



Legislative Assembly of Alberta

The 30th Legislature
Fourth Session

Standing Committee
on
Resource Stewardship

Ministry of Treasury Board and Finance
Consideration of Main Estimates

Wednesday, March 15, 2023
9 a.m.

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The 30th Legislature
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 Treasury Board and Finance

Hon. Travis Toews, Minister

Lowell Epp, Assistant Deputy Minister, Treasury and Risk Management

Alberta Investment Management Corporation

Paul Langill, Chief Financial Officer

ATB Financial

Dan Hugo, Chief Financial Officer

9 a.m.

Wednesday, March 15, 2023

[Mr. Hanson in the chair]

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

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

Mr. Feehan: I'm Richard Feehan, the MLA for Edmonton-Rutherford.

Ms Pon: Josephine Pon, MLA for Calgary-Beddington.

Mr. Orr: Good morning. Ron Orr, MLA for Lacombe-Ponoka.

Mr. Getson: Yes. Good morning, everyone. Shane Getson, MLA for Lac Ste. Anne-Parkland.

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

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

Ms Issik: Good morning. Whitney Issik, Calgary-Glenmore.

Mr. Toews: Good morning. Travis Toews, MLA for Grande Prairie-Wapiti, Minister of Finance. I have Kate White, the Deputy Minister of Treasury Board and Finance; Darren Hedley, senior ADM for the Treasury Board Secretariat; Mark Brisson, assistant deputy minister and superintendent of insurance, pensions, and financial institutions; and Dana Hogemann, senior financial officer and assistant deputy minister of finance and administrative services.

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

Mr. Barnes: Good morning. Drew Barnes, Cypress-Medicine Hat.

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

The Chair: Thank you.

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 morning. Leela Aheer, Chestermere-Strathmore.

The Chair: Thank you.

I'd like to note the following substitution for the record: hon. Member Pon for Member Turton.

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 your camera on while speaking and to 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 six hours has been scheduled for consideration of the estimates for the Ministry of Treasury Board and Finance. This meeting is the first three hours for consideration of the ministry's estimates. 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 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 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 announce that shortly, just before we take the break.

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

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

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

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

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

The vote on the estimates and any amendments will occur in Committee of Supply on March 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 when speaking time is shared between a member and the minister.

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

Mr. Toews: All right. Well, thank you, Chair. It's always a pleasure to be here for estimates, six hours of estimates. I'm happy to make a few comments on Budget '23.

I would first like to note that as a province we've made great progress fiscally over these last four years. Our progress has really been a result of a twofold focus. Number one, we have focused on positioning the province for business competitiveness. We've worked to improve the competitiveness of our business environment and ensure that we are attracting investment, which, of course, results in economic growth and expanded fiscal capacity. Chair, we've also brought fiscal discipline to the government of Alberta over the last four years, and that combination has resulted in great progress fiscally.

Firstly, I want to talk a little bit about our progress that we've made in terms of business competitiveness and investment attraction because that's a big part of our story. Chair, we didn't just put out the open-for-business sign and only back it up with words; we backed it up with real action. We reduced business taxes by a third; our corporate tax rate was dropped from 12 to 8 per cent. We put in four years of modernizing our regulatory environment, cutting red tape, reducing the burden on Albertans and Alberta businesses. We focused on sectors where we knew we were naturally competitive such as the petrochemical sector, certainly agriculture, but more than that we focused on diversified sectors such as film and television. We have worked hard over the last couple of years to expand training opportunities for Albertans who need to reskill or who want to ensure that they have the experience and skill set to pursue a career in an economy that's diversifying at significant rates. We also made significant investments and expanded capacity in our ability to sell the great value proposition that we have in this province, and we've done much of that work through Invest Alberta.

I have to say that the results speak for themselves. We're leading the nation in economic growth this year and next, the economy is diversifying at rates I don't think I've seen in my lifetime, and all of this is resulting in expanded fiscal capacity and increased government revenues, of course, which are reflected in our estimates for Budget '23.

On the fiscal discipline side, we rolled up our sleeves and got to work in Budget 2019, the first fiscal plan that we presented on behalf of Albertans. Early on we identified three fiscal anchors, anchors that would guide our fiscal decisions over this time. Number one, we were going to ensure that we maintained a strong balance sheet even through the dark days of COVID and the big energy price collapse and the contraction in the global economy. We identified that we would keep our net debt to GDP ratio below 30 per cent.

Chair, we also set a goal of aligning our cost of delivering government services on a per capita basis with that of comparator provinces, the average of Quebec, Ontario, and British Columbia, because back in 2019 we inherited a government that was spending \$10 billion more on delivering government services than other provinces, yet we weren't getting better results. I think the latter part of that sentence is the most difficult. So we set a goal to, over time, carefully and thoughtfully, surgically, bring our costs of delivering government services in line with that of other provinces.

We also identified the fact that we were going to balance the budget. Of course, in 2019 we laid out a fiscal plan that resulted in a balanced budget in year 4, and then when we encountered the triple black swan event in early 2020, at that point in time, of course, everything changed fiscally. Our revenues dried up. Costs were going through the roof as we responded to a pandemic within our borders and the economic challenges that we had.

Actually, at that time it was very difficult because there were weeks when we couldn't issue bonds. Those were difficult days, and it was during those days that our fiscal anchors were incredibly valuable to our government as we made fiscal decisions with a lack of economic clarity. But during that time we identified that as soon as we had economic clarity, we would provide a path and a timeline to balance.

As we clung to those fiscal anchors and looked to deliver on them, we did make great progress. Our net debt to GDP ratio is projected to be 10.2 per cent at the end of this fiscal year, the lowest ratio, the strongest balance sheet of any province in the country by far. As of '22-23 – so that's the fiscal year that we're in right now; not next year, not the year after but this year – we will have aligned our per capita spending with that of comparator provinces, Chair. Again, when I say "we," we as all Albertans have worked hard to deliver that.

9:10

Last February, February 2022, I was privileged to rise in the House and present a balanced budget through all three years of the fiscal plan. Budget '23 builds on this progress. I again had the privilege of rising in the House on February 28 of this year and presenting a balanced budget through all three years of the fiscal plan. That balanced budget is projecting a surplus of \$2.4 billion in the upcoming year, \$2 billion in the mid-year, and \$1.4 billion in the out-year.

We've looked again to build on the competitiveness of our business environment. Number one, we're maintaining a very low tax cost environment in Alberta. In fact, right now in Alberta we have a \$20 billion tax advantage over the next lowest taxed jurisdiction, which happens to be Ontario, in this country. That's a massive advantage for Albertans, for Alberta businesses, and that competitiveness is showing in the amount of investment that's flowing into the province. We don't have a payroll tax. We don't have a sales tax. We don't have a health care levy. We don't have a land transfer tax. We don't have a capital tax. We have some of the lowest personal taxes in the country, and we have by far and away the lowest corporate tax rate or business tax rate of any province.

We're continuing to work on red tape reduction, regulatory modernization, and we're making significant strategic investments in infrastructure, focusing on infrastructure that will further improve our competitiveness and productivity and further position the province for investment attraction.

We're also moving forward with a tax credit for new manufacturing in agriculture manufacturing and processing investment in the province. As well, we've recognized that we're losing more deals than we want to jurisdictions like Saskatchewan and Manitoba and the northern-tier states.

We're increasing our support for the film and television tax credit, building on the success we've had over the last three years.

We're adding to our investment for skills and training so that every employer in Alberta can find the staff and the talent, the capacity they need to grow their business and, maybe more importantly, Chair, so every Albertan can participate in the Alberta advantage.

Chair, Canadians are noticing that right now Alberta is leading the nation in net in-migration. More Canadians are moving to Alberta than any other province. I read an article yesterday in the media again where B.C. residents are again choosing Alberta by the thousands. That's our rightful place, Chair, to not only be the wealth creation engine of the nation but to be a magnet for all Canadians who pursue opportunity, who crave a free-market economy, and who appreciate limited government.

All of this fiscal discipline has allowed our government to make some very important investments in Budget '23. We're increasing funding for Health by over 4 per cent, almost a billion-dollar increase to Health's budget, which is important at a time when our health care system is challenged following a couple of years of pandemic.

We're increasing funding for Education. Our funding is going up by over 5 per cent. That's to deal with massive enrolment growth right across the province. Chair, that's good news. It's good news for the province. It will ensure that we maintain a young demographic in this province. It's so good to see Canadian families choosing Alberta, and to accommodate a world-class education, we're increasing Education's budget by over 5 per cent.

We're increasing the budget for public safety by over 13 per cent and Justice by 10 per cent. Chair, the government's core deliverable is ensuring a safe environment for its citizens and a fair and efficient justice system.

We've responded to the affordability challenge very significantly in this budget and in the previous year by bringing in a fuel tax suspension program, providing direct support to Albertans, families, seniors, and our most vulnerable, providing an electricity rebate. This budget builds on that with support to students and delivers on our commitment to reindex our tax system and our social supports.

Chair, we've made great progress. Budget '23 builds on that progress, and I couldn't be more optimistic about the future of this province.

The Chair: Thank you, Minister.

For the hour that follows, members of the Official Opposition and the minister may speak. Hon. members, you will be able to see the time for the speaking block both in the committee room and on Microsoft Teams. Members, would you like to combine your time with the minister?

Ms Phillips: I would like to combine my time with the minister if the minister agrees.

The Chair: Minister, would you like to combine your time with the member?

Mr. Toews: Sure. That's acceptable.

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

Ms Phillips: Thank you, Mr. Chair, and thanks to the minister for agreeing to share time, our six hours yet again together. It might even be scary to add up how many hours we have spent in these respective chairs over the last four years. Certainly, I have experience with being that person on the receiving end of the six hours of estimates. It's exhausting, so thank you for joining us here today, and thanks to all the officials in the gallery as well.

I'm going to start with just some really simple, straightforward back-and-forth, you know, questions that I have as I go through mostly the fiscal plan. Every once in a while I'll make a reference to the estimates itself, and I'll try to provide you page numbers as well when I do that. We'll just start with some really easy stuff. I'm looking at the compensation for the public sector on page 98. We know we've finished off some agreements with various public-sector unions, but I want to know what's happening with out-of-scope folks both in the GOA but also across our consolidated entities. I do see some increases in funding to consolidated entities, so I'm wondering if we've lifted management pay freezes, if there is another compensation framework, any other policy changes that we need to know about there.

Mr. Toews: Chair, that's a good question. As the member noted, we've moved beyond the salary restraint measures for the public service. We needed to do that to ensure that our departments, certainly within the government, could attract and retain the talent that they need. Salary restraint had been in place for quite a number of years, and we were beginning to fall behind other provinces, so it was important that we could accommodate those adjustments.

As I visit with directors and board chairs of our public agencies, I'm finding that they're experiencing the same challenge, whether it's the Alberta Securities Commission or, certainly, any one of our agencies, boards, and commissions. So we're moving forward right now with a similar approach to what we took with the public service for the nonbargaining management and opted-out staff. We're moving forward with an approach that will allow all of these non-union members to move through the steps for merit firstly. I'd just like to remind the committee – the member knows this well – that when we froze non-union staff in government and in our public agencies, those staff couldn't go through the steps for merit and experience, unlike their union counterparts, who could still go through the steps. Number one, we're allowing these important employees to go through the steps for merit and experience, and we're moving forward with allowing a similar wage movement, remuneration adjustments to what we've achieved together with our public-sector union partners.

Now, the member rightly raises: what's next? What's next in terms of framework for our agencies, boards, and commissions? What I can say to this committee is that we're doing some policy work right now. We believe it's in the public interest to ensure that we have a framework that will serve both our agencies, boards, and commissions well around non-union remuneration. We need a framework that will respect Alberta taxpayers but will also accommodate our, again, public-sector management and opted-out staff to ensure that we can retain the staff and the talent we need.

Lastly, I really believe that the best approach, whether in agencies, boards, or commissions, is to appoint competent directors, to ensure that we have competent directors in every entity and then to give them additional latitude to make decisions that a director should make, even decisions around public-sector remuneration within their agencies, boards, and commissions. We're looking at options. We're looking at other provinces in terms of framework, models so that we can have a structure that will assist these agencies, boards, and commissions in making really wise, thoughtful, and responsible decisions around public-sector remuneration.

9:20

Ms Phillips: I guess my follow-up on that would be around timing because we had this conversation last year. I know that it was kind of a busy year, but I wonder what is happening there in terms of moving it. I'll tell you the constituents I hear from on this topic. I hear from people who work at the university and the college, so that's one; the PSIs is one. Then I also hear from folks – I mean, my riding is an agricultural centre – who work for AFSC. It's a centre of health care; I hear from folks who work for AHS. Can you tell me a little bit about timing so that when I get these questions, I can answer them?

Mr. Toews: Sure. Again, those are great questions. Now, I will say that we have made decisions now to provide flexibility for those entities moving forward in terms of remuneration increases. Firstly, as I mentioned, members can move through the steps again for agencies, boards, and commissions, which is important. That's number one. You're right; we did have this conversation last year. And you're right; it was a busy year, so perhaps there was some work that we might have achieved but we haven't yet. However, it

remains a priority, and I believe the next government will need to make it a high priority to move forward with a structure and model and framework with respect to remuneration for our agencies, boards, and commissions.

Ms Phillips: We've got the compensation for the public sector on page 98. Those forecasts, then: did they bake in any of that flexibility, or is it just the new results of the collective agreements that are baked in there?

Mr. Toews: No. These forecasts would reflect some, again, movement through steps for merit and experience and, effectively, the profile that our unions achieved with respect to their collective bargaining agreements.

Ms Phillips: So mostly it's the collective agreement forecast and not necessarily the management piece, and that'll get baked into future years as it finalizes in terms of the policy around it.

I guess my only other question on this – and then we'll move on to something else – are there any guidelines, any other pieces of policy going to universities in particular but PSIs generally that are different from what's happening in the broader ABCs?

Mr. Toews: I would anticipate that the next model that is brought forward should, in terms of a structure, a framework for agencies, boards, and commissions around remuneration, include our postsecondary institutions. Again, I would envision a model that ensures that we're empowering the directors of those agencies, boards, and commissions, including postsecondary institutions, to be able to make important decisions around remuneration levels. I would also expect that those directors are going to continue to bring fiscal discipline. Both are important. We absolutely have to ensure that we're able to attract and retain the talent we need, including at our world-class universities and colleges, but we also have to continue to bring fiscal discipline to the province. We've made great progress, and we have to ensure that we have structures so we're not giving that away.

Ms Phillips: On to page 68 of the fiscal plan. We have the transfers from the government of Canada. I just want to provide an opportunity to do any updates on what might have changed because typically, of course, budget documents prepared in the kind of – they try to finalize everything around February. Then we had the agreement with the Prime Minister and the federal health transfer agreement come right around that same time. We have some estimated revenue here at \$6 billion going up to \$6.2 billion, then \$6.7 billion. Is there a clearer sense now that we have that agreement in place? Have these numbers changed at all, or was your best guess actually about what you got in the end?

Mr. Toews: Yeah. Chair, there was basically a two-part discussion with the federal government around the Canada health transfer. We have included \$230 million of increased Canada health transfer that was negotiated just as we finalized this budget. I have to thank my staff and team for making the last-minute adjustments to incorporate that revenue adjustment, that increase, in the CHT. We anticipate that there will be a successful agreement on a further approximately \$270 million, \$280 million with the federal government on a CHT. Our position has been that any Canada health transfer should be given without strings attached because that's provincial jurisdiction. I know that's the posture that our Health minister and our Premier are taking when they negotiate with the federal government, but we would look forward. I would hope that there could be a successful conclusion to that negotiation, which would add some additional revenue in-year with respect to

the health transfer. We've picked up everything we could, everything that was certain, and that was the \$230 million.

Ms Phillips: Thank you for that. These numbers, then, won't really change materially other than that \$200 million, and that's not necessarily baked into the out-years right now but would be next year. I'm just confirming that that is the case.

Mr. Toews: That's right. We've not booked anything that we didn't have certainty around. We felt, I felt that would be irresponsible.

Ms Phillips: Okay. Going to the estimates now, I want to just talk a little bit about communications and public engagement, page 238 of the estimates. We see that the budget is relatively flat. Of course, we don't have the actuals here, but we have \$33 million and \$34 million, and this is fairly reflective of what we've seen in years past. But the ads, as the minister mentioned, are everywhere. It's a pretty large ad buy. I'm wondering if the minister can share with us how much that specific ad buy, the one that's out of province, is costing. When we did the pro-pipeline, pro-TMX ads, I do recall us talking to the public about how much that cost, so I'm wondering if you can do the same this time.

Mr. Toews: Sure. We'll work to pull that in. Budget advertising expenditures for the upcoming year are forecast at \$2.8 million. Now, that's budget advertising. Right now we've worked to ensure that Albertans understand the affordability support that is available to them. That's been really critical. Again, that's really part and parcel of this budget advertising.

I think, Chair, if I can ask with more specificity: is the question around cost related to the Alberta Is Calling?

Ms Phillips: Yes.

Mr. Toews: Okay. All right. In terms of the actual amount for the Alberta Is Calling ad campaign, which, by the way, is working quite successfully – I have my officials here – the total spend to date has been \$3.5 million. That's the spend to date. As you point out, we are going with a fairly consistent overall budget level in CPE, and of course this will all come out of that budget. I would anticipate that our spend going forward will be very similar to that in terms of coming out of our CPE budget, which is going up very modestly for the upcoming year.

Ms Phillips: We've spent to date in the '22-23 fiscal year \$3.5 million. The anticipation would be, then, for '23-24 that out of that \$33 million there'd be another \$3.5 million advertising spend for that particular campaign.

Mr. Toews: Just a minute. Yes, the spend has been in this fiscal year. That's the spend that I reported on.

Ms Phillips: Okay. Then the anticipation is that the going forward is around the same in terms of the structure of the buy. Like, we're not going to see a cessation of this campaign; we're not going to see any different types of advertising or more. We're going to see around the same \$3.5 million-ish.

Mr. Toews: We're going to see a continued approach, a similar approach going forward on a campaign that's been quite successful.

Ms Phillips: Okay. I'm going to go now to – again, actually, I'm just going to stay in the estimates if I might. Just a couple of clarification questions. On page 245 of the estimates in the statement of operations we see quite a large increase in AIMCo investment management charges. I know this is sort of in and out

for government, but there's still a large increase, so can the minister share with us what is driving that increase? When those increases start to come across his desk, what are the types of questions that he asks? It's not a small amount of money.

9:30

Mr. Toews: That's a very astute observation. It's a large amount of money, and of course, as the member noted, for any investment management costs that are incurred at AIMCo, those costs are recovered from the owners of the funds in terms of fees. So it's picked up as revenue, but that doesn't at all discount the importance of ensuring that we as Albertans, certainly, public-sector employees and Albertans broadly as AIMCo manages the heritage savings trust fund, that we're getting great value. That's critically important. I will warn Paul from AIMCo – I believe Paul is here?

Mr. Langill: Yes.

Mr. Toews: I will warn Paul that I'm going to call on him to talk a little bit more about what is going on at AIMCo. But a couple of things: AIMCo is managing a significantly larger investment overall than it has in the past. Of course, with ATRF coming over and growth over the last number of years, the investment is rising, and of course that will affect investment management costs. Something that I should point out as well – and this is a metric that I pay attention to – AIMCo's cost of managing the investments is, I believe, about 20 basis points below peers. For me, that's an important metric. I want to know that AIMCo is delivering efficiently relative to its peers across the country.

Paul, would you like to come and make some additional comments?

Mr. Langill: Sure. Happy to, Mr. Toews. Good morning, everyone. On your question on the budget for AIMCo, as the minister . . .

The Chair: Sir, could you introduce yourself for the record?

Mr. Langill: Oh, sorry about that. Paul Langill from Alberta Investment Management Corporation, the CFO, chief financial officer. As the minister mentioned, AIMCo does have a rigorous budget process, where we do consult with our clients. You know, as mentioned, our clients actually pay all of our expenses; we recover all of our costs from our clients. We have a budget consultation process with our clients, and that culminates with a board approval of our budget, which occurred in December of last year. As the minister mentioned, we spend a lot of time benchmarking our cost to our peers. Overall, we get that benchmarking done or performed by an independent third party. On average, over the last five years per annum our costs are about 15 per cent lower than our peers. I think that's an important data point.

As far as the increase for the estimate \$24 million versus what we're forecasting this year, about \$112 million, about half of that is external management costs. A number of our assets are actually managed externally, so you see that come through in external management fees as well as performance costs. Now, the remainder is, really, an increase in headcount as well as an increase in salaries and benefits. We are investing in our business. You know, we are adding headcount, predominantly in the investment management and risk management areas. So you are seeing an increase of that through the salaries and benefits line as well as the investment performance costs.

Also, what's impacting investment performance cost is that our investment performance compensation is based on long-term results. We have had fairly good performance over the last four years. That

is coming into our results over the next couple of years. That's also making an impact on our forecast and budget going forward.

Ms Phillips: Do we have the actuals for 2021? Like, typically the budget has those; this one doesn't. So I'm wondering if those are available just for written follow-up?

Mr. Toews: We can certainly provide those. Those are in the ministry business plan, so we can provide those actuals for 2021.

Chair, I should make a few comments on the fact that we don't have the actuals for the 2021 year. This is the first year that we're utilizing 1GX in its entirety in the budget process, and the combination of the new system and the government reorganization very late in the budget process ultimately precluded my department from having the ability to provide that, again, level of historical specificity – it doesn't relate directly to this budget – on the previous years, so that was the reason.

I should note that I believe there's only one other province that provides those historical line-by-line amounts, and that would be Ontario. All the other provinces do not include it. Again, it was a function of changing systems and, you know, ensuring that we can obviously be presenting a completely integral budget and set of estimates. The actuals are in the fiscal plan, and they're in at a higher level, not broken down to each line.

Ms Phillips: Yeah. I saw the – we can go on to a conversation about actuals now. In the historical fiscal summary statement, like, at the end, in one of those tables at the end of the fiscal plan, there are the rolled-up actuals for '21-22 but not by department. In the Fiscal Planning and Transparency Act it does require a consolidated fiscal plan to be prepared on the same basis as the year-end consolidated financial statements. It requires the main estimates to be tabled in February of each year, requires a government strategic plan and ministry business plans, requires quarterly fiscal updates, and sets out the content and timelines for government and ministry annual reports. Is there any specific legal advice that was given around the responsibilities of the Minister of Finance and Treasury Board under section 4 of the Fiscal Planning and Transparency Act on this question of actuals?

Mr. Toews: We certainly fully believe that we're in compliance with the act, with the legislation and the requirements. Again, we can, you know, go back to the fiscal plan, page 152, under the tables section, where it is showing again all of the amounts related to '21-22 in the actuals. Again, we're confident that we're complying.

Ms Phillips: Have there been any conversations with the Provincial Audit Committee or the Auditor General on this and the presentation of the consolidated financial statements on this topic? Is there any anticipation that by the time that we get to the next quarterly, we will be able to present those actuals to Albertans? Will the system have caught up by that point to be able to do that so that Albertans can have that picture?

Mr. Toews: We'll be working forward on 1GX. There's still ongoing work to do. Again, we believe we're fully compliant with the act at this point in time and being, you know, fully transparent with Albertans.

Again, the '21-22 actuals are included in page 152 of the tables and all of the other tabled documents. In terms of working forward so that we can provide more specificity in future reporting, we will be looking to accomplish that. Again, these are budget documents; these aren't our year-end financial statements. I think there's a – that's a distinction that I should point out.

Ms Phillips: Okay. Good. I just want to dig into a couple of lines on the ministry financial statements and revenue and expense on page 245. I have a note here that literally says, “Whoa.” That is around fiscal planning and economic analysis. I have an increase here from \$6.3 million to \$10 million, so that’s a 40 per cent increase. It’s a lot of bean-counters. What’s behind that?

Mr. Toews: A couple of things. That would be a lot of accountants. One thing that is reflected in our business plans is the fact that we are adding a little bit more capacity, and it’s important capacity that we’ve looked to rightsize our department here over the last few years, and we’re making adjustments where we’ve needed some additional capacity.

9:40

On top of that, of course, these estimates include any adjustments to collective bargaining agreements and adjustments to management wage increases as they go through the steps and as they’re compensated for additional merit.

Now, there’s an additional rationale. The Alberta at work initiative and the demographic studies, the increased statistical support that we provided on assessing the socioeconomic impact of Canada’s 2030 emissions reduction plan, is included in here. We are also doing some additional analytical work, and that’s going to be important work for the province of Alberta. It’s going to be important work for the nation as we work to understand the socioeconomic impact of Canada’s 2030 emissions reduction plan. Again, the Alberta at work initiative also required some additional capacity, so that’s reflected in the significant increase.

It is a significant increase but a combination of all three pieces: the socioeconomic work related to Canada’s 2030 emissions reduction plan, the resumption of in-range movement for our existing staff, as well as the additional work related to the Alberta at work initiative.

Ms Phillips: We’ve seen quite a large increase in some other lines; for example, minister’s office spending, not just the number of offices. I know that those have – cabinet has expanded – but also the individual lines for each office have also increased. We see that in 2022 ministers’ offices cost \$30 million. In 2018 they cost \$28 million, and then this year they’re costing \$35 million.

When you take the ministers’ offices and deputy ministers’ offices, in 2018 we see that cost at \$44 million, in ’22 you see that cost at \$46 million, so that’s pretty reasonable. A little step change there. Now we see that cost at \$55 million. So what are we paying for with all these extra people?

Mr. Toews: Well, there’s a combination of things. One factor was the fact that over the last couple of years during COVID there was very little travel, so that was reflected in reduced spending from what it would have otherwise been. There’s an expectation that there will be some travel requirements again in the future, and that would be reflected in ministry offices’ budgets.

Again, there have been adjustments as we have worked to rightsize government over the last four years, and we’ve made significant progress. There has been some rightsizing. There has been some movement with respect to the assignment of responsibilities and ministry offices taking on additional responsibility in some cases, and all of that has resulted in the projections that we’re presenting today.

Ms Phillips: Okay. Looking at page 159 in the fiscal plan – I’m looking at the fiscal plan because I’m looking at the capital investment piece – why is Treasury Board and Finance capital investment up \$10 million? Is there a specific IT thing we’re paying for there? Why has that gone up?

Mr. Toews: The Treasury Board and Finance capital investment is related to IT. As you know, that’s typically where we would spend our capital at this point in time.

So the vast majority of it does relate to AIMCo. AIMCo is updating their systems, and obviously their systems need to be world-class and require constant work.

Again, if I can, Chair, I would ask Paul, AIMCo’s CFO, to come forward and talk about the IT work that is taking place at AIMCo, if that’s acceptable.

The Chair: Yeah. Just this time when we’re finished with Paul, if we could tell him he can sit down rather than leave him hanging there, that would be awesome.

Mr. Langill: Thank you. I’ll introduce myself again. Paul Langill, CFO of AIMCo. On the capital budget for AIMCo, our total capital budget next year is \$19 million, and that’s up slightly, I think, over \$14 million last year. A lot of that is in technology year over year, but the increase of about \$5 million really relates to the opening of a couple of new offices in AIMCo. We’re opening up an office in Singapore as well as in New York, so that includes, you know, leasehold improvements. That’s about \$4 million or \$5 million in total, but the rest is predominantly information technology.

Ms Phillips: Just so that I’m really clear, in the past has it come out of a department’s capital budget to make capital improvements for AIMCo, or has it come out of AIMCo’s internal budget? Why the decision to put that on the GOA capital plan this time?

Mr. Toews: That’s a requirement because of consolidated reporting.

Ms Phillips: Oh. That’s why I’m seeing it in TBF. Okay. I understand. I think, Paul, we’re good. Thank you, Mr. Chair.

A couple of just, you know, why-do-it-this-way kind of questions, Minister, that I anticipate the minister will be able to answer given his background in accounting. We see a quite large increase in capital grants, and I’m wondering: why do it that way as opposed to through the capital plan? In particular, the two departments that I’m looking at – it’s on page 158 – are Energy, where we see that Budget ’22 was \$58 million in capital grants, and now we’re going up to \$205 million, so that’s a real amount of money. That’s not nothing. Then, similarly, with transportation we see that in the budget, like, we only have a forecast of \$676 million. We planned to spend \$1 billion last year; now we’re up to \$1.1 billion and \$1.4 billion next year. Why are we doing this via capital grants, which is a different method of accounting for those investments?

Mr. Toews: Good. Well, I appreciate the member being concerned about the split between capital grants and investment. I always prefer investment, of course, because the province depreciates those assets over typically often 40 or 50 years as opposed to reporting the full expenditure in the year that it’s made in a capital grant. We’ve had many of these conversations at Treasury Board over the last few years. The reality is that some of these expenditures can only be made through a grant. With respect to the increase in Energy around capital grants, that largely reflects the Alberta petrochemicals incentive program, which is an incentive program that’s paid when a project is operational. Depending on the award of that project, it’s either paid in its entirety in the year that the project becomes operational or, if it’s a larger award, it gets paid over the first three years of operation. That can only be paid through a grant.

With respect to Transportation and Economic Corridors, much of that relates to ICIP funding. That's funding that we effectively participate in with federal government grants. Again, it has to be in the grant form. I believe that includes some additional LRT funding, which is, much of it, flow through from the federal government into our transportation system. But I certainly share the member's view that, as much as possible, I prefer to see investment as opposed to grants when it comes to infrastructure.

Ms Phillips: On this PDP issue, then, those are the capital investment incentives that were put in place some years ago. That big jump, then, is the fact that those facilities are now operational. Do you have the breakdown – I mean, I think I know, but I just want to make sure and have it for the record – of which facilities we're talking about here so that we can get a sense of what the GOA investment is or was and what kind of return we're getting on that investment?

9:50

Mr. Toews: Sure. I'll make a few high-level comments. This is the Alberta petrochemicals incentive program. Now, that program replaces the PDP program. I should note that there were a couple of, I think, very significant changes in the APIP program. One is that we didn't cap it. That's, I think, an important distinction. The fact that we didn't cap that program sent a strong signal to the investment community in that they didn't have to compete with other eligible projects. If their project was eligible, then they were able to count on it, and they could go forward with it. There wasn't a competition per se. In other words, you know, if there were five projects and then only funding for three, there weren't two good projects left on the table.

Now, with respect to the projects themselves, the Budget '23 projects include the Inter Pipeline, the Heartland petrochemical complex – I think we're familiar with that one – Dow's Fort Saskatchewan furnace expansion. This one, I think, we all knew. It's their Air Products new Edmonton blue hydrogen production hub, which, again, we're all excited about. Those are the projects that are reflected in this budget.

You know, we know this. There are tens of billions of dollars lined up for petrochemical manufacturing investment into this province. Again, we have a natural advantage in this space. We're excited about the future of the hydrogen sector. I can't say with certainty whether hydrogen will be a fuel of the future, but if it is, I believe Alberta will be a global leader. We're working broadly with the industry to ensure that we're positioned as such.

One other metric, data point, I should add with respect to the Alberta petrochemicals incentive program. One reason why I felt comfortable in not capping this program, which would normally leave a Minister of Finance a little nervous, was based on our analysis. Over the first three years of operation for these projects, based on the analysis that was provided to me by our department and Energy, we would expect to recoup the 12 per cent grant, effectively 12 per cent of the cost of infrastructure for the projects. We would expect to recoup that in incremental government revenues, whether it was increased royalties, of course, corporate tax income, or personal tax income related to the activity. That gave Treasury Board the confidence to move forward without a cap on it.

Ms Phillips: With the new agriculture sectoral tax credit approach, then, just to clarify my understanding, is that one capped, or was a different way chosen?

Mr. Toews: Chair, I appreciate the question from the member. It will be important that this program is well understood across the

province. There is no cap. It's a nonrefundable corporate tax credit for new agricultural manufacturing and processing investment. There will be no competition required between investment proponents.

One thing I should add is that this tax credit was calibrated carefully. It's a nonrefundable corporate tax credit. It does require entities to be profitable, to be taxable, to benefit from this credit, from this incentive. That was not accidental. We have existing players right now in the province that compete globally in this space. We have a world-class agriculture industry, a world-class agricultural manufacturing and processing sector, which the Member for Lethbridge-West is well familiar with because much of it is in her part of the province. It was really important that we didn't upset the natural competitive balance in the sector. New investments, these new projects that will be eligible for this credit, will have to be profitable and competitive on their own volition. I believe that's critically important.

Ms Phillips: I want to dig into this sectoral approach here. We might as well just segue right into this. I kind of have two more follow-up questions on this topic. I can see both sides on having a competitive element to it. What do we lose, then, when we lose that competitive element? When you're making that decision, what are the pieces that we should still be mindful of if we take away the capping system? I mean, certainly in some of the first iterations – and I think GOA has learned a few lessons on what's out there in terms of capital investment, what kinds of manufacturing is looking for a home here in Alberta, what kinds of projects, so I can see where we might want to have been in the past a little bit more cautious and then move along. But surely we have learned some lessons from that competitive piece of it. What were the downsides of taking that cap off, and what are you watching for with that in terms of either cost containment, type of projects, that kind of thing?

Mr. Toews: Sure. Well, with respect to the Alberta petrochemicals incentive program, that's really the program where, left uncapped, it could create within a given year a significant obligation from the government of Alberta. Again, as I noted, the big consideration, from my perspective, was the fact that those incremental projects would generate over the first three years of their life operationally government revenues through expanded economic and fiscal capacity, through their activity would largely, again, in the first three years of operation off-set the cost of the grant. Again, for larger projects the payout of the grant is over the first three years of operation. That was not accidental. That is so, again, we could align the increased government revenues with government's obligations.

That was really a big consideration, whether we would remove the cap or not, but we also heard from investment proponents who identified the fact that a cap created a measure of uncertainty that in some cases was unacceptable. As the member knows, capital is global. This capital can go anywhere in the world, and there are other regions of the world, whether it's the Gulf coast, parts of Africa, the Middle East. All of those areas are very competitive in petrochemical manufacturing and processing. Many of those regions, jurisdictions have very significant incentives. As we calibrated our incentive, we had to be mindful of an incentive that provided certainty and an incentive that also provided some fiscal certainty. Again, this provided both.

Now, I should make a couple of comments because I think the member is also asking, at least I'm interpreting that there's a question in here, around maybe the tension between a broad-based approach and a more specific approach with sectors. The member is right to ask the question because there's always a tension there. I

believe and our government believes that it's government's role broadly to create a very competitive business environment, and I fundamentally believe that. You know, governments very often don't get it right when they pick winners and losers.

Now, we know some sectors where we're naturally competitive such as petrochemical manufacturing, such as agricultural manufacturing and processing, and again our value proposition is predicated on the fact that broadly we have a very competitive business environment. When I say "broadly," you know, we have a very competitive corporate tax rate, for instance, which is not just marginally better than our competitors; it's significantly better, and that matters. That makes a difference. It's hard to attract investment when you're 50 basis points lower, 25 basis points lower, a quarter of a per cent lower in corporate tax rates than a competitive jurisdiction. When you're 4 per cent or 3 and a half per cent lower, that is significant.

We're seeing that in financial services investment specifically, I believe. Financial services businesses are very sensitive to corporate tax rates. In fact, in Alberta typically in a normal year – this last year was a bit abnormal – the sector that would contribute the largest to corporate tax revenue wasn't the oil and gas industry; it was financial services. Again, financial services are very sensitive to corporate tax rates. Interprovincial allocation of taxable income is based largely on two measures. One is where the income is earned, in which province the income is earned. The other criterion is: where are the staff located? When we see capacity from financial services move into Alberta, it's no accident because I believe in part – there are many factors – they're paying attention to their ability to allocate more taxable income into by far and away the lowest cost tax jurisdiction of the provinces.

However, while it's important to have a competitive corporate tax rate, it's very important to ensure that companies have the access to the talent and skills they need, which is critical. In fact, I believe that's going to be the limiting factor in economic growth and diversification going forward. That's one reason why last year we allocated \$600 million over three years for talent, skills, and jobs and this year are building on that with more than \$370 million along the same lines for the same effort.

10:00

It's also important that we pragmatically consider the other jurisdictions that we compete against. Again, when it comes to petrochemical incentives, it's Louisiana, it's Texas specifically, and other Gulf coast states. When it comes to agricultural manufacturing and processing, it's our friends to the east: it's Saskatchewan and Manitoba and some northern-tier states. All of that competitiveness work has gone into, ultimately, the implementation of this agricultural manufacturing and processing tax credit, which is really part of Budget '23.

I have to give Minister Nate Horner credit here because he and his team did some really important work on understanding the competitive balance between the provinces and coming forward with this proposal, which, I believe, is expertly calibrated to ensure that we are not undermining the competitiveness of, you know, our great beef processors in the province that are existing today and operating in a very competitive environment or our protein processors or the dairy sector. We need to ensure that for existing players their competitiveness is not undermined. The fact that new entrants have to be profitable and taxable to benefit, I believe, will ensure an equilibrium.

Ms Phillips: On this business of competition with Saskatchewan for ag manufacturing and processing, I've certainly heard it from proponents. Over the last couple of years they've come to me, and

I've put the minister's argument to them. I've said: the minister will tell you that you have a lower CIT, and it's at least three points – I think it's at least 11 or 11 and change over there in Saskatchewan – but you're choosing to make your investments in Saskatchewan, not here; why do you need a sectoral approach? This government's approach had been that a sectoral approach was not required. I heard from them over and over again that the CIT wasn't the most important piece and that they were happy to make investments in a jurisdiction with an 11 per cent – I think it's 11 and a bit, maybe, or just a flat 11 per cent in Saskatchewan – CIT because they had this sectoral approach. What changed the minister's mind? His answer was: no sectoral; not necessary; CIT is enough.

Mr. Toews: Well, Chair, my answer remains the same. I believe that a government's best approach is to broadly create a very competitive business environment. But the reality is this, that in some sectors where we're naturally competitive but other jurisdictions offer significant specific incentives such as Saskatchewan on agricultural manufacturing and processing – Saskatchewan offers a couple of very significant tax credits. One simply just off-sets their PST – that's easy to identify – but they offer additional incentives, tax credit incentives, that, again, are very attractive in the short term to start-ups in terms of agricultural manufacturing investment proponents.

Now, that's not to discount the value of a low corporate tax rate going forward. That's been recognized as a great attribute here in the province of Alberta from every investment proponent I've spoken to. But, again, governments have to be pragmatic. In this space, consistent with the petrochemical space, we compete with jurisdictions that are extremely competitive in their incentives, so we've had to bring a carefully calibrated nonrefundable corporate tax credit to level the playing field, in fact, to tip the playing field in our favour. I would prefer that governments only worked on their natural attributes, but the fact is that many other jurisdictions go beyond with specific targeted incentives, and at times we have to be pragmatic and ensure that we're competitive. We've done that with the nonrefundable corporate tax credit for agricultural manufacturing and processing.

Ms Phillips: I'm looking at capital grants on schedule 16 for the agriculture piece. I know somewhere else in the fiscal plan there is a forecast of the cost of the ag tax credit, but it doesn't look like it's projected into the forecast period. It is anticipated, then, by TBF that the actual expenditures on this will be further into the out-years. Is that what I'm to understand there?

Mr. Toews: There will be an impact on the fiscal plan, we believe, in the immediate succeeding year. In this fiscal plan there will be an impact, but this is a nonrefundable corporate tax credit. It will be reflected in a reduction of corporate tax revenue, and it's not reflected in a capital grant. It's not a spend, per se. It's, in fact, tax relief.

Ms Phillips: Okay. Good.

I have a few more questions. I just want to follow up on the legislation that we passed last year, I guess, around the regulatory sandbox for financial services. Have there been any applications for this?

Mr. Toews: At this point in time there has been significant interest in the sandbox approach, but in terms of applications I don't believe we have any projects going forward yet with respect to the regulatory sandbox for financial services.

I'm going to put Lowell on the spot and just have him speak to the amount of interest that is out there right now in terms of the

financial services regulatory sandbox, if that's okay, Chair. This was an innovative approach, a regulatory approach that really has a significant interest by the financial services sector. Again, it's a very narrow approach, but it's one where, again, Alberta has differentiated itself relative to other provinces on moving forward with a very competitive regulatory environment.

Lowell, can you provide a little colour on that?

Mr. Epp: Absolutely. As the minister said, we've had . . .

The Chair: Excuse me. Could you please introduce yourself for the record?

Mr. Epp: Oh, pardon me. Lowell Epp, assistant deputy minister for Treasury Board and Finance. We've had a number of inquiries, many inquiries, I would say somewhere in the 10 to 20 range, but I could be low. Some of them are actively looking at putting forward companies.

I will give you an example. I can't give you a live example, but in recent years two trust companies have set up in Alberta. One of them is called Tetra. It's active and going, and it's a trust company that holds crypto assets. The crypto asset: one of the problems with it is that nobody can hold it securely, or many can't. These trust companies are setting up and trying to provide that service. A lot of the interest has been around crypto recently and certainly other technology, but, again, for most of them it's not easy to talk about because of nondisclosure agreements.

Ms Phillips: Are these applications that have – none of these have gone through. The company has set up here, the one that the official referenced, so they are operating, but they haven't gone through this process with the department?

Mr. Toews: Right now there's been significant interest, but we've not had a specific application yet. We fully expect that there will be applications in the future, but we've not had a specific application yet.

I have to say that, you know, again, I'll go back to some of my opening remarks. Creating this regulatory sandbox for financial services, which is the first financial services regulatory sandbox in Canada, I believe, sends a message that's consistent with our broader approach to the economy, and that is that there's a government in Alberta that is absolutely doing all it can to position the business environment to be competitive, to be innovative, to attract investment, to create opportunity for Albertans and for Alberta businesses. You know, it's an attitude backed up with substantive action, and that attitude matters. It matters to investors.

Ms Phillips: Can I just follow up on some of the inquiries? Have any of those inquiries been from Alameda or Binance or FTX?

10:10

Mr. Toews: I couldn't speak to, and shouldn't speak to, specific company entities, but one thing I can say is that we are not as a government exposed. When we talk FTX, I think right now we all pucker up a little bit. We will ensure that in our approach with this regulatory sandbox our sandbox structure, I'm very confident, will provide the requisite protection for consumers going forward. We've seen some examples of crypto platforms that have failed, and we will ensure that we're providing requisite oversight with any exceptions that would be provided to those that want to bring a new and novel financial services product into Alberta for a short period of time.

The Chair: Are we finished with the speaker at the podium? Can he sit down, please?

Ms Phillips: Yes. Sorry, Lowell.

Mr. Epp: Thank you. I appreciate it.

Ms Phillips: I mean, we all understand that FTX is no longer, but companies like Alameda and Binance have been wrapped up in the practice of holding crypto assets. Are they making inquiries into the GOA?

Mr. Toews: What I can say with confidence is that we have a structure here that will ensure protection for Alberta consumers when new and novel products are entered into the marketplace. To speculate on which companies have been inquiring – again, there's been quite a number. I think we heard from our ADM that it has been 20-plus companies inquiring into the landscape and the opportunities around this regulatory sandbox. We've not had an official application yet. We expect there will be some in the future.

I think what's important for Albertans to know is that any products that would be offered through the sandbox would be offered typically to a limited consumer demographic and for a limited period of time with specific regulatory exemptions but also with enough regulatory framework and transparency that would provide important protection. I can assure members that with the structure we have, I'm confident that that protection will be provided.

Ms Phillips: I have to say that I am very concerned about consumer protection around these speculative assets, around this whole world of unregulated speculative assets, which is what crypto is. It's, you know, just gambling tokens, really, at the end of the day, and the last thing I want to see is more Albertans get fleeced because they found a home here in Alberta.

There are really good partnerships with fintechns, and it pains me to hear that the only inquiries that we've had or the ones that are specifically referenced are around crypto when we've got very, very good ideas coming out of places like Alberta Central, with credit unions, around financial inclusive products, nontraditional credit building, social lending, newcomer resources and lending, SME support and lending. These are all the pieces that have come out of actually regulated, above board, good-faith financial services actors in this province and elsewhere that could benefit from this, yet all we seem to have attracted is a pretty fly-by-night group of folks that have wrapped themselves up in all kinds of just, frankly, fraud and loss for ordinary people.

What are we going to do, then, to make this piece of legislation work for Albertans, to provide the kind of back-and-forth support for program development and actual, real fintech partnerships that can actually benefit people rather than fleece them?

Mr. Toews: Chair, I certainly wouldn't agree with the member that all of the companies that have inquired around the opportunities within Alberta's financial services regulatory sandbox are fly-by-night and have an intention to fleece Albertans. I don't believe that to be the case. I believe that the vast majority of businesses that have been inquiring are inquiring in good faith and would have a novel and new product that they are interested in testing in the province of Alberta under a regulatory framework that will protect consumers but will also ensure the ability to test a new and novel product.

Again, I believe, in fact I know, that there's been some real diversity in terms of the types of companies that have been inquiring, that have been interested. I know just from conversations that I've had myself.

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

We'll now move on to any independent member. I see Mr. Barnes is here for 20 minutes of questions, followed by a five-minute break after you're finished. Would you like to go back and forth with the minister?

Mr. Barnes: Minister, if it's okay, can we go back and forth, please?

Mr. Toews: Sure, that's fine.

Mr. Barnes: Yes, I would, please.

The Chair: Go ahead, Mr. Barnes.

Mr. Barnes: Okay. Thank you, Mr. Chair, and thank you to Minister Toews and your staff for all the work you do for Cypress-Medicine Hat in Alberta. Greatly appreciated. I have eight questions that I'd like to get through. First of all, on page 150 of the ministry business plans, personal income tax, last year you, the government of Alberta, asked Albertans to pay \$13.8 billion in personal income tax. Next year you'll be asking them to pay \$14.1 billion in personal income tax. It was a 2019 policy platform of the UCP to restore our flat tax. The members of the UCP in November of 2021 again asked the government of Alberta to restore the provincial personal tax rate to a flat tax rate. Minister, I believe it was said that you would do this when we balance the budget. Now we've had two successive balanced budgets. Can Albertans expect returning to a flat tax rate?

Mr. Toews: Well, Chair, through you, I'd like to thank the member for the question. I appreciate the member's bent on fiscal discipline and low taxes. I share the member's goal and objective there and appreciate it.

I was clear over the last four years, as we moved forward to put this province on a sustainable fiscal trajectory, that there was a sequencing. Number one, we needed to get our spending in line, and we identified that the best metric we had, at least the starting point, was to ensure that we could deliver government services at least as efficiently as other provinces. We've achieved that goal objective this year; not next year or the following but, in fact, this year.

I've also been certainly on the record as suggesting that down the road we're going to need to review the appropriateness and efficiency of our revenue structure and tax structure in this province. I dislike income taxes. I dislike income taxes because they provide a disincentive for effort, they provide a disincentive for productivity and for Albertans who want to go out and work hard. Particularly, highly progressive tax structures create that disincentive. So I share the member's view that we, at some point – I would suggest in the near future – need to do a review of our revenue structure and tax structure. I fully understand the benefits of a less progressive tax structure, the benefits of not providing that disincentive for work, effort, and risk because it's those pieces that grow an economy.

If I can add one more thing, we intentionally moved our corporate tax rate, our business tax rate, from 12 to 8 per cent, and I know that national companies are working to find ways to allocate as much taxable income in Alberta right now as possible. It's rational, and that's happening. I believe that with thoughtful personal tax reform we could achieve the same thing, personally. I think that's where the member is going.

Mr. Barnes: Thank you for that. Okay. You're going to review it. Obviously, there are only three months to the election, so I would

hope for a very speedy review, or we'll see what happens after the election.

You mentioned how corporate tax, reducing the rate from 12 to 8, has attracted a lot of investment, and of course the corporate income tax has gone from \$4 billion a year to this year's forecast of \$6.4 billion. Next year you're estimating \$5.9 billion. So the amount available to Albertans, to the government of Alberta for services, has increased after you reduced the rate. When you were answering questions from the Member for Lethbridge-West, you talked about how Saskatchewan and Manitoba's tax credit situation in agriculture has maybe helped them more than it's helped Alberta. Again, small-business tax. Manitoba's is zero on top of the 10 per cent small businesses pay to Ottawa. Saskatchewan has temporarily reduced theirs to zero. Do you have any plans to make Alberta's small-business tax rate more competitive, like Saskatchewan and Manitoba have?

10:20

Mr. Toews: Well, Chair, I appreciate the member's question because we need to constantly consider our competitiveness. That includes competitiveness, maybe especially includes competitiveness, for our small businesses because our small businesses make up so much of our economy. They certainly contribute in a disproportionate way to the fabric of our communities right across the province. Certainly, I can speak for the fact that they contribute to our fabric in such a significant way in rural Alberta. That, you know, should be an ongoing consideration.

We believe broadly that we have by far and away the most competitive business environment in the country. As a small business, as an owner of businesses, and based on my experience in public accounting practice, I would suggest the 2 per cent rate, again, for small businesses that qualify for the small-business deduction is not a prohibitive rate. It's an extremely competitive rate. It's an extremely low rate of tax for eligible income. I never believed that low rate to be prohibitive here in the province of Alberta.

There were many other things that either made or broke my business. One, I believe, again, that for many small and medium-sized businesses in the province the most important thing we can do right now is position Alberta to broadly create investment. When there are large projects moving into a region, I believe that those projects create all kinds of opportunity for regional businesses and local businesses, whether, you know, it's in the oil field services sector or whether it's in agriculture, whether it's in restaurants, hospitality, accommodation, you name it. That's what we're working to do, to create opportunity for Alberta small businesses. But with respect to the small-business corporate tax rate, that's one that can be reviewed annually.

Mr. Barnes: Thank you. I appreciate that both the flat tax and the small-business tax rate are being reviewed.

I find it slightly awkward that the oil and gas royalties are not part of the discussions today, and I'd just like a brief comment on that although, again, exactly what your responsibility and what your ministry has had time to peruse – I believe your budget this year is setting oil and gas royalties at \$16.7 billion even though last year they were \$27 billion, but our historical average is \$8.7 billion a year. Minister, I believe that a lot of our oil sands plants have recovered their capital investment and are now paying a higher royalty on their net revenues rather than their gross revenues. I'm wondering how confident you are of two things: first of all, that these oil sands plants will continue to pay the people of Alberta a big amount of money; and, secondly, if we return to our historical

average of \$8.7 billion instead of the 16-plus billion dollars you've estimated, how are you going to make up the shortfall?

Thank you.

Mr. Toews: Yeah. Chair, that's a great question, and it's one that certainly members of Treasury Board wrestle with in terms of projecting revenues into the future. There is a sensitivity, a significant sensitivity, to oil prices, energy prices in this province, but there's been, you know, a couple of structural shifts over the last number of years, I would suggest two to three to four years. Number one, as the member noted, we've had a whole number of projects, oil sands projects, move from pre- to postpayout. That fundamentally changes the structure of royalty income in the province as, again, just for all the members, when a project is in prepayment, then effectively royalty income is based on between 1 and 9 per cent of revenues. If it is in postpayout, then it's the greater of 1 to 9 per cent or between 25 and 40 per cent of net. When a project moves to post, it never goes back. As a result of that, we are in a new time structurally in terms of royalty income.

The other change has been the fact that over time, over the last four years, we've seen additional egress opportunities. Again, they've not been as significant as we would have all liked to have seen. We would have wanted to see a Northern Gateway pipeline. We would have wanted to see Energy East and KXL. But in spite of, you know, those projects not going forward, Enbridge line 3 replacement was completed, which added another 360,000, 380,000 barrels a day. Optimization with our existing pipelines has added some additional volumes. Estimates here a couple of years ago was that optimization could add about 400,000 barrels a day. So that's also important. Of course, Trans Mountain is going forward even though it's way over budget. Trans Mountain pipeline is going forward, and that will add something north of 600,000 barrels a day. So increased volumes will be part of the equation going forward with respect to royalty income.

If I can talk a little bit about our royalty income and the sensitivity, the member is right to ask the question. We have a high degree of sensitivity on energy prices right now. In fact, in the fiscal plan we've been transparent with Albertans. For every dollar change in west Texas intermediate it affects government revenues by \$630 million. For every dollar change in the differential between west Texas intermediate and western Canadian select it's a \$600 million adjustment. Now, for every cent change in the Canadian currency relative to its American counterpart it's about a \$490 million impact on revenue. Fortunately, some of these factors work in an inverted way.

Today I'm watching WTI as we see uncertainty in markets right now, you know, caused by financial uncertainty in the U.S. with the Silicon Valley Bank failure. That's impacting markets. It's impacting commodity prices today. We see west Texas intermediate drop into that \$70 range. That's a significant drop. But we're also seeing a differential that's much narrower than what we predicted. We predicted \$79 for WTI for the upcoming year. We predicted a differential of just under \$20, \$19.60 or \$19.70, for this upcoming year. Well, we're seeing a differential right now between that \$15, \$16 mark. That's off-setting the fact that right today our WTI price is lower.

We're also seeing a currency trading at 72 cents and change as opposed to 0.762, which is what we're projecting. All of them off-set each other, which is a good thing right now.

Now, lastly, with respect to energy price projections we took what I believe was a conservative approach. We chose a number that was between 4 and a half dollars and \$7 lower than the average of private-sector forecasts right through the fiscal plan. The

expectation from analysts is that we will see additional strength in energy prices in the back half of '23.

Mr. Barnes: Thank you, Minister Toews. Appreciate that answer. I've talked to a lot of Albertans who are concerned about the overall spending level and if those royalties don't continue. As an example, you know, health care spending, you've mentioned, was up 4 per cent. Health care spending in Alberta is now over \$26 billion. When I was elected 11 years ago, the government of Alberta spent \$42 billion in its entirety. The NDP in their last year spent \$55 billion just four years ago. This year you're spending \$68 billion. To be frank, the question I've been asked a lot of times: if the government of Alberta doesn't achieve the \$16.7 billion in oil and gas royalties, how will they make up the shortfall? Are they headed towards implementing a provincial sales tax? Will you rule out implementing a provincial sales tax?

Mr. Toews: We're not implementing a provincial sales tax. I'm about lower taxes, not higher taxes.

Mr. Barnes: Thank you for that. I appreciate it.

Mr. Toews: Can I make a comment on expenditures?

Mr. Barnes: Yes, you can.

Mr. Toews: I have to say that, you know, we've worked hard to bring our per capita spending down in this province in real dollar terms. Again, as the member knows, we set a fiscal anchor of aligning our spend with comparator provinces. We were \$10 billion out of whack in 2019. We've eliminated that \$10 billion differential as of this year. I should note that even this year, in fact, the current fiscal year we're in and this projected upcoming year, our spending remains significantly lower than population growth and inflation, our operating spending. The last two years have been significant: population growth of almost 3 per cent this year, significant growth last year, inflation in the 4-plus per cent range and then 6.6 per cent, right around 6 and a half per cent this current year.

10:30

You combine all of that inflation and that population growth, and it's putting pressure on government services and the cost of those services. What we have to do, now that we've achieved our per capita spending at what I would say is a much more defensible level, which is approximately \$700 per person lower today than it was in 2019 in real dollar terms, again, adjusted for inflation on a per capita basis – now I believe we need to ensure that we don't increase spending beyond population growth and inflation.

Mr. Barnes: Thank you for that answer.

You mentioned it in your previous answer, the banking crisis that appears to be going on in America with the Silicon Valley Bank. Albertans own a bank, Alberta Treasury Branch. I was shocked years ago in the financial crisis, and one of the things I remember hearing was that ATB was one of the banks most exposed to asset-backed commercial paper and the losses that went with that. Is your department's risk management ensuring that ATB is onside with their proper positioning? Do we have any concerns about Albertans' bank?

Mr. Toews: Chair, I appreciate that question. I think it's a very appropriate question for today as we see what's going on in the U.S. with the challenge around some regional banks. One thing I can say is that ATB is extremely well capitalized today, with strong liquidity, and I will actually call on Mr. Dan Hugo, the CFO for ATB. I think it would be good that we hear from him. Obviously,

in the last few days we've been checking in with ATB just to understand, you know, what's going on in terms of behaviour. Behaviour is significant at a time like this, the behaviour of customers of any bank. Certainly, the information I've received is that we're seeing real stability.

One thing I will say is that, you know, in the challenge of 2020, when there was so much global uncertainty, there was actually a flight to stability, and there was a flight to ATB in terms of consumer deposits during that time. I think there was a recognition by Albertans broadly that ATB is well managed. Certainly, our liquidity levels and capital levels improved during that time.

I will again call on Mr. Hugo, if I can.

Mr. Hugo: Dan Hugo, CFO, ATB financial. Just to reiterate what the minister mentioned, we have a really good capital position. We've got great liquidity, and one thing that I'm really proud is that our balance sheet is a lot more diverse than Silicon Valley Bank's. Actually, all the loans and deposits support all Albertans, whether it's agriculture, whether it's energy, across the board. Very proud of a very strong balance sheet – as the minister mentioned, it grew very much through the pandemic – and then, secondarily, very much diversified, as is the economy in Alberta.

Mr. Toews: Great. Well, Dan, thank you for that.

One thing I should note. I think members are all aware of the mandate that we have, that the government has, for ATB, and that is to provide comparative or better risk-adjusted returns relative to other regional banks, and ATB has been delivering good results. Certainly, they've been taking that mandate seriously, and I've appreciated it.

One thing I have to say is that during the challenge, though, of 2020, the spring of 2020, as you know, there were so many sectors facing liquidity challenges during that time, and having a regional bank operate here in Alberta with expertise specific to the sectors that drive our economy was very helpful. Again, they stuck to their mandate of delivering best risk-adjusted returns, but having that expertise in a regional bank focused on Alberta did really provide – they were a great source of capital for much of our economy during that time, and I certainly appreciated it.

Mr. Barnes: Okay. Thank you. Ministry fact sheet, mandate and structure. You've been given the mandate of reviewing and providing recommendations to collect Alberta taxes, including personal income taxes, through an Alberta revenue agency. How far along are you in this process? Of course, Alberta and Quebec are the only two provinces that collect our corporate tax. I recall a situation where the interest and the penalties that Albertans pay corporately covers or almost covers the tax collection costs for Alberta. Is that, in fact, the case? What would the benefits be of us collecting our own personal taxes?

The Chair: Sorry to interrupt, Member. We'll have to make way for the next block.

We'll just quickly take a five-minute break, folks. The other room is also breaking around the same time, so beat them to the coffee.

[The committee adjourned from 10:36 a.m. to 10:41 a.m.]

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

We'll now move on to a 20-minute block for government caucus. I see Mr. Getson is anxious to get going here. Would you like to go back and forth with the minister?

Mr. Getson: At the minister's discretion.

Mr. Toews: Sure. I'm happy to go back and forth, Chair.

The Chair: Absolutely. You're about to get some from Getson.

Mr. Getson: Minister, it's been said by some that you can rope, ride, and wrangle a deficit. I think in the last couple of years it's kind of shown that, that we had two back-to-back balanced budgets. My first couple of questions are going to be around the general business plan and some of the overall objectives in your opening remarks.

Again, you've been really successful in getting these two budgets balanced back to back. It's quite the comparison and contrast, quite frankly, sir, between the last administration and what you've managed to do here, notwithstanding the triple swan events that took place: the economic crash; oil prices in the basement; we also had, obviously, the pandemic. Coming out of that, to be able to have the balanced budget and then put money back into the treasury, et cetera, and back into the heritage trust savings: a credit to you and your administration for doing that, sir, first off. Thanks from all the constituents out in my area, understanding that fiscal prudence didn't come without some hard decisions and intestinal fortitude along the way. So, firstly, thank you to you and your team.

I'm curious on a couple of things there, though. Overall, where has most of the spending increased? Which ministries saw the biggest increases in their operating budgets, and why? Then: which ministries are going to see smaller operating budgets, and, then, why? If you could just start with that, sir.

Mr. Toews: Sure. I appreciate the very good question from the member, and I certainly appreciated his opening remarks. In terms of additional investment in Budget '23 the largest investment in dollar form is to Health, almost a billion dollars, a \$965 million increase to Health in the upcoming year operationally. I don't think that should surprise many of us. Health is about 43 per cent of our budget spend right now, and there are great pressures in health.

We are facing capacity challenges, and these are challenges of front-line health care professionals, not so much a lack of bricks and mortar. We need to ensure that we're funding the new physician agreement that our Minister of Health just completed. We need to ensure that we're funding what, I would suggest, were very, you know, modest, realistic, and appropriate increases in our collective bargaining agreements. Again, we need to ensure that we're paying our health care professionals well, and this budget supports that.

The Education ministry received a larger increase than Health on a percentage basis, actually over 5 per cent. That's largely to deal with enrolment growth, with so many Canadians choosing Alberta as their home. It's a good-news story. We need to ensure that we have enough education capacity, but it's more than just enrolment growth; \$126 million is going to support the increasing complexity in the classroom. This will be additional investment, with thousands of educational assistants and other support staff in our classroom.

In terms of the high-percentage increases, public safety is getting about a 14 per cent, 13 to 14 per cent, increase this year; very, very significant. Again, it's not our largest ministry in terms of spend, but it's getting a very, very large increase on a percentage basis. That will put 235 additional provincial sheriffs out across the province in terms of increasing enforcement capacity – more boots on the ground, if you will, right? – through the province.

The Justice ministry is getting an increase of 10 per cent to increase our capacity in the courts: additional Crown prosecutors, additional court capacity. We need to ensure that every perpetrator has their day in court. We've had too many cases that have been triaged and missed.

Mr. Getson: Now, I appreciate that, Minister. On the rural crime front, obviously, you know, I've spoken in the House a little bit,

some of the severity and frequency there. Obviously, that catch-and-release system that's kind of been predicated by – some of the federal administration decisions are quite frustrating and alarming, so addressing those makes a lot of sense.

Then the second part of that question, Minister, was: which one of the ministries is taking a haircut?

Mr. Toews: Yeah. Another great question, because back in 2019, you know, some ministries faced some very significant reductions. In Budget '23 no ministries are seeing a reduction at this point. Again, that's the value of doing the heavy fiscal lifting early days.

Mr. Getson: I'm sure the ministers are happy with that because they were, like you said, doing the heavy lifting and rolling up their shirt sleeves, for sure, in the first couple of years of estimates. That was evident to anyone that was here.

We balanced the budget, but you also had a surplus, in part thanks to our booming energy sector, and thank goodness that we turned things around and they did feel welcome back in the area and know that they're integral not only to our province but to the country itself. But I've heard that sometimes folks just, you know, take that as a windfall, being good luck, and budgets balancing themselves. Maybe you want to comment on how we got there. What else have you done other than just letting the price of oil float up and taking a windfall? Those are some of the negative connotations that come out, which I'd love to hear you speak to.

Mr. Toews: Sure. That's a great question. I have to say that the recovery in energy prices and certainly the high prices that we had through parts of '22-23 were a big part of the large surplus. That's the reality, and we're thankful for that for this last year. But it's really been a three-pronged effort. Number one, again, higher energy prices have been of great assistance in improving our fiscal fortunes.

But, again – I mentioned it in my opening remarks – we really focused on positioning Alberta for competitiveness broadly within our business environment. That's resulted in Alberta leading the nation in real GDP growth. That's resulted in, you know, tens of billions of dollars of business investment coming into the province, and with that economic activity comes expanded fiscal capacity. That's reflected in our corporate tax revenues. Again, we're collecting significantly more corporate tax revenue at an 8 per cent rate than the previous government collected at 12. While energy prices are a part of that equation: not nearly all of that equation.

The third piece was fiscal discipline, and we had to bring our per capita costs of delivering government in line with comparator provinces. We should at least be as efficient as the average of Quebec, B.C., and Ontario, and mission accomplished there. In real dollar terms – in other words, in costs adjusted for inflation and population growth – we've brought down in a significant way the costs of delivering government in this province.

In fact, I asked my department to do some analysis. Had we continued on the previous government's trajectory – the previous government was increasing spending at about 4 per cent per year, operational spending. That was almost a full percentage point above CPI and population growth. Had that trend continued, our spending would have been about 6 and a half billion dollars higher in '23-24 than what we're projecting. Instead of a \$2.4 billion surplus, we would have been looking at a \$4 billion deficit.

Mr. Getson: Those are some very interesting numbers in that fiscal trajectory, so great work on doing the heavy lifting there, too.

The other one, too. You know, there's this old saying out there: a person is a pilot; within five minutes if they don't tell you, they

probably will. Again, I'm pretty happy to see the aerospace and aviation sector taking off. When I bring that back to my constituents – obviously, in that area, when we're talking about these little airports and diversifying the economy and how that ties in with our universities as well, to have one was a big announcement. I'm sure that is no small part of creating that environment that you're talking about and also to help weather the storms.

But I did notice on page 15 of the fiscal plan that the estimated surplus was over \$2.3 billion for '23-24, and that represents a decrease from the \$10.3 billion that was forecasted from '22 to '23. The surplus is also projected to decrease to \$2 billion, to just under \$1.4 billion in '24 and '25 respectively. How concerned are you in regard to this drop in '22-23? Are you concerned with the expected decline of the next two years? How is that going to impact us, sir?

10:50

Mr. Toews: Yeah. Another great question. You know, what I would suggest is that '22-23, with energy prices north of \$100 for part of the year, was a bit of an anomaly year for energy prices. I mean, prices could go that way again. In fact, there are energy analysts that predict that in late 2023 we're going to see triple-digit WTI prices again.

But that's no way to create a budget, so we've used what, I would suggest, certainly at the time and I believe continue to be relatively modest forecasts: \$79 WTI for the upcoming year, \$76 in the mid-year, and \$73.50 in the out-year. Again, quite modest differential forecasts of a differential just under \$20 for the upcoming year and then trending down towards \$16 and \$15 in the out-years, again, a currency at \$0.762 relative to the U.S. dollar in the first year of our fiscal plan, \$0.782 in the mid-year, and then \$0.795 in the out-year. Again, all of these variables have a very significant impact on our revenues that we generate in the province, and I believe we've taken quite a prudential approach to those revenue projections. Again, on WTI, when we finalized our forecast, we were between 4 and a half and 7 dollars lower than the average of private-sector forecasts, which is important.

Now we're experiencing volatility in the economy, certainly in North America and globally, again, driven in part by some, you know, regional bank failure in the U.S. That volatility will no doubt likely continue here for some upcoming days and weeks and even months, but overall the fundamentals remain strong for energy prices going forward. Again, the fact that we have an economy that's more diversified, that's broader than it's ever been, certainly in modern time, will continue to ensure that we're generating income and create additional fiscal capacity not dependent on energy prices, that will support the government of Alberta revenues.

But, lastly, Chair, to the member, because this is such a good question, fiscal discipline will continue to matter. We have to ensure that we're managing what we can manage as a government, and what we can manage is our spend.

Mr. Getson: Well, I think, to that point, Minister, it's showing up on Bay Street and also on Wall Street with our credit upgrade, the first time we've had one in a while, because, again, walking the walk and talking the talk are two separate things. You've done both, so again to your administration for being able to do this – what we're finding is that certainty out there. They believe Alberta is the place. Like, we're actually delivering on those promises.

I appreciate your conservative approach to the forecasting as well. I was very disappointed, when we were first elected, to crack open the books and find some of the projections that were there and a lot of the announcements that came out pre-election. There was nothing there but fairy tales and pixie dust. That's why we didn't have the capital plans. That's why a lot of the infrastructure spends

in my area specifically were delayed, and I was happy to see that it was funded this year.

With that, too, with the egress on our products, as you'd mentioned earlier with line 3 and then the other project coming online, we should also hopefully close that gap in the differentials, which will be very positive as well.

With that, sir, maybe you can just give me an indication of how your department arrives at some of these forecasts. Again, not to put you on the spot, but how certain are you of these forecasts?

Mr. Toews: Well, I can speak to the first question easier than the second question today. With respect to how we come up with these forecasts, we certainly consult the private-sector analytics firms and experts, and we compile their forecasts, and then we ultimately compare theirs to ours.

Now, I have to say that we have a very good team in Treasury Board and Finance. We have a team that I would suggest has had better accuracy than almost perhaps any group out there when it comes to projecting Alberta's economic growth, our GDP growth. But we've also had real success in projecting energy prices historically. It's been far from perfect, but when we compare the Alberta government's projections relative to other entities, Alberta has been, you know, kind of at the top of the game. Again, we do our own forecasts based on what we believe is going to be happening in the Alberta economy, the Canadian economy, and what we believe will be happening nationally, and then we ultimately compare our conclusions with private-sector forecasts and then take a conservative approach. Again, we're 4 and a half to 7 dollars lower on WTI projections relative to the private-sector forecasts at the time.

Now, again, today we see volatility in the markets. We've had financial services failure in the U.S. with regional banks. The expectation is that this will not be – you know, we're not going to see the contagion that we observed back in 2008, but it's a time of uncertainty. We're paying attention to it, absolutely, and I know that many others are as well, and it's roiling markets a bit. But, overall, I believe Alberta is going to be positioned very well to deal with the economic headwinds that we're seeing right now, in part a response to higher central bank interest rates, an environment where capital costs more again. We're seeing that impact in the economy broadly, and I believe Alberta will be well positioned relative to other provinces to weather these economic headwinds.

Mr. Getson: Appreciate that, Minister.

Page 17 of the fiscal plan outlines a new fiscal framework. I know we're running short on time, but I do want to get into that because I honestly believe that that sets up the skeleton, the framework, and the bones for other administrations to follow. I heard lots before on the doors, talking to people in my constituency when we were prior to elected, that we were spending well beyond our means. Nobody understood what the heck we were doing, and it showed in our credit ratings, obviously. With that, we're not spending like drunken sailors. We have a fiscal framework. We're going to make sure that there are, you know, definite guidelines along there. Not to put you on the spot, but if the government kept up the spending – I think you already mentioned that before – we'd be about \$6.5 billion lower. Maybe you can expand on that fiscal framework. What does it really do for guardrails, and what does it really mean to the average, everyday Albertan? What does that do for us going forward?

Mr. Toews: Yeah. Chair, great question. Number one, we've all worked hard to bring our spending to what I would suggest are, you

know, more sustainable levels. We're at least delivering as efficiently on a per capita basis as other provinces. Governments always need to pursue every opportunity for additional efficiency, every innovative opportunity to deliver more efficiently and to deliver better, whether that's in health care, Education, Justice, or any other ministry. That absolutely needs to be ongoing.

Now that we've brought our spending down to more sustainable levels, I believe it's the appropriate time to bring in fiscal rules. You know, the fiscal rules are a layering of rules that I believe will really result in more responsible fiscal management during what we believe could be some years of higher revenues. Number one, we're going to require balanced budgets with exceptions, important exceptions, exceptions that will accommodate a revenue structure, an economy that still has a large resource base component to it. An exception is there for very material drops in revenue. There's an exception for expenses related to disasters and emergencies beyond government's control. We need to have those exceptions.

Also included in the fiscal rules is going to be a limit on spending increases year over year. That limit will be, effectively, inflation and population growth. Again, that's critically important. I've looked at the analysis. Had we, back in Ralph Klein's day or even the day of Ed Stelmach, had that rule in place, in real per capita terms our spending would not have – it would have been flat if government spent right up to that limit. It would have been flat in real, chained-dollar terms on a per capita basis. We would have not had that \$10 billion differential back in 2019. That's why that rule, I believe, is critically important.

Thirdly, we have a rule that's going to effectively govern the way we manage surplus, and our rule around surplus will prioritize debt repayment. It will also prioritize reinvestment of earnings in the heritage savings trust fund, but it will also allow for additional flexibility for additional deposits in the heritage savings trust fund. It will allow a portion of surpluses to be used for one-time, nonrecurring expenditures related to strategic government priorities. Now, those expenditures are still subject to an appropriations bill and a fiscal plan and the budget process.

Mr. Getson: Well, I like the framework around it, too, and I like the notes on the heritage trust fund. You know, I was very happy to be the deputy chair when we first got elected. Part of it is that I wanted to look over the fence and see if there was any money in the kitty, and then I was thoroughly disappointed at the time to see how much was taken into general revenues.

11:00

You and I had a hallway conversation, and that was one of my concerns: can we get off doing that? It's kind of like the kid taking from the cookie jar. You kind of told me at the time that we couldn't. We couldn't afford it at the time, you know, the financial situation. So to see us turn around within four years to be able to make sure that framework is in place, to make sure that trust fund can still grow, and to make sure that we can keep our spending flat: well done.

I guess just one quick question here for you with 28 seconds: how do we compare to other jurisdictions? If we were to look at British Columbia, as an example, to the west of us, do they have something similar in place?

Mr. Toews: There are fiscal rules of various forms held by some provinces, but based on the information I've received, there's no province that has this layering of comprehensive fiscal rules that we're proposing right now in the House and no other province with a balanced budget to date this year.

The Chair: Sorry to interrupt, Minister.

That concludes the government members' first block of questions. We now move to five minutes of questions from the Official Opposition, followed by five minutes of response from the minister. As mentioned, members are advised to ask the chair at the beginning of the rotation if they wish to combine their time with the minister. Is that the case?

Ms Phillips: I would like to make that request if that's all right, Mr. Chair.

The Chair: If that's okay with the minister.

Mr. Toews: Very acceptable.

The Chair: All right. Go ahead, Member Phillips.

Ms Phillips: Very good. I think we need to talk a little bit about this Alberta fund because I just reviewed the legislation. I will say that on budget day I had a regional reporter, a really young guy, say to me in kind of an alarmed tone: "So what is this? Sounds a bit dangerous to allow the government the power to spend that much money on one-time spending," and I said, "Well, I'll look into it; I'll have a look at what the legislation says."

Section 11 of the act creates an account within the GRF, and it's calculated after a projection of a surplus and an allocation of some funds to debt. We can maybe talk about that later in terms of the return on investment of investment in debt as opposed to investment in the heritage fund and some of the analysis and calculations, but we'll get back to that.

The way this legislation reads to me and the way it reads on the page is that after that projection happens – the minister can make a projection at any time after the budget passes – then the responsible minister may allocate from the Alberta fund any amount to debt repayment. So even after the calculations are made of the initial debt repayment, it can go back. That's fine. With the approval of Treasury Board – this is section 3(b) – pay from GRF to Alberta heritage fund any amount from the Alberta fund into HSTF. Subject to sections 11.2 to 11.6, with the approval of Treasury Board, allocate from the Alberta amount any amount for one-time spending initiatives. In respect of a fiscal year the minister may make interim allocations based on projections of the surplus cash of the GRF that will be generated for that fiscal year.

The way I read this is that after the budget passes, at any time that calculation can be made outside of quarterly reporting, outside of the oversight of the Legislature, inside an election window, any time. It can happen at the stroke of a pen outside of the Legislature around the Treasury Board table as long as it is for one-time spending. It does not appear to me that there are any other controls on this, and it is based then on projections. We have a situation here where GOA projections that are baked into the budget seem, many of them anyway, to be quite a bit over the private sector. For example: on housing starts, GDP, on employment, the GOA forecasts are quite a bit higher than what everyone else says. Here we have a situation where GOA projections are more than the private sector. The minister can then take those projections, calculate a surplus, a surplus that is not contained in this document, that is not voted on in the Legislature as a matter of confidence, and then allocate it immediately and in whatever time window outside of quarterly reporting, the fiscal transparency act, and so on.

I don't see any sections – and maybe I'm wrong, and I'm happy to be corrected here – where these allocations are subject to an appropriations act and we go before the Legislature before we spend

them. I want to know what the oversight is over these extra billions because otherwise I am left with the impression that I don't even know what we're doing here. If the minister can just spend extra money, first of all project whatever it's going to be and then spend it with Treasury Board approval and spend it 75 days out of an election window, what is even the point of a budget process? This does not seem like something that inspires confidence for Albertans, and I think Albertans would at least want to see that these new powers to spend this so-called Alberta fund will not be used, you know, on April 15, right before an election. And I think we need a guarantee to the people of Alberta that these funds will not be allocated on an interim basis just a few days after the budget passes and a few weeks before an election day. I think we need an ironclad assurance that that will not happen. I'm looking for a pretty clear answer on that.

Mr. Toews: Chair: guaranteed. This spending of the government of Alberta is subject to an appropriations bill and is subject to the oversight and diligence of the budget process. Again, any funds held in the Alberta fund have to be – you noted it accurately – prioritized debt repayment. At least 50 per cent of any surplus has to go to debt repayment that's maturing in the year. Any amounts not designated to debt repayment go into the Alberta fund, again, to be held for future debt repayment, transfer to the heritage savings trust fund, or one-time nonrecurring expenditures consistent with strategic government priorities, but those expenditures are subject to an appropriations bill.

Now, within an appropriations bill, the bill that, you know, we're working on right now on the floor, we have a contingency amount, a \$1.5 billion contingency, which is necessary with these new fiscal rules so we can accommodate an unforeseen event, a disaster, drought, fire, flood – Lord, let it not happen this year – but we have to make sure that we could accommodate it if it does, within our contingency. But any spending out of the Alberta fund is subject to an appropriations bill and the budget process. Effectively, what this Alberta fund does is that it would allow the government to perhaps fund an infrastructure project, again, a project that goes through the appropriations bill process, but it would allow the government to fund a strategic infrastructure project from something other than borrowed money. We would have some cash in the Alberta fund that could in fact provide the cash. That's really what this accomplishes.

Ms Phillips: So what are the reins on the contingency fund? That's \$1.5 billion. Is there a way for government to spend that on April 15?

Mr. Toews: Well, the contingency fund is kept set aside for disasters and expenses that relate to emergencies that can't be anticipated. It can also be used for, again, unanticipated pressures, for instance in our health care system, that could arise. We've come through a few years where that's been necessary. That's what a contingency fund is for, and that's what a contingency fund would be used for.

Ms Phillips: So can Alberta funds be expended and then an appropriations bill be brought in after the fact? That's the first question I have on that. And can anyone point me to the section of the act where it requires that expenditures from the Alberta fund are required to go through an appropriations act process? I'm seeing in section 11 that the responsible minister may, with the approval of Treasury Board and Finance, make interim allocations based on projections of surplus for that fiscal year. I don't see anything in here about an appropriations act.

Mr. Toews: We can debate the details of the bill on the floor, but I can assure the member, Chair, that any spending out of the Alberta fund for these one-time projects will be subject to the appropriations bill and the budget process. It's absolutely necessary.

11:10

Any spending out of the Alberta fund also is subject to the fiscal rules. These fiscal rules will bring in much more discipline and diligence to in-year government spending. That's one reason why we've increased the contingency to \$1.5 billion, because effectively there are only a couple of exceptions for spending beyond the budgeted appropriations bill.

Those exceptions are if there are disasters and emergency expenses as declared by an order in council beyond the contingency. That's an exception. We have to have it. We can't predict that we won't have another 2021-style drought right across the province and AFSC crop insurance indemnities. So we have to have that exception.

Another exception is for spending related to the Alberta petrochemical incentive program. Again, that would be an exception. For spending related to dedicated revenue – in other words, in the event the federal government sends a lot of funding in-year to the province of Alberta – this fiscal rule will allow the province to actually increase spending for that project specifically because of the dedicated revenue.

Those are the only exceptions. Supplementary appropriation bills beyond that will not be acceptable in the future.

Ms Phillips: What I'm hearing, though, is that there is no provision for this to become an appropriations act and that that is not in this bill; therefore, the government will be accepting an amendment.

The Chair: Thank you, Member.

We'll now move on to the independent member. I see Mr. Barnes is ready to hit the road running. Back and forth with the minister, again?

Mr. Barnes: Minister, please, if we can go back and forth and continue that?

Mr. Toews: Yes.

The Chair: You have 10 minutes.

Mr. Barnes: Okay. Thank you, Mr. Chair, and thank you, Minister. I want to pick up where I left off in your business plan, your mandate and structure. I find it interesting that the first bullet starts talking about your department leading government's fiscal planning and creating an environment that attracts investment and job creators. My goodness. We hear continually about how Ottawa's values don't match Alberta's values. We hear continually how the high taxation and the money printing and the big spending in Ottawa actually harm all of Canada. We also hear on the other side that 26 American states are actually looking at reducing their tax burden right now on their businesses and their citizens, so that will make things tougher.

Then the next three bullets, your mandate, I find very, very important, and I'd very much like to hear, you know, what your plans are. We ended the last session with talking about reviewing and providing recommendations to collect Alberta taxes. Of course, we already collect our corporate taxes. Quebec collects Quebec's personal taxes. I still find it amazing that a couple of federal elections ago Quebec asked if they could collect Ottawa's share of the taxes. And Andrew Scheer, who was running for the Conservatives at that point, agreed. It was Justin Trudeau who disagreed. I guess what I'm

saying is that Quebec may be our greatest ally in strengthening the Canadian Confederation by provinces having, you know, stronger, more decentralized decision-making. When can we collect our own personal taxes?

Mr. Toews: Well, Chair, that's a really appropriate question. This was part of my mandate letter from the Premier. That's, of course, one reason why it appears in our business plans. The work is ongoing right now within the department around analyzing the costs and opportunities related to an Alberta revenue agency. Chair, as the member appropriately pointed out, we do this corporately. So the question is: should we be doing it provincially?

Now, I would want to draw a distinction there. I believe there's a significant distinction between, perhaps, the opportunity of collecting all of the personal income tax of federal and provincial versus collecting just the provincial. Quebec would be an ally of Alberta on collecting all of the personal income tax. They would be a natural ally of Alberta's, but with respect to collecting just the provincial portion, these are some of the considerations that we're weighing out.

Again, there will be a further report in the future. But the considerations around a cost: this no doubt would have a cost for Alberta. It would result in an increased bureaucracy. In fact, our initial work shows, you know, thousands of additional staff in a tax revenue agency, Alberta revenue agency, around the collection of personal provincial income taxes. Again, that does not necessarily mean we shouldn't do it, but it would be a consideration.

We would also have to consider the cost of systems. Our expectation is that the cost would be in the billions for systems that we would have to set up right now, IT systems, to appropriately collect and manage an Alberta income tax and have a personalized Alberta income tax structure out there, I think like we might all envision. Of course, the other requirement would be that Albertans would have to file two tax returns, which we do corporately. We know what that looks like on the corporate side, but personally that would be a consideration, for sure, as we make that decision.

Now, there's one other consideration that I think perhaps is not obvious. Right now the Canada Revenue Agency collect, as the member pointed out, both the federal and provincial taxes on our behalf. They also right now eat all the losses on uncollectable amounts, and they bear all the costs of penalties, both of which are not insignificant. We're doing some work to try to quantify those amounts. But those are the considerations in play.

We're going to do the work. It's critical that we do the work so that, broadly as a government and as a province, we Albertans know the opportunities and costs. But when it comes to this decision, I really believe there's a real distinction with perhaps having the ability to collect all of the personal income tax as opposed to just the provincial portion.

Mr. Barnes: Thank you. I agree.

Minister, that's three or four things that your department is reviewing, from a return to our flat tax to eliminating the 2 per cent small tax to reviewing this. As you start to answer the next question, do you have any timelines for when these reviews will be done?

I just want to jump ahead because time is limited. Over 62 per cent of Albertans voted to end equalization. Of course, this was a huge promise in the 2019 campaign, and it's been very, very quiet since if not totally quiet. What efforts has your department made to actually end, you know, the \$25 billion a year plus that Albertans sent to Ottawa, where a large part of that is equalization? What successes have you had, and do we have a time frame where we might expect some results?

Thank you.

Mr. Toews: Yeah. Chair, that's a great question. I can say at a high level that there is policy work going on right now with respect to options and an approach around ending equalization. Obviously, that's going to be a really challenging task because other provinces will have something to say about that, as you would expect. However, there is policy work being done right now, and there's a strategic plan being put together around that whole question.

But in the meantime there's progress that we need to make because in the meantime we have an equalization program with a formula that's absolutely unfair. With an equalization program, a federal fiscal transfer program, that provides disincentive for every province to maximize investment attraction and grow their economy, there's some mileage that we need to make there. We, of course, as a province broadly have a goal of ensuring that any federal fiscal transfer program doesn't provide a disincentive for every province to maximize investment attraction and economic growth and fiscal capacity. Right now equalization, I believe, gets in the way of that objective.

I can, Chair, through you, tell the member that when we last met as Finance ministers in Toronto, I raised the greater questions and issues that Albertans consider around equalization and the whole issue of a program that provides a disincentive for economic growth. There are a few things that we could change. Number one, we would want to change the way Quebec includes or values their hydro industry: the income, effectively, that they generate, the wealth that they generate from their hydro income. We believe that it's not market based. Our expectation was that if it could be market based, it would greatly reduce the size of the equalization program and the amount that is going to Quebec.

Secondly, there's a floor mechanism that grows the size of the equalization program even as income disparity narrows across the country. That results in some provinces being, quote, unquote, overequalized. Ontario will be in that position this year. Ontario's fiscal capacity will exceed the national average, yet they're likely to receive some equalization funds because of this floor mechanism that pushes it up. We're pushing policy right now around changing that mechanism to either eliminate the floor or to ensure a much more equitable distribution of equalization funds beyond the average of fiscal capacity in the country.

In the interim we're making some progress, we believe, certainly, as we advocate for Alberta's position around equalization, but in the longer term there's some work done on fundamental changes.

11:20

Mr. Barnes: Thank you, Minister. Yeah. I guess it's more than frustrating that equalization has been in effect for 60 years, and the problems are well understood, but it never changes. I think it's important to – I think it's crucial to push for results.

In the last minute that's left, I'm just going to try to take 30 seconds. Alberta's pension, own pension, plan would be \$5 billion a year plus in benefits for all Albertans, whether, you know, particularly higher premiums for our seniors and our retirees or lower costs for our companies and our employees. How good would that be? I absolutely believe that the Alberta government needs to take this to a referendum for Albertans because pensions are crucial. I also absolutely believe that your government has been very, very quiet about the benefits and the results. What are your plans about an Alberta pension plan?

Mr. Toews: I expect there'll be other members with questions around it today. Right now we're completing the work. We received a data set in December, a data set that brings us right up to December 31, '21. We're updating the report for that data set prior to release.

The Chair: Sorry to interrupt, Minister.

We'll now move to the government caucus for a 10-minute back and forth with the minister. I see Member Issik.

Ms Issik: Thank you very much, Chair and, through you, to the minister. I want to ask you a few questions that you've already talked a little bit about, but I want to ask them in a way so that people who might be watching and others who might watch this on their computers later on might have a better understanding of a few things contained in Budget '23-24. On page 19: when you're talking about in-year expense growth, can you explain to the folks out there about the need to legislate on a limit to the in-year expense growth? Can you just speak a little bit to that first?

Mr. Toews: Yes, Chair. Absolutely. I appreciate the question. The member's question is really, I believe, you know: what was the motivation to bring in a rule that limits year-over-year expense increases to population growth and inflation? I'm happy to make a few comments. Firstly, it's really government's responsibility to deliver most efficiently year in, year out, to have the utmost respect for Alberta taxpayer dollars that we collect through the tax system. I, for one, believe that as much as possible a government should be leaving Albertans' money in Albertans' pockets. Any tax income that we would generate, which we need to deliver government programs, we need to treat with the utmost respect and deliver most efficiently.

This rule will ensure that our spending remains contained and defensible. Again, we've worked hard as a government to bring our per capita spending in line with other provinces over the last three years on a per capita basis. Mission accomplished. Now I believe we are at the opportune point to limit spending increases for population growth, which is defensible. As more people move to Alberta, we have to have a bigger health care system. We have to fund enrolment growth in education. The other metric, of course, is inflation. Of course, as we face inflation, the cost of everything goes up, and we have to recognize that we have to adjust government spending for both of those factors, inflation and population growth. This rule, though, I believe will ensure that Alberta's government expenditures remain sustainable in the long term, and that's critical.

Ms Issik: In the past we know that at times Alberta, you know, in a boom economy has had both population growth and inflation rates higher than comparator provinces. How do we deal with that? We've talked a lot in the last four years about comparator provinces and where we rank. How do we deal with that sort of going forward when we recognize that Alberta has been calling, people are coming, economic growth is happening? How do we then maintain our comparator province sort of equivalency?

Mr. Toews: Chair, that's why we absolutely have to have population growth as one of the factors that allows for defensible increases in spending, because people are coming to Alberta. Families are moving in by the thousands; it's such a good-news story. It really bodes well for the future of the province, but with that comes an increased requirement for government services, whether it's in our health care system or education system, and that's why having, effectively, an allowance for increases in population growth and inflation, to have that kind of spending increase allowance, is critical.

Again, there will also, I believe, in some cases be an economies of scale benefit; in other words, we can deliver even more efficiently as the volume of our delivery increases. That's a factor. I think when you look at the profile of provincial government spends across the country, the larger provinces – there are one or two exceptions, but generally the larger provinces on a per capita

basis can deliver a bit more efficiently. However, I believe that if we keep our spending increases to population growth and inflation, we will provide defensible spending levels, a defensible spending ceiling for Albertans.

Now, lastly, Chair, though you to the member, our spending ceiling, if you will, is a ceiling; it's not a target. We will also be measuring Alberta's per capita government spending with that of comparator provinces. That will remain a fiscal anchor. That will remain a measurement stick, if you will, to ensure that Alberta continues to deliver efficiently, but on top of that, we will identify a spending ceiling in this fiscal role.

Ms Issik: Very good. Thank you very much, through you, Chair, to the minister, for that explanation. I think that is a really critical piece. I think it might be the most important piece in this entire budget, that framework that you're putting in place for the future. So I'm appreciative of that, absolutely.

I want to talk a little bit about some of the exceptions. You've talked about it a little bit before, but again for the benefit of those out there who are going to watch this, just try to understand this budget, can you just talk about what would constitute an emergency or an exception? You've talked a little bit about APIP, with the other member you talked a little bit about sort of the mechanism around this, but just explain perhaps for the audience out there. We had the contingency fund, which was a great idea at the beginning because too often we had emergencies that threw our budget right out the window – well, not right out the window, but it certainly made it difficult to come in on budget. Can you just explain a little bit about how this is going to work? What constitutes an emergency, what constitutes an exception, and that sort of piece?

Mr. Toews: Chair, I appreciate the question. Firstly, we are increasing Alberta's contingency amount in this budget, and it's really reflective of the contingency pressures that we've had over the last number of years. You know, back in 2021 just the cost of crop insurance, which was a government obligation because of the province-wide drought, just that cost alone was about \$2.4 billion, \$2.5 billion. So very, very significant. This last year, even though we had crops that in many areas were average or even better, we had significant hail damage, and with elevated crop prices, our agriculture insurance indemnity projection is over a billion dollars even this next year. That's one reason why we've increased that contingency to \$1.5 billion.

Now, in terms of exceptions to these expenditure rules, again, number one, any expenses that are incurred because of a disaster or an emergency – and the disaster or emergency have to be events that are declared such by an order in council, by cabinet. So there are going to be some real strict guidelines there, number one. Again, we have to have that exception; otherwise, we couldn't deal with a, you know, province-wide drought or perhaps a fire or a flood like we've had over the last decade or 15 years.

11:30

Of course, another exception, as I noted earlier, is on our payments under the Alberta petrochemicals incentive program. Sometimes, you know, a project might finish sooner than was scheduled. That would be a defensible exception. Another exception would be a dedicated revenue. In other words, there could be revenue from a third-party source earmarked for a specific project, and we don't want to not be able to participate in that project because of these fiscal rules. So, again, for dedicated revenue we can increase spending, in-year spending, beyond the budgeted amount. There are also exceptions for noncash accounting adjustments because of changes in accounting rules and write-ups

or write-downs on investments. Those are important exceptions to make these rules durable in the long term.

Ms Issik: That was a very excellent explanation. Thank you for that.

Very quickly, because I don't think we have very much time, perhaps you could just speak a little bit to the surpluses and the Alberta fund and, practically speaking, how that's going to work for this year's budget.

Mr. Toews: Sure. That's a great question. We're not going to have a lot of time to get the full answer out. Ultimately, in '23-24 we're projecting, again, a \$2.4 billion surplus. Now, that's not necessarily a cash surplus; that will get converted to a cash basis. There are many noncash adjustments in a surplus calculation, but at least half of . . .

The Chair: Sorry, Minister. We'll have to wait for the next block. We'll now move on to the Official Opposition for 10 minutes. Back and forth again with the minister?

Ms Phillips: Yes. I'd like to request that, Mr. Chair.

Mr. Toews: That's acceptable.

The Chair: Thank you. Go ahead, Member Phillips.

Ms Phillips: Very good. Thank you, Minister. Let's just pick up this piece around appropriations and allocation of the Alberta fund. I just want to confirm my understanding that the appropriations act piece of it is not in Bill 10 and that I haven't made an error there. I want to make sure that I am correct and then confirm my understanding, given that we've just sort of canvassed the waterfront on this topic and it's been pretty unequivocal that there is a mechanism to do an appropriations act, that the minister would be open to an amendment on that because it certainly seems that otherwise the budget, then, can change at any given moment and certainly on the expenditure side.

Then if the minister could talk a little bit about the reins on this projections piece. We know projections are volatile. The minister has first-hand experience with this. We missed our projections by \$16 billion in 2020 given the economic shocks in this province both on oil prices and due to COVID. That's why we ran a \$24 billion deficit, the largest in 30 years in Canada. There's no question that volatility in projections is a tough business here in Alberta. If we don't need to go before the Legislature to allocate the Alberta fund, which right now we don't, what are the other reins on it? It used to be that we would get this information to the public through the quarterly reporting, but this allows us to issue projections outside the quarterly reporting process.

Mr. Toews: Chair, good questions. Firstly, I want to just ensure that we correct the record. At one of our fiscal updates during those days of darkness with the triple black swan event we were projecting, you know, a deficit north of \$20 billion. Our deficit that year came in, I believe, at \$16.9 billion. My department can just – yeah; they're nodding. It came in significantly lower than our mid-year fiscal update. Fortunately, the deficit was not as high as the member noted.

With respect to the first line of questioning on the Alberta fund, again, this act is subject to our Financial Administration Act, and that Financial Administration Act requires all government spending to be subject to an appropriations bill unless it's statutory in nature. This will ensure that the Legislature votes on any expenditures out of the Alberta fund. The Alberta fund, with respect to this one

eligible use of funds, one-time expenditures that are nonrecurring, simply allows a government to go to a fund where there's cash instead of going to capital markets to borrow. That's effectively what this accomplishes. All the spending is still subject to all the oversight of the budget process and an appropriations bill and all the debate that goes with that bill.

You know, while the member is working on the next question, I'm happy to talk about the importance of the Alberta fund because in the event we didn't have an Alberta fund, then the cash would simply go into a bank account without any further structure whatsoever. The Alberta fund has structure that an unstructured fund would not have. Again, there are only three uses for funds, effectively, for cash from the Alberta fund. Number one, debt repayment will be prioritized. That's important to me. Number two, governments can choose to transfer more funds to the heritage savings trust fund. I'm going to look forward to the conversation around, the decision and debate around the tension between further investment and debt repayment. Of course, the third option is for one-time nonrecurring expenditures, but those expenditures are completely subject to the budget process and appropriations bill, all the requirements of the financial act.

Ms Phillips: Thank you.

Let's go on to the first point, I believe, in the business plan, which is around – or is it the second? Sorry; it's the second. It's this business of an Alberta revenue agency. Economist Trevor Tombe estimated the cost of an Alberta revenue agency at \$500 million annually, and based on the CRA scale some preliminary analysis shows an increase in 5,000 FTEs for the core public service, roughly a 20 per cent increase. CRA is the largest department in the core for the federal civil service. It's possible that the Canadian Forces are larger, but they aren't considered core public service in Ottawa's accounting documents. What is the cost modelling that the Department of Treasury Board and Finance has done, and is Mr. Tombe wrong with those cost projections?

Mr. Toews: Chair, the work is ongoing, but based on the work we have to date, I would say that Trevor Tombe's is low.

Ms Phillips: Is low for an Alberta revenue agency at a half a billion dollars?

Mr. Toews: An Alberta revenue agency would be a very significant undertaking, and that's why it's important we do the work. That's why it's important that we understand what the projected costs would be. It's important we understand what the opportunities would be as well as what the impact would be on Albertans. Again, we're going to be very pleased to share that work with certainly all members of the Chamber and with Albertans broadly, but we need to complete the work. I want to point out that an Alberta revenue agency to collect and manage the full collection process and the full administration process of an Alberta tax return, if you will, is a very, very significant effort.

Ms Phillips: Indeed. Even filing one's taxes can be an irritating effort if not significant, so doing it twice: I'm not sure if that's the best retail politics that we can choose to do 75 days out of an election. There's some analysis that shows an increase in 5,000 FTEs for the core public service for such an undertaking. Is that about right? Too high? Too low?

Mr. Toews: Again, Chair, we're still doing the work, but we believe that, you know, again, based on our early analysis it will require thousands of additional government staff in order to deliver on this kind of a mandate.

Ms Phillips: Wow. I feel like we would rather hire 5,000 teachers or nurses or health care aides than 5,000 tax collectors, but I guess that's just me. Maybe it's some other folks, too.

Let's go on. There's another piece here which has to do with the Alberta pension plan proposal. That's point 3 in the business plan. The minister just made reference to the data set being updated in December 2021. Is it anticipated that that report will be released? Sort of what's the timeline for that?

11:40

Mr. Toews: Chair, firstly, with respect to an Alberta revenue agency and an Alberta pension plan, you know, in both cases we believe doing the work is important. With an Alberta revenue agency we are quite confident we can get this work done largely internally at not significant cost. We think it would be important for Albertans to understand, again, what the costs and opportunities are in an Alberta revenue agency, so to do the work, I think, is entirely defensible. I won't speculate on the outcome. I think the members noted perhaps some of the challenges that exist with an Alberta revenue agency, but it's important we do the work and we also understand what the opportunities may be as well.

With an Alberta pension plan, really, the same premise applies. We believe it's important that we're transparent with Albertans. We believe it's important that we look at every opportunity that may advantage Alberta within this Confederation. You know, there's been work done by a number of entities that would point to the fact that an Alberta pension plan may offer real opportunity for the people of Alberta. That's why we've taken on this project. In fact, the Fair Deal Panel recommended that the Alberta government do a deep dive, do the analysis.

Chair, the work is complex. There is so much complexity to do the actuarial work related to an Alberta pension plan. We need to understand: of the, you know, hundreds of billions of dollars that CPPIB is managing, what would be Alberta's share in the event we chose to go on our way? That's one question. Obviously, we would have to ensure that we can deliver on the investment function, which I'm confident we could.

The Chair: Thank you very much, Minister.

We'll now move on to the government caucus for a 10-minute block. Who has the questions for government caucus? Member Issik, are you still on the floor?

Ms Issik: I am.

The Chair: Go ahead, Member Issik.

Ms Issik: Thank you very much. I'm just going to go back to the point that we were talking about previously. That is about the Alberta fund and the interesting concept that it is and how it uses surpluses. You mention it on page 20 of the fiscal plan. Again, maybe we can pick up where we left off. How would this work, practically speaking, for the forecasted surplus for this budget?

Mr. Toews: Sure. We're forecasting a \$2.4 billion surplus for this upcoming year, and we're forecasting cash availability of about \$2.9 billion, you know, after you do all the noncash adjustments and nonsurplus adjustments that, in fact, affect cash. Again, based on the requirements in terms of the fiscal framework affecting the surplus, at least half of that surplus would have to be applied to debt that's maturing during the year. In this case it would be a minimum of \$1.45 billion that would have to be allocated to debt maturing during the course of the year.

Now, we have several billion dollars of debt that's maturing this upcoming year. I mean, I can tell you my preference in surplus

management is to, you know, be deferential to debt repayment. Again, a minimum of 50 per cent of any surplus has to go to debt repayment. Governments can choose to put all of it towards debt repayment if they would choose that option, and I personally think that would not be a bad option given the fact that creating additional fiscal room is essential. The best way to create fiscal room is to pay down debt. However, the government, after making the minimum debt repayment of \$1.45 billion, could put the remaining \$1.45 billion in the Alberta fund. That cash would sit in the fund. It could be used for future transfers to the heritage savings trust fund, be held for future debt repayment, or be used by the government for one-time, non-reoccurring expenditures related to government priorities but expenditures that are subject to an appropriations bill and a budget process, and that's critical to understand.

Ms Issik: Thank you for that.

Okay. Let's move on to some affordability measures. It isn't a secret at all that this government is pretty committed to making life more affordable for Albertans, and I think we've shown that during this period of inflation, which we haven't seen for a very, very, very long time. You know, people's costs of living are rising. I hear often at the doors about the price of lettuce and how much a red pepper costs and all those sorts of things. Perhaps we can talk about: what are the new actions? We certainly know what the affordability plan that's been executed so far has been, but maybe you can talk about the new actions that you're taking in Budget 2023 to help Albertans with inflationary pressures and the costs of living.

Mr. Toews: Sure. Chair, through you, I'd like to thank the member for the question because affordability is a great concern with so many households right now. We are at a time where, you know, we've not seen these kinds of inflation rates for decades, quite frankly. We came out with a very comprehensive affordability package approach, again, made possible because of real fiscal discipline and strong financial results in the previous couple of years.

What's new in this budget? Well, there's a number of items that are new. Number one, I'll start with additional support for our postsecondary students. In this budget we are reducing our interest rate on student loans down to prime, so that's both a one- and two-point reduction in interest rate, which will have a real effect for students repaying their student loans.

The second thing we're doing for our postsecondary students is that we're extending the grace period. That is the period when interest doesn't accrue and when repayment on student loans is not required. We're extending that period from six months to one year. We think that's important so that new graduates can get their feet under them, that they don't have to be looking over their shoulder at a student loan that's, you know, increasing in interest costs. They can get started on their career, ideally, get settled in their community before they have to start worrying about the repayment of a student loan.

We're also increasing the threshold for the repayment assistance program. That's an assistance program that supports students who are paying back student loans. Historically the threshold to be eligible for that program was \$25,000 per year in terms of annual income. We're moving that up to \$40,000 a year. Again, just given inflationary pressures, if there are graduates that are earning less than \$40,000 a year, they can receive assistance through this repayment assistance program with respect to student loans.

You know, there are other things. One thing we're doing in this budget, of course – and this was announced earlier, but it bears repeating; it's reflected in this budget – is the fact that we're reindexing many social programs, programs that were paused earlier, and we are indexing our personal tax system. Again, firstly,

to be completely transparent, that's a commitment we made to Albertans when we paused indexing. We said that when we got our fiscal house in order, we would be reindexing the programs as well as our personal tax system. That's number one.

Number two, it comes at a very appropriate time, at a time when we see significant inflation. Here's the good news about our timing. Our indexing decision will capture that big inflationary year of 6 per cent. You know, in terms of payments to AISH recipients they're going up by 6 per cent this year, which is \$100 a month. Our Alberta seniors' benefit is going up. The family and child tax credit is going up, and of course our personal tax system is being indexed to accommodate this big rise in inflation and CPI.

Ms Issik: Thank you very much for that. Maybe we can talk a little bit about that you've got \$2.2 billion allocated towards affordability. That's on page 84. Can you just break that down really quickly, how that \$2.2 billion breaks down across the affordability measures?

Mr. Toews: Sure. I'll work to do this quickly. Much of this is, in fact, tax relief. Our fuel tax relief program for the '23-24 year is projected to provide \$470 million of relief to Albertans. Now, it may supply more relief, depending on oil prices in July on.

11:50

Our indexation of the personal tax system is going to provide additional tax savings for Albertans of \$676 million. The supports for postsecondary students just in this upcoming year alone are going to be \$38 million. It will be \$70 million thereafter every fiscal year. Our electricity and natural gas rebates are projected to be \$48 million. I have to say that those rebates, over the course of this fiscal plan, including last year, have been close to \$1 billion, so very significant support for utility rebates. Again, indexation of social programs: almost \$200 million. The direct affordability payments – these are direct support payments we're making to families with children, we're making to Alberta seniors, many who are on a fixed income, and making to our most vulnerable – will cost \$547 million.

We're increasing wages for those who work in our social sector. This was very necessary given the inflation pressure. That's going to be costing \$110 million. Again, there are additional supports through our school transportation fuel price contingency program of \$18 million. This will support school boards as they look to put buses on the road with the high cost of fuel.

All told, it will be, effectively, \$2.25 billion for the upcoming fiscal year.

Ms Issik: Thank you for that. You know what? Knowing those bulk numbers is really important, I think, for Albertans to really understand the sort of scale, particularly on utilities and the fuel tax.

Here's a question for you. How long do you expect that Albertans are going to require inflation and affordability relief measures like the ones that have been talked about, especially utilities, gas tax, et cetera? We know that the gas tax reduction, or, I guess, right now it's an elimination . . .

The Chair: Thank you for the remaining time this morning.

We will go to the Official Opposition. You've got about seven minutes back and forth with the minister again.

Ms Phillips: Yes. I'd like to request such a thing, Mr. Chair.

The Chair: Go ahead, Member Phillips.

Ms Phillips: I just want to return to this tax collection business. Here we have, just on page 245, around expenses, a 40 per cent

increase in fiscal planning and economic analysis. I'm going to assume that part of this is folks who will be examining some of these, as the minister said that we have to examine this proposal of an Alberta tax revenue agency. At a cost of – the minister has just said it, and I was frankly shocked to hear it – north of a half a billion dollars and at a cost of hiring thousands of new tax collectors into the GOA, is it not the case that sometimes some ideas are just not worth spending millions of dollars of new analysis on? Are we doing analysis of publicly funded flights to the moon, deep-sea education delivery for K to 12 education? Like, at some point we have to dismiss ideas because they are expensive and probably unrealistic. Why are we not at that point with this work, and why is it still in the business plan as point 2 when it's clearly just incredibly expensive and inefficient?

Mr. Toews: Chair, this work is going to be done at very low cost within our department, and it's not reflected in that increased budget line that the member raised. Actually, this work is being done in another department and will not be particularly costly at all.

The reason we're doing the work is that Albertans have the question. This was a question that came up at the Fair Deal Panel. As the Fair Deal Panel travelled around the province, many Albertans had the question: what are the opportunities and what are the costs with an Alberta revenue agency? That's why we're doing the work. We can do the work at, you know, a much lower cost than understanding what public flights cost to go to the moon. I can tell you that. We're going to get this work done. Albertans have the question, and it will be important that Albertans, again, can understand the costs and opportunities with respect to an Alberta revenue agency that would effectively administer a personal Alberta tax system.

Ms Phillips: This idea has been circulating, as the minister points out, for some time through the Fair Deal Panel and what have you. It's been circulating even before that for many years. I remember when Ian McClelland chaired a little panel on some of these sort of firewall-adjacent ideas back in the – was it? – late '90s, early 2000s, and government dismissed him at the time. Some of these things have been around a long time, so clearly the minister has the answer to this one. Why is it still, then, appearing in a business plan? It was here last year, or it's been around for a while. It was certainly a recommendation of the Fair Deal Panel.

The minister said that it's a low-cost, low-resource work to do. He was fairly unequivocal about how expensive it is, so why haven't we just said to Albertans, "Yeah, this is super expensive; we're not doing it; next topic"? Why won't we just rule it out and use government's limited time and resources? I always used to say in government that, after money, the most scarce resource is a minister's time and government time. Why are we still sort of perennially studying this recommendation that is really, really bonkers expensive?

Mr. Toews: Again, Chair, we're pulling our work together. It's not going to be particularly expensive to pull this body of work together

and to be transparent with Albertans. Many Albertans have the question around an Alberta revenue agency and our own tax system. They see what Quebec does, and I think that's what piques the interest of many Albertans, so we owe it to them to do the work, and we're intent on doing it. It wasn't in my business plan last year. We're just doing the work now, and we will get this work completed.

The Fair Deal Panel considered this question. They didn't make the recommendation to pursue it, but they considered the question. I think the fact that the question was there is indicative of the fact that many Albertans have the question: what are the opportunities and costs of an Alberta revenue agency and personalized Alberta tax system? We're going to do that work. It's not going to be particularly costly, and we're going to be transparent with Albertans. I don't know what the aversion is to doing the work.

Ms Phillips: Well, I mean, asking questions that we know are expensive and time consuming to answer.

Let's move on to the CPP question. It was reported that there would be a referendum in 2024. Why not in 2023, when we are doing an election exercise anyway? Can we expect the CPP report before that or not? What is the expectation here?

Mr. Toews: I guess in terms of timing, firstly, we received this data set in December. The work that our actuaries used to put together the report to date was a data set from 2018, so we were really pleased to receive this current data set. The work will be done in May. Realistically, this report will be released some time after the end of May. I know many Albertans are looking forward to the results of the report.

One thing will be important, that when we release the report, you know, many Albertans will have lots to say about the concept of an Alberta pension plan. I believe the conclusions drawn in this report will be pretty compelling – that's my expectation – but we need to ensure that we're offering significant time for Albertans to really look at all the information in front of them. To speed this thing up, try to do it all before the election in May, I think, would be disingenuous and irresponsible. We think Albertans need to have sufficient time to evaluate this important question. Again, I will say this. An Alberta pension plan, I believe, holds great promise for Albertans in the future, but we'll let the report speak for itself.

Ms Phillips: Okay. With that, my time is lapsing, Mr. Chair. I will turn things back to you.

The Chair: Well, thank you very much.

If there are no further questions, I apologize for the interruption, but I must advise the committee that the time allotted for this portion of the consideration of the ministry's estimates has concluded.

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

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 12 p.m.]

