



Legislative Assembly of Alberta

The 31st Legislature
First Session

Standing Committee
on
Resource Stewardship

Ministry of Treasury Board and Finance
Consideration of Main Estimates

Wednesday, March 19, 2025
9 a.m.

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First Session**

Standing Committee on Resource Stewardship

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Sweet, Heather, Edmonton-Manning (NDP), Deputy Chair
Hoyle, Rhiannon, Edmonton-South (NDP),* Acting Deputy Chair

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Also in Attendance

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Standing Committee on Resource Stewardship

Participants

Ministry of Treasury Board and Finance
Hon. Nate Horner, Minister
Kate White, Deputy Minister

9 a.m.

Wednesday, March 19, 2025

[Mr. Rowswell in the chair]

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

The Chair: 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, 2026.

I'd ask that we go around the table and have members introduce themselves for the record. Minister, please introduce the officials who are joining you at the table. My name is Garth Rowswell, MLA for Vermilion-Lloydminster-Wainwright and the chair of the committee. We will start to my right.

Ms Armstrong-Homeniuk: Jackie Armstrong-Homeniuk, MLA, Fort Saskatchewan-Vegreville. Good morning, everybody.

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

Mr. Dyck: Nolan Dyck, Grande Prairie.

Mr. Hunter: Grant Hunter, Taber-Warner.

Mr. Horner: Good morning, everyone. I'm Nate Horner, MLA for Drumheller-Stettler, Minister of Finance and President of Treasury Board. Joining me starting at my far left I have Paul LeBane, assistant deputy minister of economics and fiscal policy; Dana Hogemann, senior assistant deputy minister of Treasury Board Secretariat; Kate White, Deputy Minister of Treasury Board and Finance; and Mark Kleefeld, assistant deputy minister and senior financial officer for Treasury Board and Finance.

Mr. Ellingson: Good morning, everyone. Court Ellingson, MLA for Calgary-Foothills and shadow minister for Finance.

Ms Pancholi: Good morning, everyone. Rakhi Pancholi, MLA for Edmonton-Whitemud.

Member Hoyle: Good morning, everyone. MLA Rhiannon Hoyle for Edmonton-South.

Member Eremenko: Good morning. Janet Eremenko, Calgary-Currie.

Member Brar: Good morning. Gurinder Brar, Calgary-North East.

The Chair: Okay. Member Boitchenko, we'll just get you to introduce yourself.

Mr. Boitchenko: Good morning. Andrew Boitchenko, Drayton Valley-Devon.

The Chair: Okay. I would like to note the following substitutions for the record: Mr. Ellingson for Member Al-Guneid, Ms Pancholi for Member Calahoo Stonehouse, and Member Hoyle for Ms Sweet as acting deputy chair.

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 live streamed on the Internet and broadcast on Alberta Assembly TV. The audio and videostream and transcript of the meeting can be accessed via the Legislative Assembly website. Please set your cellphones and other devices to silent for the duration of the meeting.

Members, the main estimates for the Ministry of Treasury Board and Finance shall be considered for six hours. Standing Order 59.01 sets out the process for consideration of main estimates in the legislative policy committees. Suborder 59.01(6) sets out the speaking rotation for this meeting. The speaking rotation chart is available on the committee's internal website, and hard copies have been provided to the minister's officials at the table. For each segment of the meeting blocks of speaking time will be combined only if both the minister and the member speaking agree. If debate is exhausted prior to six hours, the ministry's estimates are deemed to have been considered for the time allotted in the main estimates schedule, and the committee will adjourn. Should members have any questions regarding speaking times or rotations, please e-mail or message 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 oppose having a break? Okay; we will do that.

Ministry officials who are present may, at the discretion of the minister, address the committee. Ministry officials seated in the gallery, if called upon, have access to the 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.

Points of order will be dealt with as they arise, and individual speaking times will be paused. However, the block of speaking time and the overall three-hour meeting clock will continue to run.

Any written materials 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.

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

I would now like to invite the Minister of Treasury Board and Finance to begin your opening comments. You have 10 minutes.

Mr. Horner: Thank you, Chair. Good morning. It's my pleasure to discuss the 2025-2028 business plan and estimates for the Ministry of Treasury Board and Finance, which encompasses the Treasury Board and Finance department, the Public Service Commission, communications and public engagement, and the agencies, boards, and commissions that report to me as minister.

As I said once – but if you'll indulge me, I'm going to do it again – I'm going to introduce those joining me at the table: Kate White, Deputy Minister of Treasury Board and Finance; Dana Hogemann, senior assistant deputy minister of Treasury Board Secretariat; Paul LeBane, assistant deputy minister of economics and fiscal policy; and Mark Kleefeld, assistant deputy minister and senior financial officer for Treasury Board and Finance. In addition to the officials joining me at the table today, I would also like to acknowledge that there are several other representatives of the ministry, government, and related entities who are in attendance in the gallery.

On February 27 I tabled a budget that meets the challenges Alberta is facing with responsible, measured choices. We continue to invest in health care and education. We're lowering taxes so Albertans can keep more money in their pockets. We're shoring up Alberta's economy to withstand external shocks as we face trade uncertainty and security concerns along our southern border, and

we continue to support jobs to maintain Alberta's competitive advantage. I'd like to take a few minutes to provide details on each of these priorities.

Our province is set to reach 5 million people in 2025; I think by July. In fact, last year Alberta added the equivalent of another Airdrie and Lethbridge to our province. While we welcome newcomers, this exceptional growth has created pressures, including in health care. That's why our budget decisions prioritize patients and improve service delivery with \$28 billion to refocus the health care system and boost care across the spectrum of services. That's a \$1.4 billion increase to ensure Albertans receive the care they need when and where they need it. An investment of \$4.6 billion for acute care will help meet volume and costs and improve care in health facilities. To continue the work to transform continuing care, we're providing \$3.8 billion to the new assisted living Alberta. And we're investing \$1.7 billion in addiction and mental health services so people can access the supports they need to pursue recovery and wellness.

Turning to another top priority of our government and Albertans, we know our education system needs more support to address enrolment pressures. In Budget 2025 almost \$1.1 billion in operating funds over the next three years will address enrolment pressures. Budget 2025's capital plan also invests \$2.6 billion over three years for kindergarten through grade 12 schools and infrastructure, an increase of \$505 million, or 23.9 per cent, from Budget 2024. This funding will support the construction of more than 200,000 new and modernized student spaces over the next seven years for a total of almost 90,000 additional student spaces within the next four years.

Alberta's government is also committed to being a good neighbour and trading partner, and part of this commitment involves taking measures to secure the Alberta-U.S. border. We're investing \$29 million in '25-26 for a new interdiction patrol team within the Alberta sheriffs. This team will tackle drug smuggling, gun trafficking, illegal border crossings, and other illegal activities along Alberta's international border. We're also investing \$15 million over two years for three new vehicle inspection stations located near the border with the United States.

We're also fulfilling our promise to Alberta families by introducing a new 8 per cent income tax bracket on the first \$60,000 of income. That's two years earlier than we promised at Budget 2024 and will help families meet the rising cost of living. Albertans and Alberta businesses pay the lowest overall taxes in the country by far, and we intend to keep it that way.

While we keep our taxes low, we're also supporting our workforce to keep our economy growing. The three-year capital plan is \$26.1 billion and is projected to support an average of 26,500 direct jobs and 12,000 indirect jobs each year through '27-28. This is \$1.1 billion more than Budget 2024, or a 4.4 per cent increase. Another \$7.4 billion for postsecondary education will continue to support our commitment to developing a skilled and resilient labour force. This includes \$135 million per year over the next three years for skilled trade programs such as apprenticeship and adult learning initiatives.

I'd be remiss if I didn't also touch upon our continued commitment to Alberta's energy sector. In this fluctuating tariff situation, we will continue to advocate for Alberta as in North America and in markets across the world.

Now I'd like to speak a bit about the three outcomes of Treasury Board and Finance's 2025-2028 business plan. Treasury Board and Finance remains committed to a strong and resilient financial foundation that maintains fiscal discipline and supports sustainable government services. Our fiscal framework is a key tool in that commitment. It helps control spending and defines how available

surplus cash is allocated to improve our net financial position by paying down debt or growing the Alberta heritage savings trust fund. It also allows for one-time initiatives that don't permanently increase government spending.

9:10

The business plan also ensures policy and regulatory oversight of the financial securities, insurance, and pension sectors is effective, fair, and in the interests of Albertans. To achieve this, the ministry will continue to modernize the legislation, regulations, and policies in the areas for which we are responsible. In addition, we will continue to work co-operatively with other jurisdictions to improve securities regulation in Canada, improve access to capital, and maintain a flexible and responsive provincially-led regulatory system that meets the needs of Alberta market participants and investors. The financial services concierge will continue to work with financial service companies and innovators to promote job creation and economic diversification.

Lastly, we continue to ensure Alberta has an efficient and effective public service. Our ministry remains committed to delivering timely and client-focused human resource services. We support the development and delivery of strategic HR policy, programs, and services so the Alberta public service can achieve government priorities.

I'd now like to provide you with some highlights from the ministry's estimates. TBF's consolidated revenue is forecast to be \$31.4 billion in '25-26, a decrease from the \$34.5 billion forecast for the '24-25 fiscal year. This is primarily because investment income is down by more than \$2 billion, mostly due to lower returns in the Alberta heritage savings trust fund. Revenue is expected to grow in '26-27 and '27-28, with broad-based revenue growth led primarily by income taxes.

Moving on to expense. The consolidated ministry expense for '24-25 is estimated at \$8.7 billion, an increase of about \$3.8 billion from the '24-25 forecast. There are a few factors behind this increase, but most is due to the \$4 billion contingency in 2025-2026. This contingency is reflected in my department's expenses to support communities and Albertans during natural disasters and to cover unexpected urgent in-year expense increases. Allocation of the contingency expense is ultimately reflected in the appropriate department at the end of the year. Our debt-servicing costs are forecast at \$2.9 billion for 2025-2026. This cost to Alberta taxpayers highlights the importance of maintaining discipline around spending, as our fiscal framework requires us to do.

Our ministry's 2025-2028 business plan reflects our priorities for this business cycle. We remain committed to maintaining fiscal responsibility and supporting our economy by delivering on the commitments we have made to Albertans. Most of all, our government remains focused on keeping our province as the best place in Canada to live, work, and raise a family.

Thank you, Chair. I think I'll leave it there. But I would just say: a huge team behind me; a huge team at the table; huge binder. The answers are here. Six hours is a long time, but we will get through this. I enjoy this process and respect the efforts of both sides of the table, and I look forward to a long day.

The Chair: Thank you very much, Minister. We all will as well.

We now begin the question-and-answer portion of the meeting. For the first 60 minutes members of the Official Opposition and the minister may speak. Hon. members, you will be able to see the timer for the speaking block both in the committee room and on Microsoft Teams. Which member will start?

Member Ellingson, would you like to share your time?

Mr. Ellingson: Yes, Chair.

The Chair: Okay.

Would that be okay?

Mr. Horner: Yes.

The Chair: Okay. You will have 20-minute blocks, and no individual can speak for more than 10 minutes straight in a row. Carry on. You get 60 minutes.

Mr. Ellingson: Thank you, Chair. I, too, would like to begin by thanking the minister and all those who are at the table today to support these conversations. I can certainly appreciate how much work goes into preparing the budget, never mind preparing for the conversation that we're going to have today. It is important that we take this time to understand the content and some of the reasonings around the decisions that are being made. As we go through this process, I just want to note that this work impacts all Albertans. We have a duty to respect everyone, including vulnerable Albertans and our Indigenous people. We are all treaty people and have a duty to acknowledge and respect treaty.

Last year my colleague the then MLA for Lethbridge-West noted that she sat in that seat four times as a minister hearing questions and five times in this seat asking questions. I don't quite have that experience yet under my belt. This will be my second estimates, last year as the shadow for Tech and Innovation and now this year as the shadow for the Minister of Finance. I certainly hope that we'll have a cordial and exploratory conversation allowing all of us to have a stronger understanding of how the budget is constructed, the aspects of the budget, and how it influences Albertans.

We've all spent lots of time with our constituents and stakeholders talking one on one, in round-tables and town halls. We all know too well the struggle that Albertans have in making ends meet. Costs are rising. Wages are not keeping pace. The Alberta advantage is eroding. In 2019 Albertans' average weekly earnings were \$116 above the Canadian average. Today the differential is only \$60.

Many Albertans aren't going to have the time to sift through that heavy binder and all of the documents that come associated with the budget, so I'd like to take some time, Mr. Chair, to begin asking the minister about some foundational elements in the budget. We made reference to the fiscal framework and the Sustainable Fiscal Planning and Reporting Act, that the projected expenses should not exceed projected revenue unless the projected revenue is \$1 billion below the Q3 forecast and that expenses can only exceed revenue by the difference between the Q3 forecast and projected revenue. This is summarized in the fiscal framework on page 14. On page 51 of the fiscal plan the difference between forecast and estimate is \$6.55 billion and we budgeted a \$5.21 billion deficit, so there seems to be considerable room there in the fiscal framework for that deficit.

Mr. Chair, on page 63 of the fiscal plan we see the description of sensitivities in the fiscal assumptions that each \$1 change in the price of west Texas intermediate impacts revenues by \$750 million and that each \$1 change in the differential between western Canadian select and west Texas intermediate is a \$740 million impact. Through the chair to the minister, just to clarify that the revenue forecasts are built on the numbers that we see in the chart on page 21 of the fiscal plan, also reflected as the base case on page 41 of the fiscal plan.

Mr. Horner: Thank you, Chair. Thank you for the question. That is correct. I don't know if you want me to get into any more detail on the sensitivities.

Mr. Ellingson: In a moment.

Mr. Horner: Sure.

Mr. Ellingson: I just wanted to clarify that I was going down the right path before I started asking my questions.

On page 42 of the fiscal plan we see that the average WTI price of all private-sector forecasts is \$69.50, yet the budget assumes the base case of \$68. Had the government adopted the private-sector forecasts, we would receive an additional \$1.125 billion in revenue. Interestingly, two of the three industry forecasts for WTI were submitted at the end of January, I think the 29th and the 31st of January. Through the chair to the minister: would those two specifically not have already factored in the proposed tariffs for the price of WTI?

Mr. Horner: They would certainly be factoring in the uncertainty that they're seeing. Yeah. You know, we do put more weight on the ones that come in right near the end of going to print of the budget.

One thing that is kind of an important thing to just clarify: industry forecasts on a calendar year, and we have to forecast on a fiscal year. You always make that adjustment as well, and that's something that isn't really apples to apples. You can consider the \$69.50 to actually be \$69 when it comes to the industry forecasts when you make that change.

Mr. Ellingson: Yeah. Understanding that that chart also shows forecasts for 2026 and for 2027 so that can be brought into the assumptions. Thanks for that clarification.

The two forecasts from the end of January show really no discernible difference from the forecast that was given in earlier January, the industry forecast from earlier in January. Just a fun question, lighthearted. I notice that the banks seem to be a little bit more skeptical than industry itself. Is that something that the minister has noted as common practice? Are typically the banks more skeptical?

9:20

Mr. Horner: I would say so, but they are also all over the place, a huge range. One of the things that's interesting in this process is that we will meet and do a round-table with the banks once a year, usually in January, to get their forecast. We ask a lot of questions about oil because it is such a sensitivity for us. One thing that was very clear is that they have no idea. They made it very clear this year that they were more interested in what Catherine Rothrock and our team thought. So that is the track record.

Mr. Ellingson: Right. That makes life really easy for you, that you're relying on your own estimates rather than the banks'.

Mr. Horner: Well, it shows how much they value our team. Another thing – and I'm not trying to steal your time here – that's interesting is how much they value our predictions around GDP. What happens across the country is that they'll make a GDP prediction for the country that makes sense, and then they'll try to work backwards and piecemeal it for each individual province. Something we've seen is that they've underestimated us consistently on GDP, but it kind of builds their narrative towards where they think the country will end.

Mr. Ellingson: Yeah. I'll pass on asking some questions on GDP and pursue with the oil prices, knowing that that influences heavily our GDP. Mr. Chair, if we notice that the differential between west Texas intermediate and western Canadian select is even greater – all private-sector forecasts average \$13.90, but the budgeted number is \$17.10 – adopting the private-sector forecasts would

bring an additional \$2.368 billion of revenue. Interestingly, the most recent industry forecasts also show one of the narrowest differentials. The minister already noted that the more recent forecasts are the ones that are more relevant, so the government's base case is well above the highest differential forecast. In fact, it matches the highest forecast for 2026. I'll ask the minister: why that decision? That looks like you're being very conservative.

Mr. Horner: Well, this is what happened when we brought the tariff scenario right into our baseline. A lot of the action on oil is through the differential, so by bringing the tariff scenario right in, it affected our sensitivities on these assumptions.

Mr. Ellingson: But that most recent differential forecast would have already factored in tariffs, would it not?

Mr. Horner: Not really from industry. No.

Mr. Ellingson: Okay. I'll just pursue it a little bit more for clarification, if we used them around the fiscal framework. If we'd used both the private-sector forecast for WTI and for the differential, we would have brought in an additional \$3.94 billion, bringing our revenue to \$77.138 billion. My question, Chair, and what I'm going towards the minister is that this brings us much closer to the boundaries of the fiscal framework. I'd like the minister to share a little bit about that tension between the fiscal framework and the requests from other ministries and the need to have a deficit. I'd like to ask, I guess: is the base case built independent of those requests from the ministries, or does the request from the ministries actually play in where you fall with the base case so that we actually land within the fiscal framework?

Mr. Horner: No. The requests from the ministries are held totally separate from our revenue forecast. You know, I appreciate the question. It's what makes forecasting in Alberta the most difficult of any province. Every Finance minister, the feds will tell you that. It's probably why we have the best team, that puts the most effort and resources behind this.

When you picture the forecast – and I appreciate the way you're asking this question. I would ask it back. I think Albertans – you know, the royalty roller coaster, the price of oil, how much it impacts us: the fiscal rules help us because they take some of that volatility and they tighten it up by ensuring that when you're in a cash surplus, you spend it wisely and you don't ratchet up spending beyond population growth plus inflation. It makes when you're forced to look at things like cutting the size of government services and programs less dramatic as well, so it tightens up that range.

Mr. Ellingson: Yeah. And the . . .

Mr. Horner: I'm circling back to your point.

Even in my short time in this place we've seen oil go absolutely negative. You know, you can talk about the range of industry forecasts, but the downside we own all the way to the bottom.

Mr. Ellingson: As Alberta's New Democrats are familiar with in 2015 as well.

But those forecasts – and appreciating that it tightens the parameters that you're working within, the government has a history of being much more cautious than the private-sector consensus. The budget document itself notes that Alberta, the government, underestimated the price of oil by 2.3 per cent last year. Like, curious again that the government seems to be overly cautious. Was there not any wiggle room of being – I don't want to

say "dangerous" – less cautious? The estimates are well outside of industry averages.

Mr. Horner: Well, okay. Let's look at last year. I would say that we were probably more cautious, like, on a percentage basis towards industry forecasts, and look what happened. We're almost exactly at – what are we? – 50 cents over our predicted \$74 at the beginning of last year. I think we have to have conservative estimates because there's so much downside. I think the industry average is a great starting point for us to make some of our considerations, but you also have to look at the range of industry forecasts.

Mr. Ellingson: The fiscal framework also requires a balanced budget at the end of the third year once you start forecasting deficits. In the third year of this budget we are still forecasting a deficit, so it's unclear whether or not, at the end of that fiscal year, we will have achieved budget balance. What is included in this budget that is going to take us off that royalty roller coaster, that we're really experiencing right now? And what is the plan to get us to a zero balance?

Mr. Horner: Well, I'll try to answer that in two parts. You're not wrong. We're definitely still in deficit in the out-years. I think that shows that the work isn't done, not even close. You know, if oil stays in this range, the tough decisions and conversations we're going to have with Albertans are just beginning. I'm not trying to say secretly that there is a path back here. We will have to consider everything. What are the priorities? What are the fundamental principles that government needs to follow through a difficult time?

How we're going to get off the roller coaster is a long-term plan, and there's no short-term plan that's been put in front of me that doesn't involve greatly increasing revenue on the backs of the taxpayer. In all the conversations I've had, people want, you know, great public services. They want the lowest taxes.

Mr. Ellingson: And they don't want to pay taxes.

Mr. Horner: They want all the capital. Yeah. You know, I always say: I don't know how fiscally conservative Albertans are, but they're definitely tax averse.

Mr. Ellingson: I have lots of questions with respect to taxes coming up, so maybe I'll take that as a segue to go back. I'll ask about . . .

Mr. Horner: Can I just get to the long term?

Mr. Ellingson: Sure.

Mr. Horner: I'm sorry to interrupt you, Court.

Long term the heritage fund is the best strategy I've seen, but it will require great patience, by having reasonable assumptions, having the ability to be in cash surplus in the good years and not blowing it. You know, if we . . .

Mr. Ellingson: And I will say – sorry, Minister. I've got two blocks later in this afternoon schedule just for the heritage fund . . .

Mr. Horner: Okay.

Mr. Ellingson: . . . so we'll get back to that, too. Sorry for asking such a broad, open-ended question that kind of, like, gets into everything.

I'm curious. With respect to the fiscal forecast in the third year there is a modest increase in expenses while we're still running a deficit. Does the fiscal framework say anything or put any boundaries on the ability to, like, increase expenses when you're still in a deficit situation?

Mr. Horner: Well, population growth plus inflation.

Mr. Ellingson: Okay. So that rule still applies no matter what.

Mr. Horner: Still applies.

Mr. Ellingson: Okay.

Now I'd like to just ask, through the chair, a little bit about, like, facing those U.S. tariffs. We've already referenced a deficit of \$5.2 billion, and the revenue scenario on page 41 shows that an additional \$2.3 billion would be generated in the high case. The high case, I guess the best case would assume that there would be no tariffs and that we would kind of still be operating on business as usual, but in that best case scenario we're still forecasting a \$2.9 billion deficit. Could you talk about how, even in the absence of tariffs, you're still looking at a deficit?

9:30

Mr. Horner: Well, I would circle back to the population growth. I've tried to be transparent to the media and Albertans through this last year that we saw this coming.

We have to continue to build. The capital plan is large. I may be the only one in the House that feels this way, but I'd say that it's pressing being as large as it possibly could be; it's approaching labour constraints in the province. It gives me other concerns about being able to get the work done on time and on budget and not being reprofiled into the future, but we don't think it's appropriate to, you know, make those changes right now.

We brought in the income tax cut. In a perfect world I would have preferred waiting on the income tax cut till population growth settled; 4.4 per cent is a crazy number. The economists . . .

Mr. Ellingson: I think that's a good segue, actually, because I do have a question coming into that. You've stated that already in the past, that you would have preferred that the population had settled and that we started to gain an understanding of, like, what our personal income tax revenue is going to be as that population kind of steadied.

Mr. Horner: You have that lag time. It takes time for people to come, you know, find a job if they can. Employment is high. It's going to be high for a couple of years. We still have good employment growth, but the delta is large. It takes maybe 18 months on average to actually find a job if you're able and start paying taxes to the point where we actually receive them and see them, so the lag time is dramatic.

Mr. Ellingson: Yeah. Thank you for that. We might be able to say also with those capital costs, where you're saying that this budget you feel like is a lot, I think some of us might also comment that we had already built up a bit of a deficit in capital, and that became more pressing as population expanded quickly, and we might be facing that.

I'll transition a little bit into the decision in the fall, Mr. Chair, to ask the minister a little bit about what the opposition was saying is deindexing the tax brackets by setting it at 2 per cent rather than inflation. We know from this budget that the inflation for 2024 at the end of the year, the Q3 forecast, was 2.9 per cent, not 2 per cent, so a bit above that 2 per cent. The estimate for 2025-26 is 2.6 per cent. I'm wondering if the minister can say: what does that

differential cost Albertans? If we factor in that the brackets are not moving as quickly as maybe some people's wages are moving, which includes that the basic exemption is not moving up as quickly as maybe some people's wages are moving up, what would that have cost Albertans? Do we have a kind of an estimate of an average family, what they earn and what that bracket creep costs for the Alberta family?

Mr. Horner: Well, I'd say, circling back to the main part of your question, that when that change was made, it was clear that the Premier was bothered by the fact that we had different rates across government, and it was evident in some of our programs using different years and different end months and different calculations. When we made that choice in September to have it at 2, I think we were at 1.9 at the time for year over year in September, if memory serves. But the way that the system will work now is we'll have to make that determination in September to have the paperwork to the CRA by October 15.

Mr. Ellingson: Yeah. I guess we've already talked about how you're factoring in many months of forecasts for the price of oil, but you took that one point in time for that 2 per cent.

Mr. Horner: I do have a number for you, Court, to answer your specific question. The delta for a single person on AISH would be, for example, \$17 less under the new approach compared to the old, a single person on income support would be \$7 less, and the basic personal amount in the tax system would be worth \$19.70 less.

Mr. Ellingson: For this question I asked about the average family, not about AISH or income support.

Mr. Horner: I only have numbers on singles, but we can get that. We can figure that out.

Mr. Ellingson: Okay. Yeah. Thank you for that.

Mr. Horner: Also to note, that's a default rate, and over 30 years, for example, if it was left there, it would historically work out perfectly.

Mr. Ellingson: Okay. I'll accept that at face value.

Overall, from an aggregated revenue perspective, what would the revenue differential or delta have been had the brackets and the basic exemption moved with the overall year's inflation rate of 2.9 per cent?

Mr. Horner: You might have to bear with us here. Ask it again while we're looking here.

Mr. Ellingson: The aggregated revenue from the government of Alberta. If you had used the 2.9 per cent CPI rather than the 2 per cent set in September, what would the delta be on the revenue for the government of Alberta?

Mr. Horner: Ninety million dollars is the number we have, and most of that's from the tax side.

Mr. Ellingson: From personal income taxes?

Mr. Horner: Yeah.

Mr. Ellingson: So \$90 million of personal income taxes paid by Albertans that maybe would not have been paid if we'd set at CPI.

Mr. Horner: Yeah, that's true. I guess just reference it with the \$1.2 billion tax cut. Highest personal income tax exemption in the country.

Mr. Ellingson: Correct. Apples to apples. Yeah. Thank you.

I'd like to ask a few questions. Since you had some information earlier about single income and AISH, I'll just ask an aggregated question about: who benefits overall from the new tax bracket that is introduced in the budget? Some details are found on page 180 of the business plan, where it states that the new bracket is for earnings up to \$60,000. The new rate that applies is 8 per cent. I think the number in the budget documents: it would save Albertans overall \$1.4 billion annually. Is it \$1.2 billion?

Mr. Horner: I believe it's \$1.2 billion. When it was first referenced as \$1.4 billion, you have to imagine it was referenced in those years '26-27.

Mr. Ellingson: Oh, okay. Yeah.

Mr. Horner: So there would have been some natural growth that would have made it more dramatic.

Mr. Ellingson: Thanks for that correction.

We know that the full benefit accrues – I'm talking about on an individual basis – to those who earn more than \$60,000 a year with no nonrefundable tax credits, somebody with no dependent spouse or other dependents or children. If you're a parent earning \$60,000, you wouldn't receive the full benefit because you would have children as a nonrefundable tax credit. If you're a recently graduated student earning less than \$60,000 and you're paying interest on student loans, you also wouldn't receive the full benefit because you would have those student loans as credits.

In last year's estimates MLA Armstrong-Homeniuk pointed out that 40 per cent of tax filers pay no income tax. My conversations suggest this to be the case. Minister, those are low-income Albertans, and I guess what I'm getting at is that the benefit received, that \$1.2 billion that we're talking about, doesn't spread equally in the pockets of all Albertans. It's maybe not fair to say that this accrues to the average family when the real case is that the benefit accrues to above-income families and maybe families right now that don't have children that they're claiming as dependents. Through the chair to the minister, was there more detailed research done into which Albertans benefit the most from this tax change?

Mr. Horner: Well, you're not wrong. I can't help people through an income tax cut if they don't pay income tax, so I'd start there.

Forty per cent is a dramatic number. I think that should be troubling for everybody in this room, and it shows some of the challenges with our tax system and structure, with the highest basic personal exemption. As we try to fund and pay for everything . . .

Mr. Ellingson: Maybe it shows some challenges to, like, the percentage of our population that is earning lower than we would hope that they would be earning.

9:40

Mr. Horner: Certainly. It's downright scary. Yeah.

I'd say the one thing that came with this was the other amended pieces to make sure that nobody was made worse off. What we found as we tried to work through this policy was that if you take – it would be very small. Well, it'd be a high number if you just looked at the number, 10,000, 15,000 people, but a very small percentage of Albertans. So we made changes that also made sure that if you were a single person with, say, a disabled child and you had a lot of credits, we made sure that an adjustment was made, that you wouldn't be made worse off through this change. That was one example.

I'd say, obviously, you're going to see more benefit if you at least have the full \$60,000 in taxable income. If you have less, it will be less dramatic.

Mr. Ellingson: I think the example, maybe, through the chair, Minister, that was provided earlier, that single income earner on AISH, the \$17 delta: was that actually referring to the tax cut in, like, the change for them, or was it referring to the bracket creep?

Mr. Horner: That's the delta between the 2 per cent and the 2.9.

Mr. Ellingson: Okay. Yeah. I guess I will ask, understanding, respecting that the decision was made that no Albertan would be made worse off: maybe the minister can share how much of the \$1.2 billion is accruing to the top 10 per cent of tax filers.

Mr. Horner: We'd have to get that for you. Yeah.

Mr. Ellingson: Thank you. Well, maybe, that said, in a family living under the poverty line, do we know how much they would save?

Mr. Horner: I would just circle back to your previous question. If you picture the buckets of money in each of the tax brackets, they get significantly smaller as you move up because the mass of population is paying at the lower brackets.

Mr. Ellingson: I appreciate that.

Mr. Horner: So that number will be quite small.

Mr. Ellingson: Now I'll ask a little bit, through the chair, Minister, about that settling out and the desire you mentioned at the Edmonton Chamber as well, that you would have preferred to see population growth settle out before we made changes to personal income taxes. That might also have been helpful when we're forecasting three years from now and we maybe have to have really difficult conversations with Albertans. Maybe we're compounding the nature of those conversations with the decision of the tax cut today.

The tax changes aren't necessarily helping those who are struggling the most with affordability, low-income Albertans, those who we want to make sure are no worse off. But they are worse off through another decision that was made in this budget, increasing the educational portion of property taxes by 14 per cent. Those low-income Albertans: some of them are seniors who own their home, who will have to pay higher property taxes. Some of them are renters whose landlords are going to pass on those costs. So I'm asking, Minister: are the decisions really made to ensure that nobody is worse off? How are we really helping low-income Albertans deal with the highest inflation in the country and costs that are putting a lot of pressures on them?

Mr. Horner: Well, just to be totally clear, it's going to go up again next year, too. It's going to 33 per cent. That's where we were historically, and that's the goal, and we'll hold fast to 33 per cent.

Mr. Ellingson: I'll ask the question again, then. We already know it's going to go up next year; what are the thoughts around low-income Albertans or seniors who might not be able to pay that, who are already barely able to pay their rent and their rent will likely go up?

Mr. Horner: I think you have to look at those numbers and see that they're averages. Of course, you know, there are seniors deferral

programs and the like for the low-income, but you also have to imagine what the actual value of everyone's home is.

It's a tough thing. You see the needs in the education system. That's just the operational spend, the 33 per cent, let alone what we're doing to build the schools.

Mr. Ellingson: I guess what we will hope to see, then, what we could have hoped to see in this budget and hope to see in future budgets, is that maybe there's additional funding applied to those seniors benefits and deferrals. Maybe there are additional benefits that accrue for rental and income supports for those who are unable to absorb these increases that are coming, that are meant to average out across all Albertans.

Chair, on page 153 of the fiscal plan we see a further list of 38 items with fee increases in this budget, and these items are also affecting other Albertans. I've heard the minister speak in the past about how when you're looking to save a dollar, you've got to look at the nickels. I'd just like some of the examples of some of those nickels.

In last year's budget the fee for the Alberta advantage immigration program increased from \$500 to \$840. In this year's budget that fee now increases to \$1,500. We want Alberta to be an attractive destination for people. How is this making us an attractive destination? Are international migrants maybe considering that when they make the choice between Alberta and British Columbia, and do we have a comparison on what that fee is, what we're charging in Alberta versus what other provinces are levying for that fee?

Mr. Horner: I don't have it in front of me, but we did make sure. Maybe just to speak about fees generally, it's part of our process in considering any of these. We looked at, you know: were they originally meant to be cost recovery or approaching cost recovery? When were they brought in? When were they changed last? On the item you you're mentioning, definitely we did a jurisdictional scan to see how it compared in other provinces. We wanted to make sure that we weren't stepping out and being – we made sure we stayed below the other provinces in this regard across the board.

I would just circle back to fees generally. If you're going to be the low-tax jurisdiction, there are certain things that we're going to have to pay for. We will have to monitor them. We'll have to see if they're approaching cost recovery if that's their intent, and we'll have to update them. I don't think that's unreasonable.

Mr. Ellingson: I'm not going to disagree that we need revenue from somewhere, but I think that when we think about that, when we come back to that no Albertan is worse off, they may be made worse off through another decision somewhere else. That always needs to be considered.

Some of those other nickels in this budget was the decision to not follow through on the promise of extended health benefits for adopted children. I think I've heard the minister reference that that would be about \$3 million. Maybe I'm wrong on that. I admit I don't have it from a budget document, but from last year's budget estimates it was confirmed that about \$3 million would be allocated to attracting skilled trades workers, so \$3 million to \$3 million. I am curious if the minister knows how many skilled trade workers were attracted through that program. Did we exhaust the \$3 million? How many skilled trade workers did we bring in?

Mr. Horner: I think that specific question I'd have to defer to Minister Jones, probably at Public Accounts. He'd have that information. You're not wrong, and I like it when you say the nickels and dollars line. I think that sounds good, Court. I like the way you delivered that.

Mr. Ellingson: Well, they are your words.

Mr. Horner: Yeah. Well, maybe that's why. But I would say: yeah; that's unfortunate. That's what I tell our ministers, that, you know, if you're going to bring in a new program, we have to make sure we can afford it for the future. It's very tough. It's very tough to cut anything. You're always impacting someone. You've increased expectation. They get used to it.

Mr. Ellingson: Unfortunately, I think that our estimates with Minister Jones have already passed, but we can maybe find another way to ask that question.

I will ask, though: this government is always talking about the Alberta advantage, that we have the lowest taxes overall in the country. I won't deny that we need skilled trades workers, especially with the capital plan that is rolling out. We're already short of skilled trade workers. I would question on our ability to deliver on the capital plan with the skilled trade workers that we have, but given that we've always talked about our lower tax advantage, how is that not sufficient to attract those skilled trade workers? If we had 200,000 people come to this province last year, how were we not able to capture those skilled trade workers in that 200,000?

9:50

Mr. Horner: Yeah. No doubt we did capture a lot of them, but it's quite evident that the majority of the movement was simply around house pricing. As difficult as it's been for people that are renting or having their own challenges . . .

Mr. Ellingson: It's less expensive here than in other provinces.

Mr. Horner: Toronto, Montreal, Vancouver: it's about the delta.

Mr. Ellingson: Before I hand it over to my colleague Rakhi Pancholi, I thought I would just end my first bout of asking questions on a fun note. The beer tax is going up. Premium wine tax is going up. Those weren't included on the table on page 153 of the fiscal plan, and I'm just curious why those things don't appear on that list of 38 things that are going up.

As an aside, I didn't see on my bingo card when I was elected that I would have so many e-mails, calls, and conversations with liquor stores and importers. It just so happens that Calgary's second-largest independent liquor retailer is in Calgary-Foothills, and there are at least three liquor importers that are resident in Calgary-Foothills. I'll just note for them that all of those e-mails and phone calls are noticed, that those taxes are noticed, and that it is hurting businesses in my constituency and constituencies across the province.

On that note I'll pass on re-asking that question, and I'll hand it over to my colleague MLA Pancholi from the great constituency of Edmonton-Whitemud.

The Chair: Would you like to go shared as well?

Ms Pancholi: Thank you. Are you okay to continue sharing, Minister?

Mr. Horner: Yeah.

Ms Pancholi: Thank you, Mr. Chair.

Mr. Horner: Ms Pancholi, can I just say to Court's question that the reason it wasn't in that list is because it's not a fee. It is scheduled differently because it's a markup change.

Mr. Ellingson: Okay. Thank you.

Ms Pancholi: Thank you. I also have some businesses that have asked that question in the great constituency of Edmonton-Whitemud as well. I'll just mention that.

The fun will continue, Minister, now. I'm going to ask a few questions about the role of Treasury Board and Finance with respect to public-sector compensation. The provincial bargaining and compensation office, the PBCO, rests, of course, with your ministry. The role of this office is described on page 177 of the business plan as:

supports [the] government's interests, as employer and funder, with respect to public sector labour relations and compensation.

Further, the

PBCO is responsible for the government's strategic leadership and cross-sectoral co-ordination with respect to union and non-union compensation . . . research and analysis,

et cetera, but also it says:

while providing public sector employers with collective bargaining and non-union compensation directives.

I think all of us in this room and as elected officials have certainly been seized by the public-sector bargaining that has been going in constituencies across the province. I know I've certainly heard from many parents, teachers, education support workers, families of children with disabilities with respect to the bargaining that's happening with CUPE across the province. It's raising some questions during that process as to what the role is of the PBCO and what the role is of your ministry with respect to those bargaining processes.

We are aware, of course, that, you know, PBCO plays a big role at these bargaining tables. I'm wondering if the minister can comment, through the chair, you know: have school boards, postsecondary institutions, and others been given limitations or guidelines through the PBCO to follow as they negotiate salaries with their employees? For example, what role did PBCO play in the background in some of the CUPE negotiations, the UNA negotiations that were going on, and how much direction is PBCO providing to those employers?

Mr. Horner: Thank you for the question. It's an interesting system. I would highlight it's one that the NDP government brought in in about 2016 or 2017, and I'm thankful they did because what we saw at that time was that Alberta was greatly out of market, and that's what led to, you know, basically a walk in the snow for 10 years of zeros and very small increases, because we had to get back to market. We're at a place now where, you know, I'd say that substantial offers have been made. Some are in the process of being considered for ratification. That's great news.

The role is somewhat different depending on who you're bargaining with. I do have a member of PBCO here if we need, but I'd say that when you're dealing with CUPE, for example, we don't negotiate with CUPE. The school divisions do, but we do provide support to school divisions that require it at their request.

Ms Pancholi: If I may, on that question, Minister – sorry to interrupt – it's true that you don't negotiate directly. The government of Alberta doesn't negotiate directly with CUPE. However, through the PBCO and through bargaining mandates it's clear that the government of Alberta as the funder for education does play a role in terms of setting to the employer, to school boards, what they can and cannot. Can you advise whether or not, for example, in the CUPE negotiations PBCO or any member of government through bargaining, you know, was having conversations at the table or after meetings or after the bargaining table with the employer as to what they could and could not negotiate?

Mr. Horner: Yeah, absolutely. We issue directives.

Ms Pancholi: So would the minister not agree, then, that that is bargaining with CUPE, with the union, if PBCO and Treasury Board and Finance is setting the directive?

Mr. Horner: It's not bargaining.

Ms Pancholi: Well, I guess that's a bit of a nuance, right? If you are as the funder describing, Minister, to the employer, to the school boards, what they can and cannot say, you're right; it's not bargaining right at the table, but it's bargaining behind the table. Would you agree with that?

Mr. Horner: Well, would you agree that as the funder we have to set a threshold of what we're prepared to fund?

Ms Pancholi: Would it not be true, then – I've heard the minister say repeatedly in public statements that CUPE has to negotiate directly with the school boards, but you are setting that directive, so you are dictating the terms by which the employer can negotiate with the union.

Mr. Horner: Well, I would say that across the entire public service we issue those directives based on market, evidence-based data to ensure that we're at market. We don't want to get to a place where we're 12 per cent over like we were in the 2010s, and there's still quite a range, you know, that they can negotiate up to or come back for more consideration.

Ms Pancholi: Would the minister then be willing to advise, either table it with this committee now or provide it at a later date, as to what were those mandates that were given and the directives, as the minister put it, that were given to the employers, given to school boards, in particular, in the CUPE situation? What were those directives that were given by PCBO as to what the employer can negotiate?

Mr. Horner: Well, I would say this about the question you're asking. Two of the province's largest unions took their concerns about bargaining directives to the Alberta Labour Relations Board in 2021. The board determined that the directive did not alter the common course of bargaining between the parties and that directives have been issued in previous rounds of negotiations between the parties and are common in public-sector bargaining, but we don't bargain in public.

Ms Pancholi: So is it that the ministry will not be willing to table or disclose here what those directives were?

Mr. Horner: No.

Ms Pancholi: The minister was pretty confident, through the chair, in saying that yes, it's completely appropriate for a government to be providing those directives but won't disclose what those directives were, despite the fact that it places significant limitation on the ability of school boards to actually reach an agreement with CUPE.

Mr. Horner: Correct.

Ms Pancholi: Okay. That's important to know, I think, for my constituents and for the many Albertans, the thousands, actually, who wrote to our MLAs concerned about why their children were out of school for almost 10 weeks. Many of them did not get an appropriate education in that time, and it's because the government was issuing directives that they won't disclose publicly about what

school boards could and could not do, which confirms, I think, what most Albertans believe, which was that this is a result of government underfunding education and not being willing to fund it properly.

Let me go back to the fiscal plan and many other portions of the budget documents, which repeatedly sort of outline that the contingency fund is going to be the place where public-sector bargaining compensation will be dealt with. Would I be correct, then, to say, Minister, that any of the outcomes of the negotiations that are going on and the bargaining that's going on, not just with CUPE but with UNA – we anticipate more coming in the years ahead – will not be factored into the, for example, Education or Health budget? That's all part of the contingency fund. Is that correct?

Mr. Horner: Not all of it.

Ms Pancholi: Okay. Can the minister, then, describe how much of those bargaining agreements will be part of the contingency fund – that's where it's allocated for in the budget – versus how much is going to be allocated in the budget or Health?

Mr. Horner: I would say a substantial portion, Ms Pancholi, but I wouldn't have a number to give you.

Ms Pancholi: There is a \$4 billion contingency fund, right? That's set out, and it's meant to encapsulate a number of things, not just – obviously, it's for wildfires. Obviously, tariffs are a big consideration. But as well it is going to be about how these collective bargaining processes settle out. Recently and probably in the last week or so, maybe two weeks now, we've seen settlements in both the UNA agreement with nurses; we're getting ratification on a number, not all but close to, of CUPE negotiations in Edmonton, Calgary, Fort McMurray, Sturgeon, Parkland, Black Gold: all of those pieces. Can you provide a breakdown for, like, the UNA settlement? Let's start with that one. Do you have a picture of how much that one will cost, and is that coming out of the contingency fund?

10:00

Mr. Horner: A portion of it. A large portion will be coming out of the contingency, but I don't have an exact number for you.

Ms Pancholi: Would you be able to table that information?

Mr. Horner: Not until ratification, but it'll become very obvious. This is estimates, not actuals. They will become the line items of the ministry once it's paid.

Ms Pancholi: It will come out of the ministry, though, not out of the contingency fund. The reason I ask . . .

Mr. Horner: If it comes out of the contingency, it'll be moved and then show in the ministry's line item.

Ms Pancholi: Okay. Thank you. And that will happen – after ratification we'll see that?

Mr. Horner: It'll come after it's paid. The money needs to move.

Ms Pancholi: So until then . . .

Mr. Horner: First quarter.

Ms Pancholi: So until then – and I'm asking this question because the contingency fund is significant. I mean, it's \$4 billion. I don't mean significant just in terms of its amount, but it's significant in

terms of what it's meant to address in terms of the uncertainties and sensitivities coming forward in Alberta's, you know, fiscal future right now. How can we anticipate how those settlements of those agreements will impact what's remaining in the contingency fund to address things like tariffs, to address things such as wildfire preparation, all those pieces and disasters? How can we anticipate that looking at the budget now that's tabled before us given that you're saying we won't be moving that money out of the contingency fund until it's been paid?

Mr. Horner: Yeah. Well, I think you've highlighted the challenge of projecting for a fiscal year that we're not even in yet and deals that aren't ratified. There are a lot of considerations that have to come. The \$4 billion contingency is large, but we exceeded the \$2 billion contingency this year: you know, growing population, dealing with population growth, dealing with what I would call the unavoidable pressures in year, and then with the uncertainty of the labour negotiations and the tariff scenario.

I should highlight, with the tariff scenario, you know, my big concern. I know people want to jump and say: well, what are you going to do for this industry or that depending on how tariffs play out? My big concern is: how do I pay for income support in the middle of the year if tariffs come in in a big way and we have a lot of unemployment? It's how to deal with our statutory obligations as a government.

Ms Pancholi: I just want to come back to – you know, it is a challenge; we acknowledge that – you acknowledge that this past fiscal year was \$2 billion in the contingency fund, which we spent in a year when we didn't have the risk of tariffs being implemented and in a year when we were not settling significant collective bargaining disputes and ratification of new collective agreements. Some calculation must have gone into the extra \$2 billion – right? – that was set aside in the contingency fund. How did you as a minister reach that \$2 billion to cover the tariff uncertainty as well as the collective bargaining? I mean, there must have been some calculation done to decide how much of that is going to be for tariff uncertainty, how much was going to be for collective bargaining. Was there sort of an assessment gone into how you reached that number of \$4 billion for contingency?

Mr. Horner: Well, definitely not an exact science; it's a very round number, obviously. We left ourselves some room, we think, to deal with the impact of the population growth that we're still working through, the tariff scenarios, collective bargaining. We've definitely done some math behind the scenes. I'm not going to show you the napkin, but that's basically what it is.

Ms Pancholi: I understand it can be complex and I understand there's a great deal of uncertainty, but you know we can as a province eat through quite a bit with uncertainty given just wildfire disasters, right? Tariffs are posing a significant risk in a way that has been unprecedented for our province, and incredibly uncertain, not even just in terms of if they're happening but how much and on what sectors. Given that and the significant collective bargaining that's going on, I guess Albertans deserve a little bit of a certainty as to whether or not \$2 billion is really an appropriate amount, or was it just a random number that was – I'm not saying it was random; I understand there's a significant – how do we have a confidence that we have the ability to buffer ourselves against these incredible uncertainties in this fiscal year? That's what I think I'm trying to ask, Minister, is: how do we have confidence that \$2 billion is enough or is it the right amount at all to address the incredible uncertainty that we're facing? How can you provide that confidence to Albertans?

Mr. Horner: Well, I think it's important to just circle back to the importance of the contingency within the fiscal rules. You know, I'm the last person that wants to exceed the contingency within a given fiscal year and break our own fiscal rules for things that aren't true exceptions, whether that be disasters or, you know, offset revenues from federal programs. For every aspect of the contingency you have to come back to Treasury Board, and we have that conversation about: is it avoidable? Is it statutory? What is this pressure doing? And should we fund it in year? Although it's not an exact science and we're weighing a lot of uncertainties, as you well stated, we think it's the appropriate number knowing what we know and don't know, and we had to pick one.

Ms Pancholi: Thank you.

I'm going to turn it back over to my colleague MLA Ellingson. Before I do, just really quickly, I know the minister has indicated that he won't be disclosing the directives that were provided to school boards and other employers during bargaining. Can the minister advise whether or not any of those directives changed recently in terms of what was provided to, let's say, school boards? Were those directives altered in the last month to two months?

Mr. Horner: We don't bargain in public. I'm not going to get into that.

Ms Pancholi: Thank you, Minister.

I'm going to turn it back over to MLA Ellingson.

Mr. Ellingson: Thank you. Thanks, Rakhi.

Mr. Chair, back to the minister, I'd like to return to some of the questions around the performance metrics found on pages 180 through 183 in the business plan. As part of the outcome measures the total budget increases of course shall be held below population and inflation. The chart on page 180 of the business plan does not include the actual estimated target, nor does it include the change in budget expenditures. If the minister could clarify for Albertans, just in one point: what is population plus inflation, and what is the percentage increase in spend?

Mr. Horner: Just bear with us a second. Let's go to page 14 of the fiscal framework; 7.3 per cent for '24-25. Yeah. That's the growth were it allowed between the two fiscal years.

Mr. Ellingson: So the growth allowed is 7.3 per cent.

Mr. Horner: Yeah. And then projected is 5.1 per cent between the years '25-26 and '26-27.

Mr. Ellingson: Thank you for that. It is conveniently right there in the operating expense ceiling. Thanks for pointing that out for everybody to easily find it.

I ask, Minister, so we do have the – for that outcome measure we've already talked and heard quite a bit about, like, the challenges that we face through population growth and other issues, the argument about whether or not Albertans are really fiscally conservative or not or tax allergic. But there's a bit of a delta. The allowable is 7.3 per cent; the projected is 5.1 per cent. Wouldn't being closer to that allowable ceiling give a bit of breathing room in the budget in some areas?

Mr. Horner: Yeah. Well, that's a good point. It's a ceiling, not a recommendation. It's the restraint part of the rule.

Mr. Ellingson: Understood.

Mr. Horner: You do also have to consider that everything we just discussed around contingency will move, so some of that is built in here as well.

Mr. Ellingson: I mean, the contingency is considered in the overall budget expenses, correct?

Mr. Horner: But not in operating.

Mr. Ellingson: But not in operating. But it is in overall?

Mr. Horner: Yeah.

Mr. Ellingson: So the chart on page 14 is only operating?

Mr. Horner: That's only operating ceiling.

Mr. Ellingson: Only an operating ceiling. So does that mean that the contingency is outside of the ceiling limit?

Mr. Horner: Do you want to comment, Kate?

10:10

Mr. Ellingson: Eventually it needs to come back into the ministry's expenses – right? – as an operating expense.

Ms White: Yeah. It depends how much comes in and gets absorbed into permanent ministry targets. Operating expenditure – for example, we just discussed bargaining – that will then be added into ministry targets and will approach that operating ceiling. So some of that dry powder, if you will, is sitting in a contingency, but contingency is not counting in operating expenditure until it's allocated.

Mr. Ellingson: But there is probably still some, understanding that the goal is not just to, you know, drive up debt, wiggle room in that delta between 5.1 and 7.3. Even if and when the contingency moves into operating, there's still some wiggle room there. Is that correct?

Mr. Horner: Correct.

Mr. Ellingson: Do we know how much that wiggle room is?

Mr. Horner: It depends how much moves as well.

Mr. Ellingson: Correct.

Mr. Horner: Yeah. We have deals that aren't ratified . . .

Mr. Ellingson: If the maximum moved, if all of it moved, is there still wiggle room?

Mr. Horner: There's definitely wiggle room, but a number I can't give you, Court.

Mr. Ellingson: Okay. Could we calculate it and report it later?

Mr. Horner: Yeah, although I don't want to get in the habit of making homework for these guys. We have six hours, so I'm not going to allow you to do that much, but we can figure this out.

Mr. Ellingson: Okay.

Another outcome measure in the budget is the per capita basis, that we should be lower than comparator provinces. On page 181 in the business plan we see that in '23-24 Alberta's per capita spending was \$14,162. This is well below the comparator provinces. I guess the \$14,704 is an average, I think, between B.C., Ontario, and Quebec. Is that correct?

Mr. Horner: I'm just catching up to you on the pages. Yes.

Mr. Ellingson: Yeah. So that's a difference of 3.6 per cent. These choices also result in Alberta falling behind in critical infrastructure such as schools; rapidly expanding school age, population growth, and the pressures there. I will ask – like, the chart on page 181 doesn't show Alberta's per capita spend this year or the comparator this year. Do we know what the differential was in '24-25?

Mr. Horner: The challenge is that this is all based on Statistics Canada data, so you're always having to wait, but we will have that.

Just a comment. You know, when you're looking at British Columbia specifically and you're talking about room potentially in spend, I think it's important to look at the challenge all provinces are facing but differently. They haven't seen our population growth. Their budget this year, I watched it mostly to feel better about us and me and Alberta, but what we're seeing in B.C. is going to lead to some very dramatic consequences. Their capital plan: they were already reprofiling upwards of 26 to 30 per cent. They continue to push. They're going to accrue, before the carbon tax question came up and what that meant for their revenue, they're going to take on \$68.8 billion over the forecast in debt.

Mr. Ellingson: Yeah. I will admit to you that we are in better condition and maybe we don't want to be in the budgetary situation that others are in.

I will ask just in closing, 16 seconds left – it seems very awkward to me that a performance indicator, the data there is two years old. How can it be an adequate performance indicator when you don't know where you stand in that given year or where you'll be next year?

The Chair: Okay. Thank you very much. We'll maybe come back to that in the next block.

That concludes the first portion of questions for the Official Opposition. Just to make everyone aware that after this next block we'll take our five-minute break.

If Member Johnson could introduce herself for the record.

Mrs. Johnson: Sure. Thank you, Mr. Chair. Jennifer Johnson, MLA for Lacombe-Ponoka.

The Chair: Thank you very much.

We will now move to 20 minutes for the government caucus. Who's speaking? Member Dyck. Would you like to share time?

Mr. Dyck: I'd love to share time with the minister.

The Chair: Okay; then go ahead.

Mr. Dyck: Excellent. Well, thank you, Minister, for coming. I mean, we're only an hour in and already learned something. Thanks for doing your work and doing your homework, and thanks to the team for that as well.

I'm going to start on the business plan. I'm jumping to page 178 here. You have this organizational chart just on what you're in charge of, and I want to go to the box for agencies and delegated organizations. I've got a couple of questions on this. All these agencies and delegated administrative organizations can have significant influence upon income for Albertans. Specifically, my first question is: would AIMCo be designated under this box for the 2025-2026 reporting period?

Mr. Horner: Thank you for the question. Maybe I'll just speak a little about AIMCo if you don't mind. Alberta's investment agency is expected to responsibly manage more than \$160 billion in assets,

which includes the pension funds, Alberta heritage savings trust fund, multiple endowments. Maybe I'll just speak a little bit about some of the change that we've seen. You know, rising costs, lower internal fund management efficiency at AIMCo we felt necessitated a change. There have been significant increases in operating costs, management fees, and staffing levels at AIMCo without a corresponding increase in returns for their clients. From 2019 to 2023 AIMCo's third-party management fees had increased by 96 per cent, employee head count had increased by 29 per cent, and salary, wage, and benefit costs increased 71 per cent. These costs had all increased while AIMCo had managed a smaller percentage of funds internally.

The government is committed to improving AIMCo's operational efficiency, enhancing its risk-adjusted investment performance, and strengthening the corporation's governance practices. Recent organizational changes at AIMCo as announced in November are a decisive reset aimed at safeguarding the financial future of Alberta workers and taxpayers. The measures will ensure, you know, long-term prosperity and sustainability of public funds entrusted in AIMCo, including public pensions. A focus on cost control and internal efficiencies is central to AIMCo's strategy under its reconstituted board. In spite of these changes, AIMCo's mandate remains unchanged, and investments will continue to be made by AIMCo at arm's length from government with a returns-first mindset.

Mr. Dyck: Excellent. Thanks for explaining that, Minister. I really appreciate that.

Just as a follow-up on that, do you have a rough idea what the cost savings will be due to some of these actions in the near future? Do we have a cost savings analysis of that?

Mr. Horner: Yeah. Thank you. Under our new CEO Ray Gilmour's leadership and with the guidance from its restructured board AIMCo's revitalized operational strategy prioritizes financial prudence and streamlines internal processes. This commitment to cost reduction is evidenced by several key actions. Notably, in February of this year AIMCo publicly announced its closure of the New York and Singapore offices, a move explicitly designed to lower overhead. Also, you know, AIMCo is still actively engaged in long-term business and system transformation initiatives that are anticipated to yield substantial savings through reduced technology licensing and investment platform maintenance costs as well as a decrease in future hiring needs due to enhanced efficiency and automation.

Maybe just for everyone's benefit: consistent with Canadian public-sector accounting standards AIMCo will provide detailed financial disclosures, including expense breakdowns comparing actuals to budget and year-over-year performance, within its 2024 annual report. That will be scheduled for publication by June 2025.

Mr. Dyck: Okay. I appreciate that, Minister.

Just continuing on, I'm going to get off AIMCo here for a sec. But under your key objective 1.1 it does state that the goal is to "lessen the province's reliance on resource revenues over the long term, pay down debt or on one-time initiatives that do not permanently increase government spending." We've got incredible energy and resource revenues and opportunity and growth there, but how are you going to reduce our reliance on resource revenues here in the next budget year and then continue to diversify our economy going into this year? Those are really important questions that I think Albertans need some answers and clarity on.

10:20

Mr. Horner: Yeah. No. Thank you for the question. I think it's an important one for Albertans and certainly everyone in this room to understand.

You know, Budget '24 signalled a renewed commitment by government to the Alberta heritage savings trust fund's original principles, which prioritize sustainable growth and prudent stewardship of nonrenewable resource income for future generations. This aligns with our fiscal framework introduced in Budget 2023, which mandates allocating a portion of surplus cash to savings. Recent reforms and measures taken to build and further strengthen the heritage fund would include – and this is maybe the most important one – the income retention. Amended legislation allows for 100 per cent of the heritage fund's net earnings to be reinvested within the fund, which protects the heritage fund against inflation and allows all income to be compounded. Retaining investment earnings in the heritage fund fuels and sustains its growth over an extended period of time.

New investments. Government is depositing an additional \$2 billion in the heritage fund in '24-25, representing the single largest contribution to the fund in decades. Budget 2025 announced an additional \$1 billion of surplus cash to be allocated to the heritage fund in '25-26. That's its portion from the fiscal year that's just ending.

Revitalized growth is the next piece. The government is committed to grow the heritage fund to \$250 billion or more by 2050. As described in the road map for the heritage fund renewal, which was publicly released on January 29, 2025, a revitalized investment strategy will prioritize long-term asset growth using a prudent governance approach, which over time will enhance Alberta's fiscal resilience against fluctuations or declines in nonrenewable resource revenue while ensuring provincial prosperity in years to come. Government actions and investment performance have increased the heritage fund's value to \$25 billion in the latest fiscal quarter of '24-25, which is the largest amount, obviously, in the fund's history. The heritage fund has grown by \$7.2 billion since 2021.

I think it's important for Albertans to picture what this actually looks like. By having the patience and the commitment to grow the fund to that level by 2050, you're in a place where you can pull substantial amounts of revenue from the fund in year to deal with the priorities of the province but also replace potentially some of our nonrenewable resource revenue. In the last few years currently it's fluctuated from, you know, \$17 billion to \$21 billion. Imagine that by 2050 you'd be in a place where you could take, say, half of that amount and put it in general revenue to fund things like health care and education and be less reliant on those swings.

It will require a lot of commitment, but it's the best option I've seen put in front of me. I know Albertans don't always understand this, but everything else means that we're coming back to them to increase taxes or pull more revenue from Albertans. It will require some patience and some prudence, but it's a very positive step, I think.

Mr. Dyck: Yeah. Thanks for that, Minister. Can you just expand upon some of the examples of the one-time initiatives as well, what those may include? That's I think one of my questions here. One time sounds more like capital spend, but I just want to be clear on that, if there is something else we might be spending on.

Mr. Horner: No. That's a good question. Part of our fiscal framework, which we've been through a little today already, involves, you know, what we're mandated to do with surplus cash around improving our net fiscal position either through investments

in the heritage fund or debt repayment. There is some optionality on the Alberta fund, the other half of the equation, and that does involve potential for one-time spends that don't increase the operational spend going forward. So there's potential that that could mean capital, but it wouldn't mean capital if there's an operating expense that's going to come with it in future years.

Potentially a partnership through a capital grant could be possible: things like during COVID, you know, one-time support payments, things of that nature. It's important to have that flexibility, but it's the tool, the portion of the options that would be used the least.

Mr. Dyck: No. I appreciate that. Part of the conversation, too, that we've talked about it a little bit is the Alberta heritage savings trust fund. Now, we talk about maximizing those earnings and also the size, which you've mentioned. I just want to be clear on my understanding of these one-time initiatives. While also maximizing earnings in this reporting period, are you going to be investing in one-time initiatives through the Alberta heritage savings trust fund? Does that add extra risk to the trust fund at all?

Mr. Horner: No. Those things are separate. I wouldn't lump those together. The one-time initiatives are something the government could do with surplus cash in the Alberta fund but entirely separate from, you know, heritage fund investments.

Mr. Dyck: Excellent. Thank you for that, Minister.

I'm going to cede my time to, I believe, MLA Yao, and he can carry on. Thank you, Minister.

Mr. Yao: Minister Horner, thank you so much for all your hard work in this world of finance, and thank you and your entire team for all the great work in the budget. It's a difficult position to be in, to have to try to address all our needs, especially in our society right now. We're very, very generous, but, I mean, I have to come out of the closet here and say that I'm a fiscal conservative. I am strong on balanced budgets, so you can imagine my disappointment that we have a \$5 billion deficit being forecast. I find that really frustrating, to be honest.

My role models are, quite honestly, people like Javier Milei from Argentina. Like, he came in there and he cut. This is something that people might not know, that in Argentina's 123-year history they've only had 10 years where they've had balanced budgets – it's absolutely mind-blowing – which certainly demonstrates why it was so darn expensive when I visited there a long time ago. Inflation was through the roof. It was a difficult place to travel through because it was so expensive.

I'm a big supporter of core services. I don't know if when you talk in cabinet, you can convince our cabinet ministers to really re-evaluate a lot of things in their expense columns, because I hope that we can really reduce things. I recognize that, you know, as an example, we live in a multicultural society, and I come from a very multicultural community in Fort McMurray, believe it or not. We have a diversity that's on par with any large centre, whether it be Toronto or Montreal or Vancouver or Calgary or Edmonton. Fort McMurray is very diverse, and we spend a lot of money; we get a lot of our community groups a lot of grants to run their celebrations.

But deep inside I wonder if it's worth it, as much as I appreciate the aspects that multiculturalism gives us, if they can't share that more from their own selves and not getting government grants to support these larger celebrations. To me, when I travel to other countries and people invite me to their homes and I celebrate their local customs and stuff, that's how they share their culture with me. I wish we'd do that more here, but it's not necessarily the case. We're looking for these big celebrations that, you know, only folks

from those communities wind up attending. I don't see that diversity of the entire community coming. That's where I'm a little bit disappointed by some of the multicultural celebrations that we have.

I truly feel that's an example of where we could probably trim things back a little bit. Not to say that I don't support that aspect, but we have to be tough, and we have to really look at what we're spending money on. I mean, at the municipal, the provincial, the federal level we're nearing on 50 per cent if not more in some cases of our money being taxed. That's absolutely mind-blowing and frustrating. Like, at some point I'm expecting the tipping point to come and for Albertans and Canadians to get quite frustrated by all that. I hope that we can endeavour to do better and recognize that having a financially stable jurisdiction like Alberta outweighs some of the spending that we do in other areas and enables people to really promote those things on their own.

10:30

Mr. Horner: Maybe can I chime in, MLA Yao?

Mr. Yao: Yes, sir.

Mr. Horner: Well, I understand your frustration. This is my second budget. I preferred the balanced one. This has definitely been a challenge, but I would ask that we all understand that there's great responsibility in all of these rules, you know, to provide balance to Albertans in a time when population growth is something at a rate we've never experienced. Really, no one has. We have to continue to build for the future. We have to ensure that we follow our fiscal framework. I think you should sleep at night knowing that any tough decisions and questions you want to have are likely coming. I think society changed. Things change. Priorities of the province will always change.

The rules will dictate that we will return to balance. I predict that will lead to extremely difficult conversations, but I think we should rest easy in the sense of: what the fiscal rules do is that they allow us to not have to react irrationally. Could I have balanced this budget? I could have, but we didn't think it prudent considering everything that was facing Albertans. We've got a little time. We'll have to, you know, work together, weigh everything that we bring forward when it comes to programs and services, and move forward.

I'm happy with what the ratings agencies, banks have said about this budget, considering our population growth. They see the prudence in it. Any time a jurisdiction brings in fiscal rules, they support you right until you break them. This will be the challenge that Alberta faces, which is sticking to our principles. It will, naturally, lead to very difficult conversations, but we have time. We have time to work through that. Let's see where we land with our largest trading partner to the south of us, see how that's actually going to impact Alberta industry and Albertans. Population growth will settle.

It's still a great challenge. You know, I would much rather deal with the challenges of extreme growth than stagnation and decline. That growth is due to a lot of factors, but it's, it's largely due – we talked about housing – to that this is the part of Canada that is still providing the most opportunity for investment that leads to job growth.

I'm heartened by the conversations we're seeing across the country, a lot of the things it feels like we've been preaching for a long time around interprovincial trade but also egress and markets. You know, I'm not sure that all the Premiers understood what direction the pipelines went into their provinces, and now they certainly do. I think Alberta will come out of this, in my estimation,

stronger than ever. It might take a little time, but I think it's our job to ensure that we help shepherd Albertans through this hard time because that won't be the case for all individuals. That's why the tax cut was important even though we're in a deficit. It's why pursuing things around productivity are important.

I've said this a few times. It feels, you know, sometimes silly to brag about Alberta being the best around productivity because we are definitely the fastest skater on a slow team. Canada has a problem, so I think we need to continue to be smart about how we address that, and we have to do it in real time because things could change very quickly in the United States when it comes to investment attraction and the like.

The Chair: Thank you very much.

That concludes the government members' first block of questions. We will now take our five-minute break. Back at 10:40. Thank you.

[The committee adjourned from 10:35 a.m. to 10:41 a.m.]

The Chair: Okay. If I can grab everyone's attention, we'll get started. We now move to the second round of questions and responses. The speaking rotation going forward will be the same as the first round, starting with the Official Opposition, followed by members of government caucus. However, the speaking times are now reduced to five minutes for a duration for the consideration – can I just grab everyone's attention, please? The opposition will have five minutes for questions and comments followed by a response from the minister, who may speak up to five minutes. After both individuals have had the opportunity to speak, we will move to the next caucus for rotation. If the member and the minister agree to share time, we will proceed with 10-minute segments, during which neither member nor minister may speak for more than five minutes at a stretch.

Member Eremenko, are you the next speaker?

Member Eremenko: I am. Thank you. But I understand there was an item that the minister wanted to follow up on first.

The Chair: Okay. Go ahead.

Mr. Horner: Thank you, Chair. Just an answer to the question from MLA Ellingson around how much of the contingency could be moved into ministerial line items without exceeding the op ex ceiling. It would be almost all of it; \$3.8 billion could be moved without exceeding that threshold.

The Chair: Okay. Thank you.

Would you like to share time?

Member Eremenko: Yes, please, if the minister is willing.

Mr. Horner: Yes.

Member Eremenko: Thank you so much.

The Chair: All right. You may start.

Member Eremenko: Thank you, Mr. Chair. Thank you, everybody, for being here. We are all aware that Albertans are really seriously questioning the procurement practices of the government of Alberta given some of the very serious allegations made by the former CEO of AHS. The budget contains billions, Minister, in infrastructure projects from Education, Advanced Education, Health, Mental Health and Addiction, and more.

Right at the top of the ministry's mandate and structure information on page 177 of the business plan we see that Treasury

Board and Finance has responsibility for budget planning, financial management, and economic analysis across the government of Alberta. Through the chair, does the ministry have a role to play in ensuring that funds are used efficiently? Does the ministry provide advice or analysis to other ministries and assessment and analysis of contracts that are worth hundreds of millions of dollars?

Mr. Horner: Thank you. Through the chair, yes, we certainly do have a role to play, and we certainly give analysis. Maybe I'll try to give a little background of the role we play. Just bear with me. It's a little complicated. I'll try to give you the breakdown.

Member Eremenko: Sure. Thank you.

Maybe, while you're looking, if I may add another element to that question so that we can get that answered all at the same time. Is an element of your advice or service provision – does it include an analysis of understanding private-sector vs public-sector delivery when it comes to the actual ownership of assets, the benefit accrued as a result of that operation in the long term, whether it be to the ministry specifically, the government overall, and to Albertans generally?

Mr. Horner: Yes, certainly. Like, when we're looking at analysis, if we're sitting looking at the potential for a capital project – let's say that there's analysis on what this looks like if it's a design/bid/build, if this is a P3. We're going to have that interaction between the other ministries to make sure that there's value for money and that everything is, you know, being considered and that the economic analysis that they're showing – that we don't have questions, that there aren't things that look off. We're constantly doing that math to ensure there's value for money throughout the two different roles.

This will give you a little bit as to our role in procurement. In terms of my role as President of the Treasury Board and Minister of Finance, my department provides guidance and direction across government through Treasury Board directives. An example would be the procurement and sole-sourcing directive, which requires departments to foster consistent government-wide practices in the procurement of goods and services, including in respect of construction, and limits the authority of departments to sole-source in respect of services and construction. Under this directive the Department of Service Alberta and Red Tape Reduction is responsible for establishing the procurement accountability framework that all departments must participate in.

My department also provides internal audit services across government, focusing on areas of risk, potential for fraud, to assist departments in achieving their objectives. In addition, as part of the process for internal controls over financial reporting, my department is informed of all potential fraud cases that may arise during the year to support the year-end consolidated financial statement reporting process. My department also provides guidance and shares information to the finance community regarding potential areas of fraud, enabling them to identify and mitigate them.

Member Eremenko: Is the request for your service and feedback voluntary, or is there a particular threshold where a ministry must come or a department of a ministry must come to TBF to say, you know: does this kind of pass the sniff test?

Mr. Horner: They certainly are obligated to come to us, but it can work the other way as well.

Member Eremenko: Is there a particular threshold under which they are not obligated?

Mr. Horner: I'm going to let my deputy minister comment if that's all right.

Member Eremenko: Sure. Thank you.

Ms White: There are several thresholds in the procurement policy: \$10,000 sole-source, \$75,000 invitational bid, and then many permutations under that.

Member Eremenko: And that's for both capital and other granting agreements or contracts?

Ms White: Almost all capital is going to require a formal approval just because of the size.

Member Eremenko: Sure. With that size. It's so much bigger. Okay. Thank you so much.

Somewhat aligned with that, then, through the chair, Minister, you've already expressed some concern this morning about the capital spend that is getting very close in this budget to exceeding our labour capacity and possibly even our fiscal capacity as well. Capital commitments across the health system, including new health organizations of Recovery Alberta and continuing care, have really snowballed. Of course, as I mentioned, we've heard some very serious allegations to some of the contracting services in regard to those particular departments. Have you expressed that concern around capital spend through the Treasury Board directives that you've alluded to in regard to your guidance around the total capital spend?

Mr. Horner: Well, like, we are bound by the Infrastructure Accountability Act, so those conversations as we're in Treasury Board deliberations are always, you know, brought up first as a reference point for all conversations. Definitely, I'm glad you mentioned it because I do have concern over the overall size of the capital plan. The bigger the plan, the bigger the reprofiling. There are also concerns not only with the labour ceiling in the province and our ability to complete these things, but there's also the concern of potential for cost escalation through a lot of this uncertainty. With tariffs, the tariffs' potential to impact in different ways, it's going to be very important to watch how this year plays out. I don't want to be in a position where we have a snowball of reprofiling. The easiest way I can explain that is that for any of you that – you know, you want a school, and you want a road. If we have more things in the plan that aren't being completed, it's displacing things that potentially could be. So I think we'll have to really do analysis, if we do see major reprofiling, on what sectors and on cost escalation.

10:50

Member Eremenko: Okay. Thank you. My goodness, a 10-minute block goes very quickly. Thank you so much for such thorough answers, though. I think you've really answered those clearly for me.

A little bit on what my colleague was mentioning in regard to the performance measures. Performance measure 3(a) on page 183 of the business plan is the ratio of provincial public administration employees per 1,000 residents. It only goes to 2023. Perhaps that's because of some of the StatsCan things that you've mentioned already in terms of lag, but I'd like some clarity on why it stops at 2023. There are actually no target figures there. For 2023 Alberta had 5.9 employees per 1,000 population while the average for comparator provinces is quite a bit higher at 7.7.

This feels like a measurement of output, Minister, through the chair, not outcome. All it seems to tell me is an ideological fidelity

to prioritize private over public without actually demonstrating what it is delivering of greater value and how it serves the interests of Albertans. Please, in the minute that I've got left here, in regard to that measure, how is this a measure in service to Albertans, and through the chair, what would the minister like that number to be in three years?

Mr. Horner: No. It's a good question. I would call it more of a measure of efficiency. The best number I have – and I just had this conversation with PCS – is the 5.9, and some of that will have to get caught up with data. I think it's important – see, we want to ensure that the public service is rightsized. I think there are other ways that potentially we're going to assess the outcome of what's coming out the other end, so to speak. But this is a great guidepost for efficiency in comparing to the other provinces. The only province that is below us – and this is maybe an old number, but it's the one that's in my head – is 5.4 per cent for Ontario. I think it would probably be dangerous for us to chase that just because of their size and economies of scale.

Member Eremenko: So do you have a target?

Mr. Horner: My target is to be below everyone and above Ontario.

The Chair: Okay. Thank you very much.

Something I forgot to mention last time: you won't be able to cede time. So, everyone, if you run out of questions, we'll just go over to the other caucus.

The next speaker is Member Yao.

And the other part: I'm going to assume that we're going to share time throughout our blocks here. If that changes, Minister, if you want to go to block for some reason, feel free to do that. But I'm going to assume that we're going to share time.

Okay. Go ahead.

Mr. Yao: Minister, in 1(a) of the performance measures on page 180 of the ministry business plan you talk about the Alberta fiscal framework limiting the growth of in-year spending to a budgeted and voted contingency and keeping year-over-year operating spending at or below the forecasted rate of Alberta's population growth plus inflation. When I read statements like that, that's music to my ears, that we are striving to get those balanced budgets and any increases are done with a reasonable science in there.

With that in mind, I also understand why you have to have contingencies and things like that, because we have natural disasters, we have our neighbour to the south who's threatening tariffs on us. I'm wondering: is that a realistic goal for the '25-26 reporting period considering the number of natural disasters we have in Alberta? We're at this epicentre for some reason. Being from Fort McMurray, I've been hit by fire and flood. I have gotten through those unscathed. However, my colleague from Fort McMurray-Lac La Biche got absolutely hammered both times. It's absolutely mind-blowing, his luck. But that said, lots of people got hurt by those.

Again, how the province, quite honestly, goes above and beyond in supporting people who should have things like insurance, private insurance, really demonstrates the generosity of our province and the fact that we really are in a better position than most areas to be able to provide those kinds of supports. Like, I was reading an article on the Philippines. They had some mudslide, and hundreds of people died. Entire villages were wiped out. They don't give anyone money there. There's not a dollar that's allocated for that sort of thing.

I went to Uruguay in my younger days, Uruguay, with the city of Montevideo. I found out they have one month a year where they are

the tourist capital of South America and anyone who is anyone goes there to enjoy their beaches and stuff, because they have one month of good weather there. I'm talking to the locals, and they're saying that that's the one month they have to make money because the rest of the year, the other 11 months, they're going to get nothing, very minimal money. They don't have a social security net the way we do. They have to save that money and get through the rest of the year.

That said, I do recognize why you have to do some of these adjustments and prepare for such things like the tariff threats, like the natural disasters. Can you explain to me more about that process?

Mr. Horner: Thank you for the question. I think when you're thinking about the fiscal rules and how they apply, I picture them somewhat like a straitjacket. You never know which part of the jacket is, you know, restraining you in a given fiscal year. It might be the contingency. It might be the op ex ceiling. It might be the no-deficit requirement, without exception. Every year is different. This year the contingency being raised is a big part of how we expect to stay within the fiscal rules. Op ex ceiling is important, especially with the population growth changes that we're seeing and will expect in the future.

But that's part of why the rules are pretty rigid in that sense but also flexible and practical. Wildfire disasters are an exception that's allowed to the contingency rules. If we must pull wildfire spend out of that, we can. I would hope that it's always our hope going into a fiscal year that we can keep it within, but that may not always be the case. We'll have supplemental estimates, I think, on Monday, and that will be because we exceeded the \$2 billion. We can get into that shortly. But a large portion of that was from wildfire this year, Jasper response, ongoing drought concerns, and our obligations through our indemnities with crop insurance and the like. There is flexibility in that sense, that we will always be able to respond to those really unpreventable disaster scenarios. But, hopefully, we're due for a year where we can stay within the contingency and address them there.

Mr. Yao: Thank you so much, Minister.

Through the chair, the performance measure 1(b) located on page 181 of the business plan: it states that the per capita expenditure comparisons used are Quebec, Ontario, and B.C. I recognize those are more equivalent to Alberta in regards to population and stuff like that, but, I mean, they have different economies. Like, Quebec seems to be totally reliant on our government. They get some money off the hydro, definitely. But I mean, like, we're the only ones that have an industry that is lucrative but is being attacked by a federal government. Like, you don't see the auto sector getting hammered by the feds in Ontario. You don't see the lumber industry getting overly hurt by the federal government's actions in B.C.

11:00

I mean, these things are ultimately things that really affect our bottom line and performance. Is it fair that we use these provinces as a comparison? Is there any other way that we can do this? I guess I'm referring to, like, the per capita expenditures. Can you give us some insight as to how we use these measures, and how do you anticipate we can outperform these provinces moving forward?

Mr. Horner: Well, I think these things are important in the sense that they give you some anchors and some guidance. You see what's happening around you, and you see where you fit in it. I'm the last person that wants to spend more because everyone else is, if the outcomes are good in that sector. I think that's silly. That shouldn't be a goal. But if we're overspending in a sector – like,

let's look at health care. We spend more per capita, and we have the youngest population. That's something that I think we can ask questions about, how we're getting there. Education is different. We're spending less on education; the outcomes are still comparatively good. We know that we need to spend more and will, and we have challenges with population growth. But I think all of those things give you some guidance and a place to start, and then you ask more questions.

We want people to have – you know, things get more expensive, too, and that happens across the board for all the provinces. You're going to want diagnostic imaging whether you're in Saskatchewan or you're in Alberta or you're in the Maritimes. People are living longer. A lot of those things are applicable across the board, and they give us a reference point to say: where do we sit, and where can we look to do better? Where are we doing well? It's part of the tools to work on our priorities and spending going forward. You're looking backwards, you get a reference point, and it gives you just a little bit more information as you make your next decision.

Mr. Yao: I see. Well, again, Minister, I do appreciate your hard work and that of your entire team.

I would ask that in the upcoming budgets maybe you say “no” a little bit more. I know we're always – we contradict ourselves. We're telling you to get the balanced budgets, but then I'm asking for money to support, like, the recovery centre in Fort McMurray or help with the housing project there or more money for my hospital so that we can attract more orthopaedic surgeons. It's an ongoing thing.

I can't express enough how I really feel that our government needs to be a little bit more aggressive in cutting some costs, looking at really just supporting and providing core services, maybe whittling out some of the little things that are nice to have but not necessary. I could point to some things in some ministries, like Health for example, where we're providing services that no other province provides. It's mind-blowing, and it costs money. Every little bit just adds up and adds up to the point where we're in a debt and deficit and we're borrowing money. We're going to hurt the kids, your kids in the future as they try to wrestle with this debt.

Thank you.

The Chair: Thank you very much.

We'll go to the opposition side. Member Ellingson, go ahead.

Mr. Ellingson: Thank you, Chair. Yeah. I want to pick up a little bit from where my colleague MLA Eremenko left off and just some of the things that I've heard in the last few minutes. I mean, first of all, I'll put out a shout-out for those Albertans that no longer have the ability to purchase insurance for their home. They're now being denied insurance. Their insurance companies have sent them letters and notifications that they can no longer be insured because they have suffered hail damage so many times that the insurance company is no longer willing to cover them. Not all Albertans still have the ability to purchase private insurance, so I wanted to put that shout-out there for them.

I want to go back. I think we've just heard in the conversation we're having – and I don't want this to drag on through the whole block. We could talk about this for days, not just six hours: how we measure our outcomes and which measures are important and how that is guiding our decisions. It's a tough line to walk to determine, you know, what's important. Like, are our educational outcomes good? Are our health outcomes good? How are we measuring whether or not our education outcomes are good and whether or not our health outcomes are good? And where do we put the bar as to how good we want it or what is good enough?

We could compare ourselves to a number of jurisdictions across this country or around the world and still not necessarily have a solid answer of what is good enough. When we make that decision of what is good enough, some people are being left out, and some people aren't necessarily getting the services that they would need. As an example, I'll throw in there, like: what is good enough when it comes to educational assistants and support workers? Those kids with disabilities in schools need those services or they cannot be successful in school or in life. They need those extra services.

I'm going to stop there, dial it back, go back to that measure of appreciating that Finance needs its own measures that are beyond what the ministries measure for outcomes. We've got some of those measures, and we talked about that 5.9 employees per 1,000 population, that we're above Ontario but that's okay because they have economies of scale and we're below other provinces. There are other factors at play there. If we were to compare Alberta to B.C. and Saskatchewan and Manitoba, our population is more spread out. We have more costs associated with the geographical distance between our population than they do in Saskatchewan.

I guess I'll just ask, to follow through and give another kind of kick at the can for the minister: this seems more like an output than an outcome. The minister said – like, we do need to measure what comes out on the other side, and there has to be a point where those other measures, population measures maybe overcome that need to achieve a number of public employees per 1,000. How does the minister respond to that?

Mr. Horner: Yeah. I'd just start and say, you know, if there was a supercomputer that I could pump all this into and it would optimize these decisions for us, we'd use it, but there isn't. All of it gives us a little bit of information. We get into great detail with each ministry, and then we circle back to the 30,000-foot level and look at the entirety of the province now and going into the future.

I think outcomes are the most important, and they cascade in against each other. If you're getting a bad outcome somewhere, it could mean that you're going to have to spend more in a different ministry, so it becomes a very comprehensive conversation. It's messy, it's not perfect, but it all gives you a little bit of information. I agree that these metrics aren't perfect, but they're just a tool that gives you a little bit more information, and we do the best we can with it.

Mr. Ellingson: For everyone to understand, those hard conversations of running up against: those hard conversations may be the suffering of those other outcomes as we run up against the fiscal framework. And then what budgets? Those other outcomes for the population, or the fiscal framework? Those are the tough conversations that are had with Albertans.

I'll leave that for a second and maybe continue on a bit of another path. I heard earlier, too, a comment about – sorry. I'm following up on some conversations that just happened earlier. Again, the minister was talking with Member Eremenko about infrastructure and about some projects that are in the pipeline but unable to complete that are going to mean that other projects that could be completed aren't going to start because you've kind of already got things on the go. Should Albertans be prepared, potentially, if there are cost escalations or skills shortages, for some announcements that we've already heard that are maybe in planning or design to be punctured further down the road if we run into cost escalations or skills shortages?

Mr. Horner: Well, I don't think that's a new phenomenon. I think that's always been the case somewhat. But, yeah, I'd say potentially. I mean it when I say that the bigger the plan, the more

potential there is for reprofiling. Like, the larger it gets, especially with, you know, housing starts, when we're talking vertical construction, the labour ceiling is real. That's part of why the school accelerator program is based on the upper limit of what we think is possible.

11:10

Mr. Ellingson: I might come back to the school accelerator program later in the day because we have, like, smaller numbers of schools that were announced years ago that have still not broken ground compared to the higher numbers of schools today that are being announced. I'll come back to that later.

I'm going to go back to some of the other performance metrics that we have or data that we've gathered. Page 181 of the business plan in performance indicator 1(c), the tax advantage for Alberta. I'll maybe flip this in a different way. It's estimated that if we were to charge the same kinds of fees and taxes as another province like British Columbia, we would receive another \$20.1 billion in revenue. We've already talked about how tax decisions leave some people no better off. That \$20 billion is a lot of money, and it exceeds the coming estimation for nonrenewable resource royalties. So when we have that conversation about the resource roller coaster – talk to me about the conversation and decisions that you make about looking at other provinces, how they generate revenue, the choices that we made to generate revenue and whether or not there is room there so that we would maybe not be in a deficit today.

Mr. Horner: It's a good question. I think you also have to look at everything else that that creates in Alberta: the job growth, the highest GDP across the country, the stark investment differences across the country. I think if you're going to go down that path, you really have to think about it as comprehensively as possible. Taxation is a choice; I say it all the time. As complicated as all of this is and messy, it comes down to revenue and expense. It's what you expect government to pay for and do and how you pay for it.

Mr. Ellingson: And it's complicated here. Even when you think about corporate taxes, we have an outsized share going to one single industry that leads to us having, like, a supersized GDP.

When the conversations were had about those 38 items with fee increases and that property tax increase of 14 per cent that now we know is going up by 33 per cent next year, was that drawn from what other provinces do?

Mr. Horner: The 33 per cent is 33 per cent of educational operating, which is historically where we were in the past. We had ceded some of that space even though property taxes continue to increase. I'll let the municipalities explain what they're doing with that money, but we are going back to our historical bar, and I think the investments in education point to the reason for why.

What was your question about the other fees?

Mr. Ellingson: Those other 38 fees: did we look at other provinces to compare, like, the revenues that they earn and generate?

Mr. Horner: Interjurisdictional scan on all of them to ensure that we were still below, maintaining what advantage we could.

Mr. Ellingson: I think with 15 seconds I should just cede the time rather than going into a new topic.

Mr. Horner: Maybe I'll just take it.

When we talk about the corporate tax rate, government brought in \$7 billion in corporate income tax revenue in '23-24. That is substantially more than when it was at the previously high rate.

The Chair: Okay. Thank you very much. We'll maybe get back to that.

Member Armstrong-Homeniuk, you have 10 minutes. Go ahead.

Ms Armstrong-Homeniuk: Thank you, Chair. Through you to the minister, first of all, Minister, I'm going to thank you and your amazing team for all the work you do. I can only imagine how challenging your job is, and you do it with grace and with thoughtfulness, so I want to thank you for that.

Chair, through you again to the minister. Performance measure 1(d) on page 181 of the business plan states that the fund's target is "to meet or exceed the Canadian Consumer Price Index . . . plus 450 basis points over a rolling five-year period." Chair, through you to the minister: can you quantify this as a return percentage? Also, this measure mentions that in '23-24 it returned a rate of return of 6.4 per cent. If that is accurate, why are we budgeting for only a 4.5 rate return over the next three years, given the objective to maximize earnings in objective 1.2?

Mr. Horner: Okay. Good question. Thank you, MLA Armstrong-Homeniuk. I'll break it down a little bit. The heritage savings trust fund has a real return target equal to Canadian consumer price index, CPI, plus 4.5 per cent measured over a five-year rolling period. For the latest five-year period ending December 31, 2024 – and this would have been reported budget tabling day, February 27 – the heritage fund returned 7.0 per cent, which was .3 per cent lower than the real return target of 7.3 per cent.

Performance is measured over the long term to capture changes in economic cycles. There may be times when long-term performance is higher or lower than the target. The heritage fund's real return target is used to evaluate the investment direction given to the fund, which includes items such as the fund's asset allocation, investment manager selection, and risk measures. The fund's investment policy states that the real return target of the heritage fund is an average return of 4.5 per cent adjusted for inflation based on the consumer price index, which is a measure of domestic inflation. By nature this target is almost always positive and encourages investment decisions that contribute to positive long-term growth.

If the target is not being achieved, it serves as a signal for the asset owner – that's us – to reassess the existing strategic asset allocation and seek out potential improvements. At the end of the last fiscal year the heritage fund achieved a five-year net rate of return of 6.4 per cent versus a real return target of 7 per cent. In this case the real return target of 7 per cent was comprised of a 2.5 per cent CPI measure for the five-year period plus the fixed 4.5 per cent excess performance target. The 2 and a half plus the 4 and a half gets you to 7.

Ms Armstrong-Homeniuk: Thank you, Chair, through you to the minister. Outcome 2 on page 182 of the business plan states: "policy and regulatory oversight for the financial, securities, insurance, and pensions sectors is effective, fair, and in the interests of Albertans." Minister, can you explain how your reforms to the insurance industry, moving to a care-first model, will ultimately be in the best interests of Albertans moving forward? Also, can you give us some ideas of what the regulatory oversight is and what it will look like going forward?

Mr. Horner: Okay. Thanks for the question. This is a very complicated and challenging file. System change is always challenging. We are excited about what we're doing. Shifting to a new care-first system will provide injured Albertans with better medical rehabilitation and income support benefits. For example, today the medical and rehabilitation benefits currently available to

injured Albertans are limited to medically necessary expenses up to \$50,000 for two years following a collision. Under care-first this will increase to potentially unlimited amounts over the entirety of their lifetime.

Additionally, the care-first model will shift focus away from court battles and instead will be centred on meaningfully supporting an Albertan's recovery. Instead of navigating lengthy legal processes, Albertans would have access to the medical care, rehabilitation, and support they need when they need it most. This would allow Albertans to focus on getting better and back to work, not on litigation.

The second part of your question on the regulatory oversight: the regulatory model under care-first will largely exist as it does today. More specifically, the office of the superintendent of insurance will continue to regulate the conduct of insurance companies operating in Alberta. Compliance activities undertaken by the superintendent ensure that insurance companies treat Albertans fairly. In the next two years up to 11 staff will be hired to support additional regulatory and compliance activities of the care-first program on an ongoing basis.

The Automobile Insurance Rate Board, which is established by the Ministry of Finance as an independent agency and overseen by an independent board, delivers efficient rate regulation for automobile insurance companies and educates Albertans about the insurance marketplace. Up to an additional 13 staff members will be hired to support that program.

11:20

Finally, the Alberta Insurance Council is an industry-funded regulator that licenses and oversees agents, brokers, and independent adjusters operating in Alberta. Details of potential changes to help further bolster the automobile insurance regulatory landscape to help support the care-first model are anticipated as part of upcoming legislation later this spring.

Ms Armstrong-Homeniuk: Thank you, Minister. Also, Chair, through you, again, to the minister, I want to speak on outcome 3 on page 183 of the ministry business plan. This outcome states that public servants are getting Albertans services when and where they need it. As our caucus has numerous rural MLAs, this is good to hear, but I have to ask: how in a time of fiscal restraint can we ensure that this outcome remains applicable when it may be obvious cost savings to close some of these services in rural Alberta?

Also, Chair, through you to the minister, outcome 3 also goes on to state that government "has a professional, non-partisan, and engaged public service that proudly serves Albertans." Now, this is a laudable goal, but given what we have seen at federal levels, both here and in the south, it has been quite clear that often it seems that some – and by all means, I emphasize it's only some – in the public service appear to work at odds with what is in the best interests of the citizens. I guess my question is: how do we ensure that the public service does indeed remain nonpartisan and does not actively push an agenda not in concert with government?

Mr. Horner: Hmm. Interesting. Well, you know, I can speak for the public servants I have beside me in that they always act in a very nonpartisan, pragmatic way and give me the best advice that they can. It's very thoughtful and well thought out in the sense that I think the majority of the public sector that I see and deal with still believe in fearless advice and loyal implementation, and it's put the onus back on me to be a practical, thoughtful person and take the best advice available and move forward.

When it comes to, you know, public service and your question about decisions and implications in rural Alberta, I think that's all

part of a perspective that you need to have at different levels. We need it within the ministries. We need it within Treasury Board and Finance. The province is big. It has facilities and services everywhere. You have to measure some of those things differently. You have to measure the outcomes on the ground differently.

You know, for example, in my time in agriculture, Chair, there were a lot of conversations around AFSC's offices, for example, where they were. There have been changes in location. You just have to proceed thoughtfully. The world is changing. Technology is changing, the need in some instances for brick and mortar facilities. Our demographics change as well. The people that rely on those services in that way: that changes over time, too. It's part of an ongoing process that you have to look at and look at different metrics like, you know: how many people are through the door in a week? What is the alternative? What does that look like? And then: is that something we can support in a different way? I think it's messy and it's at a high level and it's within the ministries, and it's part of a conversation that we all have to keep having.

The Chair: Thank you very much, Minister.

Member Ellingson, go ahead.

Mr. Ellingson: Thank you, Chair. Minister, I'd like to return a little bit to the educational property taxes for a moment and those increases. It is, like, 14 per cent, which is the increase year over year. You know, I live in a municipality where people get a little agitated around property taxes, and they get a little agitated on their property taxes if the city portion of their property taxes goes up by 3 per cent. You're proposing an increase that is five times that. I think we are understating just how much these property taxes are going to affect people, how much they're going to feel it. Again, just the choice, you know, such an outsized increase for this particular tax: why? Why are we kind of, like, putting it in that one bucket?

Mr. Horner: Well, I guess I would point to the fact that we thought it prudent to stage it over two years. You can imagine how dramatic it would be to do it all at once. We do, you know, feel strongly that all things combined, bringing in the income tax cut, bringing in that affordability measure, which impacts 2 million Albertans – we can debate over who's seeing the impact more than others, but there are very few programs that I can think of that you'd be able to touch that many Albertans.

But to point back to our education requirements, \$505 million in operating, a capital plan that's being dominated by schools, which we all support. The schools will predominantly be in high-growth areas, too. That's another consideration. You know, housing values are changing, and that is an average, so you've got to look at what it means for the individual. It can dramatically differ.

Mr. Ellingson: I do remember the time my dad was a municipal councillor, many, many years ago, when the government made the choice to, like, harmonize the mill rate for the educational property tax across jurisdictions. It used to be differentiated between municipalities, and some municipalities were, you know, punished in paying a higher mill rate in order to try and generate the needs for that area. So that's going back in time.

This question or statement might actually give you a little bit of credit. Maybe I'm misinterpreting. On page 57 of the fiscal plan I see that the increased revenues over Q3 forecast will be \$392 million through the educational property tax, but then when I look on page 68 of the fiscal plan, the overall increase to education is \$426 million. I'm wondering whether or not you're actually getting closer to that goal of: you want to move from 28 per cent to 31 per cent to then 33 per cent of the total costs being covered. Are we

actually getting closer to that goal? It feels like we're just kind of treading water.

Mr. Horner: My deputy was just giving me a little context that's maybe important for this. Once again, there's a challenge there between the calendar year and the fiscal year as well, which throws those off a little bit, but yeah the education spend is still going to far outweigh the education property tax component.

Mr. Ellingson: I'll ask a little bit maybe to get some clarification. You talked about how those educational expenses, the capital expenses will be going mostly to, you know, those areas that are showing the highest population growth, where the most number of students are coming in. I'm wondering if you have any data or if you can share any data of the educational property tax lift. How much would come from, say, Calgary, and how much of those educational, like, the overall – how much of that capital spend do you think will be in the Calgary catchment area of the Calgary board of education and Calgary Catholic district?

Mr. Horner: I think we'd have to go to Municipal Affairs for that data and Education. Yeah.

Mr. Ellingson: Okay. I appreciate that. We can find other ways to ask Education and Municipal Affairs about that.

Mr. Horner: You are right about the population.

Mr. Ellingson: I know. I live in a constituency where three years ago I would look out my window and see empty fields, and now I see acres and acres of houses. So it is, but I also have full appreciation for those other areas of the province that may not be growing as quickly. They also desperately need infrastructure improvements. No question about it.

I want to talk a little bit about – I think this is also a thread that we brought up earlier – our ability to keep up with infrastructure. We noted in September the \$8.6 billion school accelerator program announcement, and at that time we did say that this was a generational investment and gave credit to that announcement.

11:30

At the time it was noted that the accelerator program would allow announcements to happen between budgets, such that in the middle of the year we could see some things, but then we didn't actually hear anything until a week before budget. So I'm wondering in those first six months whether or not we actually were able to, like, do what we said we would do and make announcements in between budgets.

Mr. Horner: We did some approvals within the year, some design/build. I'd have to get you the actual schools. Maybe we should do a better job communicating that throughout the year. But, really, maybe for everybody's understanding, on the school accelerator program and the commitment that this government is making, it really is allowing the Minister of Education to come to us as opposed to bottlenecking the process all in one month at budget, and being able to say: okay; we're going to build 30 schools. If they meet our staged-gate criteria, which is very important, if they can, you know, turn our chart from red to green and show us that the site servicing is there, that all of the considerations have been made that would slow down the potential for construction, and it meets the need requirements around population growth, we will approve it in year. You can imagine how dramatic that will be for the end date of when these construction projects will be done, by allowing them to be accelerated in that sense.

It's still an onus on municipalities to have the site servicing ready. I'm not pushing the Minister of Education to say: hey, bring me more, bring me more. He's pushing the municipalities to say: if you want school X done, we need this checklist completed, so you can bring it to us.

That's really the process, and it should be understood how much that hampers my job to balance the budget.

Mr. Ellingson: I appreciate it. Yeah. You've just answered my next two questions, also. One, in the role of the ministry in approving those projects as they kind of like move through, right? You've just talked about, like, your framework where you make the decision of it, flipping from red to green to kind of unleash the funds, right? That's where your role is. Then it's up to municipalities and the Ministry of Education to be doing that work before that gets to you.

You did talk about how, you know, you're not going to go hounding them; it's up to them to come to you. This is an accelerated program: \$8.6 billion was announced in September; \$2.6 billion for this budget. Will you hound them if you find that the projects aren't coming to you to flip from red to green and you think that we're falling behind on that commitment? Is that a role that you have?

Mr. Horner: I think so. I don't foresee that being a problem, I honestly don't. But, yeah, we have questions. You know, really what we've said to the Minister of Education is that we'll have a Treasury Board meeting a month if you have schools that require approval. It's not something we offer to anyone else. But if we're getting through the year and he hasn't brought anything forward, we'll definitely ask some questions, and I'm sure Infrastructure will as well.

Mr. Ellingson: Okay. I'll ask a question and see if I get to the end of the question, and you can answer it later. We already have projects that are in the pipeline. I'll use an example. In the constituency of Calgary-Foothills in the budget of '23-24 full construction funding was for an elementary school for Calgary Catholic in Nolan Hill. Two years now have passed; there's no shovel in the ground. There's still no real information from the Minister of Infrastructure about when that project will actually move forward. They said: maybe this summer.

We have projects that are there. Is it also, like, a role of yours to kind of go to the Ministry of Infrastructure and say: "What's taking so long? I approved that money two years ago."

The Chair: Okay. Thank you. We'll maybe get back to that next block.

Member Boitchenko, you have 10 minutes. Go ahead.

Mr. Boitchenko: All right. Thank you, Chair. Before I start with my questions, I would like to thank and acknowledge and appreciate the public servants and the great, amazing team you have, Minister. A special shout-out to Kate White, who has actually put her heart into this budget, and I appreciate working with you on the Treasury Board. It's amazing to see, you know, how hard the team works to balance this budget. Being on the Treasury Board, I can attest to how hard the minister is trying to balance the budget. I can just tell you that I don't think we sell enough oil and gas in this province, because if we do, then we can pay for our education, health, all the social programs that we have and much, much more without, you know, putting tax on the people and then maybe, perhaps, even charging less taxes.

When it comes to the deficit that we have in this year, I can say that we couldn't ask for a better minister, especially with your personality, you know, calm and collected to be able to weather the

storm. Thank you for your leadership there. We truly appreciate your conservative approach to the budget. We'd rather be conservative than stick our neck out and then, you know, be surprised and caught by surprise at the end of the day, so thank you for being conservative.

I want to talk a little bit about personal income tax, because we've heard from the member opposite that some people have a hard time paying taxes. I think that I've never seen anybody saying: I love my taxes and I'm happy with my taxes. You know, we all want to pay less taxes. Despite the challenges that we have in the budget, we still managed to reduce personal income tax. It's amazing how that can be done in this budget, so thank you for trying.

I'll start with my question, obviously through the chair to the minister, on page 249 of the government estimates, the ministry shows that the revenue from personal income tax is decreasing, as has been talked about extensively. Our government has taken the course of action to reduce personal income tax for all Albertans, saving each individual about \$750 per year, and, you know, it's amazing what \$750 can do. For my constituents this will allow them to put more money into groceries, home heating, to pay for mortgages or rents, and, you know, fuel our vehicles. To the minister through the chair: do Albertans pay lower personal income tax than the rest of Canada, and what is the second-lowest province? And how will we keep personal income tax lower going forward?

Mr. Horner: Thank you for the question and your kind remarks at the start. That was very nice, MLA Boitchenko.

We are obviously committed to keeping taxes low for Albertans. We want to allow Albertans to keep more of their hard-earned dollars in their pockets to deal with their daily lives. We strengthened this commitment through the 2023 amendments to the Alberta Taxpayer Protection Act, which prevents government from increasing income taxes without first consulting Albertans through a referendum.

Some provinces may have lower personal income taxes, but once you include Alberta's lack of a sales tax, lack of payroll tax, as well as a low fuel tax, Albertans will generally pay less tax in Alberta than they would in any other province. When you combine all of the taxes together, as we've discussed, it's a \$20.1 billion delta over the next closest province.

The new tax bracket further entrenches Alberta's tax advantage. A working Albertan with no children earning \$75,000 will now pay about \$2,100 less than in British Columbia, which is the second-lowest province, compared to \$1,400 less than before the introduction of the tax cut. A two-income couple with two children earning \$150,000 now pays nearly \$3,000 less tax in Alberta than in British Columbia, compared to nearly \$1,800 before the tax cut. Those examples would give you some reference points.

Mr. Boitchenko: Okay. Well, thank you. Thank you for that. Albertans already have the lowest tax across Canada. My next question would be: why did we decide to lower it even more, and how will that help the most vulnerable, and how will that benefit the province?

11:40

Mr. Horner: It's a good question. We know Premier Smith campaigned on this income tax cut promise, and it's been something we've been wrestling with, how to bring it forward and when. As I said earlier, I was struggling with the timing in the sense that I did want to see our population settle out, have more people tethered to the job market, just to respond to the pressures we're seeing on the expense side. But when everything is considered, with the uncertainty that we have around tariffs, government's inability

– in no way do we have near the fiscal capacity or dry powder to keep people whole through something like this. So it's very important that we do something.

I think the income tax cut is well warranted to do now, to give that to Albertans while we move forward. I know that's been referenced in many of the quotes from the rating agencies. I believe it was Moody's that referenced the income tax cut specifically as a prudent tool to allow Albertans to weather the storm of this tariff uncertainty. So, I guess, keeping our promises.

It does impact 2 million Albertans. It's dramatic in the way that it will do that, but we think it's good policy. I've been asked: should we decrease the small business tax rate from 2 per cent to zero? I think everything considered, having the Productivity Summit, some of these things, we think that's bad policy. We think that's going the wrong way. We're creating kind of a tax cliff that incentivizes businesses to stay small. That's already part of our productivity challenge in Canada.

We think this provides some help in an uncertain time. Like I said before, we're all very confident that Alberta is going to come out the other end of this stronger than ever, with everything we're seeing across the country, markets, egress, interprovincial trade barriers dropping, but we just have to do what we can to help Albertans weather it. It'll be more challenging for some, no doubt.

Mr. Boitchenko: Thank you.

I would like to also bring our attention a little bit to the corporate tax that's been lowered. The NDP introduced a 12 per cent corporate tax, and our government has lowered it to 8 per cent. We've talked about it a little bit, but maybe you can highlight the biggest benefits of lowering the tax, if that increases or decreases our total budget. And what is the benefit of lowering the corporate tax and being the lowest?

Mr. Horner: Yeah. We have brought in more corporate tax at a lower rate. A large portion of that is from the oil and gas sector, no doubt. I think it speaks to, you know, the philosophy of: are you better off charging less and growing the pie? Do you want the job growth and creation that comes with it, or do you want to risk interjurisdictional uncompetitiveness and see flight of capital and everything that comes with it. We've been through that in this province, not that long ago either.

We're comfortable leaning on our broad-based competitive structure. One of the challenges for the province going forward is that if that's going to be your sales pitch, then you have to stick to it. You can't add a bunch of other things on the sides. You've got to stick to: this is going to be our competitive advantage, and that's what we'll rely on to bring people here.

Mr. Boitchenko: Thank you.

The Chair: Thank you very much.

Member Ellingson, go ahead.

Mr. Ellingson: Thank you, Chair. Just a couple of comments. There's this term in economics that I came to love. I think it's very convenient for economists. *Ceteris paribus*; all else being equal. So that increase in corporate taxes is not just to do with the tax rate. There are so many other things happening that would lead to corporate tax collection going up or down; in our case just moving from prepayment to postpayment for, like, giant industrial oil sands facilities. I just wanted to put that out there, and we can debate another time about the small business tax. I think what's very interesting: understanding that that maybe provides a disincentive for businesses to grow, that they want to stay in that lower tax rate. If we applied that to people, then we would also make the

assumption that people want to keep their personal incomes below a certain rate so that they don't pay more, and I don't know whether or not that's actually the case, but we won't debate that today.

Mr. Horner: Not to interrupt, Court, but it also brings up an interesting point of these cliffs. You also have to watch them on the program side because you can create a lot of, you know, perverse outcomes, welfare walls.

Mr. Ellingson: Yeah. There's a tipping point, right? There's a tipping point. I will agree to that.

I think I left off with a question. Just to cycle back to that question, the projects that have been out there: what's the role of the ministry to kind of prod, I guess in this case it would be Infrastructure, to move those projects ahead?

Mr. Horner: I'm glad we're coming back to that. We rely and work closely with the Ministry of Infrastructure to get through what I would call our stage-gated process. Hopefully that project doesn't have a simple-fix hang-up. The field that you're staring at that hasn't become a school: hopefully it isn't something as simple as servicing, or it shouldn't have been in the budget to begin with. We want to make sure that we're comfortable with what Infrastructure has shown us, that the light turns from red to green before it moves forward. That's part of the tools we rely on to ensure that we don't have delays further down the road, but we constantly are in conversation with Infrastructure and Education when it comes to schools and do keep track of delays.

Mr. Ellingson: In that case – I'll use this, too, as a segue to keep kind of going on this topic – the note that was received back from Infrastructure was that P3 negotiations are still under way. Last year Member Phillips asked about in the fiscal plan, and your response was that seven out of 43 school projects were proceeding as a P3. I'll ask: how many of the school projects that have been announced since then are also proceeding as a P3?

Mr. Horner: We would have to dig that up, Court. I don't have that here, but I think we can find that.

Mr. Ellingson: I appreciate that.

Mr. Horner: One thing that I'd say, one thing that's a concern potentially that we have to look at is, with all this risk and uncertainty, if a P3 potentially is going to bring that risk from the potential future into real time for us, so we're going to watch P3s closely when it comes to, you know, tariff uncertainty. Is that pricing being, you know, front-loaded in these deals? The value-for-money calculation is going to be extremely important.

Mr. Ellingson: It seems that today you're being a bit prescient because you're answering my next questions.

Mr. Horner: Oh.

Mr. Ellingson: I did want to ask about those P3s. Like, in this case, in that example that I gave about the Nolan Hill Catholic school, where the perception is that P3 is maybe slowing it down and that by slowing it down in those negotiations, in that P3, as an example: who's on the hook for cost increases if the project takes longer to deliver than we think it would? How are we mitigating those risks?

Mr. Horner: We usually protect our liability well on the overspend. It's usually the builder. I'd have to get a little more detail for this project specifically to understand. We obviously don't have

that. But the value-for-money calculation is key, and it only works if it's on the timeline as presented. So the delays are on the builder.

Mr. Ellingson: In a P3 scenario there's no way that those delays or costs could in any way be transferred back to the school board?

Mr. Horner: If the contract were to become invalid, a force majeure situation.

Mr. Ellingson: Understanding that that would be an exceptional situation, but should that eventuality come, is there protection for the school board?

Mr. Horner: The government.

Mr. Ellingson: Okay. So at the end of the day, worst-case scenario, the government is the backstop?

Mr. Horner: Yeah. We're always on the hook, it seems.

Mr. Ellingson: Thank you for that clarification.

Now I want to talk a little bit as a segue. The purpose of increasing those educational property taxes is for that source of revenue to come closer to the overall expense of Education. I'll call it investment instead of expense. And there are other examples. Like, I talked about earlier that increase in fee for the Alberta immigration program. Last year one of those reasons, too, was for the ministry to come a little bit closer in cost recovery. In last year's estimates that was one of your responses, to come closer to cost recovery.

11:50

I'll ask. I'm going to jump into another ministry, a big ministry, and this is an area of concern for Albertans, that we're not going to start to look to cost recovery for health care. Can the minister commit that – we haven't seen it in this budget – in the future budgets we will not see the introduction of health care premiums as a way to cost recover the costs of delivering health care to Albertans?

Mr. Horner: Just before I go to there, this might shine a little light on your previous question. I think it was on the immigration application fee.

Mr. Ellingson: Yes.

Mr. Horner: Part of the scan we did – the proposal was from \$840 to \$1,400. B.C., for example, is \$1,475; Ontario is between \$1,500 and \$2,000; and the government of Canada's fee is 15 and a quarter. That's some of the analysis that we would have looked at.

Mr. Ellingson: So you're kind of right there in the mix.

Mr. Horner: Your question about health care premium: I'm certainly not going to tie the hands of a future Finance minister, but I would say that anything that dramatic would certainly have to be, you know, consulted with Albertans if that's . . .

Mr. Ellingson: I mean, you might be the Finance minister again next year, inshallah.

Mr. Hunter: Point of order.

The Chair: Okay. Point of order.
Go ahead.

Mr. Hunter: My point of order is 23(b), speaks to matters other than the question at hand. We're talking about the current estimates,

not speculation on future estimates. I think that this would be considered as a point of order in terms of 23(b).

The Chair: Go ahead.

Ms Pancholi: Thank you, Mr. Chair. I'll just note that the budget documents do look forward three years. All of the fiscal plans, the budget documents are not just limited to forecasts for this upcoming fiscal year but future years as well. And it seems that the minister does not seem to have any concerns about answering these questions.

The Chair: Okay. Yeah. If we can keep it as close as we can. You're doing a great job, but if we just keep it on track here.

Mr. Ellingson: For sure. I'll actually close that topic in understanding that we can't make a commitment today that no health care premiums would be introduced.

Mr. Horner: There's no health care premium that's part of the three-year plan.

Mr. Ellingson: Another health care question. We've seen in recent media articles the tobacco settlement, and we actually – I'll link it back – had an article of legislation that we had passed that brought this province in line with other provinces and the feds on that tobacco settlement. The settlement will be substantial. Can the minister clarify whether or not any of those funds would be included anywhere that I wasn't able to identify? Any potential funds coming from that settlement that would be reflected in this budget?

Mr. Horner: No. It's a good question, and it's still pretty – there are a lot of unknowns. I know in speaking with the controller, Dan Stadlwieser, in conversations he's having, that a lot of problems are that you're trying to determine how to account for this and then how likely it is that the actual payments will continue. There are a lot of considerations being had to how that will be, you know, reported and brought in. But, like, if you want to know the number, I think our expectation was that Alberta's share was maybe \$4.1 billion, but that's over 20 years. It would mean a substantial amount in the first year, and then . . .

Mr. Ellingson: Would you say half?

Mr. Horner: No. The number that's in my head is \$750 million, but I should look behind and see . . .

The Chair: Okay. Thank you very much, Minister.
Member Boitchenko, you have five and a half minutes. Go ahead.

Mr. Boitchenko: Perfect. Thank you very much, sir. I want to take our attention a little bit back to AIMCo. We will see that investment management charges, outlined on page 249 under revenue, bring in significant revenue that is then off-set in the expenses. We all know that in the fall you have fired the board of AIMCo along with the CEO and several, actually, other executive members. We also then had appointed Rt. Hon. Stephen Harper, former amazing Prime Minister of Canada, as the board chair.

With those changes that were happening in AIMCo, I want to see if we achieved the outcome we were looking for. I'll probably give you two questions at the same time here. If you can tell us why that was necessary to do going into the '25-26 reporting period, and as

well if we see any positive changes in savings in our 2025 going on 2026 budget. If you can just kindly, you know, high level, give us why that was necessary and what we are expecting to change with the new board and hopefully new charges and costs associated with this.

Mr. Horner: Sure. Thanks for the question. Our concern was around, you know, rising costs, from our perspective, without correlating change in return and the trajectory that that was on. I guess I'd say that in the short term we've seen some of the moves made by the new CEO and board around focusing on priorities of investment returns. They have done some downsizing but not on investment-focused personnel. There's also been some changes in their footprint. They closed the New York and Singapore offices and have moved some folks back to Calgary and Edmonton.

I think it just shows that they're marching into the challenge that we gave them and have made some initial moves that I think should be appreciated by all of the asset owners, including us with the heritage fund but also the pensions. It'll be an ongoing, you know, work in progress. I think, like government too, things just grow if they're allowed to, and I think constantly you'll see that things need a reset and a refocus and just remind who they work for and why and ensure that that's the mandate that they're given and acting on.

So far I've been appreciative of the relationship. I'd say that Mr. Harper is an exceptional board chair. From what I've seen he's very dedicated to the province and wants to see this through as a way of kind of giving back to the province. I think we all should be lucky to have him.

Mr. Boitchenko: Thank you. You also had mentioned about the Alberta heritage savings trust fund, and I absolutely love the idea of growing it from \$25 billion to \$250 billion. I hope that the next government can take it even further to maybe even \$500 billion. I think the future in the planet are the trust funds because this is a constant stream of funding. With the new board, if you can maybe in the last minute give us your desire to see, you know, the changes and maybe benefits to the Alberta heritage savings trust fund and maybe even the pension plan as well.

Mr. Horner: Well, I'd say the most important thing is that you have to have a statement of investment priorities and goals, you know, the marching order to your investment manager that's appropriate for what you want to achieve. When we changed the default setting from the heritage fund just being inflation-proofed to saying that we were going to leave the retained earnings and we want growth to 2050, a very patient, growth-oriented plan, we have to ensure that that's the direction that we're giving the manager to invest on our behalf. So that's part of the process that we're in now. Yeah. I agree with you. I think it's been too long used for general revenue.

The Chair: Thank you very much. I apologize for the interruption, but I must advise the committee that the time allotted for this portion of the consideration of the ministry estimates has concluded. We will complete the last four and a half minutes of that block when we meet this afternoon.

I'd like to remind committee members that we are scheduled to meet this afternoon at 3:30 to consider the estimates of Treasury Board and Finance.

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 12 p.m.]

