All right. Thanks for that. Well, I'm going to firstly focus on what did not change. What did not change is our resolve to deliver on the fiscal anchors. I believe they were critical, to firstly identify those anchors. It was critical to creditors and bond-rating agencies that we identified fiscal anchors that would inform these decisions during times of great uncertainty. One of those anchors was a continued commitment to bring our costs in line with those of similar provinces. You know, when we ask about, "How did we achieve the fiscal progress?" I have to start with that one because I think that one is the most important point. That's one that did not change, and it's because it did not change that we have a much different fiscal outlook for '22-23.

What did change? Well, firstly, energy prices did increase. That has been very welcome. Nonrenewable resource revenues have gone up quite significantly for the upcoming budget year relative to what we envisioned when we prepared Budget 2021. Again, just for the purposes of this committee and for any folks who might be tuned in, right now we have WTI prices – I haven't checked this morning, but, you know, they're in the \$120 range. We know there's a massive risk premium embedded in those prices relative to the geopolitical events. But even before, tragically, Russia invaded Ukraine, we were still at \$90 to \$95. Many analysts were believing that that was driven by supply-demand fundamentals as a result of a lack of investment in the energy industry broadly and particularly in Canada and perhaps parts of the U.S., that was affecting supply-demand fundamentals.

**10:20**

Energy prices have risen materially, but we're not using \$85 or \$90 or \$100 or \$120 as a WTI price; we're using \$70 in the upcoming budget year, \$69, and \$66. In spite of, I think, very modest economic assumptions those prices are higher than what we envisioned a year ago, and that is contributing to additional nonrenewable resource revenues. But embedded in that is also the fact that this last year we've had five projects in the oil sands move from prepayment to postpayment. The earnings of those projects effectively have moved them into a much higher royalty structure. That's also been reflected in our nonrenewable resource revenues.

I can talk about corporate and personal income taxes as well.

**Mr. Barnes:** Excuse me, Minister, though thank you for that. In Budget 2021 – and I'm on page 103 – resource revenue was budgeted, royalties of \$2.8 billion, and now, 2022, we're budgeting resource revenue of \$13.2 billion, a substantial increase. How much of that would you say would be to the increase in price, and how much of that would be to these five oil sands plants hitting cost recovery and paying their full royalty?

**Mr. Toews:** Well, it's certainly a combination of the two. I can ask officials if they could detail that out. That may be a significant calculation. But it would be a combination of the two.

**Mr. Barnes:** Yeah. Could I ask your officials, please, to do an undertaking and bring that number back to this committee at some point?

**Mr. Toews:** Absolutely.

**Mr. Barnes:** Thank you. I appreciate that.

Okay. To continue on, like the Member for Lethbridge-West, I'm concerned and disappointed that you didn't continue the indexing of the tax brackets. Our Premier, your leader, clearly identified 30 years ago that inflation can be the most regressive tax of all. Not doing this has not only caused hardship to families; it's removed choice and hope from them. I don't believe I heard the answer to her question, whether it was \$600 million a year, what it was going to be for two or three or four years, the total extra that Albertans and Alberta families are going to be paying because the government of Alberta did not index to inflation the tax brackets. Please, could I also ask you to do an undertaking and back to this committee give us the number as to what extra the government of Alberta will take from Alberta families through not indexing tax brackets?

**Mr. Toews:** We would have collected approximately \$200 million less per year as a result of the deindexing.

**Mr. Barnes:** Okay. So \$200 million per year. Again, I appreciate your commitment to review this in the future and return to it as soon as possible.

**Mr. Toews:** Chair, I share the member's view on the importance of re-establishing indexing as soon as possible. Consistent with the previous commitment I made, I commit again, as we see additional economic clarity, as our projections move from the projections into reality, that we will absolutely review this for 2023.

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

On page 185 of your fiscal plan, where we have the small-business tax, \$263 million, again, a \$500 million surplus – I've long been an advocate for reducing that 2 per cent small-business tax to zero. In Manitoba it's permanently zero. In Saskatchewan it's temporarily zero. Of course, this is on top of the 10 per cent federal tax that our small businesses pay. I don't have to tell anybody here what small businesses do for us, I mean, the choice and the competition they provide. I mean, every small business probably gets at least a one a day, a request to support something in their community – minor hockey, figure skating, minor baseball – and do gladly. Again, you know, the CFIB put out several times during the pandemic that small businesses, particularly if you're in the service industry, may have taken on upwards of \$200,000 of additional debt.

Minister, you still have a surplus. Can I ask you to talk about the benefits of, like Saskatchewan, reducing that 2 per cent small tax to zero? The hope that that would provide for small-business owners and the choice for Albertans: is it on your radar at all?

**Mr. Toews:** Well, Chair, I'll certainly take that as a piece of advocacy on behalf of small businesses across the province. I agree with the member that small businesses are very often very much the lifeblood in so many of our communities and support charities and nonprofits, support civic society, and are incredible employers in our communities regardless of whether these are urban and rural communities. We have to ensure their competitiveness. We absolutely have to ensure that they are most competitive.

The member made, I think, reference to the difficult years, the last couple of years, and perhaps additional debt taken on. I do need to note and acknowledge the hardship that so many Alberta small businesses encountered during this last year. Again, being a small-

business owner, I can certainly say this, that during years of incredible hardship and additional debt, those are years that a small business is not taxable. The tax rate will not assist them at that point in time, and in fact many businesses will have loss carry-forwards, which again will render them not taxable. What my hope is – and my deep belief is that as we see this economy gain ground, more and more of those businesses will return to the black and again start reporting taxable income. I do make the commitment to the member to keep our small-business corporate tax rate very low.

I have to say that the previous government dropped that small-business corporate tax rate from 3 per cent to 2 per cent at the time they implemented the carbon tax as a bit of an offsetting measure. When we repealed the carbon tax, we did not push the corporate tax rate up from 2 to 3 per cent. We left it at 2 per cent, recognizing the importance of ensuring the competitiveness of small businesses across the province.

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

I recall when the previous government changed our 10 per cent flat-tax rate, personal income tax, to as high as 15 per cent on Albertans. In the initial year or two there was actually a drop in the total receipts of personal income tax for the services of Alberta. Have you done any studies on what our provincial tax revenues would be if we returned to our 10 per cent flat tax?

**Mr. Toews:** As we've noted in the past and continue to commit to, we will be appointing a revenue panel before this term is complete. This panel will be effectively tasked with taking a look at our revenues in the same way that Dr. Janice MacKinnon and her team looked at our expenditures, and that is to evaluate the appropriateness and efficiency of our taxation structure and our revenues broadly.

When I say efficiency, I expect that's what the member is driving at. An efficient tax structure in the province is critical, and it's critical in determining which province income is reported in. There's an element of subjectivity in corporate decision-making around allocation of resources and staff that ultimately informs the assignment of taxable income by province. I'm very confident that if we can create the most competitive jurisdiction from a tax standpoint, as we've done on the corporate side, we will see the number of businesses and individuals, if a fact applied in the same way, choosing to report a maximum amount of their taxable income in the province of Alberta.

**Mr. Barnes:** Thank you.

I want to talk inflation. I want to talk wage gains. All the departments are up a bit in their spending, I believe. I heard last night at Municipal Affairs' budget estimates – I believe the number 3.8 per cent inflation was mentioned. Whether that was a hard number for cost increases, I'm unsure, but again I know that the average family tells me that, you know, even though Canada is reporting 5.5 per cent inflation, it's actually much, much higher. Anybody that's bought lumber or a truck or many, many things in the last while knows that to be the case.

**10:30**

So, Minister, I'm believing that if your government meets a lot of their business plans, that's only going to force a huge overbudget next year as these costs come through, or they're actually going to underperform and not meet all their targets of what they want, services they want to provide and what they build. Take a minute or two, please – again, my time is a bit limited – and talk about the idea of how much you've considered inflation in this budget and in the possibility of eliminating not only your surplus but returning us to deficit.

**Mr. Toews:** Yeah. We are in an inflationary environment. In 2021 the inflation in this province was 3.2 per cent, lower than the national average. I believe the national average was 3.4. We have an affordability advantage, and that affordability advantage even improved this last year. We're projecting inflation in the upcoming year to be 3.2 per cent and then declining over the fiscal plan to be just over 2 per cent. It is a factor.

You know, as we take a look at the various options that governments have in an inflationary environment, what is the right lever to pull? We announced a couple of initiatives yesterday, certainly some very targeted, limited support to take some pressure off of Albertans paying exorbitant electricity bills right now. But the other announcement was very consistent with what I believe is the best thing governments can do during times of inflation and that is deliver most efficiently, keep spending low, borrow less, and tax less. That's one reason why, as we considered our policy options, we, in fact, decided to reduce, slash, eliminate fuel taxes for Alberta residents and Alberta businesses.

Now, again, that initiative is going to be tied to WTI pricing because we cannot undermine the stability of our revenue structure. We already have a significantly volatile revenue structure, and the reason we tied that measure to WTI prices is that we know that there is an offsetting correlation in nonrenewable resource revenues as energy prices rise and Alberta businesses and Albertans need tax relief. Broadly what we've considered in this budget – we've doubled down on ensuring we deliver efficiently. We've doubled down on adhering to our fiscal anchors.

We know that there will be pressure to depart from those anchors as we head into what I believe will be a time of increasing prosperity, but in times of inflation we have to stick to our fiscal anchors. We have to ensure we deliver most efficiently. We have to ensure that we stay aligned on our per capita spending, not increasing spending beyond CPI and population growth as a ceiling, ideally keeping it well below, and, in that way, ensuring that this province can be most affordable, with the lowest tax rates in the country.

**Mr. Barnes:** Thank you, Minister.

Page 193 of the fiscal plan. On March 31, 2021, Alberta had \$117.5 billion in total debt outstanding; \$117.5 billion in debt. Interest rates have risen a little bit. Those inflationary fears, the volatility in the world: interest rates are hard to predict. What contingency thoughts do you have on the approximate \$3 billion of annual interest that the Alberta taxpayers are paying now? What are your thoughts on that \$117 billion services ability?

**Mr. Toews:** Sure. Good. Chair, I appreciate the question because this is a question that, you know, I posed to my officials and we've deliberated on at length: what policies will best serve Albertans during a time of inflation and particularly policies around debt management? Firstly, again I'm going to go back to my previous answer. It's so critical that we get this province on a sustainable fiscal trajectory so we don't have increasing debt. Job number one. Job number one. That's taken a significant effort, and it's been very challenging as we've come through a time of great revenue shock and extra demand on resources due to the pandemic.

That's what's so great about Budget 2022. It lays out our fiscal progress, which actually results in no requirement for this upcoming year for borrowing for operations within the fiscal plan. There's a small borrowing requirement related to the capital plan but not operations. As we've considered our approach to debt management, one thing we've done over the course of the last year, year and a half – as we've had an exceptionally low cost of capital, we have in fact chosen to take longer maturities as we've issued bonds and debt to, again, ensure that we can lock in that very low

cost of capital for a longer period of time. I believe that's one measure. Along with keeping spending low, that was one measure that we considered and we implemented in our debt management.

As we go forward, with respect to debt management should we encounter significant surpluses – now, again, we're projecting a \$500 million, \$900 million, \$700 million surplus in this fiscal plan, but as this fiscal plan plays out and should we encounter surpluses, perhaps in excess of those amounts, we will be making decisions regarding debt repayment as debt matures and/or investments into the heritage savings trust fund. One thing we will not consider is arbitrarily increasing spending on a per capita basis beyond that of inflation and population growth.

**Mr. Barnes:** Thank you, Minister.

Like the Member for Lethbridge-West, I'm concerned about all the contingency things that have been announced since this budget has been printed. I'm concerned about, you know, not having enough in the contingency disaster and emergency assistance. We all know what a huge fire can cost or a big flood. Would you undertake to provide back to this committee what the extra money for contingency for the movement towards surgical suites will cost, what the natural gas and electricity contingencies will cost? Can we ask for some idea of where this budget may go over?

**The Chair:** Thank you, members.

We will now take a quick five-minute break, followed by questions from the government caucus. Please be in your seats.

[The committee adjourned from 10:37 a.m. to 10:42 a.m.]

**The Chair:** Members, if you could please take your seats so that we can continue. Thank you.

All right. We will now move to the government caucus for 20 minutes with questions from the members. Would you like to combine your time with the minister?

**Mr. Turton:** Yes.

**The Chair:** Minister, if you're okay with that, we will continue with the back and forth.

**Mr. Toews:** Sure.

**The Chair:** Go ahead, Mr. . . .

**Mr. Turton:** MLA Getson.

**The Chair:** Mr. Getson. Go ahead.

**Mr. Getson:** Thank you, Mr. Chair. Again, Minister, thank you for all the hard work and efforts and your team here as well. The first outcome in the TBF, or Treasury Board and Finance, business plan is to develop a strong and resilient financial foundation to support sustainable government services to demonstrate excellence, accountability, transparency, and risk management. It's excellent news. I've been accused of being a fanboy yesterday. I've been gushing about, you know, some of the good efforts that have been taking place and, obviously, not hiding expressions in the House when you announced that we actually had a balanced budget. Yeah, it was like a kid for Christmas for me.

You know, coming from project management and running major capital programs, you navigated, to you and your team, sir, through some of what could be described as icebergs in the water nonstop. There were so many chances of things that could have hammered us, so for you guys to pull this off: well done. It's what Albertans deserve – there's no question there – especially when there were

some challenging years and what you inherited, et cetera, so thank you for that.

Can you further explain why it's so essential to Albertans for a balanced budget? I mean, we're gushing on this end, and maybe that's part of the criticism of the folks that call me a fanboy with how I got excited. Can you explain what that really means to Albertans when we do have a balanced budget, and how does that set us up for the future?

**Mr. Toews:** Good. Good. Thank you for that question. A couple of really good pieces there. Firstly, with respect to the importance of a balanced budget I will say that I'm at times concerned as we see, you know, the infiltration of modern economic monetary theory creep in and the belief held by some that it doesn't matter, that we can just print more money and spend more and somehow at the end of the day create, in a sense, a false wealth, but I don't believe Albertans are there. I believe Albertans know that it's critically important to balance their budget at home. For those small-business owners, I think they know that they have to, at the end of the day, take in more revenue than expenditures in order to survive, and a government is no different.

I believe it's critically important to ensure sustainability of our services, that we provide health care, education, support to the most vulnerable. It's critically important that we put those service delivery pieces on a sustainable path. And to do that, of course, it has an expenditure component – we've talked about that this morning; I'm sure we'll talk more about it today – but it also has a revenue component as we position the province with appropriate revenue structure and in a way that attracts investment, economic growth, and expanded fiscal capacity so that we have the revenues to provide for those expenditures. The bottom line: this is critically important for future generations so that they can actually have a world-class health care system, a postsecondary system, and a baseline education system in this province.

Secondly, it is critically important to have a sustainable fiscal plan within a jurisdiction to create confidence in the investment community. You know, fund managers, project proponents will take a look at a jurisdiction's fiscal health as they make decisions around capital deployment. They know that if a jurisdiction is, in fact, in trouble fiscally, there's likely one thing that's going to happen, and that is that taxes are going to increase in the future, or there will be a less certain regulatory and fiscal landscape in which they would deploy capital. I believe it's critically important to demonstrate to the investment community that this province, this jurisdiction, has a plan to be in balance, ideally has a plan to be on continual improvement in terms of our fiscal future and our balance sheet specifically.

**Mr. Getson:** I appreciate that, Minister.

You know, it's interesting how some can say that budgets will balance themselves. They'll run things up through the roof or have inflationary problems and practices. We have inconsistent policies that dry up capital, and you throw into that spending like a drunken sailor. It doesn't bode well for capital investment or that risk mitigation.

The other criticism out there. Originally, when I was looking at this, I was a little concerned that we were too cautious on the value of oil. We're actually showing a little bit under on some of the marks, and now, you know, unfortunately, with global events, we've seen pressures in demand come back as we come out of COVID. Obviously, geopolitical issues are taking place. Can you explain to the folks at home why it is that this budget wasn't balanced simply by a buoying oil price? I mean, that's from some of the detractors we heard here this morning. So I'd like to give an



opportunity to advise on the difference between the revenue coming in, balancing the budget, and potentially some of those windfalls that we may have or a potential uplift. Just let folks know that it's not just based on the price of WTI as of three days ago.

**Mr. Toews:** Yeah. Thanks for that. There were, again, three kind of main ingredients that went into ultimately arriving at a balanced budget. Firstly, higher energy prices were helpful, but we're projecting \$70, \$69, and \$66 WTI in the course of the fiscal plan. Chair, to the member's point, those numbers look very, very cautious relative to what we see today. But I want to caution members around this table: we are in a world of uncertainty. We are in a world of incredible commodity volatility, and we all know that high prices ultimately have the effect of rationing demand. We also know that high prices have an effect, in the intermediate and long term, of adding additional production capacity, so we have to keep that in mind.

Energy prices will rise and fall in this province. We've seen that before. I'm old enough to have seen that several times. One thing that we have to do and keep our eye on the ball is manage what we can manage, and that's why we focused on the expenditures in this province. Energy prices are part of the equation, but bringing down our costs per capita, effectively holding operational spending flat, which has brought down our cost per capita of delivering government services, has been essential and is a key ingredient. Again, had we stayed on the trajectory that we inherited, we would be showing a \$6 billion deficit instead of a \$500 million surplus.

Thirdly, this budget reflects our effort and, I would suggest, more appropriately, the effort of Albertans, Alberta entrepreneurs, and Alberta businesses in seeing, you know, as I mentioned in my budget speech, opportunity in hardship and stepping out and investing, creating jobs, ultimately creating wealth for Albertans as we've delivered on what governments should be doing, and that is to create the most competitive business environment possible.

**10:50**

The investment community, the business community: Albertans broadly have stepped into that, and through their hard work, through their willingness to take on risk and deploy capital, we're seeing this province move from economic recovery to economic growth. That's resulting in increased revenue projections for personal income tax as we expect that again Alberta will become a magnet for Canadians – we've witnessed that in Q3 of 2021, Alberta leading the nation in net migration – as we expect wages to move up, you know, as the economy recovers and grows, and as we see corporations expand in this province, move into the province, report their taxable income in this province. All of that is leading to higher revenues, which is kind of the third part of the story in achieving a balance.

**Mr. Getson:** I appreciate that, sir.

I'll turn over my time to MLA Rosin if she would like to go.

**Ms Rosin:** Thank you, and thank you, Minister, for all your work on this budget. I've got a little series of somewhat technical questions, so I'll try to get through them quickly. Looking at page 20 of the fiscal plan, we forecasted a deficit of \$18 billion for last year, and this year I think all Albertans have heard the good news that we are at a \$500 million surplus, a very stark difference from what was forecasted last year. Now, we've heard lots of people say that this only happened because of the rising prices of oil and that it was somewhat of a fluke that we got to this point.

I want to highlight that on page 20 of the fiscal plan it suggests that, while very significant, our oil royalties, or bitumen royalties

specifically, account for only 16 per cent of the government's revenues, 21 per cent if we include all resource revenue. But if we look at page 109 of the fiscal plan, it states that income, corporate, and other taxes account for 37 per cent of the government's total revenues, significantly more.

While oil prices have fluctuated significantly over the past two years, production levels have remained relatively flat, which is actually in stark contrast to the income and other taxes, which have increased by 18 per cent since 2020. With all of these factors combined – the fact that oil prices are up, that production is relatively flat, that our income and corporate taxes are up nearly 20 per cent – I'm wondering what you would say that this says about Alberta's economy in its current state.

**Mr. Toews:** Good. Well, that's a great question, Chair. As we take a look, as we look to unpack, effectively, the underlying fundamentals that are contributing to the numbers we see on the page, certainly the increase in energy prices has had a significant impact in our improving fiscal results for the current year that we're in, the year that's going to end here in two and a half weeks. That has been a big part of the story, but it's not been the whole story by any means. When we take a look at, you know, increasing provincial income tax revenues and increasing corporate income tax revenues, that tells a greater story.

I want to point out to the members of this committee that, you know, my expectation, prior to stepping into this role, would have been that our corporate income tax revenues are probably largely driven by the energy industry, by exploration and production companies, oil sands companies. But when I took on this role, I found out that that's not the case, and the reason for that is that royalty expenditures are deductible for tax purposes. That ultimately means that our energy industry, our upstream energy industry, is not the primary contributor to corporate income tax revenues in the province. So when we see rising corporate income tax revenue projections like we're seeing today, like we've experienced in the current fiscal year, that speaks to a more diversified economy, and that's good news for the province.

You know, I believe that previous governments, probably going back three, four, five governments, have all made economic diversification a goal. We've heard it. I believe it's been genuine. I think we all recognize as Albertans that we have some vulnerability when we have one large industry, a great industry, an industry that's more relevant today than it's been in the last decade. But when we have one great industry that we depend on – and, of course, the fortunes of the province both economically and fiscally are somewhat tied to that – economic diversification is key.

As we've broadly positioned this province to be most competitive, we're seeing sustainable economic diversification in this province increase. We're seeing massive investment in the tech sector, aviation and aerospace, financial services, and the reason why that's important to our corporate income tax revenue line is that it's the financial services sector that's by far and away the largest contributor to corporate income taxes. That's an area where we in this department – and I look at my officials around me – have worked relentlessly to improve our competitiveness, to ensure that we're disproportionately attracting investment into that sector, which will ultimately result in increased fiscal capacity and increased corporate income tax revenues.

I could talk for a long time on this, but I'll end my comments there, Chair.

**Ms Rosin:** Well, I will give you an opportunity to maybe go a bit further into that since you are as excited about it as I am. I'd say that your response segues perfectly into my next series of questions.

Our government did reduce the corporate tax rate to 8 per cent from 12 per cent, as we all know, and on page 223 of your government estimates document it says that despite reducing the corporate tax rate by a third, we brought in 76 per cent more corporate tax revenues than projected in last year's budget and \$400 million more than the year prior. This seems to indicate that more business is being conducted in Alberta since the reduction of the tax rate, which you just noted. I'm wondering if you can put this quantifiable number into relevant terms. How much has corporate activity increased in Alberta since the reduction of the tax rate, and what does that mean for Albertans?

**Mr. Toews:** Sure. You know, we can all work a calculator, so we can all calculate, perhaps, what a flat-rate reduction does in moving from 12 per cent to 8 per cent. But what we don't typically consider in that greater equation is the response of the investment community to a most competitive jurisdiction, and we've seen that as we've reduced our corporate tax rate. Now, that's been one piece of a number of pieces that have improved the competitiveness of our business environment. Our approach to regulatory modernization and reform, reducing red tape, has been a key piece as well.

We can take a look at some of our other key sector strategies, including our corporate income tax rate reduction. Combined, all of those pieces have resulted in increased investment attraction, economic growth, and expanded fiscal capacity, to where we are projecting over the next four years to collect \$400 million more per year in corporate income tax revenues at an 8 per cent rate than the government collected prior to 2020 at a 12 per cent rate. That's incredible. That shows the power of a competitive business environment.

You know, that doesn't even measure the more important benefits to Albertans broadly, the benefits to that Albertan who's not had a job opportunity for three or four years. With the expanded economic opportunities, Albertans now have more opportunity to find that job. Many Albertans have been underemployed, likely tens of thousands over the last three or four years. As this economy kicks into growth stage, well beyond recovery, more and more Albertans will have the ability to find that new career, that new job opportunity that perhaps will pay more, where they will be better able to provide for their family and contribute to their community. Those are the additional benefits of increasing economic capacity.

**Ms Rosin:** Okay. My last question, then, in that similar vein, in terms of job creation. It's not only corporate taxes and corporate revenues that are up but also personal income tax revenues. Last year the budget projected to collect \$11.6 billion in personal income tax. Instead, this year we brought in \$13.3 billion, nearly 14 per cent more than projected. Looking even further back into the years, it appears as though personal income tax revenues have increased steadily since our prepandemic budget in 2020, two years ago, which would seem to suggest that the increased revenues are attributable solely to new job creation and not just individuals returning to work from pandemic job losses.

I'm wondering if you can confirm that that would be a true statement by my assessment, and if so, how much of this increase in personal income tax collection was attributable to individuals returning to work postpandemic versus new job creation, and how many net new jobs have been created in Alberta over the past year?

11:00

**Mr. Toews:** Sure. That's a great question. Absolutely, our personal income tax projections are driven, informed by the modelling that demonstrates that not only will Albertans' wages be going up – and we reflect that our average weekly earnings projected increase is

going to be 3.4 per cent this upcoming year, moving to 3.8 and almost 4 per cent in the out-years. That's what we're expecting, well higher than inflation, which is good news for Albertans in this affordability crunch.

You're absolutely right. We have seen 33,000 additional jobs added over and above our prepandemic employment levels. That's significant. That's massive. In fact, in January, when the nation lost 200,000 jobs, Alberta gained 7,000. That's counterintuitive. It speaks to the investment that's coming into this province. It speaks to the opportunity and the optimism that Albertans are holding right now. It speaks to what I believe will be future net in-migration in this province as Canadians recognize the great opportunities to pursue a career, raise a family, start a business in the province but also the real affordability advantages that Alberta has being the lowest cost tax jurisdiction by far but also a low-cost housing jurisdiction relative to other regions in the country.

**Ms Rosin:** Perfect. Thank you.

I will pass the rest of my time off to Mr. Turton.

**Mr. Turton:** Yes. Thank you very much, Minister, for being here today as well as bringing along the rest of your staff, very much appreciated in terms of your answers. I have a couple of questions I'm going to just ask here real briefly. I think I'll focus on the first question about a fiscal anchor that you referenced in the budget. That's the deal, as mentioned on page 27 of the Budget 2022 strategic plan, about keeping Alberta's net debt to GDP under 30 per cent. I was just wondering if you could elaborate about why this is a good indicator for the province's fiscal sustainability.

**Mr. Toews:** Sure. Chair, that's a great question. I mentioned in my earlier comments today that 30 per cent was the approximate prebudget ratio of other provinces across the country. The belief was that if we could keep that ratio below 30 per cent, it would maintain at least some semblance of a strong balance sheet, and as I reported earlier, we're projecting a much better, healthier ratio than 30 per cent. This is a ratio, a metric, that bond-rating agencies consider, credit-rating agencies consider because it's really a picture of a jurisdiction's ability to service its debt. Effectively, the ratio is the net debt . . .

**The Chair:** Sorry to interrupt, Minister. That concludes the government members' first block of questions.

We now move to five minutes of questions from the Official Opposition, followed by five minutes of response from the minister. As mentioned, members are asked to advise the chair at the beginning of their rotation if they wish to combine their time with the minister's time, and please remember that discussion should flow through the chair at all times regardless of whether or not the speaking time is combined.

Do you wish to combine with the minister?

**Ms Phillips:** I would like to request that, yes.

**The Chair:** Very good. Go ahead.

**Ms Phillips:** All right. Thank you, Minister, for agreeing to do that.

I just want to follow up on a response that the minister gave to the hon. Member for Cypress-Medicine Hat in which the minister stated that pausing the indexation of personal income tax would save \$200 million for fiscal year '22-23. What we have for further information is from Budget 2019 with respect to deindexing the personal income tax code in which Budget 2019 said on page 49, "This measure is estimated to reduce tax expenditures by about \$20 million in 2019-20, \$98 million in 2020-21 and \$196 million in

2021-22.” Now we’re up to \$200 million for fiscal year ’22-23, so the committee is now looking for, at least the members on this side, some clarity on the amount for ’23-24 and ’24-25 given that those amounts do escalate every year and that clarity was provided in Budget ’19.

**Mr. Toews:** All right. Good. Well, thank you for that question. Again, this isn’t – effectively, we would be collecting less income tax by approximately \$200 million. That amount, I think, would be expected to rise very modestly, but our estimate right now is approximately \$200 million a year in terms of the lower amount of tax that we would be collecting.

**Ms Phillips:** So the forecast calculation has not been done by the department, or there is simply an unwillingness to share it.

I’m wondering what the difference is there now between the budget and Budget ’19, when we had those forecasts of those additional tax savings, if you will, as it’s presented on the government’s budget documents. Can we have those forecasts for the next fiscal year and the year after that; that is to say, the forecast period of the fiscal plan?

**Mr. Toews:** Well, again, I’ve been transparent. Our estimate is that we would be collecting about \$200 million less in personal income taxes per fiscal year, and as I’ve committed to the members on this committee, as we see our projections turn into reality around our economic assumptions, we will be giving full consideration to reindexing for 2023.

**Ms Phillips:** Fair enough. But there was a statement that it would rise modestly, so I’m wondering if “modestly” can be quantified for the members of the committee.

**Mr. Toews:** We can provide additional information to the members of this committee.

**Ms Phillips:** Okay. Great.

Moving on, then, I want to talk a little bit about borrowing rates and costs for ratepayers, for municipalities. A few years ago the province brought the Alberta Capital Finance Authority into government, claiming that it would increase government efficiency, and there was also a promise that there would be no other changes in the borrowing program for local authorities. Recently it was determined to institute a new surcharge on local authority borrowing. So that’s a new tax on every municipal capital project in the province, and that new tax comes out to between .5 to .75 per cent. That’s a lot, especially if it’s a large capital project in terms of the overall cost of capital for municipalities to build the infrastructure that we need for a growing province. The first question is: why put that promise in writing in the first place to municipal leaders if it was just going to turn around and be broken with this new surcharge?

**Mr. Toews:** Well, our commitment was that we would continue lending to municipalities, and we maintain that commitment, absolutely maintain it, and will continue to in the future. You know, one thing during the pandemic: quite frankly, as we dealt with some very, very difficult days, particularly in kind of that March, April time frame of 2020, days when capital markets were frozen, days when Alberta could not issue bonds, at that point in time we started to look at the financial exposure that the province’s balance sheet has. It’s significant. It’s an outlier relative to other provincial balance sheets, so that prompted us to consider where we should be looking at initiatives to ensure that we’re moving in a direction of less exposure as opposed to more exposure.

You know, a financial shock such as what we experienced in March and April of 2020 causes one to ask those questions,

especially as we considered the ramifications of being perhaps locked out of capital markets for an extended period of time. We’re considering some small policy adjustments that ultimately will ensure better fiscal sustainability for the province of Alberta while ensuring we’re delivering on our commitments that we’ve made, so this, I would suggest, relatively modest adjustment is in keeping with both our commitment to municipalities and also aligns with our effort to ensure that we’re not adding increased financial exposure to the province’s balance sheet.

We’re estimating that this policy move will potentially add about a half a percentage point to municipalities. Many municipalities, larger municipalities may be able to find a cheaper capital elsewhere, but they will always have the option of coming to ACFA.

**11:10**

**Ms Phillips:** You know, to the minister’s point, Mr. Chair, it may seem small from his vantage point, but, for example, in Strathcona county they’re looking at some major new capital projects that will create badly needed jobs. The CFO of the county is reporting that for every \$10 million in borrowing over the 20-year life cycle, residents are now going to pay \$1.5 million more in interest as a result of this decision. That means that property taxes will have to go up.

It’s easy to see how tough this new tax on municipalities could be. Consider a major project like an LRT. With the green line the city would borrow \$1.5 billion to build the transit infrastructure and then pay it back over time. On a major new project like that, Calgary would be paying a new \$10 million tax every year to the province. In a time when there is no real risk to the provincial balance sheet – in 50 years of the on-lending to local authorities, there has never been a local authority default – why would the province take this initiative now when the system is low risk? This is a decision that ultimately will hit the family budget in the form of property tax increases at a time when Albertans can least afford it.

**Mr. Toews:** Sure. Let me provide an answer to that question. It’s going to take a couple of minutes because it’s a big question. I would suggest that it’s important for the member to know what factors contribute to a jurisdiction’s cost of capital. In this case I’m going to talk about the province’s cost of capital. Any financial exposure or risk that we incur as a province is translated into our cost of capital.

What we’ve had historically only really revealed, at least to me when we considered the financial exposure we had during the darkest days of March and April, that this structure effectively sheltered municipalities from any risk of their capital deployment decisions with respect to infrastructure. They downloaded all that additional risk of their borrowing onto the province broadly. This measure will ensure that capital decisions and the risks that they entail will be fully considered by the municipality before deploying the capital. It was disproportionately affecting the province’s cost of capital, which leads to an interest rate hike not on levels of the municipality but on levels of the entire provincial debt, which has significant implications to the fiscal results for the province and for every Albertan. That’s why we made this adjustment, and I believe it’s wholly defensible.

When we presented Budget 2022 – I just wanted to let you know how capital markets viewed this budget – our cost of capital dropped, I believe, close to 35 basis points. We became a jurisdiction, we became a province with a lower cost of capital than Ontario once again, not seen for any length of time since 2014. That’s a result of a whole series of decisions that improve our financial situation.

**The Chair:** Thank you, Minister.

We'll now move to a 10-minute block, if you're going back and forth with the minister, for the independent member.

**Mr. Barnes:** Minister, is it okay to continue back and forth, please?

**Mr. Toews:** Sure.

**The Chair:** Great. You have 10 minutes, sir.

**Mr. Barnes:** Thank you, sir. Okay. Thanks again. I would like to turn your attention to page 216 of the fiscal plan. In the last year of Alberta's NDP government they spent \$56 billion. This year you're asking the contributors of Alberta, the taxpayers of Alberta, to spend over \$62 billion. My time is a bit limited, but please explain to me the 11 per cent increase and the value Albertans are receiving from spending 11 per cent more than the NDP did.

**Mr. Toews:** Yeah. Chair, thank you for that question. There are a number of reasons for that. Firstly, I want to point out that in terms of operational expenses we are keeping those expenses – we've kept them effectively flat during the period from '18-19 right through to '21-22, moving them up just marginally, slightly, for '22-23 as we're aligning our costs per capita with that of other provinces. Firstly, that is the fact.

Now, there are extra expenditure considerations. Firstly, debt-servicing costs have increased over that period of time from approximately \$1.9 billion to around \$2.7 billion. That's as a result of debt that was incurred by the previous government, also necessary borrowing during the pandemic, and that's a reality. That's why managing our costs going forward is so critically important, because we've had a couple of challenging years, challenging years from the standpoint of revenue generation and extra demands on expenditures.

Moreover, in this current year we do have a \$750 million COVID contingency. Again, that's a contingency that we've established because of the uncertainty of the pandemic. That's a contingency that will be used for unexpected costs, and it's being reflected in the fiscal plan, and it adds to our expenditures at this point in time.

Moreover, as I mentioned earlier, we've increased our disaster contingency. I mentioned from \$400 million to \$750 million and now to a billion this year. Actually, it was \$200 million. My officials corrected me. It was only \$200 million in 2018-19. We've moved that all the way to a billion dollars this year only because we take a look at the demands on that contingency not only over the last two or three years but over the last number of years before that, so we've added that additional provision.

All of those things combined have increased the expenditure profile for the province in this budget, but we've maintained effectively flat spending through operational expenditures. I believe that's the most important and critical metric because that's the metric we can manage.

**Mr. Barnes:** Thank you. Municipalities. I heard last night at the estimates for municipalities about the fear of what inflation will cause for their operations and their projects. I've heard how Bill 77 has maybe not led to more collection of oil and gas taxes from our oil and gas companies, and then I'm also hearing that potentially the government of Alberta has taken more of a municipality's share of property taxes for education. Is that the case, and are there plans to increase the levy on the ratepayer through the municipalities for education?

**Mr. Toews:** All right. There's a lot, Chair, in that question. Firstly, with respect to municipalities I recognize that they, like every government jurisdiction, are under some increasing pressure due to

inflation, and I would call on all municipalities to take the approach this government has taken and focus on managing what they can manage and ensure they're delivering most efficiently. If I could count the number of government officials that we've lost to municipalities – why? – because they're willing to pay exorbitant amounts for staff, I wouldn't have enough paper on my desk. That's the reality.

Now, there are many municipalities that are managing very effectively and efficiently, and there are some that are not. They're actually driving up costs for governments across this province. So I call on all municipalities to work to deliver most efficiently during this challenging time, as the member has rightly pointed out.

With respect to education property taxes, I want to talk about the whole story there. A number of years ago the province collected education property taxes, again, to fund education in this province. It funded approximately 50 per cent of education costs in the province. That's now deteriorated over time to where it's only covering about 25 per cent of education costs in the province. We have actually had an eroding share of the total property tax bill that a ratepayer would pay. We've had a quickly eroding share relative to the municipal take.

**Mr. Barnes:** So you are going to increase?

**Mr. Toews:** It's eroded very significantly. Normally what would happen is that property tax rates would be increased to accommodate CPI and inflation and population growth. We've not done that the last two years. We've frozen those rates where they were, again, just to provide relief to property owners in the province.

This year we did increase rates. We tied the rate to a growth in Education's budget. That growth is 1.7 per cent on the expenditure side. We are moving up our requisition by 1.5 per cent, well below inflation and population growth.

**Mr. Barnes:** Thank you for clarifying that.

I want to talk about pension obligations on page 115, right in the middle of the expense column, approximately. The taxpayer of Alberta's commitment to the teachers' pre 1992 pensions is consistent at just under \$500 million. Can I ask: how much longer does this continue until we have satisfied this obligation?

**11:20**

Then – it may be in relation with that – about five or six line items down you have a change in unfunded pension obligations, reducing expenses by some \$240, \$265 million a year. Please explain to me how confident you are that the government of Alberta, the taxpayer of Alberta's obligation for our defined pensions will actually be coming down and why.

**Mr. Toews:** All right. We could talk for a while on pensions.

**Mr. Barnes:** A minute and a half?

**Mr. Toews:** We have certainly an improving picture around pensions in this province. Now, the pre '92 teachers' pension plan is a pay-as-you-go plan. Effectively, our liability represents the discounted cash flows in future years to effectively pay retired teachers for their pre '92 pension, so that's what's reflected. We will see that liability decrease year over year over year as we pay out our pension obligations as a province. I want to note that the pre '92 teachers' pension liability is by far and away the largest component of our pension liabilities. Our other pension plans are increasingly becoming fully funded, which is very good news and, I believe, a tribute to AIMCo's delivering excellent returns on behalf of Alberta pension plans and pension holders.

All that to say that the improving picture on our pensions is resulting this year in a savings of \$100 million in premiums as those pension plan premiums are recalibrated due to actuarial analysis. That, again, basically tells me that AIMCo is doing a good job, and overall our pensions are healthier today than they were a year ago, and that's resulting in savings to Alberta taxpayers and Alberta employees, who are going to be paying a lower premium.

**Mr. Barnes:** Okay. Thank you. I believe it's \$600 million that you've put into the budget and spending for job retraining, realignment of skills. I'm concerned when utility and inflation and taxation costs are so high for Alberta families. We'd have been further ahead just to get out of Albertans' way, but your decision. I'm wondering what measurement? You know, you can't manage something unless you measure it. How are you going to know a year or two from now if this money was well spent? What are your measurement metrics, please?

**Mr. Toews:** Yeah. Well, thank you, Chair, and that's a fair question. I would agree broadly with the member that government's role is to ensure a very competitive business environment, adequate infrastructure, and also include funding for world-class learning opportunities and largely get out of the way of its citizens and businesses beyond that. But this initiative, this strategic reinvestment, I believe, is critical to ensure that Alberta's economy can continue to grow.

**The Chair:** Thank you, Minister.

We will now move on to a 10-minute block for the government caucus. You're wishing to go back and forth with the minister?

**Mr. Turton:** If that's allowable.

**The Chair:** Absolutely. Go ahead. You have 10 minutes, sir.

**Mr. Turton:** Awesome. Thank you very much, Minister. Again, just to recap my last question I was asking, which you started going into, which was about the plan to keep Alberta's net debt to GDP under 30 per cent. I was just wondering if you could elaborate on your answer to that question about why that's a good fiscal anchor.

**Mr. Toews:** All right. I'll try to answer within the time allotment. This ratio is particularly important, again, important to credit-rating agencies and others who ultimately view and work to evaluate the strength of a province's balance sheet and, more importantly, its ability to service debt into the future. Effectively, the ratio takes our net debt position, and net debt is important here because financial assets reduce our total debt to make net debt. In other words, if we have \$20 billion in our heritage savings trust fund, effectively that liquidity off-sets our gross debt to ultimately come down to our net debt position.

Our GDP effectively measures the size of our economy. So this ratio, net debt to the size of the economy, will really be informative and instructive with respect to our ability to service that debt. The smaller the numerator, larger the denominator means a stronger ratio and means that the jurisdiction can repay and service its debt in a more efficient and effective manner. That's why that ratio is important. That's why we chose it as a fiscal anchor, and that's why financial institutions pay attention to it.

**Mr. Turton:** Okay. I guess the secondary question I have is on another fiscal anchor. You talked about it in terms of just ensuring that our per capita spending is in line with other provinces. I know that's another key aspect that you have referenced many times in your deliberations and conversations. So I guess I'm just again

wondering if you could reiterate why that is so important and how Alberta was so off track in terms of our per capita spending compared to other provinces in the past and how you were able to bring that in alignment.

**Mr. Toews:** Yeah. Chair, that's a great question. You know, I've been clear. I believe that was the most important fiscal anchor that we identified and probably the most important initiative to work to get this province on a more sustainable fiscal trajectory. Ultimately, again I'll go back to our deliberations in Budget 2019, when we determined that Alberta could no longer afford to be an outlier, and I used that phrase repeatedly in Budget 2019 and subsequently because it's true. Alberta can no longer afford to be an outlier. So aligning our per capita spending was broadly the most, I thought, important metric in evaluating our progress and, ultimately, achievement of getting this province on that sustainable trajectory, a trajectory that would ensure the sustainability of our future programming: health care, education, and support for the most vulnerable.

**Mr. Turton:** Excellent. Thank you very much, Minister.

I'd like to cede the rest of my time to MLA Yao. Thank you.

**Mr. Yao:** Thank you so much, first off, Minister Toews and to your team. I just want to thank you for all of your hard work. That was an amazing budget. Not only that but credit for completing contracts like those with our nurses, who we all value greatly. So thank you again for all your hard work.

On page 104 of your fiscal plan you state, "resource revenue is forecast at \$13.2 billion," which is \$10.4 billion higher than estimates. Now, if we then go and check out your revenues and if we reference page 101 of your fiscal plan or page 205 of your fiscal plan tables, I would just like to identify bitumen royalties. The actual in 2021 was \$2 billion, in '21-22 the forecast was \$9.5 billion, and it's estimated in '22-23 to be \$10.35 billion. My question is a two-parter regarding bitumen royalties.

First off, one could argue that bitumen is a key element of your amazing good-news budget as well as Alberta's revenue streams. Can you explain how such an increase occurs? That appears to be more than just the increased value of oil that is reflected there.

My second comment is that the bitumen is primarily from northeastern Alberta, and if we look at Fort McMurray as an example, it's the largest contributor of these bitumen royalties, but one also could argue that the chair's constituency of Bonnyville-Cold Lake-St. Paul also provides a substantial portion of those bitumen royalties. In addition to these revenues, federal government transfers of \$11.3 billion, like the one-time supplements of \$56 million in workforce support, \$191 million in child care funding, \$244 million in municipal infrastructure, have also provided this government with financial resources to invest in Alberta. That said, though, in the northeast corner of Alberta, admittedly, there is a smaller, sparser population, but we definitely see sparser investments by this government.

Our roads and highways are in disrepair, and 190 kilometres of single-lane highway still exist on the way to Fort McMurray despite the fact that there's many large vessels that traverse that highway. I almost got sucked into a ditch as I was evading one of these large vessels pulling to the side there.

**11:30**

Again, we need schools, as do so many places in the province. We need repairs to aging facilities. Postsecondary institutions like the one in Fort McMurray, Keyano College, lost the cost-of-living allowance. Admittedly, incentives like these are needed to attract talent to northern, rural, and remote communities. If you compare

that to Grande Prairie, as an example – a beautiful region; I've spent some time up there – with the new hospital investments and other things, it has a larger population as well, more diverse industries. Like, agriculture is very big up in that region, where it's virtually nonexistent in northeastern Alberta.

My second question is: how much does this government recognize the value that northeastern Alberta brings to this province, and how important is it that the various ministries do recognize this region and invest in it to ensure that the viability of this region remains and continues to contribute to our provincial coffers in such a way?

Thank you.

**Mr. Toews:** All right. I appreciate those comments. You know, I believe your first question was really around: how much does the direct royalty revenue kind of relate to the oil sands industry in the northeast? It's significant. It's very significant. We're projecting bitumen royalties in '22-23 at \$10.3 billion. Now, we're projecting that to decline even as we see production slightly increasing. It's going to decline because we're projecting a lower energy price, lower WCS prices, in the out-years. But bitumen royalty revenue will be a very significant revenue line on the province's financial statement not only for years, I would suggest, but perhaps for decades to come.

The production in the north generally but certainly the northeast: the wealth creation in the northeast is not only important for the province of Alberta; it's vital to the national economy. It's vital to the national economy. We need to ensure that we're making the strategic reinvestments that are required and proactive investments into infrastructure so that we can see continued economic growth and development of those resources.

You know, that was a key part of our economic recovery plan. We put a key focus on infrastructure that ultimately would improve our competitiveness and productivity, would result in increased investment attraction, economic recovery and growth. My view, our view continues to be that we need to prioritize those projects, so when we take a look at the northeast, I'm confident that future capital plans will need to reflect some of the infrastructure needs in that very important part of the province.

**Mr. Yao:** Thank you so much for that, Minister. I greatly appreciate those answers.

Just very quickly, these investments to make the livability of this region more attractive: does our government recognize that this region currently has approximately 10,000 workers, according to OSCA, that commute from out of province to this region? If we could make it more amicable for them to stay, perhaps we could attract those folks to live here in Alberta.

**Mr. Toews:** Yeah. Thank you for that, Chair. That's a very good question, and I fully agree with the member's assertion that . . .

**The Chair:** Unfortunately, the answer will have to wait for the next round, sir.

We will now move on to the Official Opposition for a five-minute block unless you want to combine with the minister. Would you like to go back and forth?

**Ms Phillips:** Yes. I'd like to request combining the time with the minister, Mr. Chair.

**The Chair:** Thank you. You have 10 minutes. Go ahead.

**Ms Phillips:** Thank you, Mr. Chair. Yes. I'm sure we'll get back to it. We have nothing but an embarrassment of riches in terms of time with the consideration of these estimates.

We've talked a fair bit about cuts to municipalities, but I want to talk a little bit about their revenues. It has become an acute problem that some oil and gas firms are not paying their taxes. The regional municipalities of Alberta have been begging this government to take real action, in my memory, since 2019, because they were owed roughly \$240 million. Those were some of the figures that came out between the '19 and '20 budget years. Certainly, we as an opposition were critical of Bill 77, but it was promised from the government benches that it would solve all our problems. Ultimately, that does include collection when we're talking about tax policy, so the responsibility lies squarely with the Minister of Finance.

However, yesterday in estimates the Minister of Municipal Affairs reported that Bill 77 did not work. He was very honest. He said that it was a failure and that the government would have to go back to the drawing board. As I said, the Minister of Finance is ultimately the one with the hammer. The Minister of Finance controls the tax revenue administration. So when will outstanding taxes finally get paid to municipalities?

**Mr. Toews:** Well, Chair, thank you for that question. I think it's a pertinent question. We know that many municipalities, particularly in rural Alberta, have struggled. As the energy industry has struggled, their municipal revenue lines have been greatly affected, and that's created uncertainty for many municipalities.

One thing that we have done: we have brought in, effectively, a program that provides funding for municipalities where they have basically off-set funding where they have effectively uncollected taxes from the energy industry. Our funding through the PERC program will off-set any liability that they have to the province with respect to their education property taxes. That's one thing that we could do tangibly, and that's one thing we've delivered on.

In terms of legislative options, policy options that perhaps the Minister of Municipal Affairs is considering, we'll be working with him. Look, we want to find solutions to this challenge. It is a challenge.

Now, I want to say that in this province we have an awful lot of very integral oil and gas companies that operate out there and even during hard times, you know, met their liabilities to municipalities. But we've had some players that have been less than integral. And while the improving fortunes in the industry will be beneficial, we need a mechanism to ensure that all energy players ultimately deliver on their municipal property tax commitments.

**Ms Phillips:** Taxing integrity is important. Ultimately, the tax and revenue administration division of government rests with the Minister of Finance. Last night the Minister of Municipal Affairs told the committee that more than half of the outstanding tax liability owed to municipalities was from operating companies in the energy sector. He also said – it was quite extraordinary – that in this price environment there is zero reason why a company shouldn't be paying their taxes. If we don't pay our taxes on time, ordinary people, we get into trouble with the CRA. But in Alberta we are now in a situation where in the fourth budget of this government there are no consequences for companies that don't pay their taxes.

The education property tax piece is nice, but that's not the question. The question is: why don't we see an ability to recoup linearly assessed property in this budget implementation act, and what is going to be the plan to fix this problem?

**Mr. Toews:** All right. Well, I mean, firstly, we don't collect property taxes. Municipalities collect those taxes, as the member knows, and forward the provincial portion of education taxes on to the provincial government.

We brought in legislation that allows municipalities to take security from the assets of energy companies that are in default. We're working to position municipalities to ultimately operate with some teeth in cases where, you know, amounts have so far been uncollectible. Again, this is an issue that, as per the Municipal Affairs minister's comments, we'll continue to work on with municipalities and the industry broadly to find the best remedies and solutions.

**Ms Phillips:** The minister has just referenced legislation that the Minister of Municipal Affairs told the committee last night didn't work. Here we have a fiscal plan that downloads costs onto municipalities, takes away their revenues through changes to grants in place of taxes and fine revenues, cuts their MSI, holds their policing grants stable, flat, does not allow them to move with inflation, and then does nothing that works to help them recoup linearly assessed property. Why doesn't this budget contain any help for municipalities to access the revenues to which they are legally entitled from solvent, operating companies in the energy sector, where one of the Minister of Finance's own colleague says that there is precisely, quote, zero reason why a company shouldn't be paying their taxes?

11:40

**Mr. Toews:** Well, again, I will leave the Minister of Municipal Affairs' comments relative to his jurisdiction and again commit that I'll be working with my colleague, and we'll be working broadly with municipalities to find every solution available so that municipalities can in fact collect any unpaid taxes. Yes, the improving economics in the industry are no doubt helpful and will provide additional cash flows to corporate players in the energy industry and more broadly than that. But, ultimately, this is a challenge, and we acknowledge that in spite of improving economics it remains a challenge. We commit to working with our partners.

**Ms Phillips:** I want to go back to this decision around the Alberta Capital Finance Authority because it's not just municipalities that will be hurt by the decision to tax new capital projects. Our airports have been hit hard during the pandemic. YYC and YEG both borrow through the province, and now they, too, will be paying more. That means higher landing fees, higher surcharges, making our airports less competitive. It makes Calgary less competitive. Can the minister please share what analysis was done on the impact to our major airports as a result of this borrowing policy change?

**Mr. Toews:** Chair, I should say that we've been working closely with our airport authorities during these challenging two years. We've been working very closely to ensure that they have solutions, you know, during the darkest days so that we could ensure that they stayed operational, quite frankly. There were some very, very dark days with respect to aviation and capacity, very difficult days.

Again, what I can commit to is that we will continue to be a financing option for municipalities and airport authorities and at the same time ensure that we have a structure in place where infrastructure decisions by municipalities and those authorities are ultimately informed by borrowing risk profiles. I think that's healthy. I think that's important so that those making the decisions actually have to consider the repercussions of those financial decisions instead of simply downloading any and all additional risk onto the province broadly and onto Alberta taxpayers broadly.

Again, I have to note that this policy change affects borrowers by 50 basis points, which is one-half of 1 per cent. I believe the member noted that it was 75 basis points. The other 25 basis points were simply a result of a market move. They would have been

incurred regardless. This is a half a percentage point adjustment. The province of Alberta continues to be available to provide financing to authorities and municipalities, but I believe this structure will serve all – both municipalities, airport authorities, and Alberta taxpayers – in a much better way.

**Ms Phillips:** The province isn't just making it more expensive for municipalities, for airports to grow but also more expensive to borrow if folks need to do so to get a postsecondary education. Inflation is on everyone's mind, and now student loans are more expensive as well. Before, the province used to on-lend to students at CIBC's prime rate, and now we are at prime plus 1. It's like a new tax on every student who has to borrow. As someone who came from a modest background myself, I had to borrow and work to get myself through a university education, but now that would be significantly more at a time when people are exiting into an uncertain labour market, young people are. Why are we adding so many more millions to student debt?

**The Chair:** That answer will have to wait again.

We will now move on to the independent member for a 10-minute back and forth, sir.

**Mr. Barnes:** Thank you, Mr. Chair. Back and forth, Minister, can you, please?

**Mr. Toews:** Sure.

**Mr. Barnes:** Thank you. Okay. The fiscal plan, page 185, tax revenue sources, line 6, freehold mineral rights tax: \$96 million, but the rate is not in the next column like all the other rates are, nor the revenue per unit. I'm wondering. This \$96 million estimated tax revenue 2022-23: is that from individuals and Albertans who own their mineral rights? I understand that's only 10 or 15 per cent of our mineral wealth. And does that go up substantially as the value of oil and gas increase?

**Mr. Toews:** All right. I appreciate the question. This tax is calculated at 4 per cent, and that rate isn't included in the fiscal plan. In terms of more details we would have to provide those after the fact. I'd invite officials to add anything additional.

**Mr. Barnes:** If you could at any point, that would be great. Thank you.

**Mr. Toews:** Sure. I'm willing to do that.

**Mr. Barnes:** Okay. I appreciate it.

Lease sales, sales for the right to develop oil and gas: are they very robust now? Are the people of Alberta receiving a lot of benefit from selling the right to develop our oil and gas? Where is that in the revenue in the budget, please?

**Mr. Toews:** Chair, it's going to take me a minute to get there.

**Mr. Barnes:** Okay. If you don't mind, I'll just go to my next question, and then maybe you can answer them both at the same time? I appreciate you . . .

**Mr. Toews:** So I can answer this one right now.

**Mr. Barnes:** Thank you.

**Mr. Toews:** We're projecting bonuses and sales of Crown leases revenue to move from a mere \$24 million in 2020-2021. We're now forecasting that number to be \$185 million in our current fiscal year and moving up to \$236 million in '22-23 and then staying flat,

slightly turning down to \$225 million and \$206 million in the out-year. So we are anticipating it to continue to rise and then flatten out.

**Mr. Barnes:** Okay. Thank you for that answer.

Kind of a two-part question: do higher oil prices increase both resource revenues to the people of Alberta and increase corporate income taxes? And are we kind of in an interesting spot right now because of a lack of resource movement because of some of the hardships the oil and gas companies have had? It's reported in a lot of business networks that as they recover, as the price recovers, they are very, very hesitant to increase exploration costs, increase development. Instead, they're going to look at things like returning more money to shareholders, making more profits, and, you know, just concentrating on existing operations and maybe even some share buybacks. So we're in a situation right now where I think a lot of oil and gas companies are probably reporting high income because they're not exploring. Are you concerned that as we move forward, we will lose a lot of corporate tax revenue as they start to expense their exploration expenses? Again, back to the first questions, do higher oil prices increase both resource revenue and corporate income tax?

Thank you.

**Mr. Toews:** Sure. The answer is yes, of course. Nonrenewable resource revenues increase significantly with the price of WTI and western Canadian select, and of course as oil and gas companies report taxable income and as that income rises, they even – in spite of the fact that that prompts a higher payout on royalties, typically there is a net gain, and that net taxable gain results in increased corporate tax revenues, which is very welcome to the province. Again I want to point out to the member, Chair, that we're using very modest price projections – \$70, \$69, and \$66 – in our fiscal plan, so we are taking a modest view of oil prices.

Now, with respect to the other questions around capital discipline and redeployment of capital into further production, that's a very complex question, and it's one that impacts the province fiscally and certainly impacts the economy. What we have seen is what energy CEOs would suggest is significant capital discipline. They have been expanding their capital plans, expanding their plans on production in the province very modestly relative to their profitability and relative to previous periods in this province when we've had high energy prices. There are a couple of factors that are contributing to that, in my view and based on my conversations.

Firstly, they are returning capital to shareholders. I would suggest that in an industry that has been starved of capital for years, returning capital to shareholders is a rational decision. If we want to improve capital availability into the sector, companies will have to demonstrate that there are good returns back to shareholders. I can understand that decision-making.

11:50

The other factor that's in play is the fact that we've had limited egress in this province. You know, our exploration and production companies know what happens when our production rises beyond our ability to ship it out of the province. We get massive price discounts and differentials, ultimately resulting in great economic harm. That's why we focused on increasing pipeline capacity. That's why we've celebrated the fact that Enbridge completed their line 3 replacement, adding about 360,000 barrels a day.

That's why in virtually every conversation I have with my federal counterpart, I stress the importance of Trans Mountain, the importance not only to the province, not only to the northeastern

part of the province but to the nation as a whole in terms of wealth creation.

**Mr. Barnes:** I agree. Thank you for that.

Sticking with page 185, I want to move on to number 7, insurance tax. In 2022-2023 Albertans are going to pay \$819 million on their insurance. Most don't even know there is tax on insurance. Everywhere I go, Minister, I'm hearing complaints about the cost of insurance, the lack of availability. I'm hearing that consolidation in the industry has maybe drastically reduced competition to the point that it is going to be harmful. Did you ever consider changing this \$819 million of tax that Albertans pay, and what are your thoughts on the competition element in our insurance industry?

Thank you.

**Mr. Toews:** Sure. Chair, those are good questions because we're working hard to position this province for growth in financial services, and that includes the insurance industry. That growth is going to be both beneficial in terms of economic growth, increased fiscal capacity, job creation, increased utilization of those downtown towers in Calgary and Edmonton, but it's also going to ensure increased competition in the province so that Albertans and Alberta businesses that are looking for cost-effective insurance have more options.

With respect to our premium rates we are very competitive relative to other jurisdictions on the premium side, and that's important to us. That's critically important, that we remain competitive. Moreover, we are creating additional opportunities for growth in the financial services and insurance sector. Of course, as the member knows, we introduced past legislation last fall that enables captive insurance to take place for companies to domicile a captive insurance company in the province of Alberta. There's been great interest in that. In fact, we're just in the final stages of drafting the regulations, and with proclamation of the legislation we will see, I believe, the repatriation of capital, that's been domiciled in many cases in the Caribbean, into the province of Alberta. I get enthused about that.

Moreover, we're looking at options around better enabling reinsurers to establish in the province of Alberta. That will do two things. One is to increase the footprint of financial services in this provincial economy, further diversifying our economy. Secondly, I believe it could be a critical second step to ensuring more availability and insurance capacity for Albertans and Alberta businesses.

**Mr. Barnes:** Thank you, Minister. We need more competition, for sure.

The 13 cents, elimination of fuel tax: what is your estimation of how much that will save Albertans next year?

**Mr. Toews:** Well, if in the event – again, we've committed to implementing that program for the full year, to be reviewed for Budget 2023. In the event that energy prices stay sufficiently high through the course of the year to where the tax rate will be zero, then that will effectively save Albertans about \$1.3 billion.

**Mr. Barnes:** One point three billion dollars.

**Mr. Toews:** And that's a tax decrease. That matters.

**Mr. Barnes:** It does.

**The Chair:** Okay. Thank you.

The remainder of time will go to government caucus. Who's taking the call?

**Mr. Singh:** Thank you, Mr. Chair.



**The Chair:** Okay. Mr. Singh, go ahead.

**Mr. Singh:** Firstly, I would like to express my appreciation to the minister together with the ministry's officers for being here with us today and coming up with a balanced budget, and we only see it balanced the second time for more than a decade.

Minister, to come up with the 2022-2023 budget estimates and all other relevant documents, this ministry must work together with other government of Alberta ministries to deliver on the commitments it has made to Albertans while maintaining fiscal discipline. How do we ensure that balancing the budget does not affect the delivery of our government's commitment to Albertans, especially during challenging times associated with the global pandemic?

**Mr. Toews:** Well, Chair, that's a good question because part of the budget process, in fact a big component of the budget process, is actually determining what programs and services we're going to fund and at what level. Firstly, the fiscal discipline that we've shown as a government and that I think Albertans have shown broadly in the last three years has really positioned the province to make some strategic reinvestment into ministries and into, effectively, priorities and needs, as reflected in our increased health care spending.

Now, I want to note that we added \$900 million to health space budget last year already, and we're adding a further \$1.8 billion to that budget in the upcoming three years of this fiscal plan. At the same time the Minister of Health is continuing to implement the EY recommendations that will ultimately result in better service delivery at a lower cost per service offered.

All of that combined, I believe, will result in better, more appropriate, more efficient service delivery to Albertans and ultimately ensure that we can stay on a sustainable fiscal trajectory. That's one example of how we're going to ensure that we're funding key services and priorities at a time of fiscal discipline.

**Mr. Singh:** Thank you for answering.

Please can you highlight: which are the ministries that have significantly reduced their budget to be able to balance the budget?

**Mr. Toews:** Well, you know, there's been – every ministry, I would suggest, has undertaken a program review. Part of the process, part of our role at Treasury Board was to assist those ministries in the process of a program review. Over the course of the last three years Health's budget has actually increased over 2 per cent per year, and that's their base budget, non-COVID spending. That's in part due to, of course, increased population and demands but also in part due to the fact that Health has had to pause some of their EY recommendations.

In spite of Health's increase of over 2 per cent per year, we've largely kept operations spending flat. That means a number of ministries have actually delivered services with fewer resources. I commend the ministries and their departments for being able to do that.

But I have to say that in Education we have maintained Education's budget, increasing it this year by 1.7 per cent, but throughout that time the minister brought in a new funding formula that would take additional resources into the classroom. That has mattered. That has allowed the ministry and education providers broadly to deliver, first, world-class education at a time of fiscal discipline. That's also reflected in increased reserves at the school board level. We've managed to effectively continue to deliver world-class education at a time of fiscal discipline, basically maintaining Education's budget, raising it this year, and we've done that through an increased funding delivery mechanism.

**Mr. Singh:** Thank you, Minister, for answering. Thank you. It's great to know all the efforts of the ministries towards balancing the budget while maintaining the government's commitment to Albertans, and I am happy to add . . .

**The Chair:** I apologize for the interruption, but I must advise the committee that the time allotted for this portion of consideration of the ministry's estimates has concluded. I would like to remind committee members that we are scheduled to meet this afternoon at 3:30 to continue our consideration of the estimates of the Ministry of Treasury Board and Finance.

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 12 p.m.]





