Legislative Assembly of Alberta

The 29th Legislature
First Session

Standing Committee
on
Resource Stewardship

Ministry of Treasury Board and Finance
Consideration of Main Estimates

Tuesday, November 3, 2015
9 a.m.

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Standing Committee on Resource Stewardship

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Loewen, Todd, Grande Prairie-Smoky (W), Deputy Chair

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Standing Committee on Resource Stewardship

Participant

Ministry of Treasury Board and Finance
Hon. Joe Ceci, Minister

9 a.m. **Tuesday, November 3, 2015**

[Ms Goehring in the chair]

Ministry of Treasury Board and Finance
Consideration of Main Estimates

The Chair: Good morning, everyone. I'd like to call the meeting to order and welcome you.

The committee has under consideration the estimates of the Ministry of Treasury Board and Finance for the fiscal year ending March 31, 2016. I'd ask that we go around the table and introduce ourselves for the record. Mr. Minister, once we get to you, if you could please introduce your staff. I'll start. My name is Nicole Goehring. I'm the chair and the MLA for Edmonton-Castle Downs. I'll hand it off to the deputy chair.

Mr. Loewen: Todd Loewen, deputy chair and Grande Prairie-Smoky MLA.

Mr. Drysdale: Wayne Drysdale, MLA for Grande Prairie-Wapiti.

Mr. Stier: Pat Stier, MLA for Livingstone-Macleod.

Mr. Clark: Greg Clark, MLA, Calgary-Elbow.

Mr. van Dijken: Glenn van Dijken, MLA, Barrhead-Morinville-Westlock.

Mrs. Aheer: Leela Aheer, MLA, Chestermere-Rocky View.

Mr. Cyr: Scott Cyr, Bonnyville-Cold Lake MLA.

Mr. MacIntyre: Don MacIntyre, MLA for Innisfail-Sylvan Lake.

Mr. Fildebrandt: Derek Fildebrandt, Strathmore-Brooks. To my left is our director of policy, Bill Bewick, and to my right is my legislative assistant Cole Kander.

Mr. Taylor: Wes Taylor, MLA, Battle River-Wainwright.

Mr. Ceci: I'm Joe Ceci, minister and MLA for Calgary-Fort, and on my right is Ray Gilmour, Deputy Minister of Treasury Board and Finance. On his right is Lana Lougheed, deputy minister of corporate human resources and the Public Service Commissioner. On my left is Aaron Neumeyer, assistant deputy minister, budget development and reporting division, and on his left is Darren Hedley, assistant deputy minister, strategic and business services. Then there are a number of people behind me that I'd like to recognize, but I'll do that once I begin, Madam Chair.

Mr. Bhullar: Good morning. Manmeet Bhullar, MLA, Calgary-Greenway.

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

Ms Gray: Christina Gray, MLA, Edmonton-Mill Woods.

Ms Kazim: Anam Kazim, MLA for Calgary-Glenmore.

Ms Woollard: Denise Woollard, MLA, Edmonton-Mill Creek.

Mr. Dang: Thomas Dang, MLA for Edmonton-South West.

Mr. Rosendahl: Eric Rosendahl, MLA, West Yellowhead.

Ms Babcock: Erin Babcock, MLA for Stony Plain.

Mr. Horne: Trevor Horne, MLA for Spruce Grove-St. Albert.

Mr. Kleinsteuber: Jamie Kleinsteuber, MLA, Calgary-Northern Hills.

Mr. Sucha: Graham Sucha, MLA for Calgary-Shaw.

Ms Bianchi: I'm Giovana Bianchi, committee clerk.

The Chair: Please note that the microphones are being operated today by *Hansard*, and we'd ask that BlackBerrys, iPhones, et cetera, be turned off or set to silent or vibrate and not placed on the table because they may interfere with the audiofeed.

Hon. members, the standing orders set out the process for the consideration of the main estimates. Before we proceed with consideration of the main estimates for the Ministry of Treasury Board and Finance, I would like to review briefly the standing orders governing the speaking rotation. As provided for in Standing Order 59.01(6), the rotation is as follows. The minister or the member of Executive Council acting on the minister's behalf may make opening comments not to exceed 10 minutes. For the hour that follows, members of the Official Opposition and the minister may speak. For the next 20 minutes the members of the third party, if any, and the minister may speak. For the next 20 minutes the members of any other party represented in the Assembly or any independent members and the minister may speak. For the next 20 minutes private members of the government caucus and the minister may speak. For the time remaining we will follow the same rotation just outlined to the extent possible; however, the speaking times are reduced to five minutes as set out in Standing Order 59.02(1)(c).

Members may speak more than once; however, speaking times for the first rotation are limited to 10 minutes at any time. A minister and a member may combine their time for a total of 20 minutes. For the final rotation, with speaking times of five minutes, once again a minister and a member may combine their speaking time for a maximum total of 10 minutes. Members are asked to advise the chair at the beginning of their speech if they wish to combine their time with the minister's time. If members have any questions regarding speaking times or the rotation, please feel free to send a note or speak to me, the chair, directly or the committee clerk about the process.

Three hours have been scheduled to consider the estimates for the Ministry of Treasury Board and Finance. With the concurrence of the committee I will call a five-minute break near the midpoint of the meeting, but we will pause the clock during that time, so this should delay the end of the meeting by about five minutes. Is anyone opposed to that? No.

Committee members, ministers, and other members who are not committee members may participate. Ministry officials may be present, and at the direction of the minister officials of the ministry may address the committee. Members' staff may be present and, space permitting, may sit at the table or behind their members along the committee room wall. Members have priority for seating at the table at all times.

If debate is exhausted prior to three hours, the ministry estimates are deemed to have been considered for the time allotted in the schedule and we will adjourn. Otherwise, we will adjourn today at 12 noon.

Points of order will be dealt with as they arise, and the clock will continue to run.

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

The vote on estimates is deferred until consideration of all ministry estimates has concluded and will occur in Committee of Supply on November 23, 2015.

If there are amendments, an amendment to the estimates cannot seek to increase the amount of estimates being considered, change the destination of a grant, or change the destination or purpose of a subsidy. An amendment may be proposed to reduce an estimate, but the amendment cannot propose to reduce the estimate by its full amount. The vote on amendments is deferred until Committee of Supply convenes on November 23, 2015. Amendments must be in writing and approved by Parliamentary Counsel prior to the meeting in which they are to be moved. Twenty copies of amendments must be provided at the meeting for committee members and staff.

I would now like to invite the Minister of Treasury Board and Finance to begin with his opening remarks.

Mr. Ceci: Thank you very much, Madam Chair. I'm pleased to be here to share the Ministry of Treasury Board and Finance's business plan and estimates. The ministry includes corporate human resources as well as a number of provincial agencies. These documents are, of course, part of Budget 2015, which delivers on government's commitment and includes measures to support jobs and families in Alberta.

I've introduced the people at the table with me. Perhaps I'd also like to recognize briefly a number of my staff from my office and department seated behind us. I won't name them all due to time constraints, but I would like specifically to recognize the following: from AGLC Gil Hermanns, senior vice-president; Kandice Machado, chief financial officer and VP of corporate finance – perhaps they could just wave – and Susan Green, the chairwoman from AGLC as well; from AIMCo Jacquelyn Colville, chief financial officer; and from ATB Bob McGee, chief financial officer. Thank you for coming. My chief of staff is on this side, Nathan Rotman.

The government's fiscal plan includes prudent management of government spending, with expense growth set at or below population plus inflation. It aims to stabilize front-line public services, put us on a path to a balanced budget, and promote economic growth and trade. My department will help achieve these objectives by providing support for fiscal planning, reporting, and other areas of oversight. Additionally, a strong, engaged public service with expertise across a range of areas will continue to play key roles in addressing the challenges we face while meeting the needs of Albertans.

With respect to the business plan, desired outcome 1, the first desired outcome identified in our business plan, is for strong and sustainable government finances. You may wish to refer to page 112. The department supports the work of Treasury Board by co-ordinating program budgeting and fiscal-planning processes across government. This includes providing advice and recommendations on spending, cost-savings initiatives, efficiencies, proposed revenue initiatives, and long-term stability to better align with priorities. We also monitor the competitiveness, economic efficiency, fairness, and revenue stability of Alberta's tax system.

This year, with nonrenewable resource revenues forecast to be down $6.1 billion and corporate income tax forecast to be down $1.1 billion from last year, Albertans recognize the need to do things differently. We have returned fairness to our tax system and protected the programs and services Albertans rely on by reducing the government's reliance on nonrenewable resource revenue. We have done all of this without a sales tax, and we have no payroll tax, no health care premiums, and the lowest gasoline taxes in Canada. Albertans still pay the lowest overall taxes compared to other provinces, with a tax advantage of $8.5 billion compared to our neighbour to the west.

9:10

Ensuring government receives all sources of owed revenue is a priority. We're advancing electronic services, and in line with recent Auditor General recommendations we are developing additional reporting measures and steps to better monitor corporate tax compliance.

My department will support the efforts to diversify the economy. As you know, AIMCo's investment portfolio will be leveraged for growth capital. The heritage foundation will continue to be inflation-proofed and preserved for future generations.

One of the challenges for my department is to provide reliable economic, demographic, and revenue forecasts. This isn't easy at the best of times and is particularly challenging during years of significant volatility in energy and other sectors. The updated economic outlook for 2015 shows that we still face a challenging economic situation, with an oversupplied oil market keeping oil prices low. Our economy is in a recession, but we expect to see a modest recovery with real GDP growth forecast at 0.9 per cent in 2016.

We also expect Alberta's population to continue growing by 120,000 people over the next two years. This means that we must continue to build, invest, and prepare for that growth.

With respect to desired outcome 2, it deals with policy and regulatory oversight for the financial, insurance, and pensions sectors. ATB Financial plays a role in Alberta's economy by helping Alberta's small and medium-sized enterprises by improving their access to capital.

My department is involved in policy and regulatory oversight of public and private pensions. Four pension boards have been delegated certain functions in relation to these plans: the Local Authorities Pension Plan Board of Trustees, the Public Service Pension Board, the Special Forces Pension Board, and the Management Employees Pension Board. Investment management of the plans is delegated to AIMCo while administration of the plans is delegated to Alberta Pensions Services Corporation.

We are also watching closely and will be following up on our federal counterparts with regard to ongoing discussions about old age security and the Canada pension plan as co-stewards on the federal-provincial-territorial committee.

On the insurance side we have also been interested and active in discussions around Uber operating in Alberta jurisdictions. We are part of a crossministry working group, led by Transportation, to ensure ride-for-hire companies operate on a level playing field. We would play a key role if any legislative reforms such as changes to the Insurance Act were required.

We're also in the midst of an automobile insurance review, which has already led to some legislative changes that came into effect in July 2014. We will examine other changes closer to the expiry date of the regulation in 2016. We don't intend to substantially overhaul or replace the existing system, but there are some opportunities to improve what is currently in place.

With respect to desired outcome 3, it's about ensuring accountable, effective, and efficient government. Within my department you could say that we have two sides of the same coin. One is responsible for preparing the budget. The other is responsible for keeping track of spending, conducting internal audits, developing and implementing accounting standards, and providing financial and risk management and control policies for government. This includes working with ministries to improve performance measurement, which is used to assess how government is doing in achieving objectives in our annual reports.

With respect to desired outcome 4, the fourth and final desired outcome is a strong and inclusive public service. Budget 2015 reflects our government's commitment to protect and maintain stability in public services. As we work to ensure the right services are in place for Albertans, our role is to ensure that we have the right people in place to provide those services. You may be interested to know that relative to B.C., Ontario, and Saskatchewan, Alberta has the second-smallest public service per capita and the lowest proportion of managers supervising staff. In fact, the number of public service employees per capita has dropped from 16 workers per 1,000 Albertans in 1981 to just 7 workers per 1,000 Albertans today.

Over the last seven years Alberta's population has grown by 17 per cent while the public service grew by 4 per cent. As a result, we have had a significant increase in productivity as our employees provide programs and services to more and more Albertans.

Estimates. This brings me to our estimates. I won't say too much in anticipation of your specific questions. However, I will note that the Treasury Board and Finance expense budget shows a slight decrease. On a ministry basis most aspects of our spending, from program expense to debt servicing, are decreasing, with the most significant decrease related to the provision for future costs of pensions. Ministry capital investment is going up by $5 million to support the necessary implementation of IT systems for AIMCo and the Alberta Pensions Services Corporation. Ministry revenue is projected to grow by $1.14 billion in spite of tough economic conditions and lower corporate profits due to tax reforms and the changes to the liquor markups.

To conclude, I believe we have achieved the right balance for Alberta with Budget 2015. We're doing everything we can to keep Albertans working while building the foundation for a prosperous future. Alberta continues to have several advantages. We have one of Canada's youngest and best educated workforces, we have the lowest overall provincial taxes with no sales tax, and we have zero net debt. My department is working with our partners and other departments and various stakeholders to follow a prudent and stable fiscal course. We will implement the policies, laws, and regulations and take the actions required to accomplish the outcomes in our plan to support the government's efforts to deliver the best quality of life for all Albertans.

Thank you, Madam Chair. I look forward to your questions.

The Chair: Thank you, Mr. Minister.

For the hour that follows, the members of the Official Opposition and the minister may speak. Would you like the timer to be set for 20-minute intervals so that you are aware of the time, or would you prefer to let the full hour flow without interruptions?

Mr. Fildebrandt: If we could just have a 20-minute warning and then a 10-minute warning as we near the end, that would be fine. Otherwise, we can just let it flow.

The Chair: Thank you.

Mr. Fildebrandt: Thank you.

The Chair: I invite you to speak.

Mr. Fildebrandt: Thank you very much, Madam Chair. Thank you, Minister, for coming today. I've been looking forward to this for quite some time. I think we all have questions about our fiscal plan moving forward, so we'll just jump straight into it.

Yesterday in the House I asked some questions around WTI forecasts for the budget. I think there was a bit of confusion around it, and we've also spoken offline here, so I want to try and get some clarity around it. Page 7 of the budget says that WTI forecasts for the year will be $50 a barrel in 2015-16, $61 the year after, and $68 the year after that. There's been a lot of confusion around this.

Then on page 70 we see the government's calendar year average, which we all know is different. It's $50 this year, $57 the next year, $67 the year after that. Just one line above that, on page 70, the average of all private forecasts is, well, $53 for this year, but you don't use that, the government's numbers. Then you seem to jump up a column to use $61 and $68. Traditionally that was rounded off to the penny. In our conversations offline you said that that's no longer the case, which seems reasonable since no one can predict these things to the penny anyway. But we're wondering where that crossover is, because the numbers don't seem to be making that transition, at least not in a way that's clear to me right now.

Mr. Ceci: Thank you. You know, we're using the numbers on page 8. Actually, it's probably simpler to look at the chart, Energy and Economic Assumptions, on page 8. Those fiscal year numbers are what we use: $50, $61, $68. I might tell you that for the out-years beyond the ones identified here, '17-18, we are using the mid-$70. So those are the numbers that we're using, and with this additional information on the oil price benchmark, as you point out, we have used an average. You can see the average for all of Alberta – energy is there – and if you jump down to the calendar year, it's different from the fiscal year. But we have rounded up to those numbers: $50, $57, $67, and $72.

In anticipation of this question I asked the deputy about that, and he said that previously they used the exact average to the penny, but now they just round it because it seems to make more sense, and everybody else in the country rounds up to this dollar figure, so they're not going to go to the penny anymore.

9:20

Mr. Fildebrandt: If I could follow up on that, we've looked at the benchmark tables and then the assumptions and tried to make that transition using three-quarters of one year and a quarter of the other, moving into fiscal years. Even rounding up, the numbers still don't seem to have a particularly seamless transition. They still don't match. The rollover between the 2016 and 2017 calendars, which is $57 and $67, still doesn't equal the $61 used. So we're still a little bit confused.

Mr. Ceci: The numbers we use are from private forecasters as guidance, and I'm not sure what more I can provide as a supplement.

Mr. Fildebrandt: Well, I know that you have the average of your private-sector forecasts here. That's fine. But using that rollover, using three-quarters of one and a quarter of another, it still does not equal the $61 used and the government's assumptions even with rounding up. We're wondering where that variance is.

Mr. Ceci: Well, those are the numbers provided by the economists for the ministry. The work they've done in providing this fiscal year is something that I've taken from them and that they've put into this budget.

Mr. Fildebrandt: I'm just wondering how we get to those numbers, actually, in the assumptions from which we derive our revenue sources. As we know, a $3 swing in the price of WTI and this equals roughly a billion dollars. It's quite a significant sum. [interjection] Sorry; a half billion dollars. My mistake. I understand that these are the figures that your department had provided you, but we're wondering where the math is that shows that change from the projections from the private sector transitioning into the assumptions used in the revenue calculations. We're at this time not seeing how that works. Is it fair to say that we don't know?

Mr. Ceci: No, that's not fair. What I will say is that we used more conservative numbers, and we're rounding, so the more conservative numbers mean that we're less optimistic than the private forecasters.

Mr. Fildebrandt: Actually, I would contend that it's the contrary. Looking at the rounded numbers, the ones used in the assumptions are lower than the rolled-over numbers from the projections here, the private-sector projections, or even what it says that the government will use. We see that on the calendar side it says that you will use a slightly more conservative figure, which I think is to be commended, but then when we're trying to translate that from calendar year into fiscal year, the numbers just don't match.

Now, if we're not able to get an explanation about that today – it's a technical issue – that's understandable, but would you commit to providing, specifically, the math to my office so that we can understand exactly how we got there? This is a very big rounding error if, in fact, that's what it is.

Mr. Ceci: I think I'll follow the direction of the chair. I think any particular questions will go to – is it to the House, the Legislature?

The Chair: That's correct. It will be tabled in the House.

Mr. Fildebrandt: You will commit to tabling this in the Legislature?

Mr. Ceci: Of course I will.

Mr. Fildebrandt: Thank you very much.

Following in this topic – and you alluded to this – in the fourth and fifth years of the budget you count on what I think would be considered a pretty optimistic boom. It's a mug's game for anybody to predict years 4 and 5, but we understand that you need to try to do long-term planning. I appreciate how difficult that practice would be. But the oil numbers are virtually beyond all the estimates we've seen or many of the estimates we've seen. Where are you getting this information to predict what amounts to probably an economic superboom in years 4 and 5 for both oil prices and overall revenues?

Mr. Ceci: Thank you. Well, we're getting them from the same forecasters you're looking at here, private-sector forecasters. We have not included those numbers, obviously, because we're just three years here, but in the out-years they're using numbers in the mid-$70. We're not talking about a superboom; we're talking about a growth in the price of oil in years 4 and 5.

Mr. Fildebrandt: Okay. On page 4 we see consolidated revenue, consolidated expenses. Now, far be it from me to give credit to the ill-fated March budget, but for years 4 and 5 it provided significantly more details of what went into building consolidated revenues and what went into building consolidated expenses. We see in yours for 2018-19 and 2019-20 a significant increase in revenues, and you're saying that you're expecting a significant improvement to our economic situation. Where is the data that backs that? What futures or indicators have you used to predict the price of oil for years 4 and 5?

Mr. Ceci: This year's budget is based on three-year consolidated, not five-year. The spring budget was based on five-year. The previous government used that, but the same information that the previous government used for a five-year consolidated, we have as background to this three-year consolidated budget.

Mr. Fildebrandt: But you must have some kind of data, some kind of indicators to show this tremendous growth in revenue in years 4 and 5. I mean, I understand that you've proposed to change the legislation around the Fiscal Management Act to allow it to be a little less detailed in years 4 and 5, but I'm wondering why we even have years 4 and 5 in here if, if I understand this correctly, we have no real economic data or reliable economic data that's being used even for the price of oil. Beyond even the price of oil, it would take a significant increase to corporate income taxes, personal income taxes right across the board to hit these revenue projections. What are these based on?

Mr. Ceci: These are based on estimates that we have, but we have before you a three-year consolidated budget, not a five-year.

Mr. Fildebrandt: But where are those estimates?

Mr. Ceci: Those estimates were used in the preparation of our three-year consolidated budget.

Mr. Fildebrandt: I'm talking about years 4 and 5 estimates. What numbers go into these?

Mr. Ceci: Again, what you have before you is not a five-year consolidated budget. It's a three-year.

Mr. Fildebrandt: So the 2018-2019 fiscals.

Mr. Ceci: Right.

Mr. Fildebrandt: I understand this is a three-year plan, not a five-year plan, but for years 4 and 5 that's how you're showing eventually getting back to a balanced budget by some definitions. I don't know how we can project showing going to a balanced budget if there really is no meat on the bones of years 4 and 5 whatsoever.

Mr. Ceci: The overview shows you a path, the pathway back to balance, and then once we get into the actual revenue and expense projections, we're into a three-year consolidated budget. We wanted to give you and Albertans and everybody an opportunity to see what was being contemplated to get back to balance.

Mr. Fildebrandt: All right, but if we're showing two extra years, you must show us how you got there. I mean, are these, otherwise, just kind of ideal benchmarks that we hope revenue will be and that we hope expenditures will be? You know, how did we get there other than that's what we want it to be?

Mr. Ceci: I guess the assumptions that I'm showing you in this three-year consolidated to get to extending that out to '18-19, '19-20 – we're using the same new tax structure that was brought in in the spring, and additions were added to it last week. It hasn't been passed yet, but this is the tax structure we're using. With the current royalty structure we are not contemplating any change in royalty rates in this three-year consolidated budget and the pathway back to balance. We're using 2 per cent year-over-year spending increases in this five-year projection. As I've already mentioned, we're considering oil to be in the mid-$70, growing from $68 a barrel.

9:30

Mr. Fildebrandt: Would you commit to tabling your economic assumptions and spending assumptions in the House?

Mr. Ceci: I think I just told you what they were.

Mr. Fildebrandt: I'm looking for a detailed document laying out the economic assumptions that go into these revenue figures because I'm still not particularly confident that we'll meet them.

Mr. Ceci: It would be very much the same as I've talked about. If we're showing projections into '18-19, '19-20, those will not change from what I've said.

Mr. Fildebrandt: Could you table those in the House for us to look at in detail?

Mr. Ceci: We have tabled a three-year budget.

Mr. Fildebrandt: I'm looking for years 4 and 5. I'm very concerned about years 4 and 5.

Mr. Ceci: That's not been tabled.

Mr. Fildebrandt: If it is the same as what you're saying, why not table years 4 and 5? I think it's quite important.

Mr. Ceci: Well, I can answer the question, and the question is the same as I've answered now.

Mr. Fildebrandt: Okay. You will not table them. Thank you.

Moving on to royalties, during the election the Premier promoted a royalty review as an independent assessment operating at arm's length from the government, saying that it did not necessarily guarantee higher rates. You yourself have said that, quote, Alberta's royalty system will provide that as prices for our energy resources recover, the people of Alberta will share appropriately in better times. Just last week you said that we need to establish the proper royalty rate – that would be an implication that it's not proper – and that as oil companies produce, we will take that profit, of course, to boost government revenues. That would seem to be at variance with the Premier's statement that the royalty review does not guarantee higher royalty rates. Other ministers have said that rather than spend the money from higher royalty revenues, it would go to the heritage fund. Perhaps this is an opportunity to clarify: is your budget relying on higher royalty rates at some point?

Mr. Ceci: No.

Mr. Fildebrandt: So what you said just last week, that we need to establish the proper royalty rate and that as oil companies produce, we will take that profit: is that not correct?

Mr. Ceci: What is happening with the royalty review – it's not being run by this ministry; it's being run by the Minister of Energy. The review panel will have recommendations out by Christmas. Right now they're talking with Albertans. But as I said, this budget does not roll in anything with regard to increased royalty rates if, in fact, that is the decision of government after the royalty review panel returns.

Mr. Fildebrandt: Thank you.

As bonds cost more, borrowing will cost more. The Dodge report, commissioned by your government, on page 50 states that the plan has us headed to upwards of 25 per cent debt to GDP in the next 10 years. You could probably guess my own view on the matter. The budget presented says that debt will reach almost 15 per cent by 2019-20. What is being done to prevent going over 15 per cent, at which point our credit rating would almost surely be in jeopardy?

Mr. Ceci: Well, the first thing we're doing: in the Fiscal Planning and Transparency Act we're putting a 15 per cent limit on debt.

Mr. Fildebrandt: To be clear, there is a current limit on debt. You are raising that limit; you're not imposing a limit where none exists.

Mr. Ceci: We're imposing a limit that we believe is adequate to address the capital infrastructure build that needs to occur. We will in addition to the capital build, that will support the economy, of course, by the creation, we've estimated, of between 8,000 and 10,000 jobs and . . .

Mr. Fildebrandt: Are you willing to table the math behind that estimate?

Mr. Ceci: The math we've taken from the Dodge report. In the Dodge report there is information that provides instruction to this government. The instruction we've taken from that is that it'll create jobs. It'll create a positive number for the GDP of approximately 0.5 per cent.

The limit that we've established, 15 per cent, as I've mentioned before and the Premier has mentioned, will take us to about half or under half of what provinces across the country are typically borrowing, debt to GDP, at this point in time. They're at about 35 per cent, so we're using a more stringent number, 15 per cent, and we plan to use that debt wisely in the construction of capital infrastructure across this province.

Mr. Fildebrandt: Thank you. Thank you, Minister. With all due respect, I'd hardly consider Quebec and Ontario to be models of fiscal prudence which we should emulate.

Debt would be capped at 15 per cent. Do you believe there should be legal consequences at all for breaking that 15 per cent debt limit?

Mr. Ceci: I believe that this 15 per cent limit will not be breached. In the three-year plan that's before you here, I think it takes us up to about 9.5 or 10 per cent of debt to GDP, so there's lots of cushion.

Mr. Fildebrandt: But surely your government hopes to be re-elected – and that would take us into eight years if that were to be the case – and on this course we would surely surpass 15 per cent if there was no change in course. So my question is: if we come to 15 per cent, if the government exceeds 15 per cent, should there be legal consequences for that?

Mr. Ceci: Well, eight years down the road I don't predict that the economy will be where we're at today. I think Alberta has shown some significant growth in past years, and once the recession lessens – and we're looking forward to 2016 being that positive growth year in addition to the capital spending that we're planning – the ability to get to balance, as we've predicted in the five-year projections, will mean that we can start to aggressively pay down the debt, which will mean that we don't come anywhere close to the 15 per cent. So I don't see where there's going to be an issue like you do.

Mr. Fildebrandt: With due respect, we don't have any economic details on our economic assumptions for years 4 and 5, let alone eight years from now, so I think it would be not particularly advisable to be banking on a boom even eight years out.

If we get to 14.9 per cent of debt to GDP and need to borrow to cover for expenses – let's say there is a recession – what would you do? Should your bill become law, what is your staff supposed to do if they fear they're going to break that law? If we are at 14.9 per cent and we face a recession and you need to issue bonds to operate the government, what do you tell your staff?

Mr. Ceci: This is not a scenario that I believe will happen, so going down your hypothetical road I don't think is all that helpful for anybody.

Mr. Fildebrandt: Do your calculations for expenses in years 4 and 5 and possibly even 3 take into account the possibility of the increased cost of borrowing that comes with a decrease to our credit rating?

Mr. Ceci: Again, you're building a scenario of a decrease to our credit rating when . . .

Mr. Fildebrandt: Minister, I don't think it's a particularly hypothetical scenario. Moody's has already placed us on a negative credit watch, meaning a potential credit downgrade. I don't think it's a hypothetical scenario. So my question is: if there's a possibility of a credit downgrade – maybe it'll happen; maybe it won't. I'm not saying it will, but I think most reasonable people would acknowledge that this is a real possibility. Has your fiscal plan taken into account, in interest payments, the increased cost of borrowing that would come with a downgrade?

Mr. Ceci: I'm told that everything is all-in in this fiscal plan.

Mr. Fildebrandt: You're saying all-in for what you're expecting to spend, but is there any contingency for a credit downgrade and the increased cost of borrowing that would come with that?

9:40

Mr. Ceci: The contingency for a credit downgrade is not what's all-in. What's all-in is the ability to present this fiscal plan to our bond-rating agencies and others and to let them know our resolve to stick to the three-year consolidated budget.

Mr. Fildebrandt: Thank you.
What are the interest rates you are projecting for borrowing that will be used in years 4 and 5 of your fiscal plan?

Mr. Ceci: The interest rates in years 4 and 5: we've got a three-year consolidated business plan here, so that's what we're presenting to . . .

Mr. Fildebrandt: I'm asking about years 4 and 5. You have projections about expenditures and revenues. I think revenues are harder, probably, to project four and five years out, but expenditures should be relatively simple, especially for issues like borrowing. Do you have any benchmarks that you intend to use for the cost of borrowing and interest rates for years 4 and 5?

Mr. Ceci: On page 72 of your budget, under Canadian long-term interest rate benchmark, you can see the '15, '16, '17, '18 calendar years there, the average of all private forecasts, the government of Alberta's calendar years, and "includes forecasts finalized on or before August 28, 2015." So it's in the budget.

Mr. Fildebrandt: What about fiscal year '19-20? There's nothing for '19 or '20 here, but there is a fiscal year '19-20 in your fiscal plan. Do you have any interest rates for those years?

Mr. Ceci: We have a consolidated budget for three years, so we're presenting the three-year budget. We don't have a five-year consolidated plan.

Mr. Fildebrandt: Thank you very much.
Let's talk about performance measures a bit here as this relates. Performance measure 1(a) in the business plan states as a goal retaining the province's triple-A credit rating. As Moody's has already placed us on a negative credit watch, is this realistic, and are you confident that you'll be able to meet this performance measure?

Mr. Ceci: We have a plan to extend myself, I guess, by speaking with the bond-rating agencies for this province, so I will be speaking with the rating agencies along with ministry officials and showing them what we have as a fiscal plan.

Mr. Fildebrandt: That wasn't my question. My question was: based on our being placed on a negative credit watch by Moody's and looking at this fiscal plan, which seems to have zero data going into years 4 and 5, are you confident that you'll be able to meet this performance measure of maintaining our triple-A credit rating? It was not: who are you going to talk to about if we should maintain it, but are you confident that we will maintain this?

Mr. Ceci: I am confident that once Moody's and others receive visits from us to talk about what our fiscal plan is and our desire to stay with this plan – and that's what they told me when I originally met with them in the summer. They said: "Look; the first thing we want to know is: what's your fiscal plan? Secondly, we want to know that you'll stick to your fiscal plan." With the ability to ensure that our expenses are maintained to the degree that we see growth being limited across all departments and with our ability to diversify our revenue stream as we have shown – that's what they want. That's the kind of answer and resolve they want.

Mr. Fildebrandt: The answer I'm looking for is yes or no. Are you confident that we will maintain our triple-A credit rating over these five-year projections of the fiscal plan?

Mr. Ceci: I'm confident that we can show that we are worthy of a triple-A credit rating because we are sticking to our plan.

Mr. Fildebrandt: Thank you.
All right. We'll tack a little bit here. In the business plan under desired outcome 2 there has previously been a priority initiative in the March budget and the 2014-15 budget, that was removed, as best I can tell at least. This performance measure read: "Address the competitiveness of the public sector pension plans and ensure they are sustainable." Is this no longer a priority, and why was it removed from the business plan, as best I can tell?

Mr. Ceci: I'm told that the performance measure you were talking about was consolidated with the performance measure around engagement, so that is the way we're going to be looking at performance now.

Mr. Fildebrandt: Sorry; where is that?

Mr. Ceci: That performance measure is outcome 4 in the business plan.

Mr. Fildebrandt: All right. Well, I'm trying to understand why that is. I think that most fair observers would say that the financial sustainability of our public-sector pension plans is important both to current and future recipients and to taxpayers. I don't see any – why was this removed as an individual performance indicator?

Mr. Ceci: With respect to the pension plan that you're questioning, in terms of performance indicators pensions, of course, are still a priority for this new government. I want to note that liabilities for pensions are reducing, that we've had discussions with the federal government around these pensions and also around CPP, and that for retired persons the knowledge that their pension is going to be there for the duration of their lifetime is important for all of us. There still needs to be discussions with important stakeholders, and we'll do that as we go forward.

With regard to desired outcome 4, a strong and inclusive public service working together for Albertans, I'm told that the previous outcome that you were talking about is now rolled in and part of that one.

Mr. Fildebrandt: All right. That seems to be measuring something quite different, actually entirely different. One is the engagement of public-sector employees. The other one seems to be the financial liability of a critically important number to the financial health of the province. I suppose if we don't know why – do you believe, despite the small reduction in our unfunded liabilities for public-sector pensions, that everything is okay on the pension front?

Mr. Ceci: I believe that the department officials are on top of all of that. Actually, last year, at the meeting of this committee with the previous minister, there was a long and involved discussion about pensions here, and I must defer to the knowledge of the previous minister in this area. He seemed to be an expert on pensions, but I refer to people in my department as the experts. They are telling me that there is some good work being done in this regard and that there are plans in place to deal with the issues that you're talking about. We'll continue to review them. Experts manage each plan, and they are achieving outcomes in those plans that are positive and expected.

Mr. Fildebrandt: Well, I just want to follow up on that. What research has been done within your department into the viability of our pension plans?

Mr. Ceci: You know, that's a question that I can provide some answers to the entire group on, specifically if you're looking for research that was done.

Mr. Fildebrandt: That would be very helpful. Would you be willing to table in the House any studies or briefs done within your department in the last four years as regards the viability of public-sector pensions?

9:50

Mr. Ceci: I think what I can do is provide the House a synopsis of the research that has been done to ensure that the plans going forward are viable.

Mr. Fildebrandt: Well, I'm actually asking for something that I believe AUPE and the AFL have actually asked for. I'm asking that your department table in the House any studies or briefs that have been done on the viability of our public-sector pensions in the last four years. You might find it surprising that I'm asking for the same thing as some of these organizations, but I think it's all in our interest to have this information out there, that is objective, that we can take a fair look at.

Mr. Ceci: I think I'll stick with, you know, a synopsis of the kind of research that was done. I can't imagine that once members of the Legislature get a look at that, they're – if they want to dig into more, perhaps there are more references that can be provided.

Mr. Fildebrandt: So you will not table this, but you will table a synopsis of the data. Will you commit to tabling that before we vote on the budget?

Mr. Ceci: I don't think that would be very difficult.

Mr. Fildebrandt: Thank you very much.

The budget lays out over the next three years – I believe you predict that you'll net an extra $2.7 billion in new taxes imposed by your government and taxes that you have retained from the old government. The budget proposes to increase the cost of pay and benefits to government-sector employees by $2.2 billion over that same period of time, meaning that 80 per cent of every new tax dollar will be going straight into government pay and benefits. In the House, in our spirited discussion on the matter, you said that you will not be breaking contracts because that is illegal. I don't believe that anyone asked you to do anything illegal or to break contracts, but it has happened in the past in this province that the Minister of Finance or the Treasurer at the time has asked unions to voluntarily renegotiate pay hikes. Many of these pay hikes were agreed to when oil was north of $100. Are you willing to do what has been done in the past and ask the unions to voluntarily renegotiate their contracts?

Mr. Ceci: I think, you know, that government is involved in a proportion of the public sector in terms of directly negotiating with unions for government of Alberta workers. All others are handled through other entities that may receive government money, but they're not negotiated directly by the government. Things like hospitals: AHS does that sort of work. We do physicians – the government of Alberta does physicians – but nurses are organized by somebody else.

Mr. Fildebrandt: So I'll just point my question directly at unions that you negotiate with.

Mr. Ceci: In reference to your question, the government of Alberta employees that are directly negotiated by the government of Alberta have contracts in place, and the contracts are there to be upheld. In that way respect back and forth between labour and management is sacrosanct and upheld.

Mr. Fildebrandt: That's not my question. For the last, I believe, eight months average weekly earnings for most Albertans have been falling. People in the private sector are bleeding jobs and wages right now. That is not the case in the government sector. We're not asking you to break contracts.

Mr. Ceci: Okay.

Mr. Fildebrandt: But, you know, CNRL has asked their employees to take a voluntary pay cut because that's what's needed to keep that company afloat. That's what people in the private sector are doing. I'm asking: are you willing to ask the unions to voluntarily renegotiate their contracts to share the burden of these times together?

Mr. Ceci: There are collective agreements in place, and my belief is that sticking to those collective agreements is better than what you're proposing. At least the collective agreements are laid out. It's understood what the costs are. Going forward, I think both management and labour will be looking at ways to address the economic challenges we're in now as a government, and they'll also be considering nonmonetary approaches to working together that may benefit them going forward. So I think I would support the . . .

Mr. Fildebrandt: We're not asking for a rollback, but would you consider even a freeze, asking the unions to take a voluntary freeze? When you speak to many government-sector workers right now, I think a lot of them understand that the job security, the benefits, the pensions that come with that job are worth a lot right now, and many of the ones I've talked to understand that we're in this together. Even if there's not going to be any kind of rollback, many of them would be willing to take a freeze. Is even a freeze right now until we're back to a balance something that you're willing to ask the unions to voluntarily take?

Mr. Ceci: I think all members of the Legislature are going to be asked through the Members' Services Committee to take a freeze of their salaries.

Mr. Fildebrandt: That is less than half of 0.001 per cent of the government's payroll, and that's something that we support. But that is not even a drop in the bucket. It's vapour. We're asking about actual, real cost savings for the government-sector unions. Are you willing to ask them to take a voluntary freeze for the time being? Just yes or no.

Mr. Ceci: Well, you know, as Finance minister I would consider all potential actions from any source to reduce expenses, and in the event that in addition to MLAs and their political staffers there were other organizations that came forward and offered to voluntarily freeze their salaries, that would be something I'm sure I and others would listen to. But for the time being we're going to be staying with our budget.

Mr. Fildebrandt: But you will not ask them?

Mr. Ceci: We're going to plan to come to balance, as you know, in five years . . .

Mr. Fildebrandt: Okay. Thank you very much.

Mr. Ceci: . . . so we are going forward with this labour negotiation in the future.

Mr. Fildebrandt: Thank you very much, Mr. Minister.

Some union contracts are coming up for renewal such as the teachers' contract, in 2016, AUPE, nurses, HSAA, all in March of 2017. Are you planning on asking them to consider a freeze like the rest of Albertans right now, and is any of this built into the fiscal plan?

The Chair: Hon. member, I just wanted to advise you that you have 20 minutes remaining.

Mr. Fildebrandt: Thank you, Madam Chair.

Mr. Ceci: The question seems to presume that every Albertan is in the freeze territory, and I don't think that that's accurate.

Mr. Fildebrandt: Most average weekly earnings for private-sector Albertans are going down, and that's not the case in the government sector. There are major contracts coming up.

Mr. Ceci: Because of negotiated contracts that were negotiated by the previous government.

Mr. Fildebrandt: We're talking about new contracts that are coming up in 2016 and 2017.

Mr. Ceci: I don't begrudge any union or the previous government for negotiating at the time the way they did.

Mr. Fildebrandt: We're asking about future contracts coming up, Mr. Minister, in 2016 and 2017: teachers, AUPE, nurses, HSAA. Upcoming contracts: are you willing to ask for a freeze there?

Mr. Ceci: I'm willing to assure you and everyone that the government of Alberta will bargain in good faith at the table with the unions, that they have to negotiate with always.

Mr. Fildebrandt: All right. You must have made some assumptions, however, about the outcome of future negotiations since you have made five-year expense projections. I know we have found that there pretty much isn't terribly much behind years 4 and 5 of those projections, but they must be based on something. You at least have a year 3 in the budget. Had you approached any of these unions to see what they will be expecting before you crafted the budget?

Mr. Ceci: What we've provided are three years of detail for a consolidated budget. The unions that are terminating their contracts are going to be up; we have a three-year budget that we're sticking to. So the five-year projections basically fall within a 2 per cent increase year over year over year.

Mr. Fildebrandt: So including year 3. However, in year 3 you do put some meat on the bones, and I'm wondering what goes into that. Have you spoken to any of the government-sector unions to determine what their expectations are, and are those expectations reflected in this budget?

Mr. Ceci: What is reflected in this budget is moderate growth year over year. It would be my assumption that the labour negotiations would have to fit within the growth of expenses that we've seen, but, no, I've not directly talked to organized union officials with regard to their future expectations of wage settlements.

10:00

Mr. Fildebrandt: On page 22 of the fiscal plan, under public-sector compensation, you do lay out increased costs for AHS, school boards, postsecondaries, core public service, and a few other categories. What portion of this is going to be new employees, and what portion do you expect to be increases in pay and benefits?

Mr. Ceci: The rolled-up percentage increases for those years that you're talking about are for 2016-17. It's approximately 2.6 per cent, an increase from the previous year, and then the next year, 2017-18, it's a 2.3 per cent increase on the previous year's budget. The percentage of increases that you're talking about, I don't specifically have. I do have the rolled-up numbers that show growth in those budget years, year over year, of 2.6 and 2.3 per cent.

Mr. Fildebrandt: Okay. I'll change tack again here. On page 103 of the fiscal plan personal income tax revenues are up quite considerably. It's a bright light in a pretty black hole. Would this not be considered some evidence that perhaps – you know, we all talk about diversifying the economy. But in 1985 our energy sector comprised 36 per cent of our economy; today that is under 25 per cent. It's still a large portion, but we are significantly less dependent. With personal income tax revenues making up such a large portion of the revenue pie and being projected to grow, would it not be fair to say that perhaps this government is not as dependent on oil revenues as we've been led to believe?

Mr. Ceci: What I'm prepared to say is that moving to progressive taxes ensures that people pay their proportionate share of this budget going forward. We're moving off royalty revenues, as you've indicated. We still have a significant tax advantage of $8.5 billion compared to B.C. when we ensure that we're not paying a health care premium, payroll tax, sales tax, or higher gasoline taxes.

Mr. Fildebrandt: On personal income tax revenue 2014-15 actuals, under which we still had the single-rate income tax, we were still at record high levels before we moved to a graduated rate.

Mr. Ceci: Marginal tax rate.

Mr. Fildebrandt: Yeah. A graduated marginal tax rate. Do you want to speak briefly to how necessary that particularly was?

Mr. Ceci: You know, I don't know if we had record high levels, as you've said. What I can speak to is that while there are households that feel the effects of cuts in the energy sector and weaker economic growth overall, the Alberta population is still growing. In 2015 the average level of employment is forecast to increase from 2014. As that pie grows, so do personal income taxes. In addition, some growth in average earnings is expected although a weaker labour market will translate into softer earnings growth than what we have been accustomed to seeing. These factors contribute to an increase of 2.5 per cent in primary household income, which is a major driver of personal income tax.

Mr. Fildebrandt: You'll have to forgive me for interrupting. We're on the tail end of our time, and I'm going to try to get as much in as possible, so you'll have to forgive me here. Desired outcome 1 in the strategic plan says that Alberta should have a "sustainable and increasingly diversified economy." It's a big question, but if you could pointedly provide information about what plans are being considered for economic diversification beyond those currently announced.

Mr. Ceci: Thank you. Beyond what's currently announced, the government will assess performance in relation to the following eight key strategic outcomes: ensure that Alberta has an open, sustainable, and increasingly diversified economy that attracts investments . . .

Mr. Fildebrandt: Sorry. Again, just from the point of time, beyond what is written down in the strategic plan, I'm looking for concrete measures. You know, you've asked AIMCo and ATB. Issues that are very specific like that, regardless of their merits or not. What other economic diversification plans are under consideration of a specific nature like that?

Mr. Ceci: Sure. In the budget speech I talked about nine different things. I think if you go back to the budget speech, you'll see what they are. I'm confident that if we as a government are able to work with small and medium-sized businesses as well as the large not-for-profit sector and charities to deliver on all of those nine initiatives in the budget speech, there will be diversification happening and a broader growth in the economy than the unfortunately narrowcasted one that resulted from our tremendous oil and gas sector.

Mr. Fildebrandt: Okay. Thank you.

Who did you consult before giving ATB and AIMCo directions to invest based on the government's criteria?

Mr. Ceci: I believe we worked together with AIMCo to identify that there was a specific opportunity where they could help in terms of fulfilling economic diversification for this province. So they were primary in consultations.

Mr. Fildebrandt: So your primary consultations were inside of AIMCo?

Mr. Ceci: With AIMCo.

Mr. Fildebrandt: Okay. And is that the same with ATB?

Mr. Ceci: Yes. With regard to ATB they are a prudent lender and the increase in capital will allow them to do more of what they do. With AIMCo, of course, they maximize returns for the province's investments. Working with both of those agencies in addition to AEC will help us address those nine . . .

Mr. Fildebrandt: So I think we're potentially playing with fire here. We've seen in the 1980s and the early 1990s governments involved in investments that have turned out very poorly for Albertans and for taxpayers.

Mr. Ceci: The government is not going to be involved in investments. I said in the budget speech that it won't be politicians making these decisions; it will be professionals from AIMCo and ATB.

Mr. Fildebrandt: But in the end, it is still taxpayers and Albertans . . .

The Chair: As requested, hon. member, you have 10 minutes remaining.

Mr. Fildebrandt: Thank you.

It still will be taxpayers and Albertans' natural resource revenues that are on the line although I'm somewhat relieved that politicians – ourselves – will not be making investment decisions. What assurances do taxpayers and Albertans have that if these investments, which are not politically directed but politically driven in terms of the mandate to invest in Alberta assets, go sideways, we're not going to be on the hook for it?

Mr. Ceci: Well, you have the assurance of the expertise of ATB and AIMCo and AEC, corporations that have been delivering some pretty impressive returns to the province of Alberta and the citizens of this province. It would be their professional expertise that would guide all of this, not the views of the people around the table.

Mr. Fildebrandt: But there are no assurances we have that if those investments go poorly, as they can, taxpayers are not going to be on the hook for this.

Mr. Ceci: As I said, the returns from both of those agencies recently have been very impressive.

Mr. Fildebrandt: But they have not been directed on how to invest. They are now being directed, not very specifically, but they are being directed generally about how and where to invest, which is a significant change. Do we have any assurances that taxpayers will not be left holding the bag if those investments go poorly?

Mr. Ceci: You know, I defer to the expertise of the professionals in the field to make the best decisions on behalf of us.

Mr. Fildebrandt: But you're directing them, not specifically, again, but broadly. You are directing them on how and where to invest, and I know that you are deferring to their expertise about how to do that. But my question is not how good or not they are because even good investors can make bad investments from time to time. Is there any assurance that taxpayers will not be left holding the bag if those investments go sideways?

10:10

Mr. Ceci: Well, I disagree. I'm telling them where to invest – yes, this province – not how to invest or what to invest in. So they're making those decisions based on their professional expertise always.

Mr. Fildebrandt: Okay. Thank you.

Have you investigated any of the potential taxpayer or government liabilities for the North West upgrader?

Mr. Ceci: I certainly know about the North West upgrader, know that it's under way. In terms of completion the completion plan is for the fall of 2017. There's going to be bitumen royalty paid to it that gets paid to us, and it will go to get upgraded there, and diesel will be made as a result of that bitumen going to them. The building is currently under way. There are thousands of Albertans working on that site. I'm eager to see it complete.

Mr. Fildebrandt: My question is specifically about the liabilities of taxpayers for the North West upgrader. Do you have any projected liabilities for what this could mean? I know that oil prices have a lot to do going into this, but do you have any projections on liabilities for the North West upgrader over the next decade?

Mr. Ceci: The office of the Auditor General reviews this specific file annually. Money has been borrowed to assist the company to complete the plant, and once it's completed, we will start to see bitumen go through it.

Mr. Fildebrandt: The answer, then, is: no, there are no specific studies in your department about the liabilities that taxpayers face over the next decade with regard to the North West upgrader.

Mr. Ceci: It's an annually reviewed file under the office of the Auditor General, and my officials work with the Auditor General to make sure that that person has all the information they need.

Mr. Fildebrandt: Perhaps I just haven't seen it. I have not yet seen any studies from the government with regard to those potential liabilities that taxpayers face for the North West upgrader. You say that the Auditor General looks into this, but I have not seen anything myself in those annual reports.

Mr. Ceci: There is a business plan. There is . . .

Mr. Fildebrandt: That's not my question. My question is: do we have any numbers on potential liabilities for the North West upgrader? It's just that.

Mr. Ceci: It is in the Energy ministry's annual report, I believe. It's a note on that annual report, but I'm told that there are no actual liability numbers identified.

Mr. Fildebrandt: I think that regardless of political stripes we would all agree that the scope and scale of this project is significant. Regardless of our views on if the project should have gone forward in the first place, we probably agree that we need to manage the potential liabilities moving forward. Would you commit to having your department produce an estimate on potential liabilities for that and table it in the House?

Mr. Ceci: The Energy ministry is the lead on this file. There is a business plan tabled, already available on this. There are no liabilities, I'm understanding, in that business plan that need to be identified here today.

Mr. Fildebrandt: We want to know what those liabilities are, I think. Anyone who has looked at the agreement understands that with oil at a certain price, it is entirely possible that taxpayers could potentially lose a lot of money. I'm just asking if you would be willing, in co-operation with the Energy minister, to table a study detailing to the members of the Legislature what the potential liability is for that upgrader.

Mr. Ceci: I think what I would be willing to do is talk to my colleague the Energy minister, review the business plan, and table that business plan.

Mr. Fildebrandt: All right. I'll probably be asking you about it in another forum.

Changing tack . . .

How much time do we have left, Madam Chair?

The Chair: Three minutes and nine seconds.

Mr. Fildebrandt: Let's make it a really productive three minutes and nine seconds.

. . . do you have any plans to raise personal income taxes or other kinds of levies tied to income in the next five years? Is any of that under consideration?

Mr. Ceci: Maybe I didn't mention this in the budget speech, but what we have before you here is a five-year plan to balance, with the revenues that we've identified.

Mr. Fildebrandt: Does that mean there is no plan to raise taxes beyond taxes identified specifically in your platform, in the election?

Mr. Ceci: I am confident that the work we've done in this three-year business plan gets us to balance in five years. But, you know, if suddenly the economy tanked even further, if the price of oil stayed low, at $10, for the foreseeable future, we would probably as a government need to review all of our revenue estimations.

Mr. Fildebrandt: So if the economy was doing poorly, you would consider raising taxes further?

Mr. Ceci: Oil could drop; oil could increase. If oil increases to $200 a barrel, perhaps we eliminate personal income taxes in this province.

Mr. Fildebrandt: You would consider eliminating the income tax if we had $100-a-barrel oil? I'll join the NDP.

Mr. Ceci: Yes. If oil went to a thousand dollars a barrel, I would consider that. But always a prudent government reviews all aspects of its revenue streams, so I think the actual serious answer is that it would be best if we always look at what our revenues are, what our expenses are, and we plan to balance.

Mr. Fildebrandt: We've probably got, like, 30 seconds here. What approximate benchmark for oil would the price have to go below for you to consider an increase in taxes?

Mr. Ceci: I don't think that I want to go there.

Mr. Fildebrandt: I do.

Mr. Ceci: I shouldn't have gone there, with the thousand dollars a barrel. Anyway, I can say that, you know, hypotheticals like that don't, maybe, get us too far. I think what we need to do is have serious discussions about how we get to balance, and I think the actions of this government are serious in terms of getting us there. There are many issues that impact the economy and our revenue streams, and this is just one of them.

Mr. Fildebrandt: Okay. I've probably got 30 seconds or so?

The Chair: Twenty.

Mr. Fildebrandt: Twenty seconds. I'll just take the opportunity to thank you, Minister, for coming today. I think it's been very productive. I apologize for having to cut you off at times because I wanted to get as many questions through as possible. But on behalf of the Wildrose members of the committee I just want to thank you for coming today and sharing this with us.

Mr. Ceci: You're welcome.

The Chair: Thank you, hon. member.

I would now like to invite a member from the third-party opposition to bring forward any of their questions, and I'd like to know if they would like to share their time with the minister.

Mr. Bhullar: Yes, Madam Chair. We would like to share our time back and forth with the minister.

The Chair: Thank you.

Mr. Bhullar: Thank you. Thank you very much, Minister, for being here. Thank you very much to all the officials, many familiar faces, great public servants. Thank you all very much for being here this morning. A lot of discussion has already taken place with respect to topics I wanted to cover, but I'm going to just start off by diving a little bit deeper into some wage issues. Essentially, we're spending nearly a billion dollars more in wages now than was the plan. Of that $1 billion, approximately $100 million will be spent on 1,200 new positions, and about $425 million is what my calculations say are the salary increases due to contract obligations. So where is the rest of the money going?

Mr. Ceci: Just give me a second. Was your question, "Where is the money going?" or "What is it covering?" The same thing?

Mr. Bhullar: Well, that's essentially the same thing. Yeah.

Mr. Ceci: Okay. The rest is going to stabilize government services. The important things that we heard during the election were that people wanted to make sure that health care services, human services, and other services like education were stabilized and maintained. We've done that in this budget, and that's what you'll see before you.

10:20

Mr. Bhullar: I want to dig deeper because I've heard you say, "To stabilize services" before. My assumption is that you're stabilizing services by funding the contractual obligations. That's the big difference from the March budget. You're funding the contractual obligations. You're not saying to departments: go inside and find 2 or 3 per cent in savings. You're saying: "Here is the amount you're owed for contractual obligations. That amount is $424 million."

On top of that, you're saying that the stabilization is adding positions that are needed in Health specifically and in Education, teachers, to deal with population growth issues. So those are the 1,200 positions that will equate to approximately $100 million. We're still missing 400-some million dollars. Where is the rest of that 400-some million dollars going?

Mr. Ceci: Well, it's to manage expenses. There are expenses that, particularly, departments like Health have brought forward that we need to address. But I want to assure you that we're trying to bend the curve on the growth of something like Health in particular, so we have given them aggressive targets that will be challenging for them to meet.

I just also want to say that we are asking departments to go inside and look internally because some of the expenses were not able to be addressed all across different ministries. So CPI and growth: we're asking departments to come in under those, and that's what's built into this budget.

Mr. Bhullar: Sorry. That doesn't make complete sense to me. It's probably my understanding, but what we're saying is that a billion dollars more is going to be spent on salaries. However, you can't account for that entire billion dollars being spent on salaries because 1,200 positions are funded, number one. We know that. Number two, contractual obligations are approximately $424 million. Now, you said that there are other expenses that are going to places like Health, so does that mean that there are other wage issues that we are dealing with that are not on the books, that are not reflected in the total counts of public servants?

Mr. Ceci: You know, don't blame yourself totally. It is challenging stuff. It's both the new positions and salary increases, too.

Mr. Bhullar: But the new positions cost $100 million approximately. Twelve hundred people times, let's say, 80 grand a pop: you're at a hundred and some million dollars. Then you're looking at $424 million in contractual obligations from years previous. The $424 million I can probably even break down: $12 million, general support services for Alberta Health Services; $50 million for Health Sciences; $51 million for nurses; $3 million for LPNs. You know, I can go on and on. Essentially, there's approximately 400 and some million dollars that I don't see accounted for on the wage side. I've asked this to you in the House as well, Minister, and your response was: "We have to meet our 2 per cent growth overall, year over year over year, and we have to look at our wages as being a part of that. We have to hit the 2 per cent to achieve our targets." I'm really, really looking for some more clarity here. I'd really like to know where that extra 400 and some million dollars is going. Contractual obligations – it's very clear – are $424 million, and new positions are about $100 million. But let's move on because I have a very short amount of time.

The next question I would have. Alberta has over 45,000 people making 200 K plus. Now, those are known as tax campers, actually. I remember that we have one of the highest proportions of very high net worth people filing their taxes here. Based on your income tax changes, what proportion of those people are at risk of filing somewhere else, and how will you make up for that budget shortfall if those people do? Let's just say that 20 per cent of them, who were probably actually residents of other jurisdictions already, decide to file their personal income taxes somewhere else. How will you make up the difference?

Mr. Ceci: Thank you very much for the question. You know, I probably need to consult with department officials to go over some of the assumptions that you're speaking of.

Mr. Bhullar: Well, that's fine. If we can get a commitment from you to respond to that in writing, that'd be wonderful.

Mr. Ceci: What I can tell you is that fair and progressive taxes are . . .

Mr. Bhullar: Just specific to the question, sir. I've only got three minutes left because my colleague is going to take time.

Mr. Ceci: Okay. I can commit to look at the kinds of assumptions that you're building and see if there isn't some more clarification that I can give you on that.

Mr. Bhullar: Thank you very much.

Very quickly, between March and now how much more money was allocated to school construction through Treasury Board?

Mr. Ceci: I'm glad you added "through Treasury Board" because I was going to say: go ask the Education minister. Let me see if I can come up with that number.

Mr. Bhullar: Great. If you could provide that with the specifics, for what purposes it was advanced, that'd be wonderful. If you don't have it, if we could get a commitment from you to provide it, sir, that'd be wonderful. Thank you very much.

I'm going to shift gears very quickly here because I'm very short on time. You've said that you're willing to make some changes with respect to insurance policy to ensure that Uber is looked after.

Mr. Ceci: I think what I said with regard to Uber is that there's a crossdepartmental committee looking at the issue of Uber at this point in time. There is a view that Uber should be operating on a level playing field in our community, and we have not made any final decisions on what that looks like with respect to government regulation.

Mr. Bhullar: Great. We will come back to that at another time, then.

Mr. Ceci: Okay.

Mr. Bhullar: Now, this is a rare occurrence, that we have folks from ATB and AIMCo here, so I'd like to pose some questions related to ATB for starters. ATB currently has a $5.5 billion cap with respect to debt that they can take on. I believe at present they've only taken out $3 billion to 3 and a half billion dollars. Moving from 3 and a half billion dollars to $7 billion is a very, very big jump. I've said this out loud. I think it's a very notable endeavour to invest more capital into Alberta, but I think that can be a very dangerous proposition as well. How do we feel confident that ATB's near doubling of the amount of debt it could perceivably take on is not going to further hold Alberta taxpayers to greater risk? We already are at about $40 billion, if I remember correctly, in deposits that ATB has. How have we calculated that risk? If they're not even using the full $5.5 billion today, why the need to go from $5.5 billion to $7 billion?

Mr. Ceci: We wanted to allow ATB to support growth in this province during some challenging economic times, and they will professionally invest in companies across Alberta to make that happen. They'll support those companies. There is regulation, and as ATB is regulated, they will assure that they stick with that so that we can assist companies but also get a fair rate of return to ATB.

Mr. Bhullar: Yeah. Fair enough. But, I mean, it's a simple proposition. Five point five billion dollars is their cap today. They're not even at $5.5 billion. They're at 3 billion something dollars. So why the increase from $5.5 billion to $7 billion? Is that a political stunt, a political manoeuvre, or is this something where ATB has a solid financial plan, that they can provide to us, that says, "This is why we need to do this"?

Mr. Ceci: The actions of ATB and this government I don't think can ever be called a political stunt. What we're trying to do is invest in Albertans and Alberta companies.

Mr. Bhullar: Sir, I'm running out of time.

Mr. Ceci: It'll be used to help the liquidity and the capital requirements in this year.

Mr. Bhullar: I get that. I get that. But why the jump up? If they're only at $3.5 billion, why go to $7 billion when they're not even using their full cap today? You can provide me with an answer to that at another time. My colleague needs some time.

10:30

Mr. McIver: I'm going to continue if that's okay, Chair.

Okay. Thanks for being here, Minister. FTEs in the second and third year: do you know where they are and how many you're planning on adding currently?

Mr. Ceci: If you just give me a second, I'll turn to the FTEs. Okay. I'm told we don't collect the actual numbers of FTEs for years 2 and 3, but we have envelopes for those amounts, envelopes for those years 2 and 3, and they have to come within those envelopes and the increases.

Mr. McIver: Okay. If I'm a little short with you, it's only because I'm short on time, so forgive me.

Three per cent of the heritage fund is being designated for high-value investments in Alberta. Now, my understanding is that essentially a hundred per cent of the heritage fund is today available for high-value investments in Alberta. So what's so special about this 3 per cent when there's already a hundred per cent available? Why are you cleaving off this 3 per cent?

Mr. Ceci: You know, I think the understanding I have is that the heritage fund is not fully subscribed to only Alberta, that it is . . .

Mr. McIver: I appreciate that, but if you can find the high-value investments in Alberta, you potentially could put a hundred per cent of it in Alberta. So what's so special about the 3 per cent? What are you going to do differently?

Mr. Ceci: We are going to assure Albertans that $540 million over the course of this budget goes to Albertan companies.

Mr. McIver: Okay. I'll move on here to linear assessment. Are you planning any changes to linear assessment for the next three years?

Mr. Ceci: I don't think so, no.

Mr. McIver: It's going to be exactly the same at the end of three years as it is now?

Mr. Ceci: You know, I hesitate to say "exactly" anything.

Mr. McIver: Well, I know, but that's why we're here, because you're supposed to say something, Minister.

Mr. Ceci: No. On the whole idea of linear assessments ever changing, I know that whenever you bring up linear assessments to anybody in a county, a rural community, there are some flashpoints that happen as a result of all of that. I can tell you that the MGA discussions probably have already had some discussions about those, but I'm not aware of any changes being proposed to linear assessments.

Mr. McIver: Okay. Are you planning on approving new taxes for municipalities in the next three years?

Mr. Ceci: The budget that you see before you is not contemplating any new taxes for municipalities. So the three-year consulting . . .

Mr. McIver: So you're not guaranteeing you won't do it. It's just not in the budget.

Mr. Ceci: The only thing that's in the budget is what we've already told you last spring and presented to you last week.

Mr. McIver: Okay. On the revenue side you're clearly planning on spending a lot of money. Your policies to close down coal plants – you're going to lock billions, if not trillions, of dollars in the ground with coal, and I haven't really heard anybody from your party disagree with your federal cousins about locking the bitumen in the ground. You're potentially going to lock billions, if not trillions, more dollars of value in the ground. Where are you going to get your revenue from if that happens?

Mr. Ceci: Well, first of all, there are revenue projections for both oil and gas, coal. Yes, it's very small. It's only $15 million estimated for this year for nonrenewable resource revenues, but you'll see on page 103 that all of those commodities that you've talked about are identified here.

Mr. McIver: Okay. I'm going to move on here because time is short, as I said.

On page 113, desired outcomes, line 2.3 talks about a harmonized securities regulatory system. Are you planning on getting rid of the ASC and giving it to the Toronto Stock Exchange? Are you planning any changes to the Alberta Securities Commission? Let me ask that question.

Mr. Ceci: There are no changes contemplated at this time to the Alberta Securities Commission. I've heard from both the commission and from ministers across the country, both for and against harmonizing, and I can tell you that there has been no decision made on that, nor will there be one made without further contemplation with both ASC and others.

Mr. McIver: Okay. I appreciate the answer, but I'll just tell you that you're slightly at odds with what you've written down on page 113 because it does say: "Work with other jurisdictions on an improved, harmonized securities regulatory system."

Mr. Ceci: I think that I do need to clarify a little bit there.

Mr. McIver: You do.

Mr. Ceci: What "harmonized" means in that case is that our current ASC would work with other provinces, not that we would give all to the government of Canada to . . .

Mr. McIver: Okay. I've got to cut you off, only in the interest of time, if you don't mind.

Mr. Ceci: I just wanted to clarify.

Mr. McIver: And I'm grateful for that.

Item 2.1 on page 113: "Improve access to capital . . . through ATB." Maybe that's what my colleague was talking about, but my question is: how are you going to improve access to capital outside of ATB? My understanding is that Alberta – there's been about $30 billion drained away since your government has taken over, largely, I think, because of the policy. So what are you going to do to actually get capital in here from sources other than ATB?

Mr. Ceci: You mean so Alberta sustains as an attractive place for investments? As you know, the energy sector's disinvestment or reduction in cap ex has been problematic for everybody in this province. I want to quickly say that we're doing the utmost to ensure that Alberta remains a good place to invest. We're coming to a balanced budget, and we have a whole department of Economic Development and Trade at this point in time to do that.

Mr. McIver: All right. You know, you and I might disagree on that, but that's for another time. I heard what you said. Thank you for that.

"Cost saving initiatives, efficiencies." Sounds good. So what cost-saving initiatives that are going to save on the budget are you putting in place that you can tell us about today?

Mr. Ceci: Well, we have identified in our budget – I think on page 10, or something like that – no; sorry. It's program reallocations. It's the last page of the overview. Sorry, Ric.

Mr. McIver: Okay. All right. The last page of the overview: I will look for that.

Mr. Ceci: Sorry; it's not the last page. It was in our budget platform. It was called budget reallocations or program reallocations: $250 million in 2016-17, $300 million '17-18, and probably $300 million in '18-19. So that's work that Treasury Board and Finance, our ministry officials, and ministers have to do.

Mr. McIver: Okay. So $250 million to $300 million a year. I'll be able to find it. Okay.

Mr. Ceci: It's on page 99, I'm told, operating expense program reallocations.

Mr. McIver: Which page?

Mr. Ceci: Page 99.

Mr. McIver: Thank you. That's helpful.

Now, "a tax system where everybody contributes fairly." Are you just talking about what you call a progressive income tax, or are there other things as well?

Mr. Ceci: Marginal income tax.

Mr. McIver: Okay. "Proposed revenue initiatives": what have you got planned?

Mr. Ceci: Proposed revenue initiatives. Can you just explain a little more?

Mr. McIver: It's item 1.1 on page 112: "Provide advice and recommendations on spending, cost saving initiatives, efficiencies, proposed revenue initiatives."

We're running out of time.

Mr. Ceci: Just the ones we've already done here.

Mr. McIver: I'm down to 20 seconds, so I'm going to talk if that's okay, Minister. So if at some point you could get me an answer on that, on what that means: everybody contributes fairly to a tax system.

"The modernization of Alberta's gaming industry": I'd like to know about that.

What you're going to do to maintain Alberta's credit rating. I think we heard some questions from the other side about that earlier.

Also, benefits from charitable gaming: are you planning on changing the gaming model at all and how the disbursements are split up or how that model changes at all?

The Chair: I apologize for the interruption. I'd like to let all members know that the time allotted for this period has concluded.

I will now be calling a five-minute break. If everyone could please return at 10:43.

[The committee adjourned from 10:38 a.m. to 10:45 a.m.]

The Chair: I would like to return to the meeting. If everyone could please take their seat.

I would now like to invite the representative of the Alberta Party to speak.

Mr. Clark: Thank you very much, Madam Chair. Thank you, hon. minister, and thank you very much to your staff for joining us here this morning.

I'll jump right in. In June Bill 2 estimated an additional $350 million to $550 million in additional revenue from corporate taxes in 2016-17. I note in Budget 2015 an estimated drop of approximately $1 billion in corporate tax revenue. That drop persists in 2017-2018. Can you explain this discrepancy of up to a billion and a half dollars in corporate tax?

Mr. Ceci: Thank you. I'm sorry. Just at the end of your question – can you just encapsulate the end again?

Mr. Clark: Sure. We're on page 103 of the fiscal plan. There's an estimated drop of a billion dollars in corporate tax revenue. Bill 2 estimated an increase of $350 million to $550 million. Can you explain that significant discrepancy, please?

Mr. Ceci: Sure. Well, corporate profits will decline this year in response to lower oil prices. While profits will begin to bounce back – our view is: in 2016 – they are forecast to remain below the 2014 numbers over the forecast period ending 2018. So the differences are the economy. That was a bit of a problem, obviously, for corporations, too. We do see that this will come back in out-years, or the years we're showing beyond 2015-2016. The answer is that the economy has been the problem.

Mr. Clark: I note that the personal income tax seems to go the other direction, marking a billion-dollar increase from 2015-16 to 2017-18. If corporate tax is dropping substantially, where will all of these people work who are going to be paying?

Mr. Ceci: Well, they'll still work in the businesses, corporations, but the corporations won't be showing the profits that they did in the past.

Mr. Clark: All right. Again on page 103 of the fiscal plan tables I note a significant increase in bitumen royalty of $1.25 billion from 2015-16 to 2017-18. Is that perhaps evidence of an anticipated royalty increase?

Mr. Ceci: No. I think I was – and if I haven't been, I want to be – clear that we have not anticipated any change in the royalty rate with the projections, targets that we have before you here. It talks about volume growth and price growth only.

Mr. Clark: In your opening remarks you referenced that your government will continue to fund inflation plus population growth. Do you intend to stick to that even if inflation plus population growth is zero or even negative?

Mr. Ceci: We are coming in at below inflation plus population at this point in time. The proof will be in the pudding: can we stick there over the long term? More or less, we want to be able to come in at below those two factors added together.

Mr. Clark: If it's negative, do you commit to cutting spending?

Mr. Ceci: If it's negative, well, what we would commit to is reviewing all of our projections again. This is where we think we're going at this point in time, but if things change substantially, we'll have to reload.

Mr. Clark: And if things do change substantially – and, I would acknowledge, one way or the other – is there an ability to pivot quickly mid-year and make changes in year if perhaps the economic situation deteriorates or, touch wood, we find ourselves in a situation where the economy is growing very quickly?

Mr. Ceci: Yeah. I'm thinking that to some extent we would be able to pivot to the speed that you're talking about, but, you know, some things you get locked into like Human Services spending for AISH and for income support. You don't pivot on those kinds of things. You ensure that some programs are stable for people for the long term, but where we can pivot, I would want to work with everyone to do that.

Mr. Clark: Thank you, Minister.

Changing tack here a little bit, I note a significant amount of uncollected corporate tax. That's something the Auditor General has weighed in on, something that I think your government, obviously, clearly, is aware of. Have you given any thought to transferring tax collection to the CRA, the pros and cons of that, the costs and benefits? Can you give us any historical context as to why Alberta collects our own tax and if you believe this is contributing to the large amount of uncollected tax?

Mr. Ceci: Thank you for the question. First, many people have suggested that having the CRA administer corporate income tax on behalf of Alberta might resolve this issue. Let me state that on average it costs Alberta approximately $10 million to administer the collection, and we write off roughly $20 million every year in bad-debt expenses. However, because we administer collection, the government of Alberta also collects fees and interest. Between 2008 and 2009 and 2013 and 2014 this amounted to roughly $105 million annually. Again, on average Alberta receives roughly $75 million in net revenue from administering its own corporate income tax system as opposed to having the CRA do it for us. Therefore, we want to maintain our own CIT collection. We think it's good public policy.

Second, as the Auditor General has noted, there are always ways we can improve our collections, improve this margin even more. Therefore, we are taking the following steps. Boosting efforts to collect delinquent, unpaid corporate taxes was part of our campaign, and we are committed to following through on that promise. Ensuring government receives all sources of owed revenue is a priority, and department officials responded to the AG's recommendations and are working on improvements. New collections officers have been hired as we make adjustments to address increased caseloads, and we are reviewing our current management reports and developing a plan to enhance these tools. We're also reviewing our training program and best practices to adopt additional performance measures and targets that will increase the effectiveness of our tax collection area. Lastly, management continues to identify changes to legislation, policy, and collection strategies in order to increase the efficiency of our tax collection area. We look forward to working with the AG on a follow-up to his review in 2017.

Mr. Clark: Thank you, Minister.

There was one suggestion, recommendation that the Auditor General made which I don't believe I heard you say, and that is instituting default returns like the CRA. Is that something your department is considering?

Mr. Ceci: We're accepting all of his recommendations and moving forward on them.

Mr. Clark: Thank you.

In the Alberta Party opposition alternative budget, which we presented and tabled last week, our direct borrowing costs decrease year over year, starting in 2015-16 and going forward, and we only ever borrow for capital spending, not operations. I note in Budget 2015 that direct borrowing accelerates every year from 2015-16 through 2017-18, and we have a rather handsome chart showing that if we stay on that trajectory, the Alberta Party opposition plan will peak at about $40 billion in debt, which is still a significant number but a far lower number than if the budget forecast forward would show the government up to $100 billion in debt by 2019-2020. What is your plan to ultimately reduce the growth of debt and the acceleration of debt and ultimately put an end to borrowing for operational expenses?

Mr. Ceci: Well, we're accelerating the capital plan, so that accelerates the borrowing for capital. We're anticipating, as we have reviewed the economic outlook going forward, that we will be in brighter economic times and that the ability of the GDP of the province to support our revenue projections will be there. We'll be ensuring that we balance and get to surplus, and once we get to surplus, we'll be aggressively looking at our debt and paying that down.

10:55

Mr. Clark: All right. Let's go back to the credit rating briefly. I'll ask as specific a question as I can. According to the Dominion Bond Rating Service, or DBRS, on top of their usual qualitative factors, they use five financial metrics to assess a province's credit rating, and they are as follows: debt-to-GDP ratio, surplus-to-GDP ratio, real GDP growth rate, federal transfers to total revenue, and interest costs to total revenue. According to Budget 2015 and this government's own figures and projections Alberta will not meet the triple-A threshold on three of those five measures in the near to medium term and, I believe, is at significant risk of not meeting the triple-A threshold for the remaining two metrics over the long term. My question is: what is the government's plan to address these specific metrics to ensure that Alberta maintains its triple-A credit rating?

Mr. Ceci: Sure. Thank you very much. There's more than one credit-rating agency, and they all have . . .

Mr. Clark: You can't pick and choose, Minister.

Mr. Ceci: I'm telling you that as a statement of fact more than picking and choosing. There are many credit-rating agencies out there, and I've reviewed all five major banks' reviews of our budgets. The debt-to-GDP ratio that we've chosen, as I said earlier, is one that Moody's and others believe is a prudent limit, 15 per cent. I'm not saying that they look at that overall or in absence of the other criteria, but they do look at that one, so we plan to stay true to the plan that we've identified and manage the growth of the province's programs and services within the budget that we've identified. I'll be meeting with and talking with the rating agency representatives directly and telling them about not only our plan but our desire to stay within the growth projections.

We use all of the different criteria. We have a strong balance sheet in Alberta, and the economy is something we've identified that needs to diversify to get us on a better fiscal footing. We're going to . . .

Mr. Clark: Thank you, Minister. Sorry. With respect, I'll just move on to my next question.

Mr. Ceci: Sure.

Mr. Clark: Thank you. Has the government, your department, factored the potential of a credit downgrade into your long-term projections? Have you run the numbers? The short question is: what happens if we lose our triple-A credit rating? What do our debt-servicing costs look like?

Mr. Ceci: No, not particularly running the models that you're identifying if that's the question you have. We are in contact with them on a regular basis, and as I said, we have plans to share with them what we've done, but we've not projected the scenario that you're talking about in the fiscal plan that we have before you.

Mr. Clark: Just so I'm absolutely crystal clear, you are saying that your department has not run the financial models of a scenario where Alberta loses our triple-A credit rating given the substantial increase in borrowing. Do you feel, Minister, that that is responsible risk management and responsible governance?

Mr. Ceci: What we're constantly doing is reviewing the bond markets and fluctuations in those markets, so we understand where they're going, and we think where we're going will be appreciated by them. The challenge has always been that government has put forward a plan but not stuck to it, so we intend to be different in that regard and have resolved to meet the targets that are identified in this budget.

Mr. Clark: I'll just state for the record my surprise and disappointment that your department has not considered that very simple element of risk management.

Moving on, then, you were talking a bit about Bill 4, and I don't want to presume that the House will in fact pass that bill. You've referenced it a couple of times. Will you commit here and now to not repeal any provision that exceeds the 15 per cent debt-to-GDP ratio? Are you absolutely committed to that? What are the consequences if Alberta finds itself in a position where we must exceed that 15 per cent?

Mr. Ceci: So you're saying: if going forward we're in a financial situation that puts us over 15 per cent debt to GDP, will government not monkey around with that and reduce budgets or something? What I can tell you is that the Fiscal Planning and Transparency Act is the guide this government will use going forward. That guide is one that, I think, is based on sound accounting and financial principles, and I think it will serve us well into the future.

Mr. Clark: Turning to page 262 of the government estimates, there's a significant reduction in doubtful accounts. The corporate income tax provision for doubtful accounts '14-15 actual is $73 million; the estimate for '15-16 is $15 million. Can you explain that discrepancy, please?

Mr. Ceci: Thank you. Yeah, I can talk to you about the discrepancy there. Just let me look at the numbers. Yeah. There were increases in accounts going into objection, two large corporations, but you can see that it goes back to normal. Our division continues to work with CRA, the Canada Revenue Agency, to manage corporate income tax receivables, but there were two large corporations that increased that number.

Mr. Clark: Thank you.

Same table, a little higher up. There's a substantial increase from $11,768,000 to a $66,531,000 expense in investment, treasury, and risk management. Can you please explain that significant cost increase?

Mr. Ceci: I can. Let me just flip to it. You were talking about . . .

Mr. Clark: Investment, treasury, and risk management: $11.7 million to $66 million.

Mr. Ceci: Actual to estimate. Okay. The voted spending is expected to increase to support operational requirements of the division primarily for increased investment management charges from AIMCo, a change to the treatment of transfers to the access to the future fund. Starting in 2015-16 transfers will be made from the department rather than from the heritage fund, and strong returns generated by AIMCo on behalf of the fund and endowments and external clients resulted in higher investment management costs. With returns expected to drop due to the weakened economy, investment management costs are expected to return to lower levels. A number of transfers from the fund and endowments are based on the income they generate. As their income drops, the amounts of the transfers are expected to drop.

The risk management fund experienced a larger than anticipated claim expense in 2014-15. Claims are expected . . .

Mr. Clark: Thank you, Minister. Sorry. I'm very short on time.

So if you don't mind, I'll jump ahead to a question about AIMCo, please.

Mr. Ceci: Okay.

Mr. Clark: The asset allocation policy for AIMCo states that the investment goal is to make a maximum return to Albertans. Maximum return, of course, means incurring maximum risk. Can you just explain, please, in your words, what you believe maximum return means, and do you feel that that is an appropriate level of risk for Albertans to be taking?

Mr. Ceci: I do feel that AIMCo is always undertaking the appropriate level of risk for Albertans. Maximum return means prudent management of the investments that they control as well as diversification of the portfolio.

Mr. Clark: Why is Gainers still on the books?

Mr. Ceci: Why is Gainers still on the books? Because they are. One day they won't be.

Mr. Clark: That's a refreshingly honest answer.

There was a 48.2 per cent increase in the operating expenses for your office, page 248 of the government main estimates. Can you explain that significant operating cost increase, please?

11:05

Mr. Ceci: Just before I get to that, on Gainers I do want to say that there are a number of outstanding legal actions before courts involving Mr. Pocklington. There is currently little activity. Litigation costs of 50 grand per year are minimal, as is the chance of any future recovery. A net loss of about $5,000 is provided in the 2015-2016 estimates.

Sorry. Your most recent question is on . . .

Mr. Clark: Page 248, the estimated operating expense for the minister's office, please. It's up almost 50 per cent.

Mr. Ceci: Oh. For my office. I'm sorry.

Mr. Clark: Yes.

Mr. Ceci: I do know that there is a note. I just need to find it. The increase in the minister's office is due to additional staff and one-time severance costs, which is not me, of course; vacation payouts, which is not me, of course; and relocation costs for those staff who are into my office. This increase is offset by reductions in the strategic and business services division, and those are one-time costs to my office. Those are them.

Mr. Clark: Okay. Page . . .

The Chair: I apologize for the interruption, but I must advise that the time allotted for this item has concluded.

Before we move on to the next set of speakers, I'd like to note for the record that Mr. Manmeet Bhullar is attending as an official substitute for Mr. Wayne Drysdale.

I would now like to invite the government caucus to speak and would like clarification as to whether or not you're going to be going back and forth with the minister.

Mr. Kleinsteuber: Good morning, Chair. I'd be going back and forth with the minister, sharing the time with Mr. Dang.

The Chair: Thank you.

Mr. Kleinsteuber: Good morning to the minister and to the staff. Thanks for joining us here today. For too long the government has relied on unpredictable and mostly uncontrollable resource royalties to pay for the services that Albertans need. Question here, and it comes with a supplemental: did the tax increases passed in the Legislature in June and reflected in the budget in 2015 stabilize revenues so that Albertans can be certain that teachers and nurses will be there for our children and families?

Mr. Ceci: Thank you for the question. Yes, it has stabilized revenues. We know that our province is facing a significant shortfall due to the global collapse in prices of oil. Given all of that volatility, it's important that we reduce our reliance on those resource revenues to protect the quality of life for all Albertans. Our government is therefore asking those who can afford to contribute a little more to provide a little more through the marginal tax rates so that we can keep our hospitals, schools, communities all functioning to the extent that Albertans need and require them. We're asking Albertans all across the income ranges generally to pay the lowest overall taxes compared to other provinces.

While we have added multiple rates for those in higher incomes, the rates come into effect at much higher incomes than other provinces. Albertans still benefit, of course, with no taxes for those four: provincial sales tax, payroll tax, health care premiums, and the lowest gasoline and diesel tax amongst other provinces.

That's helped us a lot, and we can count on those stable revenues. With a weakened economy, of course, it is challenging, particularly for those corporations that are not doing as well. They don't pay taxes when they're not making profits, but we will get to more profits and better economic times in 2016 and beyond.

Mr. Kleinsteuber: Okay. The opposition says that it will make Alberta uncompetitive, but would Albertans pay more if we had the same tax systems as in other provinces?

Mr. Ceci: Well, if we had the same tax system as the province of B.C., with those four taxes that I mentioned – sales tax, payroll tax, health care premiums, and gasoline and carbon taxes – that are occurring in different parts of B.C., we would pay $8.5 billion more. We don't, so we have an advantage. If you turn to page 79 of the fiscal plan, it shows that B.C. has a sales tax and other taxes of $8.5 billion. It goes all the way up to Quebec, which has – and I think a member over there was referencing Quebec earlier – a $20.9 billion tax disadvantage in that province compared to Alberta.

Mr. Kleinsteuber: Okay. Thank you.

Mr. Dang: Thank you, Minister, for joining us today. I myself have many working families and young families in my constituency of Edmonton-South West. Budget 2015 provides many new benefits to working families through the Alberta family employment tax credit, or AFETC. How much is the Alberta family employment tax credit worth to families, and how is this program actually going to help anybody?

Mr. Ceci: Thank you very much for the question. You know, this is a really good program that started under the previous government, and we're going to make it even better with the Alberta child benefit coming up in July 2016. I can tell you that the FTC is one of the most generous provincial tax credits for families. It will provide up to almost $2,000 in annual assistance to families. As I mentioned, starting in 2016 there will be two enhancements. The phase-in rate will rise from 8 per cent to 11 per cent, which will be more generous in terms of the annual assistance, and the threshold at which benefits begin will be increased from below $36,778 to below $41,250. Overall, the enhancements will provide an additional $25 million for families, and that's just for the Alberta family employment tax credit.

Mr. Dang: Thank you, Minister. How can you ensure that all Alberta families actually benefit from this kind of program?

Mr. Ceci: To address all Albertans, we'll be introducing the Alberta child benefit. All working families with income less than $41,220 will be eligible. That includes families who do not have employment income on their own but who rely on the different benefits like income supports from the province of Alberta. Families with a net income of up to $25,500 will receive a maximum benefit of $1,100 for the first child and $550 for each of the next three. After $25,500 benefits will slowly phase out until family net income reaches $41,220. In total, an additional 235,000 children and families will be supported, and $195 million in benefits will go to those families.

Mr. Dang: Thank you.

Mr. Kleinsteuber: Thank you, Minister. In Budget 2015 the government announced that it would work to diversify the economy to create jobs. What specific actions has the government taken with this budget to support jobs and economic growth?

Mr. Ceci: Thank you. Earlier I talked about supporting jobs through a net increase to the capital spending plan over five years to help create a modern and efficient infrastructure. That will support jobs, as I have mentioned. We took some direction from Mr. David Dodge, the former governor of the Bank of Canada, in that regard.

This has been a subject of a great deal of discussion so far and probably will be, and the presentation occurred to roll out some of the information regarding all of that yesterday. But the new job-creation incentive program will provide a grant of up to $5,000 for each net new job created in small and medium and large-size employment business as well as charities and nonprofits that can show each new full-time equivalent position to their payrolls in '16 and '17. Then if those are net and new, they can get that up-to-$5,000 grant.

Additionally, the new Minister of Economic Development and Trade is going to focus on working with job creators throughout this province, but innovation is what we're hoping will drive the economy forward to make it easier for the private sector to work with government, and that's the new ministry.

Then, of course, we've talked about AEC and ATB and AIMCo as important government players in making our province more sustainable down the road through investments in small and medium-sized businesses and getting venture capital out into our communities.

So all of those mixed together provide the support this Budget 2015 announced last week and going forward will assist us to create a greater economy for all in this province.

Mr. Kleinsteuber: Okay. Just a supplemental to that, then. You mentioned AIMCo and ATB. Budget 2015 also announced that some provincially owned financial institutions and investment funds, including those two, would be employed to drive the economic growth. What role will these institutions play to help grow and diversify the economy?

11:15

Mr. Ceci: Well, they'll play the role they always have played but with the additional focus of driving investments and supporting venture capital plays and opportunities in this province. They will use their professional judgment to find those opportunities, to make those commitments to small, medium-sized, and large businesses, and to assist our job creators to create more economic value in this province. That's as much of a direction as they've been given: help build businesses in this province and support the economy to develop and to assure Albertans that we're doing our utmost to make that happen.

Mr. Kleinsteuber: Perfect. Thanks.

Mr. Ceci: I don't know if it's perfect. It's close enough.

Mr. Dang: Thank you, Minister. Alberta and my constituency are very dynamic and welcoming places for people of all backgrounds, and I think we should take pride in that. That diversity is something that we need to ensure is reflected in public services such as our schools, our hospitals, and our other public services. As the minister responsible for public service what steps are being taken to ensure that we have one that reflects the diversity of all Albertans?

Mr. Ceci: Thank you very much for the question. I'm proud to report that ministries all across the government of Alberta are currently leading numerous initiatives aimed at fostering a diverse and inclusive workplace. Some great examples include the aboriginal recruitment and retention initiative led by the Minister of Human Services as well as the employment first internship program, that is attracting more people with disabilities into the public service.

Mr. Dang: Thank you, Minister.

Are there any more specifics you can delve into, maybe, around focusing on ensuring gender parity, especially in the senior ranks?

Mr. Ceci: Sure. Under the leadership of Premier Notley gender equality is a priority for this government. Look no further than our own cabinet, which is more than balanced towards women. We moved fast to create a new Ministry for the Status of Women to more effectively address priorities such as gender equality in the workplace. As an employer we're leading by example when it comes to setting the tone of our public service. This includes our support for the women in leadership program, which brings together public servants from across the government to share ideas and resources for addressing the challenges and opportunities for women in leadership.

Mr. Dang: Thank you.

Mr. Kleinsteuber: Minister, the new fiscal legislation, the fiscal planning and transparency act, will require that the fiscal plan be prepared on the same scope and basis as the consolidated financial statements. Why has this government chosen to report the fiscal plan on a consolidated basis?

Mr. Ceci: Accounting standards prescribed by the Public Sector Accounting Board tell us this is the right thing to do. For accountability purposes a comparison of actual and budgeted financial results is important to hold the government accountable for its financial management. We're following the best accounting principles, including the ideals of consistency and disclosure, to provide the best information to Albertans. We've also seen other governments move in this direction to be as transparent as possible with the public with their financial statements. Ontario moved in this direction five years ago, and I'm pleased that the government of Alberta has done the same.

Mr. Kleinsteuber: A supplemental: what impact does this move to consolidated statements have on annual reporting?

Mr. Ceci: In the past the government required specific disclosures and tables to be reconciled to the fiscal plan and the consolidated statements. Simply put, we used to prepare our fiscal plan and financial statements on a different basis. This was time consuming and complex. I remember discussions with the Auditor General in this regard, where they did the consolidation of the fiscal plan themselves. So we've moved in the direction of following the previous minister in the March budget.

With the new act we'll no longer be required to do this, and we will be more transparent with the public. There will be no impact to annual reporting except that the reconciliation of the fiscal plan won't be required, as it was in the past, by the Auditor General. Again, this will allow Albertans to transparently compare the fiscal plan to the actual results when they're achieved.

Mr. Kleinsteuber: Okay.

Mr. Dang: Thank you, Minister. I know we've already heard a little bit about this from the opposition, and I'm sure members opposite will be happy to hear me asking this. Budget 2015 calls for the government to borrow money to enable the building of new infrastructure across the province. What are some of the benefits of borrowing the money now to finance that capital plan?

Mr. Ceci: Well, there's a deficit that needs attention, too. In my prebudget consultations this summer and into early fall many, many, many people across the province talked about the infrastructure deficit they would like addressed. They talked about bridges, they talked about new roads, they talked about old roads, and they talked about facilities that needed care. So that's a reality in terms of the deficit that's out there for our infrastructure.

What is also a reality is that there are interest rates that are low at this point in time. The cost of supplies and equipment is also low, and now is the time to build. I can't tell you how many times people said: there is iron sitting idle – and they meant by that that there is equipment sitting idle – let's get it to work; let's make it start working.

We're also going to invest countercyclically. As I talked about earlier, David Dodge was here and has kind of identified that he believes this is one of the important things government can do. When private investment dries up or reduces, then it's time for public investment to step up to stimulate the economy. So we're going to invest countercyclically to make that happen, and when the economy is going better, more positively, when there's more growth happening, we will pull back our investments so that we don't compete with private industry for equipment, for labour, for materials.

Mr. Dang: Thank you, Minister.

Just supplemental to that, something else that I'm sure the members opposite will find very pleasing that I'm asking: how will the government ensure that debt levels are maintained at reasonable levels in this province?

Mr. Ceci: Well, I know that the review that was done in establishing this debt level looked across the provinces and territories and came up with, on average, a 35 per cent debt-to-GDP that is out there. We were more aggressive and believe that we can operate within a 15 per cent debt-to-GDP threshold. That's why we legislated that 15 per cent, to ensure that the amount borrowed remains prudent and affordable for Albertans and government in the long term. The threshold is reasonable. It's a common reference point for investors and credit-rating agencies. As I said earlier, different bond-rating agencies looked to it as well as a number of other things. So we can point to ours and say where we are categorically, being below it.

Mr. Dang: Thank you, Minister.

Mr. Kleinsteuber: The next question for the minister, then. Budget 2015 introduced changes to the liquor markup structure to raise more revenue for core public services like health care and education. Can you explain these changes from this new markup structure?

Mr. Ceci: Sure. We increased the markup on alcohol, and our friends from AGLC are behind us. They actually implement that markup. It was done to raise revenues to support public services so that Albertans can rely on the many public services during these tough economic times not being withdrawn or cut back or lopped off.

In addition to raising revenues, the new markup structure is also focused on supporting the New West Partnership based brewers and distillers in Saskatchewan, Alberta, and B.C. We have lowered the markup rate by 50 per cent for the smallest craft brewers to help them grow in their competitive marketplace. We have also introduced a graduated markup rate, ensuring that Alberta producers have the ability to grow without facing a tax cliff in those amounts of money per hectolitre. Our markup policy is designed to drive economic growth and ensure that Albertan brewers and distillers can grow into the future with more staff and larger markets.

11:25

Mr. Kleinsteuber: Okay. Thank you.

Mr. Dang: Minister, I've noted on page 79 of the fiscal plan of the budget, in the tax plan section, there is no provincial sales tax, no payroll tax, no health care premiums, and the lowest provincial taxes on gasoline and diesel. Overall, I think Alberta's tax advantage is in the neighbourhood of 8 and a half billion dollars.

What is the government doing to maintain that advantage, and how is it going to be growing further?

Mr. Ceci: Well, the government of Alberta, of course, knows that the private sector is a massive engine for growth in our province. In order to grow, we need to keep the taxes competitive and the tax regime that supports Alberta-based businesses competitive. The liquor markup, that I just explained, is an aspect of that. By slightly increasing corporate taxes, we generated revenue to support core public services like education and health care and the core ingredients of a really strong economy so that businesses can get the trained and highly educated people it needs to be employees.

However, even with the slight increase from 10 per cent to 12 per cent, we have maintained the tax advantage, as you've rightly pointed out on page 79 there. That advantage is something we intend to keep and will ensure that Alberta is the best place to start and grow businesses as well as the best place to invest and the best place to live in this country.

Mr. Dang: Thank you.

Mr. Kleinsteuber: Can we cede the rest of the time?

The Chair: There are four seconds available.

Mr. Kleinsteuber: Four seconds. Let's cede the time, perhaps.

The Chair: I would like to now move into the next portion of the schedule, and the 10-minute speaking time is available. I would like to now invite the member of the Official Opposition to speak.

Mr. Fildebrandt: Thank you, Madam Chair. Very briefly here, the Member for Calgary-Elbow discussed this already, but I thought I'd drill into it a little bit more, the 52 per cent increase in the minister's office budget. I certainly appreciate that there has been a degree of turnover in the government. However, looking at the fiscal year that that's in, I'm wondering why it's recorded in the year that it is for severance. What really could account for a 52 per cent increase in your minister's office budget? That would not appear to be setting a particularly strong example of restrained spending at a time when we're running a record deficit.

Mr. Ceci: The severances are reported in the year they happened, so that's why it's reported now. I don't know what the size of the previous minister's staff was personally, but I can tell you that my staff includes a ministerial assistant, a scheduler, a person who answers correspondence, a press secretary, and a chief of staff. Those are the people that I need and that I require to provide services to Albertans and the ministry that I'm responsible for.

Mr. Fildebrandt: Thank you.

Ever so briefly, I'm going to turn my time to the Member for Livingstone-Macleod.

Mr. Stier: Well, thank you, and good morning, all. I appreciate the opportunity to speak with you today, Minister, and all your staff and all the great people you have behind you. In a time when Albertans in the private sector are taking pay freezes and tightening their belts, we need to show that we're actually in this together. I think that while we need to protect and even enhance front-line services, most of the line items that we're talking about today are not going to the front lines. So we expect the minister to be looking at those items over the winter and finding efficiencies, hopefully, for the next budget.

But for now there's one line item that we are confident does not need an increase, in our opinion, namely the minister's office. The previous government already increased ministers' offices, and the amount that they thought was adequate last year should be adequate for this year, we feel. We need to set the right tone in this tough economic time, and padding your own office, Minister, frankly, does not really, in our opinion, set the right tone.

I'd like to put forward an amendment if I could, Madam Chair, to freeze the minister's office budget by taking away the proposed increase, and if I could, I'd like to read the amendment into the record.

The Chair: Has the amendment been signed by Parliamentary Counsel?

Mr. Stier: It has, yes.

The Chair: Thank you.

Mr. Stier: I'm just going to read the amendment as it reads:

> Mr. Stier to move that the 2015-16 main estimates of the Ministry of Treasury Board and Finance be reduced for the minister's office under reference 1.1 at page 248 by $386,000 so that the amount to be voted at page 247 for expense is 150,430,000.

I have the number of signed pieces here.

With that, I would turn the time allotted now back to Mr. Fildebrandt. Thank you.

The Chair: Thank you.

Mr. Fildebrandt: Thank you, Mr. Stier. Following that, on line 1.4, page 248 of the fiscal plan, we see a significant sum being spent on – sorry. Not of the fiscal, of the estimates . . .

Mr. Ceci: Of the estimates. Okay.

Mr. Fildebrandt: . . . for your ministry. A significant sum is being spent on communications. We're wondering why that number is so high when you could just use the entirely nonpartisan Public Affairs Bureau.

Mr. Ceci: Let me just find 1.4. That's not in my ministry. No, it's in the ministry, but it's in Treasury Board.

Mr. Fildebrandt: It's proposing $1.222 million. We're wondering just why that's so high when you could just use the Public Affairs Bureau?

Mr. Ceci: Sure. The communications provide strategic communications advice, consulting services, and communications support to the minister, the deputy minister, senior officials, and all departments to help communicate effectively with stakeholders, the media, and Albertans.

Mr. Fildebrandt: I'm not asking for a description of what the departments do. I'm asking why that particular item is so high when you could just lean on PAB? That's the question.

Mr. Ceci: The branch seeks to ensure that Albertans have access to the information they need on the role, programs, and initiatives of Alberta Treasury Board and Finance, so primarily, I would think, they're providing a consistent message to Albertans. It's consistent with past years, and I believe that that's in the interests of not only government but for Albertans generally.

Mr. Fildebrandt: Okay. Well, I suppose we're not going to get much there.

Is there any plan under consideration to create new Crown corporations over the term of the fiscal plan?

Mr. Ceci: I am not aware of any.

Mr. Fildebrandt: That's either reassuring or frightening.

Mr. Ceci: But when I say that I'm not aware of any, it's because we have not completed our agencies, boards, and commissions review. That information is going to be coming before Treasury Board in the near future. It will look to examine a portion of the ABCs and make recommendations on all of them with the idea that there may be an amalgamation of some ABCs, but we want to ensure that in the ABC review there will be a primary desire to ensure we're strong in terms of governance of the agencies, boards, and commissions, and it will drive more efficiencies if we review those.

Mr. Fildebrandt: I should perhaps specify my question. I'm not looking for consolidation, which could involve technically new Crown corps. I'm more referring to the creation of government enterprises.

Mr. Ceci: Which ones?

Mr. Fildebrandt: The creation of new government enterprises. I'm asking if any of that is under potential consideration.

Mr. Ceci: Yeah. Coming out of the ABC review there may be a direction to eliminate, consolidate, or continue as is. If we are talking about consolidate, that may be the thing that you're asking about. We potentially could get rid of two ABCs and create a new one to drive the programs and services.

Mr. Fildebrandt: I'm asking not just about Crown corporations in general but actual government enterprises, government-owned businesses that would be involved in the economy.

Mr. Ceci: You know, Madam Chair, I don't know how to answer that because there's no plan that I'm aware of to do what you're saying.

Mr. Fildebrandt: Okay. Very good. Let's turn back to performance measure 3(a) in the business plan. It says that increases to spending will not exceed the combined rate of CPI and population growth under the term of the plan, which is until 2019. Does that mean that you will not introduce any new social programs or spending items that would result in your spending to exceed CPI and population growth over the term of your government?

11:35

Mr. Ceci: Well, again, Madam Chair, I'm not sure how to answer that. I can say that we have a budget before you, a fiscal plan, and we are planning to come in less than CPI, as it says here, and population over the course of this budget. As long as we do that, programs and other things might change, but we still have the overarching target of coming in and spending less than CPI and population growth.

Mr. Fildebrandt: Okay. Granted, you could reduce spending in one area to make fiscal capacity.

Mr. Ceci: That's right.

Mr. Fildebrandt: But barring a significant reduction in spending in other areas of the government, is it, then, fair to say that you will not be introducing new social programs that would result in spending exceeding the combined rates of CPI and population for any year of your fiscal plan?

Mr. Ceci: No. I would go back to our . . .

Mr. Fildebrandt: Did you say that that's not the case?

Mr. Ceci: I would go back to what we ran on, the commitments we made during the election. There are some commitments there that haven't been realized – or have we budgeted them in? I think we have budgeted them in. Those are social programs, I think you would call them, particularly things like – sorry; I'm just trying to find it – the school lunch program. That's a social program, and we have during the course of this fiscal plan identified it coming into 2016 and 2017, so they're social programs that we haven't started but we anticipate starting.

Mr. Fildebrandt: But you will be exceeding the . . .

Mr. Ceci: No.

The Chair: I apologize for the interruption, but I must advise that the time allotted for this matter of business has concluded.

I would now like to invite a speaker from the third-party opposition.

Mr. Bhullar: Thank you very much, Madam Chair. We have 10 minutes now?

The Chair: That's correct.

Mr. Bhullar: Thank you. Mr. Minister, what will the consequences be if ATB does not end up lending than more than the $1.5 billion that they're at today?

Mr. Ceci: The direction we included in this budget through our capital borrowing is for them to lend up to $1.5 billion, so the consequence of them not doing that, in my estimation, would mean that they would potentially not be assisting in the economic diversification, as we hope they will.

Mr. Bhullar: So what you're saying is that your aim is that they will lend more?

Mr. Ceci: That they have the access to the capital that we will borrow for them to make that happen.

Mr. Bhullar: But you want them to actually put that capital out. You want them to make sure that that capital is going into Alberta ventures.

Mr. Ceci: I want them to support economic diversification. I want them to support businesses growing in this province. This money will support their capital liquidity to make that happen.

Mr. Bhullar: Okay. Is there a benchmark that we can look at here? Is there a benchmark with respect to the amount in loans that go out?

Mr. Ceci: The business plans of ATB will be the guide for, certainly, things that I will look at to make sure that they're reaching those benchmarks.

Mr. Bhullar: Sure. So a year from now, if their loan amounts are the same as they are today, you would be disappointed?

Mr. Ceci: I think I would.

Mr. Bhullar: Good to know. Thank you.

Next: negotiations. I asked you some questions in the spring about that. I think I have the quotes here, but we don't need to get into those. At that point you had said that you were not aware of any, and in September the U of C ended up signing a new agreement where people were afforded 2.25 per cent followed by a couple of 2s. So what is your direction on negotiations now? What direction are you giving to postsecondaries? What direction are you giving to the Department of Education, to AHS on upcoming negotiations? I mean, keep in mind there are 26 different publicly funded postsecondary institutions, and what I have found in my experience every single time is that it just takes one of those 26 – it just takes one of those 26 – to sign an agreement where they're being very lucrative and being very generous . . .

Mr. Ceci: Yeah. And there's a whipsaw back and forth.

Mr. Bhullar: . . . and then – boom – that sets the standard for everybody else as you get into arbitration. What's your strategy there? What are you specifically saying to these organizations when it comes to negotiations?

Mr. Ceci: You know, directly I'm not saying anything. I am working with department officials who are responsible for those areas, and for public-sector bargaining they and I believe that we need to bargain in good faith whenever we get to the table, whether it's a third party on behalf of . . .

Mr. Bhullar: Yeah. I get that. But is your department or are you giving any direction to these institutions that there is no more money, so if you negotiate higher than zero in any upcoming negotiations, it is up to you to find that money?

Mr. Ceci: What I can tell you is that since March – and you might know this – the public-sector working group has been reviewing what approach government can take to better co-ordinate public-sector employees. This working group has been consulting with labour organizations and other stakeholders as well as looking at how other jurisdictions carry out public-sector bargaining in a fair, transparent manner. It would be unfair to workers and employers for government to broadly distribute the information of that working group at this stage as discussions with stakeholders are still preliminary. But I know that with the government of Alberta employees, and not the ones that you're concerned with, we have to meet our budgets, so any increases would be within the planned budget that we have.

Mr. Bhullar: Okay. Looking at the government employee numbers, in '15-16 it's $3.5 billion, approximately, and in '16-17 it's $3.45 billion, so there's a little bit of a downward trend for '16-17. Where is that coming from?

Mr. Ceci: Okay. So in '15-16 there's an unusual bump up because of forest fires and drought. Can you tell me what page you're on?

Mr. Bhullar: Twenty-two.

Mr. Ceci: Okay.

Mr. Bhullar: You can provide it to me.

Mr. Ceci: No. I think I'll tell you right now that this number is unusual because of over $100 million in manpower costs for forest fire fighting.

Mr. Bhullar: Okay. So you're going to hold the line, then? Theoretically you're holding the line on spending within the Alberta public service? That's the AUPE part of this.

Mr. Ceci: Yes. That's right.

Mr. Bhullar: So you're holding the line on departments, saying: here it is; here's what you've got to stay within. Why not offer the same offer or why not provide the same guidance to Alberta Health Services, school boards, postsecondaries? Isn't that kind of unfair to the departments, then, and not to them? One could argue that, couldn't they?

Mr. Ceci: Just give me a second.

Mr. Bhullar: Since we're really getting short on time, we can . . .

Mr. Ceci: Okay. I can tell you that with the budgets that have been identified for Education and Health, they have to live within those. So in a way they have to look out and only grow to the extent that they have budgets identified by this fiscal plan.

11:45

Mr. Bhullar: But Alberta Health Services, school boards, and postsecondaries are all going up while the hard-working people of the government of Alberta . . .

Mr. Ceci: They're all hard working.

Mr. Bhullar: They're all hard working, absolutely, but I just want to make sure that the folks in departments see that AHS is going up, school boards are going up, and postsecondaries are going up but that the folks in departments are staying flat. So that could theoretically mean that people within departments will be laid off to find the savings that have to come in order to pay for the contractual obligations with the AUPE.

I've only got, like, a minute and a half left, so I'm going to shift focus. This is more of a broader policy-type question. You're coming up with a new Alberta child benefit. There's no employment standard required in that. This is a bit theoretical on my part as well, but I want to know the thinking behind this. How do we incent people to work if there's no employment standard required and somebody will be able to collect up to $2,750 a month without working? They can collect from Alberta Works, and they can collect $2,750 a month and never think of working again. Like, Alberta Works has a category called: not expected to work.

Mr. Ceci: I think I disagree with your observation that people would never be incented to work or want to work. I believe that everybody wants to get in the workplace with the desire to build that into their future for their families and themselves. I don't agree with you.

Mr. Bhullar: Let's stay away from the philosophical parts. The question is: how does this program incent people to get into or return to the workforce? It seems to me that this has no incentive for people to get into or return to the workforce. Rather, it says: here's a sum of money that you will be receiving until your children turn 18. How does it incent people to return or get into the workforce? On the program side, not on the philosophical side.

The Chair: I apologize for the interruption, but the time allotted has concluded.

I would like to point out for the record that we are now entering into the independent or other portion of the speaking order. However, the representative of the Alberta Party is not present, and there are no other members present to speak in this category.

We will then move on to the government caucus. I would now invite you to speak.

Mr. Kleinsteuber: Well, thank you, Madam Chair. Back to some of the questions we were asking earlier. Minister, on page 113 of

Budget 2015 it lists the full-time equivalents of the number of employees in government departments. I note that, unlike much rhetoric in the media, there seems to be a net decline in the total number of positions. How did you achieve that, and why is that important? Is the hiring restraint working?

Mr. Ceci: Thank you very much for the question. Year over year from 2014-15 to 2015-16 we're expecting to see a net decline of 16 positions across the public service. Effectively, that means that there's been no growth despite an increase in the population. When the new government was elected, we reauthorized a policy of hiring restraint, yes, the hiring restraint policy that was authorized by the previous government, I believe, in December or January of this year. We ensured in the reauthorizing of that restraint that the only people hired would be front-line staff and those to fill critical positions.

This is an important policy during these tough economic times to ensure that our dollars are put where they're needed most, which is to protect core public services that Albertans rely on like education and health care. We know that over eight years the population of Alberta has grown by 17 per cent, but the size of the public service has been virtually flat, growing only 4 per cent. That means that the people have been more productive, and as was talked about earlier, we're concerned about that. We're concerned that as people are more productive, they are also recognized for that productivity through enhancements to their support, not necessarily wages.

Mr. Kleinsteuber: Okay. Thanks.

Mr. Dang: Minister, this was touched on a bit earlier by other members, but your budget appears designed to protect front-line public services, that Albertans rely on, and their workers. Can you elaborate a little bit on why that's the right choice for Alberta during these tough economic times, and should we be concerned at all about government spending?

Mr. Ceci: I think I'll go back to my prebudget consultations again, in eight places around the province. I did hear a lot from people about a number of things, but the consistent thing seemed to be that there was an infrastructure deficit. They're looking to government to assist municipalities, and citizens were looking for their municipalities and others to improve the quality of infrastructure throughout the province. That was on one side. The other side, of course, was the importance of having a sound fiscal plan that brought us back to balance. Many people talked about that and wanted to know that, you know, relative to other provinces there would still be a tax advantage in this province.

More specifically to your question about public services, Albertans have a desire not to roll back public services but to ensure that the public services they have are of good quality and have a value for the money, that through their taxes they're helping to support. They wanted to ensure that there were teachers in classrooms to educate their kids, that there was access to health care when they're sick, and that we protected those core services. In the spring initiative of the interim supply we made sure that that was happening.

There are alternatives that we could have gone down, a road we could have gone down. We could have cut jobs. We could have cut services in these tough economic times, but we think that would make matters worse, not better. We don't want to add fuel to that fire, so in this budget we are protecting services that Albertans rely on. Alberta will remain a great place to live, work, play, and raise a family. We will invest in this province so that more Albertans will get back to work and key infrastructure will be maintained and built.

Mr. Dang: Thank you, Minister, for those comments.

I'm going to follow up with something that's more personal to myself, many of the stakeholders I've met with, and also a lot of people that I know. Your budget here implements a two-year tuition freeze for postsecondary students and institutions. Why is now the right time for this tuition freeze? Will our colleges, universities, and other postsecondary institutions be worse off at all because of this decision?

Mr. Ceci: The decision to implement a two-year tuition freeze was in our platform, that as a group we ran on. It was something, I believe, Alberta's families viewed as a positive step forward in light of the increases that potentially could have happened this year. Ensuring that our postsecondary education system remains accessible to all Albertans is the reason we undertook this first, positive step in that regard.

We also need to ensure that we're providing sufficient resources to those excellent postsecondary institutions so that the high quality of education they deliver to Alberta's postsecondary students and the research that gets undertaken in those institutions is top-notch and a leading class in the world. So we implemented a fully funded tuition fee freeze, ensuring that those institutions would be no worse off financially. This is something, obviously, that at the end of two years we need to re-examine for its viability for institutions, students, and government going forward.

Mr. Dang: Thank you, Minister. That's very reassuring to hear.

11:55

Mr. Kleinsteuber: Now, I realize that parts of this question were touched on a bit earlier, Minister, but I think it's important to repeat it. I think it's important that we live within our means. In the budget you outlined a plan to balance the budget in four years, by 2019-2020. Do you feel confident in this plan?

Mr. Ceci: Yes, I do feel confident in this plan. I feel confident because I'm supported by department officials who are hard working and knowledgeable and want to achieve the same result that we all want to achieve for Alberta, which is a province that can live within its means, pay its own way, be a stellar leader in this country, and continue to be a great place to live, work, and raise families. I'm confident because of the significant effort that has been put into this budget but also because of the significant holding-to-account of the opposition parties to make this a better budget.

It's a prudent forecast for revenue going forward. It's a budget that will have to be diligent around managing expenses, and we have a stimulator aspect to this budget that we are confident, through our partners in ATB, AIMCo, and AEC, will assist us in growing the economy in this province going forward. Forecasters are saying that 2016 is going to be a more positive year for growth than this year. We are intending to add on to that through our actions as a government and by investing public-sector dollars across this province.

We believe that we have struck the right tone. We've got the right budget for this time. Of course, we're anticipating getting back to this all again with the preparation of Budget 2016 and continuing to build on the success of this budget.

Mr. Kleinsteuber: Thank you.

Mr. Dang: Madam Chair, how much time do we have left?

The Chair: Thirty-nine seconds.

Mr. Dang: All right. Let's try to make the most of those 39 seconds. Minister, we know that we are in tough economic times, and we're seeing this every day in our constituencies, seeing the realities of this. Can you please speak to how this budget would support jobs and families in Alberta at all?

Mr. Ceci: Sure. The investment of over $4.5 billion, a 15 per cent increase over the previous government's capital plan, will be a way of putting Albertans back to work through construction companies and engineering and creating jobs in our communities.

The Chair: I apologize for the interruption, Minister.

Mr. Ceci: That's all right.

The Chair: I would now invite a member of the Wildrose, the Official Opposition, to speak.

Mr. Cyr: Thank you, Mr. Minister, and thank you to all of the support staff. I really appreciate your taking the time today.

If the revenues decrease and you're not going to balance this budget by 2020, will you hold the current level of spending increases, or will you reduce the spending that you've got for that going forward?

Mr. Ceci: I think that everything has to be reviewed going forward. If the assumptions that we've based this fiscal plan on are radically, drastically different than the reality at the time, we will have to review everything. As I said, we have Budget 2016, that's going to get up and running in terms of preparation in the very near future. We'll be looking at the assumptions that we've built into this budget and updating them for the preparation of Budget 2016, so everything needs to be considered in the light of the reality of the day. I would say that, yes, we will look at doing that.

Of course, we have taken the three-pillars approach to supporting families and supporting jobs in this budget, and that is protecting public services and balancing the budget, as you indicated . . .

Mr. Cyr: Thank you, Mr. Minister. I appreciate that. So you'll investigate either cutting or spending increases at the time?

Mr. Ceci: All assumptions will have to be reviewed in the reality of the future day, yes.

Mr. Cyr: On page 248 of the estimates book, line 7, there's a $4 million jump from the actual to this year's budget. How much is spent each year on collecting corporate taxes?

Mr. Ceci: I just need to go to that. So we're experiencing savings, generally, compared to Budget 2014-15. We expect to experience savings from the budget again in 2015-16. It should be noted that budget to budget we are seeing an overall decrease in that expenditure.

Mr. Cyr: Is it a – I'm sorry, Minister.

Mr. Ceci: Hold it. Sorry.

Mr. Cyr: Would you like to rephrase?

Mr. Ceci: I would. I would like to rejoin that with this: the division is in the process of reviewing, updating, and monitoring existing procedures and performance measures to ensure that the goals of the ministry are met. The increase is due to an internal reallocation of funds in support of increased operational requirements. I can't parse out what that is exactly for there are different pieces, but it says that the increase is due to an internal reallocation of funds in support of increased operational requirements.

Mr. Cyr: Those increased operational requirements: is that something that can be tabled?

Mr. Ceci: Is that something that you can find out more about through an advisory note, memo? I think so.

Mr. Cyr: Okay. Thank you.

All right. Referring to line 8.1 on page 248, so the same page, why is there an 18 per cent increase?

Mr. Ceci: Just give me a second. Financial sector regulation and policy?

Mr. Cyr: Yeah.

Mr. Ceci: Okay. Why is there an increase in expense, and it's from actual to estimate? Yeah, actual to estimate. I think it's this. Okay. The voted spending is expected to increase to support operational requirements of the division, and the division incurred – I'm just trying to reconcile the things here.

Mr. Cyr: While you're looking through that, Minister . . .

Mr. Ceci: I'd just share with you briefly that they didn't expend as much due to contracts and unfilled positions, but I can look further and give you a more fulsome answer.

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

Now, as the shadow minister for Justice is there more being done for antifraud measures in these next three years?

Mr. Ceci: Yes. I think the bill that we tabled, Bill 4, had some provisions related to antifraud, particularly to something called zappers, that businesses use illegally to suppress the amount of revenues coming into their businesses. So there is the provision to – the federal government has them in their legislation, and we put them in our legislation. That's one thing that will help antifraud.

Another thing that will help antifraud is when convenience store owners or people in store sales sell liquor or tobacco to underage people. We have put harmonization in our bill, Bill 4, that would exempt those individuals that try and sting people who are selling to minors. It would exempt them from charges. So there are some things that we're doing. Justice is really the lead ministry in all of these things.

12:05

Mr. Cyr: Thank you, Minister.

Is there anything in there for the Alberta Securities Commission, anything tied into that at all for this antifraud?

Mr. Ceci: Antifraud?

Mr. Cyr: Yeah.

Mr. Ceci: With respect, I'm not sure what you're saying. Okay. The ASC continually reviews aspects of fraudulent trading activity within their mandate. I tabled yesterday their annual report 2014-15, and in it it talked about significant investigations that they've done in this province and showed two examples of how they have been able to go after individuals who have traded illegally. One of them they had returned from the United States, actually, because of . . .

Mr. Cyr: Sorry, Minister. I've got to keep going here.

Mr. Ceci: Sure.

Mr. Cyr: It's thrilling; don't get me wrong.

Mr. Ceci: I would not call it thrilling myself.

Mr. Cyr: The same page, 10.2. Now, why was there only $21 million collected last year?

Mr. Ceci: You're talking about the horse racing and breeding renewal program?

Mr. Cyr: Yes.

Mr. Ceci: I do have a note on that funding. So why was there only that much collected? That's the actual amount collected. It's expected to increase to $28 million because there's another track now, Balzac I believe we're talking about. That was the actual amount, though they . . .

The Chair: I apologize for the interruption. I have to advise this committee that the time allotted for this item of business has concluded.

I would like to remind the committee members that we are scheduled to meet next this afternoon to consider the estimates of the Ministry of Municipal Affairs.

Thank you to everybody attending. The meeting is now adjourned.

[The committee adjourned at 12:07 p.m.]

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