



Legislative Assembly of Alberta

The 30th Legislature
Fourth Session

Standing Committee
on
Resource Stewardship

Ministry of Municipal Affairs
Consideration of Main Estimates

Monday, March 6, 2023
7 p.m.

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Fourth Session**

Standing Committee on Resource Stewardship

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Feehan, Richard, Edmonton-Rutherford (NDP), Deputy Chair

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Standing Committee on Resource Stewardship

Participants

Ministry of Municipal Affairs

Hon. Rebecca Schulz, Minister

Ethan Bayne, Assistant Deputy Minister, Municipal Assessment and Grants

Brandy Cox, Deputy Minister

Gary Sandberg, Assistant Deputy Minister, Municipal Services

Shakeeb Siddiqui, Assistant Deputy Minister and Senior Financial Officer, Financial Services

7 p.m.

Monday, March 6, 2023

[Mr. Hanson in the chair]

**Ministry of Municipal Affairs
Consideration of Main Estimates**

The Chair: Good evening. I'd like to call the meeting to order and welcome everyone in attendance. The committee has under consideration the estimates of the Ministry of Municipal Affairs for the fiscal year ending March 31, 2024.

I'd ask that we go around the table and have members introduce themselves for the record. Minister, when we get to you, please introduce the officials who are joining you at the table. My name is David Hanson. I'm the MLA for Bonnyville-Cold Lake-St. Paul and the chair of this committee. We'll begin with my right.

Mr. Feehan: I'm Richard Feehan. I am the deputy chair of this committee, and I'm the MLA for Edmonton-Rutherford.

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

Mr. Orr: Hi. Ron Orr, MLA, Lacombe-Ponoka.

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

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

Mr. Sigurdson: Good evening. R.J. Sigurdson, MLA for Highwood.

Ms Issik: Good evening. Whitney Issik, MLA for Calgary-Glenmore.

Ms Schulz: Rebecca Schulz, Minister of Municipal Affairs, and with me today are Brandy Cox, my deputy minister; Gary Sandberg, assistant deputy minister of the municipal services division; Ethan Bayne, assistant deputy minister of the municipal assessment and grants division; and Shakeeb Siddiqui, assistant deputy minister of financial services and senior financial officer.

We have other officials also joining us, who we will introduce if they're called upon to provide any additional information.

The Chair: Thank you, Minister.

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

Member Ceci: Joe Ceci, Calgary-Buffalo, MLA.

Mr. Huffman: Warren Huffman, committee clerk.

The Chair: Now we'll go to the members participating remotely. When I call your name, please introduce yourself for the record. I see Member Aheer.

Mrs. Aheer: Good evening. Leela Aheer, Chestermere-Strathmore.

The Chair: Thank you.

A few housekeeping items to address before we turn to the business at hand. Please note that the microphones are operated by *Hansard* staff. Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and videostream and transcripts of meetings can be accessed via the Legislative Assembly website. Members participating remotely are encouraged to turn on your camera while speaking and mute your

microphone when not speaking. Remote participants who wish to be placed on the speakers list are asked to e-mail or message the committee clerk, and members in the room should signal to the chair. Please set your cellphones and other devices to silent for the duration of the meeting.

Hon. members, the standing orders set out the process for consideration of the main estimates. A total of three hours has been scheduled for consideration of the estimates for the Ministry of Municipal Affairs. Standing Order 59.01(6) establishes the speaking rotation and speaking times. In brief, the minister or member of Executive Council acting on the minister's behalf will have 10 minutes to address the committee. At the conclusion of the minister's comments a 60-minute speaking block for the Official Opposition begins, followed by a 20-minute speaking block for independent members, if any, and then a 20-minute speaking block for the government caucus. Individuals may only speak for up to 10 minutes at a time, but speaking times may be combined between the member and the minister.

After this, speaking times will follow the same rotation of the Official Opposition, independent member, and the government caucus. The member and the minister may each speak once for a maximum of five minutes, or these times may be combined, making it a 10-minute block. If members have any questions regarding speaking times or the rotation, please send an e-mail or message to the committee clerk about the process.

With the concurrence of the committee I will call a five-minute break near the midpoint of the meeting; however, the three-hour clock will continue to run. Does anyone oppose taking a break? Seeing none, we will do that. We will announce it shortly.

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

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

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

Points of order will be dealt with as they arise, and individual speaking times will be paused; however, the speaking block time and the overall three-hour meeting clock 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 and any amendments will occur in Committee of Supply on March 16, 2023. Amendments must be in writing and approved by Parliamentary Counsel prior to the meeting at which they are to be moved. The original amendment is to be deposited with the committee clerk with 20 hard copies. An electronic version of the signed original should be provided to the committee clerk for distribution to committee members.

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

I would now invite the Minister of Municipal Affairs to begin with your opening remarks. You have 10 minutes.

Ms Schulz: Thank you very much, Mr. Chair, and good evening, everybody. I'm here tonight to present my ministry's 2023-26

business plan and highlights of the Municipal Affairs 2023-2024 budget.

Now, as my officials have already been introduced, I do just want to thank them for all of the great work that they've been doing to support municipalities and to prepare this year's budget. There are also additional staff from my department available to speak to our ministry's commitments, who can introduce themselves as need be if they're asked to provide supplementary information.

I will deliver some prepared remarks, and then, of course, I'm happy to take your questions this evening. Across government we are working to secure Alberta's future by growing the economy, strengthening health care, creating more jobs, and focusing on public safety to support Albertans. Alberta's economy has momentum, and as a government we are focused more than ever on job creation and diversification as our province continues to be the economic engine of Canada.

Alberta municipalities are a huge part of this economic momentum, and they are helping to create success. The cities and towns of Alberta, the rural municipalities, the municipal districts and counties, the villages and summer villages all across the province are vital to Alberta's prosperity. They serve as economic drivers in their own right while providing public services and infrastructure for Albertans and helping to shape Alberta's vibrant communities.

While we have every reason to admire the successes of Alberta municipalities and share our pride for their commitments and achievements, we also recognize the financial pressures of high inflation that municipalities are grappling with right now. This is why Municipal Affairs is increasing its support and investing more than \$993 million to help build Alberta communities.

As detailed in our business plan, Municipal Affairs continues to deliver important programs and services that Albertans depend on. The ministry's work covers a broad range of initiatives, from providing local governments with capital and operating funding to the oversight of building and safety code systems to supporting the work of the independent Land and Property Rights Tribunal in making fair decisions on a wide variety of property-related disputes and to many other programs that have a daily impact on the lives of Albertans.

Despite the challenges of previous years, the province and its municipalities have persevered and found a way forward. We remain steadfast in our commitment to responsible fiscal management. Fiscal responsibility matters. It has helped us to get to our strong economic position now and will help keep us secure in the future. With a focus on economic recovery and affordability for all we are living within our means and adjusting spending where appropriate.

I will begin by highlighting some of the key changes in the Municipal Affairs budget since 2022. We have an increase of \$30 million in municipal sustainability initiative operational funding, effectively doubling this funding; an increase of \$3 million in support of public libraries; an increase of \$500,000 to provide fire services training grants; an increase of \$6 million for grants in place of taxes; an increase of \$800,000 to expand the Land and Property Rights Tribunal's capacity for timely decisions; and an increase of \$1.1 million to cover our labour mandate adjustment. We're adjusting cash flows for the investing in Canada infrastructure program by approximately \$8.6 million to address project requirements put forward by municipalities.

In total our budget change is an increase of \$45.2 million from Budget 2022. I'll explain additional details about some of these changes and other budget commitments.

I'll start with our biggest budget commitment, which is the investment in the municipal sustainability initiative program, better known as MSI. Since 2007 the MSI program has helped support local infrastructure priorities in Alberta municipalities.

Our government understands the importance of this funding source for municipalities, which is why Budget 2023 continues to provide significant funding through MSI.

As part of our multiyear approach to responsible, sustainable fiscal management with municipalities, we're maintaining capital funding levels. Capital funding through MSI has been averaging \$722 million each year since Budget 2021. As you may recall, we front-loaded this funding in Budget 2021 to ensure that municipalities could advance capital projects and support economic recovery in their communities. As a result, we allocated \$485 million for MSI capital through Budget 2022 and are maintaining that same level for Budget 2023, averaging \$722 million per year over three years. This means that our government has provided a total three-year investment of \$2.166 billion to support Alberta's municipalities and the Albertans they serve.

I should also mention that MSI provides municipalities with operating funding. MSI operating funding is particularly important for smaller Alberta municipalities, which are facing inflationary pressures but lack the tax base to continue providing important services to their residents. With Budget 2023 we're providing a significant increase to that funding by \$30 million for a total of \$60 million to support local budgets. This is an important increase that will help some of Alberta's most challenged municipalities, reducing pressure for local tax increases in order to maintain stable public services. However, as I alluded to earlier, Budget 2023 will be the last time the MSI is used to provide funding for municipalities.

7:10

Municipalities across Alberta have long asked for a predictable and consistent source of funding. Our government is delivering on that. That is why next year we will be introducing the local government fiscal framework for the '24-25 fiscal year. The new framework, with its ties to provincial revenue changes, will replace the MSI and ensure funding levels are sustainable for the province while allowing municipalities to plan more effectively for the future.

We've been talking to municipalities over many months about the new framework, called the LGFF, as we've gathered their input on the funding formula and detailed program design. We put our commitment to sustainable, predictable funding for municipalities into legislation in 2019 with the Local Government Fiscal Framework Act. Now, when this framework comes into effect next year, we'll ensure that municipalities receive \$722 million in capital funding for the '24-25 fiscal year. The framework strengthens our partnership with municipalities and will enable them to share more fully in the ups and downs of provincial revenues. Annual municipal funding will rise or fall by the same percentage as the change in provincial revenues from three years prior.

The LGFF legislation includes a revenue index factor, which ties future funding to changes in provincial revenues. We initially set the factor at 50 per cent so that funding levels from municipalities would change at 50 per cent of the rate in changes to provincial revenues. We did this as a way of mitigating volatility for municipalities, but in our discussions with municipalities about the new framework every step of the way they've made it clear that they want to be full partners who share in the fortunes of provincial revenues in good times and in bad. So we are delivering on our commitment and are proposing a legislative amendment to the Local Government Fiscal Framework Act which will change the revenue index factor from 50 per cent to 100. This change will help keep provincial revenues and municipal funding closely aligned.

As part of the transition from MSI to the LGFF we are committed to providing additional top-up funding if necessary to ensure that no municipality will receive a year-over-year decrease in funding.

Overall, the approach we're taking to transition from MSI to the new framework is an excellent example of how we're helping to secure Alberta's future with sure and steady steps and doing it hand in hand with municipal partners.

Alberta Municipal Affairs also continues to support municipal infrastructure by helping to manage the federal investing in Canada infrastructure program, better known as ICIP. There's a cash-flow adjustment of approximately \$8.6 million that reflects the anticipated cash requirements needed by ICIP grant recipients to fund their projects over the next year. ICIP is a dedicated revenue program with funding coming from the government of Canada. In addition to helping deliver this federal program to Alberta's communities, we also match that investment with provincial dollars.

We also administer the federal Canada community building fund, and we have positive news there as well, with an additional \$11.1 million going to Alberta communities from the CCBF. Unlike ICIP, 100 per cent of CCBF comes from the federal government, and the province is not required to match the funding.

Finally, I'm pleased to highlight the support we're providing through Budget 2023 to public libraries, including the \$3 million increase mentioned earlier. Alberta's public libraries and their dedicated staff have always played an important role in our communities as places of learning and connection. The role of libraries as community hubs has increased in prominence and importance during recent years. Alberta's public libraries are places where people can gather for learning, for job training, and for valuable programs that help individuals and families thrive or just to connect with friends and neighbours. All library boards will benefit from an increase of at least 5 per cent in their annual grants in 2023-24.

Our government also provides funding and support to public libraries for SuperNet connections, e-content, and interlibrary loan services through the interprovincial library network. These resources support accessibility, with the power to enrich the quality of life for thousands of Albertans, and I am very pleased to be increasing the budget that supports them.

In short, Mr. Chair, Municipal Affairs is focused on building a brighter, more prosperous province. Together we are solidifying our place as the economic engine of our nation and building vibrant communities that make Alberta one of the best places in the world to live, to work, and to raise a family. We are securing Alberta's future.

Thank you very much for your time, and I welcome the committee's questions this evening.

The Chair: Thank you very much, Minister.

For the hour that follows, members of the Official Opposition and the minister may speak. You will be able to see the timer for the speaking block both in the committee room and on Microsoft Teams.

Members, would you like to combine your time with the minister?

Member Ceci: Sure.

The Chair: Minister, you have that option as well.

Ms Schulz: Sure.

The Chair: Go ahead. Who's coming up first? Mr. Ceci.

Member Ceci: Thanks. Minister, just following up on your introductory comments there, can you explain briefly the labour mandate adjustment?

Ms Schulz: This was, really, just to reflect the collective bargaining agreements that came through the labour mandate agreements.

Maybe I can pass it over to you for some more specifics on the increases.

Mr. Siddiqui: Sure. Thank you. Yes, the labour mandate adjustment: that reflects collective bargaining agreements that are in place. There was a percentage increase for the public service in January of this year, and there will be another increase. It will be between 1.5 and 2 per cent in September, depending on provincial revenues.

Member Ceci: Thanks for that clarification.

Another thing you mentioned was about the legislative amendment for the escalator, from 50 to 100 per cent. Will that be part of an omnibus that is coming forward in the next few weeks?

Ms Schulz: Yes, it will be. Yes.

Member Ceci: Great.

All right. Maybe just to follow up on some of the comments you made with regard to the federal government funds, ICIP and the federal one, on page 167 of the government estimates there's a table that shows a budget of \$30,577,000 for investing in Canada infrastructure, rural and northern communities, but only \$12,615,000 is forecast to be spent in this year. This program supports communities with a population of 100,000 or less to improve food security items, to improve roads, air, or marine infrastructure, to improve broadband connectivity, and more.

I can appreciate that for ICIP, northern and rural communities, the timing of expenditures for approved projects is a reason for the lower forecast and budgeted amounts in 2022-2023. What I'm interested to know is if there is a consistent reason for these municipal infrastructure programs not moving forward. Were they delayed due to labour shortages, equipment shortages, materials, supplies, or supply chain issues, for example?

Ms Schulz: That's an excellent question. In 2022-23 the ministry forecast of expenditures for approved projects was based on the estimated cash flow provided by the grant recipients. Projects are under way, and there is no change to the total estimated funding. However, there are variances in the anticipated timing of cash-flow requirements. ICIP cash-flow timing is dependent on the submission of expenditure claims by recipients, so the lag time between when costs are incurred by recipients and subsequently submitted for reimbursement impacts cash-flow projections.

Essentially, they tell us how much they need to spend on that front. Delays that originated during the pandemic as well as inflationary pressures on municipalities have continued to require some adjusted project construction timelines, but I guess the short answer is that it does depend somewhat on the municipality. In some cases it could be supply chain. In some cases it could be that a municipality – well, it's just a variety of factors that might impact those projects at the local level. Or, as you know, sometimes unforeseen circumstances come up in the development of those certain projects. So I guess the short answer is that it depends on the community.

Member Ceci: Did I read that this fund will be stopping? Did I read that in the budget books? Is it another fund that will be no longer going forward under the federal grant program?

Ms Schulz: To answer the member's question, it's the small communities funding that is ending, but the ICIP is a 10-year commitment.

7:20

Member Ceci: Okay. What year are we in now?

Ms Schulz: Okay. The investments – oh, sorry. Actually, my mistake. Sixteen years: 2018 through '34, for four funding streams.

Member Ceci: So '18 through '34. Okay. And that's for four streams? Yeah? Thank you.

Just looking at the next question, maybe, on page 166, if I can just go there, in government estimates, with regard to libraries. Oh, there it is, 2.4. You did talk about a 10 per cent increase to that forecast amount from last year. I received this e-mail from a councillor in Alberta. He said that he's "seen, first hand, the challenges that our libraries are facing given that there has been no increase in provincial funding [for many years] . . . our library has had to dip into reserves and to reduce hours." Libraries, of course, provide – and you mentioned it – critical services to communities, especially rural communities, from lending of books to resumé preparation to quality programming. During COVID they provided probably a lot more than that to their communities. I'm pleased that there has been an increase to the public library funding in the budget, but the truth is that this increase barely keeps pace with the rate of inflation if you think about how long it's been held flat. This comes after years of funding freezes.

I guess my question is: do you believe that we're at an adequate level, or do you have hopes for the future with regard to where this funding can go?

Ms Schulz: I've met with a number of representatives from the library boards, and it's something that I'm very passionate about. I do believe that they're a critical community resource, and I'm proud of the work that the ministry does to support the library community.

As you alluded to and as I mentioned in my introductory remarks, Alberta's libraries serve not only to provide books but, obviously, information needs, connection needs for people of all walks of life and from right across the province. Whether folks are looking for, like I said, books and resources, seeking out job opportunities, or looking to support newcomers to Canada, the public library is there to help. They also do play a key role in reconciliation and in connecting Indigenous communities and resources. I am a library user myself, as is my family, and I have heard a lot of stories from those in the library systems about the different programs that libraries have stepped in to provide for their patrons. Again, some of those job connections, resumé building, even courses for seniors to understand their cybersecurity and safety online: it's a very important resource.

Since 2017 governments have maintained stable funding support for libraries because of the important work that they do. This year we have increased the funding by another \$2.9 million, almost 10 per cent, to the more than \$33.5 million so that libraries can continue to meet the needs of their communities. Now, this direct funding includes support for urban libraries and regional library systems to provide service for on-reserve and on-settlement Indigenous populations. Municipal Affairs also funds and manages a provincial network of library services to create equity between urban and rural services.

When we decided on an increase to the library systems, one of the other things that we felt was very important was to make sure that, you know, especially in an area where instead of just focusing on population, there may have been smaller, rural, remote communities that actually saw decreases in population, how we decided to roll out those dollars was, first, to make sure that every single library board saw an increase of that 5 per cent. I am proud of this work. The increase did allow us to fund libraries using more

updated 2019 population data, but it's also a good reminder that this is not the only funding stream that libraries receive funding from. This is part of it, but municipalities also play a role in funding those library boards.

Member Ceci: Okay. I'm not sure. I saw a reference to this – it might have been in your business plan – so I'd like to ask about the status of the provincial education requisition credit. I read somewhere in the three documents that the program is scheduled to expire at the end of this year, but the problem is as acute as ever. Does the government intend to extend this program? Is this the program that helps those municipalities out who have unfortunately not gotten oil and gas companies to pay their taxes?

Ms Schulz: Yeah. As you alluded to, municipalities continue to be impacted by unpaid property taxes from oil and gas companies. I do want to reiterate, though, that the vast majority of these companies are in fact paying their taxes. But the extension of the provincial education requisition credit program to the 2023 tax year allows municipalities to continue to access that program to help manage shortfalls experienced as a result of uncollectable education property taxes.

The elimination of the requirement to write off uncollectable taxes prior to applying for PERC makes it easier for municipalities reluctant to write off uncollectable taxes to access PERC funds. Since the requirement to write off taxes was eliminated, more municipalities seem to be accessing PERC funds to cover account shortfalls from bad debts as opposed to waiting for a couple of years in hopes of collecting taxes owed to them while other taxpayers absorb the burden of the revenue shortfall.

We are seeing more municipalities access PERC for the tax year immediately preceding their PERC application since they are no longer required to write off taxes to access PERC funds. This will continue up until the 2023 tax year.

Member Ceci: Okay. What level is that credit amount at in this year? Do you know?

Ms Schulz: Fifteen million is the max.

Member Ceci: Will it be fully subscribed?

Ms Schulz: No. We haven't come close to using that full amount.

Member Ceci: What's the level you've used?

Ms Schulz: I'm always happy to have an official jump in to fill out any of the background, but just to cover '21-23, \$8,599,799; '22-23 is an estimate – so that number hasn't been formally approved – but just over \$1.8 billion.

Member Ceci: Okay. Thanks.

This is the MSI operations. On page 166 of the estimates, 4.1, I believe, the amount is \$60 million. Also, on page 95 of the fiscal plan it reads:

Budget 2023 doubles annual operating grants under the MSI/LGFF from \$30 million to \$60 million. This additional funding will help to address rising costs due to inflation and other external factors as well as recent government policy decisions.

Can I ask you what recent government policy decisions you're referring to there?

Ms Schulz: This really was about hearing from municipalities that they were finding challenges just in their increased operating costs, of course, due to inflation, other fiscal pressures, and rising

demands for services in some communities. We did want to alleviate some of the substantial operating cost pressures on municipalities, give them the ability to complete priority operating projects. These are things like planning and infrastructure maintenance. An additional \$30 million in operating funding is what will be provided annually, starting in 2023-24, under the MSI operating program and continuing thereafter under the local government fiscal framework.

This does facilitate municipal financial health, making sure that they can continue to provide the services Albertans need and help limit property tax increases at a time when Alberta taxpayers are dealing with those very same impacts of high inflationary pressures.

7:30

Some of the things that municipalities had raised were some of the work being done in the funding model, some of the work that we're doing around the three-year tax holiday: beginning in the 2022 property tax year, new wells and pipelines are not being subject to property taxation until the 2025 tax year. Elimination of the well drilling equipment tax: the well drilling equipment tax rate was set to zero effective January 1, 2021. And the 35 per cent reduction to the assessment of shallow gas wells and associated pipelines will continue on that front.

Those incentives: perhaps, you know, while they do reduce revenue to municipalities but overall helped our economy and especially our energy industry at a time when the industry was under great distress, as you know – and then I think there were some other prior changes, for example, to the grants in place of taxes program funding. We wanted to address some of the concerns municipalities had raised, and by increasing, in fact doubling MSI operating, this was one way that we could do that.

Member Ceci: Do you know if that basket of incentives you talked about that is granted to the oil and gas industry is offset fully by the \$30 million that you're talking about increasing MSI?

Ms Schulz: I would say that this was more about addressing the general pressures that municipalities are facing. It's not necessarily meant to be a perfect swap for one program or another. It was more generally responding to the calls from municipalities that they are under those increased inflationary pressures, as we've seen in government programs, as Albertans are seeing, you know, when they go to the grocery store or in their day-to-day lives. I do think that that – I want to be clear that it's not meant to be a one-on-one swap for any specific government program. Total taxes saved by industry: approximately \$20 million.

Member Ceci: And that's just in the one year?

Ms Schulz: That is in the 2022 tax year.

Member Ceci: That is in the 2022 tax year.

Ms Schulz: And, just to be clear, the MSI operating will be ongoing. So the increase is for this year, but as you would see in the budget, we're increasing that in the out-years as well.

Member Ceci: Right. Okay. Maybe I'll come back to that in a bit.

With regard to page 167 of estimates, MSI capital, line 4.2, I'm hearing that municipalities, while they're pleased that government has finally shifted away from the revenue index factor of 50 per cent to 100 per cent, they're still deeply concerned about the entrenching of cuts to municipal funding brought about by this budget. Funding under MSI – it's \$485 million for the 2023-2024 year – is just a little more than half of what it was under the previous

Alberta NDP government. You did talk about the three years at \$722 million on average, and next year it's – was it \$722 million? Yeah, it was \$722 million, three years averaged, and next year it's going to be \$722 million. You talked about, I think, stable and predictable. I'm not sure you talked about adequate. From the perspective of municipalities, it's inadequate. According to Alberta Municipalities even this latter figure of \$722 million is a 36 per cent cut compared to their historical averages. Do you think it's adequate from the listening that you've been doing to municipalities?

Ms Schulz: I would start by saying that, as you mentioned, we did in fact front-load the funding, so the average of funding was the \$722 million over three years, and I think that that's important, to remind committee members of how and why those decisions were made, which was really to support economic recovery and spur economic recovery in a time that was exceptionally difficult for all of us across the province and certainly for municipalities as well.

Increases to the baseline LGFF funding amount would have long-lasting impacts to the province's finances, especially with the increase to the revenue index factor. While a large surplus has been forecasted in '22-23, the government still has to make prudent fiscal choices to ensure the long-term stability not only of the LGFF but of our province's finances. These choices will help remove the likelihood of additional changes to the LGFF if the province's fiscal situation changes dramatically, improving the predictability and dependability of LGFF funding.

I would also say that the MacKinnon panel report did recommend in 2019 that Alberta's per capita spending on municipal grant programs be brought in line with that of other provinces although I will say that direct comparisons are difficult on that front because of differing municipal responsibilities, available revenue sources, grant program structures. The current funding levels align with the recommendations of the MacKinnon panel.

I do think that it's important to remind committee members as well that this is not the only funding source for municipalities: you know, examples like the FCSS program, of course, through Seniors, Community and Social Services as well as a number of programs through other ministries like transportation.

Member Ceci: No, it's not the only funding source, for sure. It is something that's pretty significant in terms of capital infrastructure across this province.

Have knock-on effects been related to you with regard to decisions municipalities have to make relative to, you know, from their perspective and my perspective, the inadequate amount of money that's going to be in the LGFF going forward, knock-on effects like making their communities less competitive because they can't fully fund the things that either industry or their residents would like?

Ms Schulz: You know, I do think that this funding does help us address building vibrant communities, and that's something that's important to our government. I know it's something that's important to local governments. We represent the same constituents, Albertans, and we want to see vibrant, growing communities right across this province. You know, we have to remember that that's, I think, partially why or one of the reasons why municipalities had asked for a stable, predictable funding formula, something that was transparent, something where everybody understood the parameters and where that funding was going and why. We will continue to invest. Again, this isn't the only way that we address investment attraction although that's not for

today's estimates in my portfolio necessarily. But we will continue to be there to support municipalities.

You know, I would say that in the out-years as well, even in the second year of this fiscal plan, there is a significant increase to the amount of capital funding under the local government fiscal framework because of those changes to the revenue index factor from 50 to 100 per cent.

Member Ceci: Just on that factor, on page 13 of the fiscal plan, this is a quote from there: "Budget 2023 amends the Local Government Fiscal Framework so that municipalities share fully in both increases and decreases in provincial revenues." For the last three years this government has been committed to that 50 per cent revenue index factor. You might have shared some of this, but maybe if you can go over it again and perhaps offer some insight into what finally brought about this change and why it took so long.

Ms Schulz: You know, throughout the last couple of months, as I've been in this role, one of my priorities was building relationships. We already had strong relationships with a number of municipalities right across the province, but part of that was really listening and hearing: what are the top requests? What are the top things that municipalities want to see?

I think the intention of the 50 per cent revenue index factor was well intentioned because, I would say, in a difficult year like 2019, when we see an oil price crash, an economic downturn, and a government being faced with very difficult decisions, that unpredictability – none of us could have predicted being in that situation. Those were difficult decisions for government, and of course they're difficult decisions for municipalities as well. Having a 50 per cent revenue index factor to help mitigate some of those swings was very well intentioned and, I think, was coming from the right place. Given the circumstances we were seeing fiscally in the province, I think that that was the right proposal to bring forward at the time.

7:40

But now we do hear municipalities saying: look, as part of this ongoing stable, predictable funding, we would like to be a hundred per cent linked with the province. So as long as municipalities are aware that that could create a little bit broader swings, depending on what happens fiscally for the province, we think that's fair. That's a fair request, and it will address some of those concerns that municipalities have brought forward.

Member Ceci: Thanks.

Just following up on page 13, with regard to this issue in the fiscal plan, it reads, "The government will continue to work with municipalities to finalize the allocation formula and consider ways to facilitate a smooth transition to the new framework." I appreciate it's an ongoing process, but can you offer any insights into the government's position on this allocation formula?

Ms Schulz: Yeah, absolutely. First, just to add one other piece to your last question, ensuring that total program funding levels under the LGFF are finalized almost three years before the funding is allocated – because the revenue index factor is based on provincial revenue changes from three years prior, that will help municipalities better plan for overall funding changes each year as well. The lag time does make sure that funding is provided countercyclically so that additional funding doesn't place additional strain on inflationary cost pressures in time of economic growth and enhances infrastructure investments when provincial revenues drop.

In terms of a transition and what that actual formula looks like, the former minister, Minister McIver, was very clear. In a perfect world, government would not be the ones coming up with this formula and tasked Alberta Municipalities and the Rural Municipalities association to come up with a formula. This is a difficult task, and now what we have are two different proposals, one from Rural Municipalities, one from Alberta Municipalities, and then we have a number of other proposals that came in from folks that maybe didn't like either. I think, you know, that's challenging, but it was not the government's intention to dictate a formula. We really wanted municipalities to come up with that formula that would work for communities and counties and municipal districts right across the province.

Now, because of that – and I intend to stay on that same path. I really want this to be collaborative and want to hear the voices of the municipalities versus coming up with, you know, a specific formula that sounds great to me and just rolling that out and saying: this is what it shall be. Unfortunately, because the organizations couldn't come up with one proposal, we're now going to go back, bring everybody back to the table, and work through that. The changes to the revenue index factor did change how those discussions are going to go, so of course they had to wait until after the budget was tabled in the House, but I want to have those conversations with those organizations and bring some consensus before we move forward.

Member Ceci: Thanks.

I just want to explore that countercyclical comment you made. Is that a hundred per cent accurate, do you think? Not necessarily: if there continues to be growth, growth, growth, it wouldn't be countercyclical, right? It would just be building on.

Ms Schulz: In times of decline. That's where just the three-year lag does help with predictability no matter what we see in terms of increasing revenues or years like we saw in 2019.

Member Ceci: Great.

Just if I can move on to page 165 this time and page 166, so it's in two places, and then it's on page 96 of the fiscal plan. It reads:

The Grants in Place of Taxes program acknowledges that the province benefits from municipal services, such as roadwork, snow clearing, transit and emergency services, provided to government properties. Budget 2023 funding for this program will increase from [30 to] \$36 million in 2023-24 [and then] to \$40 million in 2025-26, which will allow payments to municipalities to be maintained at current levels given rising property values and construction of new government infrastructure.

What it doesn't say is that this was a program that was cut in 2019 by 50 per cent. I'm just wondering if the plan is to get to the real cost on provincial taxes and, essentially, that municipalities deliver services to provincial properties across the province, and the real cost is not \$36 million.

Ms Schulz: A couple of things. We will continue to provide support to municipalities for the services that they provide; as you mentioned, things like road clearing and maintenance and emergency response. It is discretionary, it's not fee for service, and we will be maintaining it at the same overall level as last year for '23-24 and future years. It's anticipated most applications will continue to be paid at 50 per cent of the eligible amount, but the overall budget is increasing to keep pace with growth in the number of provincial properties and increases in assessment and tax rates, allowing us to maintain that 50 per cent.

These decisions are not always easy, but every government needs to make difficult choices in learning to live within its means and maintain funding of municipalities in line with what other provinces provide.

We did also choose to increase the municipal sustainability initiative, MSI, operating funding from \$30 million to \$60 million, which is critical to many smaller communities especially, as well. I think that answers your question.

Member Ceci: So you're keeping the rate the same, but the amount is going up because there are more provincial properties. Is that right?

Ms Schulz: And assessment values, yeah.

Member Ceci: Oh, right, and assessment value. Okay. So on that line, on page 166, \$5.225 million more than forecast. You've looked at assessment value and the number of provincial properties out there, and that's how you came in line with the \$36 million and then raising it to \$40 million in the subsequent year. Okay.

I'll go to 2.3 now, municipal capacity and sustainability. There's an increase of \$702,000 estimated over this year's budgeted and forecast amounts. Can you share with me what the source of that increase is and what it addresses?

Ms Schulz: Okay. This \$702,000, this increase, is due to a \$430,000 increase in salaries and wages due to Budget 2023 internal reallocation from element 2.2, municipal policy and engagement, to 2.3, municipal capacity and sustainability; a \$170,000 increase in salaries and wages due to Budget 2023 internal reallocation from element 2.4, public library services, to 2.3, municipal capacity and sustainability; and a \$102,000 increase in salaries and wages to fund public-sector compensation, including collective bargaining agreements.

Member Ceci: When you say from this element to that element, are you just rolling up into 2.3 the increases on – is it labour? Is that what I'm hearing?

Ms Schulz: Largely internal government reorganization.

Member Ceci: Oh, okay. Which would mean people, right? Okay. So that's what that increase is. But there's no increase in your number of people to the organization?

Ms Schulz: No. Maybe, ADM Sandberg – did you want to clarify any of that at all or add any additional content?

Mr. Sandberg: Sure. Thanks, Minister. Yeah. It's the simple matter that we did some minor reorganization within my division. We moved about half a dozen staff from one side to another to address workload, so you see the numbers decreasing on the one side and increasing on the other side.

Member Ceci: All right. But the net has not grown?

Mr. Sandberg: No.

7:50

Member Ceci: Okay. That's really good.

I may be jumping down a little further: 8.1 now, warranty, certification, and policy. It shows just over half a million dollars reduction, or 20 per cent of expected expenditures in this area. Can that reduction be attributed to any particular function or service in technical services that is not going to be done in the future? Why is there that reduction in warranty, certification, and policy?

Ms Schulz: Again, this is also just internal reallocation from one area to another, small shifts in workforce reallocation.

Member Ceci: Within that group of 8.1, 8.2, 8.3, 8.4?

Ms Schulz: Yes. From element 8.1, warranty, certification, and policy, to 8.2, community and technical support, that was a \$100,000 reduction and one FTE that was shifted, primarily. Yeah. Just no FTE reduction overall.

Member Ceci: In the residential protection program, which is licensing, compliance, and enforcement, there's just over an \$800,000 increase attributed there. So that's people again?

Ms Schulz: The '23-24 estimate increase of \$805,000 is due to a \$455,000 and five FTE increase in salaries and wages due to Budget 2023 internal reallocation from 8.1, warranty, certification, and policy, to 8.3, residential protection program; a \$246,000 increase in the estimated costs of delivering the residential protection program in 2023 – the increase will be covered by the program's dedicated revenue – a \$52,000 increase in supplies and services due to 2023 internal reallocation from element 8.2, community and technical support and policy, to 8.3, residential protection program; and a \$52,000 increase in salaries and wages to fund salary increase as per their collective agreement.

The \$246,000, just to also be a little bit more specific: \$150,000 for IT for builder licensing systems and updated registry, and \$116,000, updates from review.

Member Ceci: Okay. When I was going through this year's documents, I didn't see the Alberta Emergency Management Agency anymore, so there's been some reorganization, obviously. It's not part of the Department of Municipal Affairs anymore. When did that change? I know where it went, I think, but it was here last year.

Ms Schulz: Yes. That would've changed, of course. Now we have a Minister of Public Safety and Emergency Services, so that budget would have changed at that time, which was October.

Member Ceci: Okay. So that's about \$31 million that was part of that budget moved over there.

Going back to page 166, the Land and Property Rights Tribunal, there's \$180,000 under expenditure from budget for this year, and I'm not sure why. Are these monies brought forward, or what will be achieved additionally in this area with the \$1,002,000 more in funding for the Land and Property Rights Tribunal?

Ms Schulz: Yeah. The decrease, \$200,000, was for compensation assessment review board hearings. Fewer hearings, as this program is a dedicated revenue initiative.

Member Ceci: Fewer hearings. And the increase? It's going from \$6,740,000 to \$7,842,000.

Ms Schulz: Yes. The estimate increase of \$922,000 is due to a \$1.010 million increase to help with the increased volume of surface rights disputes by Albertans and a \$112,000 increase in salaries and wages to fund public-sector compensation, including collective bargaining agreements.

Member Ceci: There's more surface rights disputes work that's necessary, so there's an increase in the budget to reflect that?

Ms Schulz: Yes.

Member Ceci: How do you get the sense that you've got the right number there for the disputes that are coming forward?

Ms Schulz: Yeah. This is a good question, and it's one that I also asked. Unique to Alberta is the right of a landowner to apply for relief when an unpaid oil or gas operator fails to make annual payments. Operators who don't pay may have their rights of access to land terminated, and the debt is owed to the province. Now, the downturn in the oil and gas sector in 2016 resulted in an exponential increase in the number of applications. That was the first time that that happened. We've seen that again; I believe that was in 2019 as well. With that additional increase in the number of applications, the \$800,000 in this budget will help the tribunal issue decisions more quickly.

Just for context, in 2021 the tribunal received about 7,500 applications under the Surface Rights Act. That compares with 12 applications in British Columbia, 14 in Saskatchewan, and 203 in Manitoba. Part of that is just really around – I see the committee members are nodding. We do have quite a high number. Obviously, when there was a downturn in the energy industry, we saw that drive the number up.

Member Ceci: Just so I know the number again: in 2021 there were 7,500 applications or resolutions?

Ms Schulz: Applications under the Surface Rights Act.

Member Ceci: Okay. Applications. Any sense of what 2022 brought us?

Ms Schulz: Oh, excellent question. I was just preparing for that one. In 2022 in surface rights alone the tribunal issued just under 6,900 decisions, which by legislation must all be in writing. In 2021 there were 7,446 applications received, 6,100 of which were applications for recovery of compensation. In 2022 the tribunal issued approximately 5,500 decisions for routine recovery of compensation applications and 862 decisions in complex recovery of compensation applications. In other areas under the Surface Rights Act in 2022, 521 decisions were issued, which was an increase of 55 per cent from the previous year. Since 2020 the tribunal has directed over \$55 million in payments from general revenue to rural landowners.

Member Ceci: Okay. Thanks for all of that.

Ms Schulz: May I also just add, Mr. Chair, that if anybody knows folks, we are recruiting for the Land and Property Rights Tribunal. So if you know any folks out there that would be interested and have the relevant, requisite experience, please, by all means, encourage them to apply.

Member Ceci: What kind of skill sets do you need to be in the tribunal?

Ms Schulz: You know, well, actually, Deputy Minister Cox could probably provide more specifics, but given that all of the decisions have to be in writing, I would say significant writing skills as well as experience with municipal and land assessments and concerns. Assessing is always excellent experience. Land-use planning would be other requisite experience.

Is there anything else that you would add?

Ms Cox: I think that may be it.

Ms Schulz: For all of the viewers watching this evening as well as all committee members, this is something that we are actively recruiting for, and this \$800,000 investment will go a long way in getting timely resolutions and decisions.

Member Ceci: Yeah. It's a pretty critical area right now. It's in the news all the time, many, many people waiting too long to get resolution, so getting more horses out there so that we can get more done sounds like a good idea.

I just want to ask a question about why something is not included in a voted amount. On page 169 of your estimates, the Safety Codes Council, there's a \$15,933,000 not-voted amount. Can somebody just explain why it's not voted?

8:00

Ms Schulz: That's because that's statutory, so that wouldn't be voted on.

Member Ceci: Statutory. It's required, and it's in legislation somewhere that says that the government has to do it, so we don't actually get a choice to do it or not. Is that good enough?

Ms Schulz: My ADM will provide more specifics on that.

Mr. Siddiqui: Sure. Yes, you're correct. Their authority to spend is written in legislation.

Member Ceci: All right. Thank you for that.

The change in municipal assessments and grants and capital investment on the same page: it's forecast to be \$5,029,000, but the voted supply here for this year is \$600,000. I just wondered why there's such a discrepancy, why there's such a big change in that number. Do you need me to point it out further?

Mr. Siddiqui: No. I'm sorry; if I understand correctly, you're speaking to the decrease in the forecast to now the voted estimate of \$600,000?

Member Ceci: Yes.

Mr. Siddiqui: There was a carry-forward of capital due to an IT project that is under development that commenced in 2021-22. That was a carry-forward, but the funding requirement for next year is the \$600,000 as the IT development continues.

Member Ceci: Okay. Thank you for that clarification.

Something that's different this year that was in last year's estimates was that there was a contingency amount, and there was another amount in the previous year's budget, financial transactions. There were contingency and financial transactions, but they're not here this year. What is that?

Ms Schulz: That is under the Alberta Emergency Management Agency.

Member Ceci: Oh. It went over there.

Ms Schulz: That would have moved over to public safety.

Member Ceci: Would that have been for recovery and payments that would have potentially had to be made?

Ms Schulz: Yes.

Member Ceci: Is that right? Okay.

All right. I have a few more questions; I've just got to find them. Do you have a question?

Ms Phillips: I've got lots.

Member Ceci: Sure. I'll get my questions in order again.

Ms Phillips: You want to? Okay.

Were there any changes to Municipal Affairs outside of – there's a public safety line; I think it was section 8 – the fire commissioner and that kind of thing? Then section 9 in the estimates was the AEMA. Any changes besides that?

Ms Schulz: Sorry. Could you just be a little bit more specific?

Ms Phillips: Section 8 of the estimates and section 9 from previous years: those were, I think, the ones that went over to the public safety minister. Section 8 is called, I think, public safety and has the office of the fire commissioner and those kinds of roles in it, and then the AEMA had its own section, section 9. As near as I could tell, those were the only pieces that had moved from your ministry. Is that correct?

Ms Schulz: Yeah. We moved the Alberta Emergency Management Agency to Public Safety and Emergency Services. We also moved search and rescue grants. We still have the office of the fire commissioner and grants.

Ms Phillips: Okay. What I'm a little bit confused about with this budget is – like, we do understand that things moved around. That is normal in the course of a government. But why don't we have actuals for the lines that didn't change?

Ms Schulz: First, I would say that the government of Alberta has been in the process of transitioning to a new enterprise resource management system. This is actually through Treasury Board and Finance since December 2020. The 2020-21 and '21-22 annual reports were completed using the new system. Budget 2023 is the first budget prepared using the new system structure for the budget process.

The transition of the budget process to the new structure has been fully implemented for the current fiscal year and all future years. The comparable 2021-22 actuals have been included in the fiscal plan by ministry and by category of spending. The comparable '21-22 actuals in the voted estimates have not been included due to the significant complexity of government reporting, comprising the highly complex consolidation of reporting entities, additional breakdown of fiscal spending categories, detailed spending outlined in the voted estimates, along with recent government reorganization. But the actual expenditures for Municipal Affairs for '21-22 are publicly available in the 2021-22 annual report, and the '21-22 actual expenditures have been included in the fiscal plan by ministry and category of spending.

Ms Phillips: Except we're kind of missing a year here, because there was a budget in 2022-23, and I'm assuming that there was actual spending that went on in that year. But we don't see that here, so I went back. The oldest online budgets are from 1997, and the way that it's presented is nowhere near as good prior to the Fiscal Planning and Transparency Act. But there it is, the oldest budget online. The budget papers are not as standardized. The clip art is also really bad; I don't mind telling you. But even they presented actuals in an election year for '95-96 and then forecast actuals for '96-97, because it was a budget that came out in the middle of an election year, and then the estimates, of course, to be voted.

My question is: who took the decision not to present actuals for '22-23, which is what I'm asking about? I'm well aware that actuals

are available for '21-22. Did anyone speak to the AG about this? Was this a Treasury Board decision? How did this all happen? It seems to me that we have a number of lines that haven't changed, yet we don't know what our actual spending was in '22-23.

Ms Schulz: First of all, I would say that the government is consistently recognized for transparent reporting. In 2022 the C.D. Howe Institute provided the government of Alberta with an A grading, the highest amongst provinces, in its annual fiscal transparency grading of Canada's provincial governments. The fiscal plan continues to include the 2021-22 comparable actuals by ministry, and of course as the standards for budget are determined by Treasury Board and Finance, that would be the best place to ask those questions, in their estimates.

Ms Phillips: So we don't have actuals even for lines that don't change. Just to confirm, no one at either the deputy minister's council or Treasury Board had (a) a problem with this or (b) ran it past the Auditor General.

Ms Schulz: First of all, I would just say again that the actual expenditures for Municipal Affairs for '21-22 are publicly available in our annual report, and the remainder of that can be responded to by Finance.

Ms Phillips: Okay. Let's go on. Can we confirm that there was correspondence from Mayor Jyoti Gondek in November 2022 on the topic of Calgary downtown revitalization?

Ms Schulz: I would say that in November the city of Calgary sent budget submission recommendations to the Minister of Finance. Many of these recommendations were in fact addressed in the budget. Some examples of that include increased funding for FCSS, \$541 million for LRT projects, \$282 million for the Springbank off-stream reservoir project, \$15 million for the Repsol sport centre, \$59.2 million for the Glenbow Museum revitalization, and year-over-year increased MSI funding for '23-24 at \$133.1 million, for '24-25 at \$230 million, and for '25-26 at \$258.6 million.

When we're talking specifically about the downtown revitalization program, the Premier and I are looking forward to having further discussions with Mayor Gondek on the specifics of the city's plan and the province's proposed involvement in it. You know, as, I would say, indicated in media and other conversations that we've heard over the last couple of days, there is quite a bit of complexity to what that downtown revitalization is going to look like. Some of the asks were specific, and some of them, quite frankly, needed a little bit more information, partially because, of course, when you're committed to balanced budgets and fiscal responsibility, we need to know exactly what the requests are, what they look like not only for this year but for next year and the out-years, and what mechanisms the government is going to use to pay for them.

8:10

This also requires a lot of work across government ministries, so not just Municipal Affairs but also Finance, jobs and economy. Advanced Education is another one as postsecondaries have expressed an interest in being part of the downtown revitalization plan. While we don't have the details about what that would look like at this point, those discussions are absolutely still ongoing. I believe I have a meeting with Mayor Gondek either later this week or early next to get some of that additional information.

Calgary does matter, and that's why we're investing nearly \$3 billion in the fiscal plan to address infrastructure needs of that city.

Ms Phillips: Okay. I mean, phase 1 of the green line, though, goes back to when Jason Kenney was a federal minister, and Springbank certainly goes back to 2016. I imagine it first appeared in the capital plan. I'm not seeing that in this letter, that is publicly available, that was sent last fall. I think it's been confirmed that it was sent in November. That letter actually outlines some very specific asks around downtown funding. It says that they have committed \$73 million of funding to phase 1 of projects around office space and so on in the downtown and then that

phase 1 has been reopened to allocate the remaining \$27 million and we are seeing more interest than we have funding available.

The City is unable to fully fund the Downtown Calgary Development Incentive Program on its own.

So there are a number of details contained there. We have certainly seen those details as well coming from both the city council and Calgary Economic Development and others. You know, this was some months ago, like, six months ago, so why don't we see this in this budget?

Ms Schulz: Again, I would say that there are a couple of things to consider as well. I would also suggest that when we're talking about downtown revitalizations, one of the things that we can do is keep our corporate tax low, and that is a commitment that our government has made. It is, in fact, what is increasing corporate revenues in terms of corporate taxes, but it's also what is helping us to see increased activity in downtown Calgary. That's something we're committed to. We saw what happened when business taxes were increased and corporate taxes were increased, and that, in fact, was a hollowing out of our downtown.

I can also tell you that when we're talking to Calgarians on issues that are top of mind, things like public safety, mental health and addictions, while those are not included in my budget line items specifically, they are things that our government is taking very seriously. Certainly, our Calgary task force to address mental health and addictions and public safety in the downtown is very important.

I would say that when Minister Schweitzer, my former colleague, was working on this, he consulted on what was most needed to revitalize our downtown core, and public safety was actually recognized as the number one priority. I recognize that that's not in this budget, but keeping taxes low, addressing safety downtown, and really setting the environment where job creators can thrive will have an impact on our downtown.

Ms Phillips: One of the ways that we make sure that we have a vital downtown in the city of Calgary is to make sure that we don't have another flood event such as 2013. Of course, the Springbank reservoir comes online this year. That is a good thing. But the city of Calgary is looking forward to the Bow River reservoir option study of phase 2. Of course, phase 1 began in I think '17 or '18, and they are looking for a return of the Alberta community partnership program, which used to fund some \$35 million a year in flood mitigation projects and funded a number of flood mitigation projects along both the Bow and the Elbow. Why don't we see that in this budget?

Ms Schulz: That would be a question that would fall under Environment.

The Chair: That concludes the first portion of the questions from the Official Opposition.

I don't see any independent members, so we will now move to the government caucus for 20 minutes. Would you like to combine your time with the minister?

Mr. Turton: Yes, please.

The Chair: Minister, you're okay with that?

Ms Schulz: Absolutely.

Mr. Turton: Excellent. Well, thank you very much, Mr. Chair, and thank you very much, Minister, for coming out here tonight along with the rest of your staff. I'd also like just to welcome the 12 people that are watching online, I'm sure, but I don't know why; this is riveting stuff. I appreciate everyone that's taking time to tune in here tonight.

I have a number of questions that are going to be touching on MSI, on municipal viability studies as well as libraries. I know a number of these questions pertain to many members in my riding. Just to kind of kick-start us off, I was extremely pleased to see on line 4.1 on page 166 of the estimates that funding for the municipal sustainability initiative operating program increased 100 per cent to \$60 million compared to \$30 million last year. Now, this program does important work to support the delivery of municipal services, as is detailed on page 100 of the business plan. So a couple questions that I have – I guess number 1 is: which municipal services in particular will this massive increase help to provide, and why should Albertans be excited about it?

Ms Schulz: Well, first of all, I'm not surprised to see you first up, as I know how passionate you are about Alberta's municipalities, so thank you for jumping in. I'm glad that you asked this question because this is something that I was really proud to deliver in this year's budget, the increase, in fact the doubling, to MSI operating funding. This is, I think, really important because it lets municipalities determine what activities to fund based on their local needs and priorities within the general criteria set out in the program guidelines.

It is absolutely critical to many communities, and it supports a wide range of municipal services that Albertans depend on. So it can support planning and capacity-building activities that improve efficiency or effectiveness of local governments, but operating funding can also be used for municipal and nonprofit facilities and programs for community halls; facilities that house family counselling; parent and child development programs, probably like some of the ones in your constituency that we visited; youth and seniors' drop-in centres; and, of course, libraries.

Both municipalities and these organizations are facing rapidly rising operating costs. You know, they feel it when it comes to natural gas, electricity, operating and maintenance supplies, again, some of the same inflationary pressures that Albertans are seeing in their own homes. This increase in funding will help these essential services continue so that they're there when Albertans need them. These are only just a few of the examples of how these operating funds can be used to make a significant difference to Alberta communities and their residents.

Why I think this was an area versus, you know, another specific program, and similar to the Member for Calgary-Buffalo's questions, when we're talking about making a decision between grants in place of taxes or MSI operating, MSI operating allows for quite a bit of flexibility for municipalities to use these dollars in the way that best suits their needs, and it also does especially provide supports to some of those smaller rural municipalities.

Mr. Turton: Well, thank you very much for that, Minister.

Obviously, this is a substantial increase, and we want to make sure that taxpayers are getting the best bang for their buck and that there's value for the services being provided. So, Minister, I guess

to yourself: like, how would you determine if this increase is successful? If the goals and objectives that your ministry has reached out on behalf of many Albertans and the communities in our province – how do you know that it's actually going to have an impact? Is there some kind of definable metric that you're looking at or some other factor that you can maybe point us to?

Ms Schulz: The reporting requirements for the MSI operating program have been developed in consideration of both reducing red tape for municipalities while making sure that municipalities remain accountable to the provincial government, and ultimately we are all responsible to Alberta taxpayers. This means that as part of this program municipalities have to report annually to the government of Alberta on the categories of activities funded through this program. The information on each municipality's annual MSI operating expenditures will help Municipal Affairs evaluate the impact of the funding increase.

In the interim anecdotal evidence from municipalities both before and after the release of the provincial budget does indicate that this funding is urgently needed and greatly appreciated and will provide significant benefits for both municipalities and residents.

8:20

Mr. Turton: Well, thank you for that, Minister.

As you know – and I think most members around this table know – I'm a former city councillor for the city of Spruce Grove, so I've been on both sides of the fence when it comes to the role of MSI and how important it is to be able to get projects moving forward. I remember clearly coming even into the Legislature in about 2017 and looking for additional help at that point with the large civic centre that was in the city of Spruce Grove to no avail.

I know that as important as MSI is, you know, there are a number of limitations – for example, with debt ceilings – that kind of limit in terms of how much municipalities can borrow to be able to fund these larger types of projects that many of the residents in our respective communities depend on. I guess to yourself, Minister: is there any consideration given to raising the municipal debt ceiling to enable municipalities to take on larger projects? As you know, there are some types of debt that are taxpayer-supported debt and other ones that are not, yet it all still counts towards the debt ceiling, which limits what municipalities can borrow for. So just to kind of get your take or perspective on that.

Ms Schulz: Yeah. This is a question that has been raised by a couple of municipalities, so I do want to thank you for that question. The municipal debt limits are established under the authority of the Municipal Government Act and the accompanying debt limit regulation. Debt limits are currently set at 1.5 times the annual revenues of the municipality while the debt servicing limit is set at .25 times the annual revenue of the municipality. These limits are set slightly higher for the cities of Edmonton, Calgary, Medicine Hat, and the regional municipality of Wood Buffalo, largely in recognition of their greater fiscal capacity. For these four municipalities the debt limit has been set at two times the annual revenues, and the debt servicing limit has been set at .35 times the annual revenues. Municipalities may not exceed their debt limit without the formal approval of the Minister of Municipal Affairs.

At this time we have not considered any action to raise municipal debt limits, and there are two main reasons for that. First, the current debt limits have served Alberta and its municipalities well. The limits are set at a reasonable but conservative level to minimize the risk of any municipality overextending themselves. This has helped Alberta avoid the kind of municipal bankruptcies that we've seen in some American

cities, and it has meant that Alberta taxpayers haven't had to bail out any financially distressed municipality.

Secondly, the current debt limits don't seem to be causing any significant problems for Alberta municipalities overall. Our municipalities are generally fiscally responsible and generally approach borrowing with great caution. The vast majority of Alberta municipalities have accessed only one-third or less of their legislated borrowing limit. On average Alberta cities have 61 per cent of their borrowing room available. That number goes up to 69 per cent for Alberta towns, 85 per cent for villages, and 87 per cent for rural municipal districts and counties.

In that light, we don't really see any pressing need to make adjustments to the debt limits on a broad scale, but that being said, I am prepared to consider case-by-case exceptions. In the past municipalities have been granted short-term extensions to their debt limits. For example, in a case where there's critical infrastructure to be funded and the revenues to be able to fund the project are a year or two down the road, that would be one example. I believe that this kind of careful case-by-case consideration is probably more preferable than a broader system-wide adjustment when we're just not seeing that need full scale across the province.

Mr. Turton: Are you able, Minister, to maybe list some examples of some municipalities that have been perhaps given that one-off exemption, or is it still just in initial discussions at this point?

Ms Schulz: I think we've only maybe had one or two even raise that issue with me in the last five months. It hasn't been overwhelming requests.

Mr. Turton: Okay.

Ms Schulz: My deputy may . . .

Ms Cox: Sure. This is from some time ago, but it does give sort of a flavour for the type of reason why we'd want to look at this on a case-by-case basis. During the wildfires in Slave Lake they obviously had tons of good support coming from the province but some short-term kind of cash-flow challenges. In those types of cases we were able to extend borrowing limits for that municipality, knowing that there was disaster recovery program funding coming to them as well as other sources of revenue from the provincial government.

Mr. Turton: Okay. I mean, the key reason why I was just asking that question is that I know in my prior life serving as deputy mayor and attending mid-sized mayors', many of the mid-sized communities were facing similar challenges, especially the quicker growing ones, in which there were large capital outlays for recreation facilities – Grande Prairie being an example; Airdrie as well – just hitting that ceiling. I guess I look forward to those conversations ongoing.

Of course, any set of questions to yourself, Minister, wouldn't be complete, obviously, without the ask that municipalities have been asking for for as long as I've been involved in this business, which is long-term, sustainable, predictable funding. It talks about the transition from MSI to LGFF and just what that transition will be. I think that in every AUMA I've been a part of since 2010 – I guess my good friend and colleague from Calgary-Buffalo would probably even say earlier than that – long-term, sustainable funding has always been something that's come up over and over again.

I know we're almost to the finish line now, but I guess I was just wondering if you can please expand on the progress to date – I know this is a question that I get asked quite a bit by mayors, especially here in the capital region – and any considerations given to you

about the concerns that local governments have about transitioning on that new framework model. Obviously, change is always exciting, but sometimes there are a couple little hiccups, so maybe if you could expand a little bit on the transition up to this point.

Ms Schulz: Yeah. That's a great question. As I mentioned earlier, just more specifically to where that formula is, in an ideal scenario we would have had a formula come forward – our main partner groups would have come forward with one formula – for government to accept in terms of a recommendation. You know, we really do want this to be a partnership as we move forward.

In '22 Municipal Affairs engaged local government partners to identify their priorities and preferences for what a local government fiscal framework would look like in terms of program design and that funding formula for capital allocations. In 2023 we're continuing to work with municipalities and municipal associations to finalize now what that is going to look like and transitional funding or provisions for what that transition is going to look like. We have committed to provide that in the first year of transition.

I will just say – I mean, part of that was having to, obviously, wait until budget to announce the revenue index factor change from 50 to 100 per cent, but that has an impact, of course, in the out-years. That was, you know, response to feedback that we heard from a variety of local government partners. The transition, what it looks like – I think somebody on our budget town hall did ask: is this transition funding going to go into perpetuity? And my answer was that, look, municipalities have been asking for stable, predictable, transparent funding. If we're just going to provide transition funding into perpetuity, then why are we doing this work on the funding formula?

The funding formula is the right thing to do. It's what municipalities have asked for. They want to see that stable, predictable funding and parameters that are easily understood and largely agreed upon, whether, you know, you're a rural municipality or a mid-sized or a larger urban, that everybody can kind of agree on that funding formula and the approach that we take.

But, again, we know that any time you develop a framework and whatever those levers, as I call them, would be, you will have some municipalities that see an increase and some that see a decrease, so we wanted to make sure that nobody is shocked with a decrease in that year 1 of the transition, especially because we still have work to do on that formula.

So I don't know the exact timing on that, but work is continuing. We have our meetings with our municipal partners, those organizations coming up here in the coming weeks, so I'm hopeful that everybody, you know, wants to get this done and wants to see this done well and right. I do think that the transition funding was something that we needed to commit to just so that, you know, we don't have municipalities that are exceptionally nervous about what that second year is going to look like – sorry; the first year under that new framework but the second in our plan that we released in this budget.

Mr. Turton: Excellent. Thank you very much for that, Minister.

I know we're coming to the end of my questions here, but obviously in any budget estimates there's going to be a question or two about libraries because I'm a passionate library user. I served on the library board of directors in Spruce Grove from about 2007 to about 2010, and I've been an avid user of this fantastic library service out in my neck of the woods for many, many years.

8:30

You know, for many residents it's probably one of the first places that you go to. If you go into any library right across the province –

it doesn't matter if you're in downtown Calgary or Edmonton or a smaller, mid-sized city like Spruce Grove or Stony Plain – there are people looking for jobs in there. There are students getting help with their homework. You have parents that are bringing their kids there to kind of get them off the electronics a little bit.

Libraries are vibrant places in our communities. I've always been a massive supporter of them, and that's why I was very excited to see on key objective 2.5 in the report it talks about, you know: "operating grants and capacity supports to Alberta's public library boards and regional library systems, to ensure Albertans are served by accessible, well-managed and responsive library services." It's not just the public libraries, but it's the library of libraries, the regional libraries like the Yellowhead regional library board – I was a member of that board for many years as well – and seeing how it's all intertwined and really kind of creating that social fabric in terms of what makes places and communities in our province great places to live.

My question to you, Minister. When I see that on page 166 of the estimates it shows that it's receiving an increase of just under \$3 million, I guess my question is: how will this increase be utilized to ensure the delivery of accessible, well-managed, and responsive library services, and why are these services so important to Albertans?

Ms Schulz: Yeah. You know, I would wholeheartedly agree that libraries do absolutely make a difference in our communities. Myself, my family: we're library users as well. This is also something that, going back, I guess – now I can't remember what year. We did the child and youth well-being review, I guess, two years ago. It was something that I and our colleague, now the minister of affordability, heard loud and clear, especially coming out of a really difficult time, just the roles that libraries played for kids and families throughout the pandemic.

They help kids learn important literary skills. They welcome newcomers to Canada. They provide job seekers with resources and skill development, offer meaningful opportunities for learning and reconciliation with Indigenous communities, and in some cases bridge the digital divide and help groups like seniors learn how to connect. When I met with the library folks from across the province, those were some of the most interesting pieces of feedback, with some of the programs helping seniors navigate safely online and how to trust the information that they're receiving and protect themselves against scams. They also do provide, of course, places to connect and gather or, in some cases, access to other government and support services that also coexist within that library system.

I have heard so many stories of the impact that libraries do have, and I, of course, see it myself, so I am proud of this additional \$3 million that we're providing this year. This will help them meet some of the inflationary costs and increased service demands that they're seeing. As I mentioned earlier, like, the increased total of \$33.55 million in operating grants will go directly to 228 library boards across the province to provide library service in their communities.

Now, I have heard this, I mean, I guess, completely over the last four months. The library boards did an exceptional job of making sure that their voices were heard. We heard about their service demands, the increases in population growth – and for the service demands, really, they were looking at both traditional and digital resources – and we've listened. Our updated grant program uses more current and consistent population data, which is the 2019 Municipal Affairs population list, to more adequately reflect growth.

We raised the per capita rates for both municipal and regional library system boards and added a base grant of \$9,000 to the per capita funding so that boards serving small, rural populations have more stability in their year-to-year funding. Again, this was the trick, that when we had the allocation, the question was: how do we divide that, recognizing some of those challenges that rural, remote library boards would see? Some of those may be seeing decreased populations, but the complexity of the work that they do, you know, is a little bit higher, so that's why we made sure that all boards were receiving a minimum funding increase of 5 per cent.

Of course, we continue to fund SuperNet connectivity for libraries, interlibrary loan delivery resources for people with print disabilities, and e-content such as our read Alberta e-books project, which brings Alberta-published books and magazines to all Albertans.

The Chair: Thank you, Minister.

We'll now move on to 10 minutes with the Official Opposition, followed by a quick five-minute break. Do you wish to go back and forth again? Okay. That means that you get to ask questions, and the minister gets to answer questions, both uninterrupted. Please go ahead.

Ms Phillips: Easy question: can you tell us who is eligible for the low-income transit pass expansion pilot? Like, as in which municipalities?

Ms Schulz: Yeah. That would be a question for Transportation.

Ms Phillips: Okay. On grants in lieu of taxes, how is that \$6 million increase in the budget being apportioned out? I guess my question is: what's the net effect per municipality? There's an increase in the line, right?

Ms Schulz: There is. We'll continue to provide supports to municipalities. Again, as I mentioned to a similar question earlier from your colleague, there is road clearing, maintenance, emergency response but at the same overall level as last year. We anticipate that we'll continue to pay most applications at 50 per cent of the eligible amount, but of course the budget for this program is increasing to keep pace with growth in the number of provincial properties and increases in assessments and tax rates, allowing us to maintain that 50 per cent. So how that actually breaks down in terms of '23-24 for the estimates: that would be \$18,945,000 to Edmonton, \$5,011,000 to Calgary, and just over \$12 million to other municipalities.

Ms Phillips: Do you have the numbers for Lethbridge?

Ms Schulz: Let me check if we can get that for you.

Ms Phillips: That'd be great. If you could follow up, that'd be fantastic.

Ms Schulz: Yeah. We'll likely have to follow up later on on that one, but we're happy to provide it.

Ms Phillips: The well drilling exemptions: they reduce revenue to municipalities. Can you provide the analysis of how much the increases within the local government framework and other increases make up that revenue? Is there an analysis by municipality?

Ms Schulz: That one is more challenging. These programs are not meant to be a one-to-one replacement, so that would be very difficult, similar to how I responded to that question from your

colleague. I don't believe that we can provide it in a one-to-one replacement format because it depends on the companies, it depends on the municipality, and it depends on a variety of factors.

Ms Phillips: I just want to confirm that I heard prior that these exemptions are running until 2025. I heard that correctly? Okay. These programs were for industry health, but we have seen record-high prices for oil and gas. What have you heard from municipalities? Do they want this program to continue?

Ms Schulz: I would say, you know, that when we first announced that there was a time frame to offer predictability for the energy industry – we all do benefit from a strong energy industry that creates jobs and drives economic activity throughout Alberta. Now, the recent strong drilling seasons have meant that the tax holiday for new wells and pipelines has saved industry approximately \$12 million in property taxes so far, and elimination of the well drilling equipment tax has saved about \$75 million over '21 and '22.

Municipalities have been facing inflationary pressures and have done their part to contribute to the economic prosperity of Alberta as well, and part of that, as I mentioned, is why we wanted to provide an additional \$30 million in MSI operating funding annually to help address pressures like these but not specifically to replace or swap or do a one-for-one equivalency in terms of those pressures.

Ms Phillips: Are there any municipalities or organizations of municipalities that have written to support this program? Conversely, are there any that have written to ask for its modification in some way, shape, or form?

8:40

Ms Schulz: You know, this was something that was asked, I think, last year at RMA. It was something that we were asked about. Really, I think at the time the response was that this commitment was made, and we want to make sure that we continue to have predictability for those companies who would have anticipated these programs based on the commitments that government had already made.

Ms Phillips: But hadn't government already announced them in a time-limited fashion? So they already knew that was the predictability they had, that they were sunseting.

Ms Schulz: Exactly. The intention was to continue on with those programs for the commitment that was made by government.

Ms Phillips: But the commitment that was made by government was for it to be time limited, not to 2025.

Ms Schulz: The commitment that we made, I believe, was until 2025.

Ms Phillips: Okay. All right. But there are no municipalities that have written in support of this?

Ms Schulz: I will say that overall we have been working with municipalities to address – the main thing that is raised is unpaid oil and gas taxes. Not only have municipalities done surveys, but we also did a survey through our ministry. Of course, it's a voluntary survey, but it helps us address the issues and the quantum of the issues that we're facing so that we can address those issues and ensure – again, I would preface that by saying that the vast majority of oil and gas companies do in fact pay their municipal

taxes, but this is something that we've committed to work on with RMA and the Ministry of Energy.

The Chair: Member Feehan, go ahead, sir.

Mr. Feehan: Thank you. I appreciate the opportunity to ask a few questions. My questions are going to be a bit more program oriented, and you can just tell me if some of the programs are not within your ministry, but I want to make sure I understand where your ministry comes in with these. Just before I go on to some of those program ones, I want to clarify one thing you said a little bit earlier with regard to the Land and Property Rights Tribunal. You seemed to indicate that since 2020 approximately \$50 million had been paid to landowners for transgressions under that act. Is that accurate? Did I understand that correctly?

Ms Schulz: That is. Since 2020 the tribunal has directed over \$55 million in payments from general revenue to rural landowners.

Mr. Feehan: Okay. Just so I fully understand what that is, this is companies that have had responsibilities for access to private land and have failed to follow through with payment of those, and the government has stepped in to mediate and make sure that the landowner is held whole. Is that correct?

Ms Schulz: Yes.

Mr. Feehan: Okay. So has there been any program or attempt to reduce the amount of negligent behaviour on the part of industry intruding on private lands?

Ms Cox: If I may, the surface rights legislation is, of course, with another ministry, but what I can say, just to be clear, is that the Land and Property Rights Tribunal, when rendering decisions to make compensation available to landowners – and you, of course, correctly cited the correct amount. That is something that the government of Alberta provides to those landowners, and then we, through Crown debt collections, pursue the recovery of those payments from companies. In the interest of making sure that we're getting money in the hands of landowners as quickly as possible, we initiate the payment and then pursue it through Crown debt collections, so there is revenue that is actioned through Treasury Board and Finance.

Mr. Feehan: Okay. So, yeah, I did understand that correctly. Thank you.

I appreciate that the government is protecting the private landowner by making sure that they are held whole even though the monies are still owing and that the government pursues that. I'm just wondering if the ministry has any program to prevent this from happening on an ongoing basis or whether or not we'll just see this continue to occur or maybe, perhaps, even rise as economic times change.

Ms Schulz: Yeah. That legislation is under Environment and Protected Areas.

Mr. Feehan: So it's not within your mandate although you report the outcome. Okay. Thank you. I appreciate that.

On many of my other ones you may also redirect me to another ministry. This is not my area of expertise, but I certainly am interested in the things that municipalities are doing as to working with the various other ministries to be well, because it's been very difficult times for municipalities. It wasn't that long ago we were standing out in front of the Legislature with municipalities from

across the province very concerned about decisions that had been made, starting to not be viable as municipalities. Of course, they cited things such as the tax break for industry in terms of holiday . . .

The Chair: Sorry to interrupt, Member.

We will now take a quick five-minute break, followed by 10 minutes with the government caucus. Believe me; this is the quickest five-minute block of the evening, so get back in your chairs.

[The committee adjourned from 8:45 p.m. to 8:50 p.m.]

The Chair: Thank you, members. Please take your seats.

We will now move on to the government caucus. I believe Member Issik is first up with a question.

Ms Issik: Well, thank you, Mr. Chair. On page 99 of the business plan I was really pleased to see \$485 million budgeted for the MSI capital program. Of course, this program is, you know, to support predictable and sustainable investment in municipal infrastructure, which, in turn, enables communities to support local, regional, and provincial job creation and economic growth. As MLA for Calgary-Glenmore I'm really happy to see this almost half a billion dollars being devoted to this program once again. I know that it's had positive effects and that it will have positive effects on the city of Calgary as a whole, but I am curious. Can the minister provide some more details on the projects that are going to be funded by the MSI for the city of Calgary in particular?

Ms Schulz: Yeah. Absolutely. I will just point out that the city of Calgary will receive \$128 million of municipal sustainability initiative capital funding in 2023, which is the same funding amount the city received in 2022. Now, as with other municipalities, the majority of the city's municipal sustainability initiative capital funding was front-loaded in '21-22; \$315.8 million of municipal sustainability initiative capital to help them complete projects that were under way and might have been stalled due to the COVID-19 pandemic.

The MSI program provides significant flexibility to scheduled projects based on each municipality's individual priorities, and that includes the ability for them to save allocated funding for major projects in the upcoming years. So it's up to each municipality, including the city of Calgary, to review their planned projects, determine which projects will be funded through MSI or be submitted in 2023 based on their local priorities.

The city of Calgary currently has 58 active projects being funded over multiple years by MSI and has not yet submitted any 2023 projects for consideration. Many of their active projects will continue to be funded from their past allocations and possibly their 2023 funding allocation. Of the \$1.1 billion of municipal sustainability initiative committed to these 58 active projects, the projects range from affordable housing property redevelopment at the Rundle Manor; construction of a pedestrian overpass; fire and emergency facility upgrades; the construction of the Stoney Trail compressed natural gas facility; the southwest ring road connection, which I do know that you feel very strongly about, and it impacts your community directly; and, of course, the northwest LRT extension to Rocky Ridge, just to name a few.

Ms Issik: Thank you very much for that.

Under the Municipal Government Act properties that belong to the government of Alberta are exempt from municipal taxation, which makes sense, and in order to account for that, we provide these municipalities with grants to basically replace these taxes. I

was interested to see that on line 6 of page 166 these grants are actually increasing from just over \$30 million to \$36 million, which is basically a 20 per cent increase. We can also see on page 165 that these grants can't exceed the amount that would be recoverable by the municipality for the Crown property. I'm pretty curious as to: what is the reason for the pretty substantial increase? More specifically, are there particular Crown properties within municipal boundaries that are causing these increases?

Ms Schulz: Yeah. The grants in place of taxes budget was increased to \$36 million to enable the government to keep paying these discretionary grants – and they are discretionary – at the current level. The increase is required to keep pace with growth in the number of provincial properties and increases in assessment and tax rates. The main consideration in determining the increase was initial analysis of the 2022 assessment values, which is the basis, of course, for taxation in 2023. It indicates that Calgary's residential assessment will increase by 15 per cent and Edmonton's by 10 per cent.

The Marshal & Swift assessment cost index, which is used as a guide for determining the assessed value of improvements, was recently updated, and it's expected that nonresidential assessments across Alberta will increase by 10 per cent. The Marshal & Swift valuation manual is a complete, authoritative appraisal guide for developing replacement costs, depreciated values, and insurable values of buildings and other improvements. The manual is referred to in determining values of nearly every kind of improved property where replacement or reproduction cost is part of the valuation. In short, this allows an assessor to value any and all structures, buildings and, once valued, add that value to the value of the land as if vacant to determine the total assessed value of a property on which grants in place of taxes are paid.

This will impact the assessed value of large provincial facilities like the Alberta Legislature, Jubilee auditoriums, Spy Hill correctional facility, Edmonton Remand Centre, Edmonton and Calgary law courts, Red Deer justice centre, Neil Crawford Centre, Alberta research centres, and John E. Brownlee Building. Construction of the Red Deer justice centre is expected to be completed in '23 and eligible for an additional \$1.3 million in '23-24 GIPOT. I try not to use acronyms, so as I say it, like, in long form every time, it's because I know just a general member of the Alberta public does not follow acronyms. My officials are laughing because they know it's a bit of a thing for me. In addition, new recovery community facilities in Red Deer, Lethbridge county, and Gunn are expected to add a further \$400,000 in eligible '23-24 grants in place of taxes funding.

It takes a little extra time, but I think the members of the public appreciate the explanation versus the acronym.

Ms Issik: I think they do, too, and I think this is a piece that many members of the public may not recognize exists until we actually bring it up and sort of explain it out, so thank you very much for that. I really appreciate it.

Next I want to talk about lines 5.4 and 5.5 on page 167, that have to do with ICIP, the investing in Canada infrastructure program, because I don't want to use acronyms either. For those out in the viewing public that may not be familiar with ICIP, or investing in Canada program, we know that many of those grants have helped produce some pretty fantastic infrastructure in our province. I know that in my own riding it helped us with a building at Heritage Park, the Energy Transition Centre at Heritage Park, which tells an amazing story of the history of energy throughout time in Alberta and going into the future. It's a federal program that the province matches funds with, and we know, looking at page 167, 5.4 and 5.5, that we see a decrease from in '22-23 to '23-24, and I'm just

wondering if we know why there is a decrease. Also, perhaps the minister can explain why the federal government decided that now was the time to perhaps reduce this.

Ms Schulz: Yeah. First, municipalities continue to recover from delays, really, related to the last couple of years. The pandemic obviously had an impact on supply chain material costs and other inflationary pressures, which has resulted in this necessary adjustment in construction timelines for some ICIP-funded projects. There I go again; it just becomes habit. But the reduction of estimates isn't related to federal reductions in the program. The entire federal commitment under this program continues to be available to Alberta. Ministry forecast estimates for approved investing in Canada infrastructure program projects are dependent on estimated cash-flow projections, and those are provided to us by the grant recipients. The current budget decreases a cash-flow adjustment that reflects more up-to-date anticipated cash requirements needed by the recipients to fund their projects over the next year. Projects are under way, there's no change to the total estimated funding, but there are variances in the anticipated timing of cash flow to those projects.

9:00

Ms Issik: Thank you very much for that. You know, timing is everything, and cash flow is important, and we have seen definitely some disruptions over time.

One last, quick question. On page 166, line 8.2, community and technical support, I believe that this covers . . .

The Chair: I'm sorry to interrupt, Member, but we'll now move on to a 10-minute segment with the Official Opposition, Mr. Feehan, I believe.

You want to go back and forth?

Mr. Feehan: Yes.

Ms Schulz: Sure.

Mr. Feehan: Thank you. Just before we took a break for the government side, we were just talking about the protests of the municipalities earlier in your term with concerns about the costs and the likelihood of their getting to a point where they could no longer be financially viable. The things that they cited, of course, at the time were things like the changes in linear assessment, the nonpayment of taxes by oil and gas, the increase in the RCMP costs that was sent to municipalities, amongst other things. I'm just wondering at this point if you could tell me about the impact of those factors and the programs you may have to somehow address them. For example, how much money is currently owed to municipalities throughout the province for nonpayment of taxes under the holiday?

Ms Schulz: Yeah. First of all, I would say that we have 332 municipalities in Alberta, with a wide variety of different sizes and capacities. In particular, we're aware that the large majority of these municipalities have fewer than 5,000 residents, and in fact more than 100 of them have fewer than 500 residents.

Our ministry devotes significant effort and resources to supporting the municipal sector in building capacity in small communities in particular, which is where typically we have those questions about viability. Ministry staff provide ongoing, day-to-day advisory support to municipal administrations on matters ranging on everything from general governance to finance to land-use planning. We also offer a wide variety of training sessions to municipal administrations and elected officials on things like roles

and responsibilities, dispute resolution, bylaw development, and, of course, much more.

Through our municipal accountability program, ministry staff also work directly with municipal administrations to identify any areas where the municipality may have failed to comply with legislative requirements and provide advice on how the municipality can address those situations. This program has been well received by municipalities, and it is seen largely as a key capacity-building support for municipalities that helps them with these minor issues.

I can tell you that I think – what was I? Maybe two weeks on the job, and we went directly to RMA and had dozens of meetings with municipalities. Largely, many of them who recognized the work done by my officials to my left and right and how much time is spent supporting those municipalities so that they can address the needs of their community, build capacity . . .

Mr. Feehan: Minister, I appreciate the information. I just wonder if you could also answer the question about the total amount of money that is presently owed to the municipalities.

Ms Schulz: Yeah. To be fair, you did also ask about viability, so I'm addressing both of those issues.

Mr. Feehan: And I'm saying: thank you for that part, and can you address the second part?

Ms Schulz: We did – and I think I addressed this earlier. While RMA has done surveys, our ministry also undertook a survey of unpaid oil and gas property taxes owed to municipalities. This recorded a total of \$220 million in unpaid taxes as of the 2021 tax year. Now, the \$220 million total in unpaid taxes is the responsibility of 378 different companies and includes \$130 million in active tax arrears and \$90 million in written-off or cancelled taxes, so . . .

Mr. Feehan: I'm sorry. I just missed the word. You said: \$130 million in what?

Member Ceci: Active.

Ms Schulz: Active tax arrears.

Mr. Feehan: Active. Oh, sorry. I just missed the word.

Ms Schulz: Sorry about that.

And \$90 million in written-off or cancelled taxes. I would also say that municipalities have also noted significant progress in establishing payment agreements. Of the \$130 million in tax arrears that have not yet been written off, about \$76 million is attributable to operating companies, 58 per cent. About \$48 million in tax agreements is in place with about 25 companies. So that means there is about \$28 million in taxes where companies are operational but municipalities have not reported a tax agreement.

The other thing I would say is that the provincial education requisition credit program has been in place for the 2015 to 2023 tax years. This means municipalities aren't responsible for uncollectible provincial property tax requisitions on oil and gas properties.

Our legislation, the Municipal Government Act, of course, was amended to re-establish municipal special lien powers on linear property and machinery and equipment. This means municipalities now maintain priority over other creditors, except the Crown, concerning tax debt on oil and gas property. A \$300,000 Alberta community partnership grant was provided to the Rural

Municipalities of Alberta to develop special liens implementation and to help provide advice and resources for municipalities to support tax recovery efforts, but we're continuing to work with Energy on this on an ongoing basis.

Mr. Feehan: Well, thank you, Minister.

It sounds like you have some supportive arrangements with municipalities when they have to write off taxes. Is there actually any program where the municipalities are compensated from the provincial government for taxes that have been lost because they had to be written off?

Ms Schulz: No. These are the programs that currently . . .

Mr. Feehan: So the municipalities are still out of the money, but you're helping to try to find ways to try to gather that whenever possible?

Ms Schulz: Yeah. Municipalities have largely been – I would say that these programs that we've put in place to address those pressures have been well received. You know, we heard that at RMA. We've had a number of conversations with the RMA board and leadership since then as well as with the Alberta Energy Regulator and the Ministry of Energy. I would also point out that the AER has updated processes to enable consideration of nonpayment of municipal taxes during project licence applications or licence transfer application reviews. Of course, we've talked about the tax holiday on new wells and pipelines and the well drilling equipment tax. I mean, this continues to be a concern that we take seriously, and it's why we issued that survey. I guess that was December.

Mr. Feehan: And, of course, it's exactly what I'm concerned about, so thank you.

I am concerned about the number of municipalities of the 332 that may find themselves being nonviable at some point, and I'm wondering if you could tell me about how many municipalities you're currently worried about or are in a position where they may become nonviable in the near future.

Ms Schulz: You know, I'm going to hand that off to my ADM, Gary Sandberg.

Mr. Sandberg: Thanks, Minister, and thanks, Member. We have for a number of years at Municipal Affairs had a program called the municipal indicators, and we track those figures every year with all municipalities to the information that they submit to the ministry every year in the spring. On average, every year – this has tracked pretty consistently for the last seven or eight years – there are typically somewhere between 10 to 15 municipalities that in any given year we call potentially at risk, and that will involve things like financial measures as well as, in some cases, governance measures.

Mr. Feehan: Sorry. Are you keeping track of the number of municipalities that actually fold on a year-to-year basis? How often does that happen, that some level of municipality – for example, a town – decides, "We're going to fold the town government and go into the county government instead"? I know that's happened. How often does that happen? Is it a yearly event or infrequently?

Ms Schulz: You know, I'll have ADM Sandberg provide more specifics, but I would also point out that there are times when municipalities come together just because they see it in the best interests of their taxpayers. I use the example of Turner Valley and Black Diamond, recently meeting with their new mayor and

council, I think, just a couple of weeks ago. I'll be honest. I was fascinated by the process and how they went out and reached out to their community and did surveys and said: look, you know, for our future viability and reduction of taxpayer dollars that go into some of our municipal processes, with more supports being able to go to your services that you rely on, we're going to come together and bring together this municipality. Before Gary provides you a little bit more detail, I would just say that it's not always because there is a governance concern or a viability concern from a funding perspective. There are times when residents just say: look, we could come together and offer you more and better services in a more efficient and cost-effective way.

9:10

Mr. Sandberg: Just to supplement what the minister said, through my division we do what's called a viability review for communities that view themselves as struggling. I think that's the important part: a viability review is initiated generally by the municipality, and the final decision is made by the voters of the municipality. Municipalities are not dissolved in this province unless they have a vote from the residents and they choose to do that of their own volition. We typically do around two or three viability reviews a year and, on average, maybe one municipality or maybe, say, two municipalities every three years.

The Chair: Thank you.

We'll now move on to a 10-minute segment for the government caucus. I see Mr. Singh nodding. Go ahead, Mr. Singh.

Mr. Singh: Thank you, Mr. Chair, and thank you, Minister, for being here with us today. I appreciate the work being done by the ministry in supporting municipalities in Alberta in the delivery of local needs and services and, at the same time, maintaining well-managed and responsible local governments for Albertans.

My questions are on infrastructure, and I will turn my attention now to key objective 1.1, as listed on page 99 of the business plan. This objective states the intention to provide capital grants to support predictable, sustainable investment in municipal infrastructure, which enables communities to support local, regional, and provincial job creation and economic growth. One of the initiatives to support this objective is the Canada community building fund, which saw an increase of close to \$7 million this year, as seen on line 5.1 on page 167 of the estimates. A couple of questions: could you please explain the Canada community building fund and how it supports local infrastructure needs?

Ms Schulz: Absolutely. I appreciate that question. Just before I answer it, I should say, as I was just talking about the recently combined municipalities of Black Diamond and Turner Valley – our colleague to your right and to my left: you know, I very much appreciate him joining me on that tour as well. I think it was really interesting just to hear their perspectives on how that all came together, so thank you for being there as well.

But thank you very much, Member, for your very important question. Mr. Chair, just to answer the member's question, this fund is a municipal infrastructure program fully funded by the federal government and administered by each province or territory. The program provides upfront and predictable capital funding to address local infrastructure priorities. Now, in 2022-23 the Canada community building fund provided \$254.4 million, and Alberta municipalities committed this funding to 353 new infrastructure projects in addition to projects they already might have had under way, with an additional \$5 million being funding carried forward from prior years to support provincial costs in administering the

funding. In total, municipalities will actually receive \$11.1 million more in funding this year than last year.

Municipalities have significant flexibility and choose how to use their annual allocation based on their local needs and priorities. They can also pool, bank, and borrow against this funding. Eligible projects have to be associated with the construction, renewal, or material enhancement of municipal infrastructure and include a wide variety of project categories such as roads and bridges; public transit; water, waste water, and stormwater; solid waste; recreation; disaster mitigation; broadband connectivity, something I know that's often raised in rural communities right across the province; or community energy systems.

Mr. Singh: Thanks for the answer.

Are you able to provide me with a figure on the number of jobs which we can expect to create in the process of meeting these infrastructure needs?

Ms Schulz: Yeah. I understand where the member is coming from. That's a very good question although it is difficult to predict the number of jobs that'll be created or sustained with any degree of certainty as this information isn't required to be collected or reported by municipalities, largely because we want to minimize red tape in administering grant funding. The \$266 million program could create well over a thousand jobs, but it's, like I said, difficult to estimate as the job calculations vary based on factors like the types of projects municipalities choose to focus on, when they start, how they procure, what method they use, and how long that project is going to be ongoing for. So this number is, I would say, a very rough estimate.

Mr. Singh: Again, thank you.

I would appreciate further detail in regard to federal programs. On page 167 of the estimates, investing in Canada infrastructure program, or ICIP, I see the program is broken into two items under 5.4 and 5.5: investing in Canada infrastructure – rural and northern communities, and investing in Canada infrastructure – community, culture and recreation. Can the minister provide background as to the changes in the 2022 forecast and the 2023 estimate?

Ms Schulz: Ministry estimates for approved ICIP programs are dependent on estimated cash-flow estimates provided by grant recipients. The changes between the 2022 forecast and the 2023 estimate reflect more up-to-date anticipated cash requirements needed by the recipients to fund their projects over the next year. Projects are under way, and there is no change to the total estimated funding, but there are variances in the anticipated timing of cash-flow requirements.

ICIP cash-flow timing is dependent on submission of expenditure claims by those recipients. The lag time between when costs are incurred by recipients and subsequently submitted for reimbursement, of course, also impacts cash-flow projections. ICIP funds are reimbursed to recipients based on their actual claimed costs that are submitted with the expenditure claim back from the federal government through Alberta Infrastructure. Municipalities continue to recover from delays related to the pandemic on supply chain and material costs, of course other inflationary pressures, as we've talked about a little bit tonight, so that's really resulted in the adjustment and construction timelines for some of those projects funded under this line item.

Mr. Singh: Thank you.

There have been indications that capital infrastructure projects may be delayed or cancelled due to inflation. Have any of the ICIP projects been impacted this way?

Ms Schulz: That's a good question as well. Mr. Chair, of the 13 ICIP projects Municipal Affairs is administering, none have yet been cancelled, but six of the projects have reported significant escalation of project costs, some of which have contributed to project construction delays. Some examples of these: the city of Brooks, the town of Millet, and the town of Vegreville all reported increased project costs during project construction, but each managed the increased cost through other grant funding or internal revenue streams in those municipalities.

The county of Lac La Biche has yet to start construction and has indicated a cost increase of 80 per cent over their original estimated project cost. They've passed a borrowing bylaw to finance the cost increase and are scheduled to start construction in 2023.

The town of Devon was approved for a scope reduction to reduce costs when tender prices for the project exceeded original estimates by a significant margin. The project is now scheduled to start construction in 2023.

The town of Edson has requested a scope change for their ICIP project to reduce costs, as their initial tender resulted in costs that exceeded the original estimates by over 45 per cent. The request is currently under review by infrastructure Canada.

I hope that those examples help to address the member's question.

Mr. Singh: Thank you.

Residents in my riding of Calgary-East want to see capital projects such as a new arena or community centres to attract new families and businesses to their communities, and local governments share these priorities but have the responsibility of balancing these investments with maintaining existing infrastructure and ensuring they are able to deliver critical municipal services. I refer back to page 166, line 4.1. There is an estimated \$60 million set aside for the delivery of municipal services, an increase of \$30 million from last year. That's double the amount. What factors led to the decision to double operating funding?

9:20

Ms Schulz: It is double the amount, and I think that this is welcome news for municipalities just given that MSI operating funding is important to many communities and it does support a wide range of municipal services that Albertans depend on. Municipalities – again, I know we've talked about this a couple of times – are faced with the impacts of high inflation and rising costs, as we see with the rest of the province, so MSI operating funding was doubled in recognition of increased operating costs. Again, there's a significant amount of flexibility in those funds, which I think is important because it allows communities to address the unique needs of their services and programs that their residents rely on and make sure that they can continue providing those services, increased demands for those services, despite the inflationary pressures.

The Chair: Thank you, Minister.

We'll now move on to 10 minutes with the Official Opposition. Do you wish to go back and forth?

Ms Phillips: Yes.

The Chair: Okay. Minister, you're okay with that?

Ms Schulz: Absolutely.

The Chair: Go ahead.

Ms Phillips: I just want to confirm my understanding, then, back on this issue related to tax holidays, that beginning in the 2022 property tax year new wells and pipelines will not be taxed for the '22, '23, and '24 property tax years, but they will be taxed for '25. Is that correct?

Ms Schulz: Yes, it is.

Ms Phillips: Okay. So around the elimination of the well drilling equipment tax: that's the one that you had indicated, I believe – I don't know if they were '21-22 figures or '22-23 – was approximately \$75 million in abatement. That elimination was expected at the time of announcement to be permanent beginning in 2021, and it continues to be permanent, as I understand it.

Ms Schulz: That's for '21 and '22 combined.

Ms Phillips: The \$75 million; okay.

So the well drilling equipment tax beginning in '21, that elimination: is the elimination of the well drilling equipment tax now made permanent?

Ms Schulz: Yes.

Ms Phillips: Okay. And the three-year assessment reduction on low-producing wells: as I understand it, that was for the '21 tax year, or '22, '23, '24?

Mr. Bayne: Sorry. The ...

Ms Phillips: The three-year assessment reduction on low-producing wells that was announced in October 2020: that reduction was for which tax years?

Mr. Bayne: For 2021, '22, and '23.

Ms Phillips: Okay. So not 2025 on that one.

And everything, then, sunsets by the end of the 2024 tax year?

Mr. Bayne: With the exception of the well drilling equipment tax, as noted. Yep.

Ms Phillips: Okay. In 2021 it was estimated that the cost of all of these programs rolled up would be \$80 million, at time of announcement. Do we have the total cost now that we are looking at in 2023?

That's fine. We can ...

Mr. Bayne: I would just note ...

Ms Phillips: We can return to it. If you want to table it later, that's fine.

Mr. Bayne: The short answer is that, no, we don't have a projection for the full period of all the different incentive measures because of the drastic change in drilling levels since those were initiated.

Ms Phillips: What about '22, then? Do you have that rolled up? You would have been in, like, year 2 of this thing. Do you have the full amount rolled up for the '22-23 fiscal?

Mr. Bayne: The numbers for the first two years' impact of the well drilling equipment tax cancellation was the \$75 million, projected \$12 million for two years of the holiday on new drilling, and \$20 million, in total, for the shallow gas and low-productivity assessment reduction.

Ms Phillips: For the low-productivity stuff. Okay. Thank you.

The Chair: Go ahead, Mr. Ceci.

Member Ceci: Thank you. I'd just like to go back to some of the discussion you were having, my colleagues, around downtown revitalization, both downtowns. Will this be the ministry, if in fact there are discussions about how the government of Alberta can potentially leverage up the city of Calgary's efforts, where we would see the capital or grant potentially come through? Is this the ministry?

Ms Schulz: It depends. As I said, the city did come forward with some requests in November. However, there were additional requests or discussions that took place – I mean, we do, and I can say this as somebody who's on Treasury Board and somebody who knows that the residents of Calgary were exceptionally excited to see a balanced budget last year and excited to see it again this year – and essentially we have to have details about what some of those requests are before we can determine which program is most appropriate to fund them. One example would be on – I know some of the discussion around postsecondary moving into downtown. Not opposed to that, want to continue to have the discussions, but depending on the funding arrangement or mechanism, that's going to depend where that expenditure would lie in the future. These are some of the discussions that we're going to be having, not only with the mayor, with the business community, with postsecondary, so that we can kind of narrow down exactly what that's going to look like and then have more specific commitments, not only for what does that look like in the upcoming years but, like I said earlier, in the out-years.

Member Ceci: Right, because if there's working with your colleague in postsecondary, the Minister of Advanced Education, there'd be potentially a long-term funding agreement in place with one or more postsecondaries to occupy a downtown office building, perhaps.

Ms Schulz: There could be. I wouldn't want to prejudge where those are going, because we haven't received those details yet, but there's always consideration for other policy changes we could make. What discussions can we have with the city to look at the current arrangements that would, I guess, incentivize this? I do continue to use the lower corporate tax rate, as we have seen, that has an impact on job creators choosing Calgary and moving back into those downtown spaces. Then, again, there may be other requests that come in, and again it's difficult to prejudge until we've had those conversations, but that's exactly why those discussions will continue to happen.

Member Ceci: We may differ – I'm sure we differ – on the reason for the flight of companies from the downtown. You say one thing, I say another, but there is – whether you believe it – a point or two on either side of 30 per cent of vacancy, which is affecting the property assessments in the downtown, resulting in many other people picking up that equalized assessment throughout the city. So a thriving downtown Calgary is something that would benefit not only the downtown but every taxpayer.

I guess my question around all of that is that time is of the essence. Is this something you're charged with in terms of working on with the mayor and council?

Ms Schulz: Yeah, and I would say that my responsibility is to continue to develop those relationships and to pull the right people together when it comes to our colleagues. I often use the example

of the task forces that were struck to address mental health, addictions, and public safety. You know, when we have municipalities coming and looking for information, honestly it was a game of telephone, where I was on the phone and reaching out to a variety of different ministries to get facts and background information. My thought is – you know what? – crime, public safety, mental health and addictions, supporting recovery: these are things that are top of mind certainly in our two major cities but not just in our two major cities. So how do we get everybody at the table, having the conversation at the same time with the same information and moving in the same direction on that task force? It's really about working with the nonprofit and community-based organizations and partners that we have as well as the business communities. I think it's the same in this case, so we'll be having those discussions. Like I said, I do believe I have a meeting coming up with the city of Calgary specifically about this either later this week or next, and hopefully we can get a little bit more specifics and have some of our questions answered on those items.

9:30

Member Ceci: Budgeting for that, though – I'm looking at your budget. There's no obvious line for that. Would this Alberta fund be the source of potential funding if you were successful in working with all of your colleagues to make that happen?

Ms Schulz: You know, I think, as I said earlier today, it's difficult to just say: you know, we're holding this; it's a blank cheque, and it'll be used in a way to be determined. Albertans want to see their tax dollars being invested in a transparent, fiscally responsible way. I mean, look, in this year's budget almost \$3 billion is going to capital in Calgary over three years. I started reading this list out in question period earlier today. I didn't quite have time to get to it all, but there are investments in everything from the LRT to the Deerfoot to the Calgary cancer centre to the Calgary ring road to the Glenbow to continuing care to vet med at the University of Calgary . . .

The Chair: Sorry, Minister. You don't get to finish your list again.

We'll be moving on to the government caucus for a 10-minute segment. Go ahead, Mr. Getson.

Mr. Getson: Thank you, Mr. Chair, and, Minister, thank you to you and your staff for being up this late at night and answering these questions as pointedly as you are. You either must have a ton of caffeine on tap or you know this file inside out and backwards. My suspicion is that it's a little bit of both. Thank you for doing this for us.

Key objective 1.3 on page 99 of the business plan states how your ministry wants to “work with municipalities to provide a legislative and regulatory framework that ensures municipal decisions minimize red tape and barriers to investment.” On the same page you state that one of the initiatives to support the objectives is to “collaborate with municipal partners to minimize permitting timelines as part of creating a more attractive business investment environment.” A couple of questions around that red tape and those really good goals and objectives for a more collaborative approach: what other municipal decisions can help to minimize the red tape out there?

Ms Schulz: That's a good question, of course, because I myself and our colleagues have been so committed to reducing red tape. That's one of the things we can do to reduce some of the burden placed on municipalities, working with them to identify areas where we can also make it easier to start a business, for example, and get a permit. I'm going to respond to that, but I'm just going to say for the record

that I can't get through my Calgary list of investments because the list is just so long. You know, when you've got nearly \$3 billion in funding, there are a lot of projects on that list for Calgary. Just to make sure that we're not leaving out Edmonton, there is a large investment there of \$3.273 billion over three years.

I'm afraid I'm probably not going to get to that list either, but let's talk about red tape reduction. You know, I think I've said it before, that no one level of government can create the conditions for economic success. We have to do this alongside municipal partners. Decisions on everything from land-use planning, building and maintaining local roads and pipes, efficiently processing development approvals: this can impact whether it's easier or harder to develop in any particular community. I'm pretty happy to report that Alberta municipalities are generally pretty good at encouraging development and minimizing red tape in their operations.

One example. A recent report by the Canadian Home Builders' Association ranked Edmonton and Calgary in top Canadian cities for minimizing negative impacts on housing affordability. That's huge. Housing affordability is a top-of-mind issue for Albertans. You know, I can say that the other day I was out door-knocking, and just in one stretch in I think it was an hour and a half in Calgary four folks were moving in from other provinces in Canada. Why? Jobs, opportunity, and, of course, housing affordability.

Edmonton ranked first and Calgary ranked third in overall scores based on a study that considered factors like land-use planning processes, approval timelines, and development charges and fees. So there is some very good work being done on this front.

I also want to add that my ministry is working to establish baseline data on municipal permitting approvals. Through the municipal information return municipalities have to submit annually to Municipal Affairs, we're starting to collect data from all 332 municipalities on topics like business licences, building permits, subdivision applications, and development permit timelines. This will help us to benchmark municipal performance and identify areas where maybe some more work has to be taken.

Also, under MSI, all municipalities who receive stimulus funds for capital projects were required to submit red tape reduction reporting, first in 2020, then again in 2021, when they were able to demonstrate what that progress actually looked like in terms of reducing red tape. Those reports do identify how municipalities made progress towards reducing red tape, specifically in making it easier to start a new business, streamlining processes and shortening timelines for development and subdivision approvals, and attracting new investment and/or tourism.

You know, that could be anything from making sure that information was actually posted on a website so that a potential business could access that quickly; things like shifting electronic forms for commercial development applications, business licences; increased use of electronic forms for payment for residents and businesses alike; marketing and promotional improvements to attract new residents and commercial entities and tourism; and just even things like step-by-step guides to help folks make it through these processes, things like: how do you start a business?

There were also process and procedure improvements as well, which are things like staff reporting, departmental reorganizations, training. I know that talking about processes at 9:36 at night makes some people's eyes want to glaze over, but it's really what makes the difference if somebody is looking to start up a business in one municipality over another in these benchmarks.

I think that even maybe more than the benchmarks are the actual examples we get from municipalities. We do have a report that will be published that identifies some of that, and those examples help

spur on that creativity in other municipalities so that we can continue to attract folks and grow as a province.

Mr. Getson: I appreciate that, Minister, and thank you for that.

Again, we're seeing that same uptake. This morning the Minister of Finance was giving a bit of a speech, and the biggest thing that came out of that was individuals saying that there's hope. Again, with that hope that's spreading well and wide across the country, we're seeing a lot of folks come in, and the only thing that gets me happier than talking about red tape reduction is orange tape reduction, so I really appreciate that.

One of the other items here, just going back and jumping into the estimate, would be referring back to the business plan, page 101, showing key objective 4.2. It's to "strengthen the rights of landowners and operators to fair and timely decisions on surface rights matters by modernizing processes through technology, and reducing timelines for issuing decisions." Minister, with that, could you expand on that a little bit and tell us what you're doing as a ministry to get that key objective?

Ms Schulz: Yeah, of course. This has been a topic of great discussion tonight, that the tribunal has experienced a significant increase in the volume of surface rights applications received over the last several years, which has resulted in some extended timelines of approximately eight months for issuing these decisions. It has taken and continues to take steps to address the increasing volumes and to reduce decision timelines.

A couple of those things include launching the surface rights e-filing portal, that allows landowners or their representatives to submit recovery of compensation applications online and then monitor the status of that application; moving from paper-based processes to digital, providing for a more efficient process for reviewing and drafting decisions by tribunal members; revising the surface rights application forms and consolidating multiple forms into one, which has reduced steps for landowners and improves processing timelines as well. As part of our government's red tape reduction initiative the tribunal made recommendations to amend section 36 of the Surface Rights Act, allowing it to process hundreds of applicants that were previously held in legal stay where the licensed operator was involved in bankruptcy proceedings, eliminating the need for landowners to submit a signed statutory declaration with an application.

Instead, the form was amended to include a declaration, which reduces, again, red tape and expenses for landowners, implementing robotic process automation software to automate the data entry process for these applications. Automating the manual process will improve timeliness for acknowledging the applications and reduce instances of data entry errors that could cause decisions to be delayed. The LPRT currently has a second process automation project in development that will automate the processing of e-mails received from landowners and representatives as well.

Finally, I get another opportunity to plug recruiting additional part-time tribunal members, with 23 being appointed in 2022 and at least 10 more members being recruited in 2023. This is all done through a public recruitment process, but as I said before, if any members of this committee know anybody who would be interested, we are currently recruiting, so please send them towards the Land and Property Rights Tribunal.

9:40

Mr. Getson: Well, I'm sure we'll get a few folks heading your way. There are some really good, you know, people in Alberta here. They're looking for change.

Ms Schulz: From all the masses watching tonight?

Mr. Getson: Well, that and others. I mean, we get a chance to use social. Never miss a good opportunity for that.

Ms Schulz: Absolutely. Yeah.

Mr. Getson: Another one, Minister. In your opening remarks – and you kind of had me at hello when you said, you know, that this government’s utmost importance is fiscal responsibility. I’m pleased to see that the principle was reflected in the budget as well. I looked over the estimates and expenses. I want to take a moment and examine the municipal revenue as well. Page 170 recounts the ministry’s revenue, and the revenue from premiums, fees, and licences has had a slight increase, which might be a sign of a good economic recovery from 2021, I would believe. A couple of ones here if we can squeeze them in, Minister. Can the minister expand on the services provided under this item to the benefit of Albertans?

Ms Schulz: Yes, and I’m glad you asked. The slight increase is a reflection of the continued economic recovery and construction activity. The majority of that increase in revenue from premiums, fees, and licences can be attributed to the revenue the Safety Codes Council expects to receive. Any increase in Alberta’s industrial . . .

The Chair: Thank you. Sorry to interrupt.

Just before we move on, I’d like to remind the committee members and the minister of the time limits here. You’re not allowed to speak for more than five minutes. One of the members, who should remain nameless, was almost called to order about five seconds away from that.

All right. Go ahead, Mr. Ceci.

Member Ceci: Thank you. CRLs. I always get this wrong. Is it community revitalization levies or recreation?

Ms Schulz: Revitalization.

Member Ceci: Yeah. This is the ministry that deals with all of those in the province, right? How many in the province are there at this point in time?

Ms Schulz: I believe we have six.

Member Ceci: Six?

Ms Schulz: Yeah.

Member Ceci: How many applications do you have?

Ms Schulz: None that are outstanding.

Member Ceci: Is that right?

Ms Schulz: Yeah.

Member Ceci: The six that are there: of course, they’re at various timelines, but they’re 20-year agreements, where the education property tax flows back to the municipal entity. That’s what I understand them to be, and they can be extended. The one in Calgary was extended around the rivers district and the entertainment district. Is that correct?

Ms Schulz: Yeah. They’re typically 20 to 40 years, and then there is a review – is it after 10 or after the midpoint?

Ms Cox: The midpoint.

Ms Schulz: The midpoint.

Member Ceci: All right. There was a review when?

Ms Schulz: At the midpoint.

Member Ceci: At the midpoint.

Ms Schulz: For example, I guess it was just about a month ago when there was a review in Cochrane to extend, to make sure that that project was moving along and meeting the parameters of the program. Then that one was reviewed.

Member Ceci: Okay. My sense is that they, obviously, are applied for and help to revitalize the communities that need that or parts of cities that need that, and they’re very helpful. I see it every day when I am out in my area of east Calgary around the rivers district and the entertainment district. So there are no applications pending? Nobody has wanted to expand that number for stabilizing their revenues?

Ms Schulz: We haven’t seen a request come in although I will say that with recent announcements – Airdrie was just announced in January. That was an application that came in, and we worked through that. They followed the process. That was late last year. That was approved in January. Then, of course, the 10-year review of Cochrane and the extension of their community revitalization levy – another one where I typically use all of the words as opposed to the acronym.

I mean, once folks had seen – like, there are municipalities that have seen what has happened in these communities, where they essentially had, you know, brownfield sites that were under-performing, for lack of a better word, or for various reasons, right? It could have been contamination or anything like that that was holding back that area from development. Now they’re seeing some of the results. I mean, Cochrane is – the actuals: 74 per cent higher than estimated; incremental assessment, a \$140 million increase; and it’s at 2,635 per cent over the baseline assessments. Once folks have seen that growth and what has been able to take place in some of those communities – I will be honest. There have been a lot of questions, but we haven’t actually gotten any additional requests, applications.

Member Ceci: Thanks for the information.

I have a question from a colleague, and it has to do with outcome 3 in the business plan; 3.2 states: “Represent and protect Alberta’s interests during the development and review of national and international safety codes and standards for potential adoption in Alberta.” As I understand it, there are new federal standards to the national farm building code, and that’s going to impact those municipalities that are looking to expand their agricultural tourism market. Currently the regulation gives exemptions to low-occupancy buildings from having to have industrial fire suppression systems, and those systems aren’t used on farms given the practices of local fire response such as pools versus hydrant systems. So the question. Those municipalities that are exploring agritourism are being told that their facilities that have tours such as open farm days, weddings on farm sites – cheese producers, for example – now have to follow the commercial code. Can someone explain if this is the case and what your government is doing to support local municipalities that want to develop their agribusinesses but may be subject to these national building codes, that are expensive?

Ms Schulz: Yeah. That’s actually an excellent question. Safety codes, of course, establish the minimum acceptable standards.

Now, provinces and territories adopt the national building, fire, and energy codes or base their own code editions on the national code. I always say that, like, this is not a federal code; it is a national code, where the provinces have representation and feedback into the development of those, but then Alberta develops its own editions of the building and fire codes based off the national editions and relies on the national energy code for buildings for large residential, commercial, and industrial buildings. We do, as do other provinces, have the constitutional authority to decide if we will adopt the codes, adopt the codes with variations, or not adopt the codes. Municipal Affairs in collaboration with the Safety Codes Council and relevant groups reviews the new codes to ensure alignment with provincial policy and interprovincial trade objectives and to support labour mobility.

The Safety Codes Council has been consulting on this. It's been quite extensive, both with the agricultural industry, which supports the continued exclusion of large farm builds, and with the home building industry, which supports adopting new code editions, including an incremental approach to improving energy efficiency standards, and I would imagine we'll have more to say on that in the near future.

Member Ceci: So the Safety Codes Council is still working on it.

Ms Schulz: We've just wrapped up those consultations, and then we have to take that feedback and make a decision.

Member Ceci: All right. The thing that may get lost in here or the thing that may get hurt is agritourism. My colleague is certainly one who's advocating for keeping the costs minimal to producers out there who are trying to diversify their revenue streams with a number of other things that many people, like city people like me, would like to see some day. So that's one question.

What's the ministry's role around managing public lands and the three special areas and the six improvement areas, and how much money is in the budget to do that?

Ms Schulz: Just on your last point around agritourism, I mean, we can't speak to that as, as I said, the consultations are just wrapping up, but I will take that maybe for feedback as we move forward.

Then I'll have ADM Sandberg maybe speak more specifically to your last question there.

Mr. Sandberg: Sure. Thank you, Minister. Hon. member, if I understood your question correctly, it was around the role of the ministry with improvement districts and the special areas?

Member Ceci: And public lands.

9:50

Mr. Sandberg: We do not manage public lands as a ministry – that would probably be environment – with the exception that we manage the public lands in the special areas. The Special Areas Board, through its own legislation, has the responsibility for municipal services and for public land management in the special areas. That's the only part of the province where we have that role.

The improvement districts, of course, are all, in essence, in national parks, so the land management in the national parks is really done by the federal government.

In terms of our budget you don't really see much in the budget there because the Special Areas Board is funded, as are the

improvement districts, through local property taxes, so there's not a direct impact on the ministry's budget.

Member Ceci: There's more a consulting or capacity development or that sort of role you play.

Mr. Sandberg: Yes. We do interact daily with all those organizations. In fact, we do administer most of the improvement districts because they do not have a local council, but there are two improvement districts that have a local council, so they have more of a day-to-day role.

Member Ceci: Growth management boards throughout the province and ICFs: is there money in this budget for those? Let me see: intermunicipal collaborative frameworks, right?

Ms Schulz: Okay. To answer your question about the growth management boards, there is \$2 million in funding dedicated for the growth management boards and their operations.

When it comes to the ICFs, there was some . . .

The Chair: Sorry to interrupt again.

We'll now move on to the government caucus for the remaining seven and a half minutes. Go ahead, Mr. Orr.

Mr. Orr: Thank you very much. Having had a previous life in the construction world, I want to talk about the Safety Codes Council and related subjects. I notice a \$1.8 million increase over forecasted for the Safety Codes Council, and then in the initiatives to support key objectives for outcome 3 it talks about implementing a renewed provincial accreditation framework to facilitate more efficient approaches. I just wonder if you could talk to us a little bit about the status of that renewed provincial accreditation framework and what implementation actually will look like for us.

Ms Schulz: Yeah. Absolutely. I do just want to start by saying that we'll continue to prioritize public safety when making any changes to the safety code system. Municipal Affairs and the Safety Codes Council worked with Alberta Municipalities, corporations, and other organizations to provide an effective, accountable, and affordable safety code system as legislated within the Safety Codes Act. The act allows stakeholders to share in administering and delivering permit and inspection services by accrediting organizations to administer and deliver safety codes. Accredited organizations are delegated responsibility to issue permits and inspect work in their area for the disciplines in which they are accredited. Now, the council ensures accredited organizations meet their responsibilities by requiring quality management plans which establish a minimum service delivery standard that accredited organizations must meet. Our ministry is working with the Safety Codes Council to support accreditation changes that will allow municipalities to enhance their efficiency by focusing inspections on high-risk areas and do fewer inspections in low-risk areas.

The council engaged a wide range of organizations in 2022 and is preparing further engagement in 2023 on specific program enhancements expected to support those objectives, but the overall outcome is to maintain safety in Alberta, and this review is expected to help accredited organizations use data, technology, and risk-informed processes to monitor and enforce safety codes compliance in their jurisdictions. This risk-based approach uses data to identify activities with a low level of noncompliance and adjust inspection frequency accordingly. For example, a municipality could consider the safety record of a contractor to inform their inspection approach.

A contractor with a solid record could see fewer overall inspections while a newer contractor or one with perhaps a poor record could have more inspections.

The Safety Codes Council recently completed engagement to better understand the needs and concerns of municipalities with a more formal risk-based system, and we're working with the council to determine the next steps on any further engagement that would be needed there.

Mr. Orr: Okay. Interesting. Of course, the Safety Codes Council is extremely important, and I'm going to refer now to performance 3(a), injuries and fatalities. I mean, I could go through a list of half a dozen situations I know of from my own experience with various individuals who have experienced injuries. It's always traumatic. It's always costly. It's always long-term pain and suffering both for the individual and their families, quite frankly. I see you've got some reduced targets, from .65 down to .64 to .62 per 100,000. But what I want to know is: what are the programs that are going to actually achieve those reductions per 100,000?

I'm also interested in a jurisdictional comparison. How are we doing compared to the rest of the world? Alberta has a lot of fairly heavy industry, potentially injury prone, yet we have really good standards amongst a lot of the companies. So I'd like to know how we compare jurisdictionally on that as well.

Ms Schulz: Yeah. Absolutely. Safety codes ensure Albertans have minimum acceptable standards for construction, fire protection, and, of course, energy efficiency that provide safe, affordable buildings and homes. The way in which these codes are developed: it's a rigorous, well-established, transparent process. It involves many partners, including national and international bodies, the Safety Codes Council, Alberta Boilers Safety Association, Alberta Elevating Devices and Amusement Rides Safety Association, and industry. These organizations co-ordinate experts from across Canada and the world to conduct research and engagement and then to evaluate potential code changes.

In addition to getting input from industry-leading organizations, a significant part of the code development process involves allowing the public to also submit code change proposals. The proposals receive public review, so Albertans can offer feedback on any potential change. Through the composition of code committees, their consultation processes, the rigour they apply to code proposals, and their extensive experience developing codes, Albertans receive strong assurance that their homes, workplaces, and buildings are safe, which is what I believe the member was referring to in his question.

A similar level of rigour is applied to implementing safety codes: many steps from accreditation, permitting, inspecting, and, where needed, investigations. Accreditation is the process that establishes

who can administrate the safety code system, and these agencies must be able to prove that they can meet the requirements to keep Albertans safe. Permits are important steps, of course, in implementing the safety code system as well. They ensure the individual undertaking any construction activity has permission to do so. A safety codes officer has the authority to inspect anything to which the Safety Codes Act applies.

And, you know, when you ask, "How exactly are we going to do this?" – I can see the time is going to run out, so I want to try to get both of your responses in. I mean, the Safety Codes Council has a responsibility to oversee compliance and enforcement of the system, so fluctuation in the council's revenues directly links to activity in the construction sector and change with market conditions. Given the increase in industrial activity in Alberta, the Safety Codes Council budget has seen a proportionate rise. This allows the Safety Codes Council to increase compliance and monitoring activities to match the increase in construction activity.

As mentioned earlier, these compliance and monitoring activities include reviewing designs, issuing permits, conducting inspections, reporting incidents, and conducting investigations. These compliance and monitoring activities are in addition to the councillors' regular duties of reviewing and providing input to safety codes, educating safety codes officers, and engaging with accredited municipalities. Of course, this is all designed to keep Albertans safe in their homes, workplaces, hospitals, schools, and other settings.

I hope I answered all of the member's questions there.

Mr. Orr: Most of it.

Ms Schulz: Very close.

Mr. Orr: You can get back to me later on the jurisdictional comparison. I would like that, but you can do it later, okay?

I do have one last question I want to squeeze in. This is a very difficult balance. Objective 3.3 talks about ensuring Albertans' new homes are affordable, but we've experienced in this country a creep of code compliances, and every single one of them drives the price of housing up.

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

I'd like to remind committee members that we are scheduled to meet tomorrow, Tuesday, March 7, 2023, at 3:30 p.m. to consider the estimates of the Ministry of Indigenous Relations.

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 10 p.m.]

