



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
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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

Mark Brisson, Assistant Deputy Minister, Financial Sector Regulation and Policy

Catherine Rothrock, Chief Economist and Executive Director, Economics and Revenue Forecasting

Alberta Gaming, Liquor and Cannabis

Kandice Machado, Chief Executive Officer

3:30 p.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 on my right.

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

Mr. Orr: Welcome back. Ron Orr, Lacombe-Ponoka.

Mr. Getson: Shane Getson, Lac Ste. Anne-Parkland, better known as God's country.

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

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

Ms Issik: Whitney Issik, Calgary-Glenmore.

Mr. Toews: All right. Travis Toews, MLA for Grande Prairie-Wapiti, Minister of Finance. I'm here with my deputy minister, Kate White, as well as ADMs Darren Hedley, Mark Brisson, and Dana Hogemann.

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

Mr. Carson: Good afternoon. Jon Carson, MLA for Edmonton-West Henday.

Mr. Dach: Good afternoon. Lorne Dach, MLA for Edmonton-McClung.

The Chair: Okay. 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: Hello. Leela Aheer, Chestermere-Strathmore.

The Chair: Thank you.

I'd like to note the following substitution for the record: Member Dach for hon. Member Feehan as acting deputy chair.

A few housekeeping items to address before we turn to the business at hand. Please note that the microphones are operated by *Hansard* staff. Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and videostream and 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 a speakers list are asked to e-mail or message the committee clerk, and the 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 of the Ministry of Treasury Board and Finance. For the record I would note that the Standing Committee on Resource Stewardship has already completed three hours of debate in this respect.

As we enter our fourth hour of debate, I will remind everyone that the speaking rotation for these meetings is provided under Standing Order 59.01(6), and we are now at the point in the rotation where speaking times are limited to a maximum of five minutes for both the member and the minister. These speaking times may be combined for a maximum of 10 minutes. Please remember to advise the chair at the beginning of your rotation if you wish to combine your time with the minister's.

One final note: please remember that discussion should flow through the chair at all times regardless of whether or not speaking times are combined. If members have any questions regarding speaking times or the rotation, please feel free to send an e-mail or a message to the committee clerk about the process.

With the concurrence of the committee I will call a five-minute break near the midpoint of the meeting; however, the three-hour clock will continue to run. Does anyone oppose taking a break? Seeing none, we will make that announcement at the time.

Members, when we adjourned this afternoon, we had just completed an exchange between the Official Opposition caucus and the minister. As such, we will now invite the government caucus to proceed with a 10-minute block. Back and forth with the ministry?

Ms Issik: Yes, please.

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

Mr. Toews: That's acceptable.

The Chair: Go ahead, Member Issik.

Ms Issik: Thank you so much. I just want to continue where we left off in the last session, and I'll just refer you to page 82 of the fiscal plan, talking about fuel tax relief. Maybe the minister can just remind everyone out there in TV land of the total savings for Alberta drivers on that particular relief program, but also perhaps the minister can remind everyone that the program is slated to end in June or to change in June. Perhaps the minister can talk about what it will look like after June.

Then, secondly, through you, Mr. Chair, perhaps the minister can tell Albertans how long we expect to be requiring inflation and affordability relief measures.

Mr. Toews: Great. Well, Chair, through you, I'd like to thank the member for those good questions. I'll talk a little bit about the fuel tax relief program, the fuel tax suspension program. This was a program brought in in the spring of 2022. When energy prices started to rise very significantly and when households and businesses started to really feel the pressure of those prices, we brought in the fuel tax suspension program. We initially brought it in on an annual basis for one year, and the program effectively, on an annualized basis, if it's in place all year, provides Albertans and Alberta businesses fuel tax relief amounting to close to \$1.3 billion, so it's very, very significant.

In '22-23 the forecast is that it will provide almost \$1.2 billion of relief for Alberta motorists, again taking an already very competitive business environment here in Alberta and really supercharging it, certainly, for any of those that directly deal in the transportation sector but also providing real relief for Alberta households right across the province. It also, I should note, has

provided relief for school boards. It's provided relief for nonprofits. It's really provided relief right across society.

As the member pointed out, we do have a full suspension of that tax in place until June 30, but the program isn't going to end then. The program is going to continue. It will continue, really, in perpetuity, and it will function in a way that whenever WTI prices, west Texas intermediate oil prices, hit \$80 a barrel, the fuel tax will begin to be suspended, and it will be fully suspended at \$90 a barrel. That oil price will be evaluated quarterly, just ahead of every quarter, and that evaluation will ultimately dictate the level of fuel tax that will be on for the quarter following.

Again, it's a very significant affordability measure on an annualized basis, \$1.3 billion. The really good part about this measure is this: we're providing real and genuine tax relief for Albertans. At the same time, we're not undermining our fiscal stability, because every time energy prices get to the point where we can suspend the fuel tax, our income from nonrenewable resource revenues, or royalty income, more than displaces the fuel tax that we otherwise would have collected. Bond-rating agencies have not had anything negative to say about our fuel tax suspension program.

In terms of how long we're going to need affordability measures, I'll make a couple of comments there. Certainly, our chief economist and her team expect that inflation will begin to ease in 2023 and 2024, over the course of the fiscal plan, leveling off at just over 2 per cent and staying there. Again, our projections would suggest that inflation pressure will start to ease in the upcoming year, perhaps towards the back half of 2023, and that's one reason why our government took very significant affordability measures over the last eight months, because now is the time. There's affordability pressure in Alberta households. Of course, the good news with this fuel tax suspension program: it will be a permanent program, and Albertans can benefit from an owned resource.

Ms Issik: Mr. Chair, through you, thank you to the minister.

I have one more question for him, and this speaks to the Alberta child and family benefit, which I think appears on page 84 of the fiscal plan. First of all, can you please tell the group how much more money this is going to put into the pockets of the benefit recipients? Also, if you could tell us how much more money the government is allocating towards this in Budget '23.

Mr. Toews: Sure. I'm happy, Chair, to talk about some measures broadly that are supporting Alberta's youth, and I really believe they bear repeating. I'm going to talk a little bit about, just to again remind the committee, what we're doing for postsecondary students. I'll start there, and I'll kind of work through if that's acceptable.

We're reducing the student loan interest rates down to prime from both prime plus 1 and prime plus 2, depending on whether the rates were floating or fixed. We're extending the student loan grace period following graduation from six months to one year. That's a period where students don't have to repay their student loans and interest does not accrue. This will really provide an opportunity for our graduates to get started in their careers, get their feet under them, and get going before they have the burden of paying back their student loans. We're increasing the threshold for the repayment assistance plan, again, for student loan borrowers to \$40,000 from \$25,000.

One thing I didn't note this morning: we are capping tuition fees, working with our postsecondary institutions to cap them at 2 per cent annually, starting in '24-25. This will simply give postsecondary students certainty around tuition fees going forward. Right now our tuition fees in this province are, you know, generally right in the middle of the pack in terms of the Canadian average.

We want to ensure that Alberta students continue to have affordable options.

3:40

One thing we're doing with Budget 2023 is that we are providing some additional support for adoptive parents and families. We're moving up the provincial adoption tax credit to align with the federal levels, moving Alberta's up from \$14,365 to \$18,210. We're also providing \$12 million more over three years to support adoptions of children to family homes from government care. We really want to ensure that every child in Alberta that needs a home is not going to be prohibited from finding that home for financial reasons.

We're also providing additional support for workers in our social services sector – I talked about that this morning – increasing wages by 10 per cent. That's been a sector that needed a pay increase, quite frankly. I heard stories in my constituency around workers who simply were having trouble making ends meet, so this 10 per cent increase is certainly going to provide some relief.

The other thing I should add is that we are also providing, of course, direct support to Alberta families, Alberta seniors, and the disabled, those most vulnerable amongst us, on the AISH program particularly. This will again ensure that many individuals who are on a fixed income or who are really facing a challenge meeting the end of the month will receive additional support with six \$100 payments.

Ms Issik: Through the chair to the minister, at the bottom of page 84, under Children's Services, perhaps we could talk about the indexing of the benefit and the impact that's going to have on the budget overall, what families are the recipients, and how this benefit is helping them.

Mr. Toews: Chair, I want to thank the member for that specific question on payments to families that are eligible for the child and family benefit. Payments will be increasing by 6 per cent in 2023, beginning in January 2023, which, again, reflects the inflation rate of the year previous. Of course, in the future, with that program now being indexed to inflation . . .

The Chair: Thank you very much, Minister.

We'll now move to a 10-minute block for the Official Opposition. Do you wish to go back and forth with the minister?

Ms Phillips: Yes. I would like to request that.

The Chair: Minister, are you okay with going back and forth? Minister, you're still good going back and forth with the opposition?

Mr. Toews: I'm good.

The Chair: Go ahead.

Ms Phillips: Thank you, Mr. Chair, and thanks to the minister and all the officials for joining us in the second half of our time here today. We'll measure this in halves, like soccer. I think *Ted Lasso* is debuting right away here, so we'll make a soccer reference for the afternoon as opposed to hockey.

I want to start with page 52 of the fiscal plan, that concerns forecasts and projections. I think it's fair to say that there's a combination of art and science with projections, and I think that's a fair comment. However, that's why we have the private sector to help us out. This is their job, to know what the economy is going to do. They stand to make or lose a lot of money off being able to hit those targets.

On real GDP for 2023 we have an average of all private-sector forecasts at 1.9 per cent, the highest scenario being 2.8 percent, and that's what the GOA takes as their projection. Similarly, in '24 you have an average of all the private-sector forecasts at 1.8 per cent. The highest scenario for the private sector is 2.7 per cent, and the GOA is 3 per cent, so quite a bit higher. Then it goes into the out-years. I think it's really hard to predict the future that way.

Then, when we move on to the employment benchmark, we see the same kind of dynamic happening here. We see an average of all private forecasts at 1.3 per cent for 2023, 1.2 for percentage change of employment on the private sector – that's what they think is going on, the big banks and the forecasting agencies – and then we see the GOA in 2023 outpacing the average of all the private forecasts and indeed outpacing the highest private-sector forecast scenario by .5. In 2024 we see the GOA more than doubling the average of the private-sector forecasts, but then, curiously, we are projecting these GDP numbers – and we'll leave aside nominal because of the impact of inflation for now. In 2023 we look at the unemployment rate benchmark, and the GOA's is higher than the private-sector forecasts, and similarly for 2024. So what is it that the GOA knows that the private sector doesn't about these forecasts? There's a pretty big delta. I don't think we're nitpicking here when we're looking at, like, .5 or more than a point, and especially when things like employment benchmarks are being more than doubled. So what's driving that big difference?

Mr. Toews: Chair, I appreciate the question, and it's a very valid question as we take a look at our projections. One thing I'll say – and I will call on Catherine Rothrock, our chief economist, in just a few minutes, but I'll make a few comments initially.

Number one, in terms of real GDP growth our department and our officials have an excellent track record, a more accurate track record than the big banks as they've done a great job of really looking and understanding the Alberta economy more specifically than often the national banks do as national organizations often take more of a Canadiana view and very often don't get down into the weeds. Right now we really believe Alberta is positioned to weather the economic headwinds that are coming, that we're feeling even in the last couple of days with, you know, a mid-sized bank failing in the U.S. We really believe that Alberta is poised well to handle those headwinds better than any other province. We tested these assumptions with the chief economist from all the major banks. That's a bit of an annual tradition, and this year we did it in person again. I can say that while there was good discussion and debate, the chief economists from all the major banks supported the assertions and assumptions that we were making in Budget '23 around GDP growth, around Alberta's resiliency in the face of economic headwinds.

Maybe my last comment before I call on Catherine will be this. With respect to employment growth we are expecting, you know, very material employment growth over the next couple of years, but we're expecting even higher net in-migration and population growth, and as a result of that we're expecting the unemployment rate to rise slightly even in the face of significant employment growth.

Catherine, would you care to come to the mic and just share with the committee some of the process that we go through?

Ms Rothrock: Sure. My name is Catherine Rothrock. I'm the chief economist here at Alberta Treasury Board and Finance, and my team: we do all the economic projections, and we project all the major revenue sources for government and fiscal planning.

As the minister mentioned, we do have an excellent track record when it comes to forecasting Alberta's economy. We have a team

that is dedicated to following what's happening in the economy, and we do perform better than the private sector. What we tend to see quite often when we come out with our projections is that, in fact, the private sector moves closer to our projections as we move through the year.

As the minister mentioned, we do have quite a bit of momentum in the economy coming into this period of what we consider – and we've acknowledged in our fiscal plan on pages 30 to 33 some of the risks that we see this year given some of the uncertainties, the rapid rising interest rates, for example, and what we think is going to be facing businesses and households this year. So we have certainly taken some of those risks into account in our forecast.

3:50

We do see, as the minister mentioned, quite a bit of momentum coming into this period of volatility for the Alberta economy. Last year was an excellent year. We had very strong growth in incomes. In fact, the reference to nominal GDP and what we're forecasting is quite important. The banks are forecasting that we're seeing positive nominal GDP growth. We're actually expecting nominal GDP growth to decline slightly, and that's reflected in our overall revenue projections for the year. Given what we're seeing in terms of momentum – in fact, we just saw a big announcement by McCain; they're making a \$600 million investment in the province – we do see some of that momentum coming through.

In terms of where we compare to the private sector – and the minister referenced, for example, our employment forecast. Even in the first couple of months of the year, given the data that we've seen, we don't actually have to add any more jobs this year to meet our forecast for employment. We're actually quite comfortable with where we're sitting from an employment perspective. In terms of where we're at in unemployment and things like that, we are tracking higher than the private sector, and that is because we see a lot more people coming into the province; we expect to see more movement into the labour force. So we're actually expecting our unemployment rate to go up a little bit even though we see job gains.

Generally speaking, I think we do have a balanced approach in our forecast that reflects quite a bit of the momentum that we saw building in the economy last year but also some of the risks that we're seeing, and we've referenced those, particularly with the global economy. We've been fairly conservative in our assumptions around Canadian growth, U.S. growth, general global growth this year. You know, the volatility that we're seeing in markets right now and some of the uncertainty are some of the things that – we were not necessarily anticipating a specific banking crisis, for example, but we knew that there were certainly some risks and some uncertainties that we're going to face, so we have reflected that in our forecast.

Mr. Toews: Thanks, Catherine.

The Chair: Thank you. Just to let you know that your side has exceeded the five-minute speaking time, so we have to go back to the Official Opposition.

Ms Phillips: Oh, okay. I guess my next question would be around housing starts. The GOA forecast is 38,100. The average private-sector forecast is 34,900. That's quite a lot of difference. Next year GOA is forecasting 37,700, and private sector is averaging a forecast of 34,100. It seems to me that that, too, is quite bullish given supply chain and other costs and other challenges for the sector. I'm very curious, though, as to why that one is so far outstripping the average of the private-sector forecast.

Another question I'll just put quickly to the minister – and we can get to this in the next block – is around page 82. There's a reference to some of the actions that have been taken around insurance. I'm just wondering when the option to pay premiums through instalment starts. Does that start on January 26 or when the announcement was made if it was indeed part of that? Was it some other time?

The Chair: Thank you, Member. We'll get back to you in the next block.

We now move over to the government caucus for 10 minutes. I see Mr. Singh has his hand up. Do you wish to go back and forth with the minister?

Mr. Singh: Yeah. I would like to.

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

Mr. Toews: I'm good. Thank you.

The Chair: Thank you, sir.

Mr. Singh: Thank you, Mr. Chair, and thank you, Minister, for being with us here today in the committee. I appreciate your efforts being done in this ministry, securing the future of Albertans. My Calgary-East constituents are interested to know more about the affordability action plan here. On page 9 of the fiscal plan it mentions the "indexing of personal income taxes to inflation," which is yet another measure being taken by this government to support Albertans during the affordability crisis. How much will Albertans and their families save thanks to this support?

Mr. Toews: All right. That's a great question. Firstly, indexing, again, our personal tax system is very significant at a time of high inflation. We're capturing, whether it's our social programs or whether it's our income tax system, the period of high inflation in this indexing. I really believe that's critically important.

Overall, the tax savings are approximately \$300 million for the '23-24, and that goes up to about \$650 million in the mid-year and just under a billion dollars by year 3. So it's material. Again, it's so material now because inflation rates are high. That's why it is so material.

But in terms of "How does this boil down to an average Albertan?" which I think is what your question was, a typical single Albertan earning \$45,000 a year would save approximately \$163 in taxes in 2023. A typical family supported by one income earning \$75,000 would save approximately \$330.

Mr. Singh: Thanks, Minister, for the answer.

When we talk about challenges with affordability, some Calgary-East constituents tell me about their rising auto insurance rates. Moving over to page 82 of the fiscal plan under taking action on insurance, our government announced a pause on private passenger vehicle insurance for the rest of 2023 and to provide a payment option for consumers. Despite our government making legislative changes to improve our province's auto insurance system, Albertans are seeing premium increases. Please, Minister, provide us with some background on the need for a rate pause.

Mr. Toews: Yeah. Chair, that's an excellent question. In fact, the member may beat the Member for Lethbridge-West on the insurance questions here this afternoon. A couple of things. Right now every household is being challenged with affordability issues. Again, we're seeing inflation at the grocery store, at the gas pumps. Certainly, when Albertans go to renew their mortgage and make their mortgage payment with these higher interest rates, costs are going up. We've also taken a look at automobile insurance costs

and rates. Now, we know that there was great pressure in the system in 2019, really, when we took office, and we worked for about a year and a half to come forward with policy, regulatory changes that would ultimately deal with some of the systemic cost pressures that were driving up those automobile insurance rates, really costs that ultimately get reflected in rates. That work led to Bill 41.

Bill 41 was really a series of measures that took some dispute conflict out of the process, out of ultimately adjudicating claims, but it also was a measure that improved care for injured Albertans, Albertans who were injured in motor vehicle accidents. There were a number of pieces to the Bill 41 effort. All that to say that our actuaries and the insurance industry's actuaries projected that Bill 41's measures would bring down the cost of automobile insurance premiums by \$120 per year on average from what they would have otherwise been. Now, remember that there was a big cost in the system.

What has been encouraging is that since Bill 41 was passed, we've seen a real levelling of insurance premiums broadly. Now, we have a competitive market. We have many, many insurance providers in the province, and some providers are more competitive than others. It's important as a consumer for me to shop around because that's how you drive prices down. You actually hold companies to account in terms of the kind of value they're offering. So we've seen quite a variety of insurance premium rates over the last couple of years, but overall we've seen, on average, insurance prices rise 1.4 per cent per year since we've brought in the changes in Bill 41.

Now, we also in January asked the rate board to pause any premium rate increases, just pause those rate increases until the end of this year. That would give the government some more time to work with the industry and other stakeholders to determine if there is anything additional that could be done – maybe from a regulatory standpoint, product offering standpoint – that would provide consumers additional relief at a time when they're really pressured. So that directive was provided in January. There were a few rate increases that had been made prior to our directive that hadn't yet hit the books. We've seen a couple of those hit the books here, I think, very recently, and we'll probably see a couple more before the dust settles. But, again, the directive to the rate board is not to approve any increases. They will abide by that directive, and other than the few that have been made, effectively premiums will be flat until the end of the year.

4:00

We've also provided the directive that insurance companies must continue to offer rate plans throughout this whole period. In fact, right from the minute the directive was provided, companies could not pull back on monthly rate plans that they would have to offer their products. Again, this pause was intended to end at the end of the year, and this will, we believe, give us some opportunity to work with the industry and understand if there are some additional measures that can take some costs out of the system and/or provide, you know, some perhaps more affordable options for consumers.

Mr. Singh: Thank you, Minister.

The fiscal plan also mentions short- and long-term solutions for raising auto insurance rates as they are being developed. Can you, please, Minister, provide us with any insight into policy options his ministry is exploring?

Mr. Toews: Well, I'll give you one example right now. We're early days in the work, but we're working – I mean, the insurance industry has long complained that fraudulent activity in the sector ultimately drives costs, and those costs, effectively, are paid for or

reflected in premiums. I believe it's in every honest Albertan's interest to drive fraud out of this industry as much as possible, so we're looking at measures that could potentially be taken right now to assist us in reducing the fraud in the system.

Of course, fraud can take place in a multiple of ways. I have a friend who was a victim of a parking lot vehicle accident fraud where known perpetrators try to have an accident with somebody in a parking lot, feign a soft injury, and then have a claim. I mean, it just adds to the costs in our system. You know, at times other individuals grossly inflate their loss when there's been property loss or loss with respect to an automobile accident. There are other examples where organized crime, effectively, works with individuals, and they report stolen vehicles, and those vehicles are really not stolen. There's no thievery involved except to other Alberta insurance consumers because the vehicles are taken, there's an insurance claim made, and then those vehicles are either disposed of or sold in some other method, maybe taken apart and sold for parts or moved offshore.

There are some measures that we're looking at right now to reduce fraud because we know fraud adds some cost in the system. That's one example.

Mr. Singh: Thank you, Minister.

Just got 10 seconds left here. We can start a little on page 84 of the fiscal plan . . .

The Chair: Thank you, Member.

We'll now move over to the Official Opposition for a 10-minute block. Do you wish to go back and forth with the minister?

Mr. Dach: Please.

Ms Phillips: Yes, please.

The Chair: Minister, you're still good with that?

Mr. Toews: I'm good.

Ms Phillips: Go ahead, Lorne.

The Chair: Mr. Dach has the floor.

Mr. Dach: Thank you, Mr. Chair. I appreciate the opportunity to ask questions to the hon. Minister of Finance and Treasury Board. I met as an MLA with members of Alberta Canola yesterday at a function, and one of the things that came up relates directly to their concerns and concerns that we've been talking about with respect to the high cost of insurance. I note in your business plan, sir, page 145, first line, that you talk about leading government's fiscal planning, creating an environment that attracts investment and job creators, removing barriers to economic expansion and diversification. What comments were made by Alberta Canola Producers yesterday were directly related to that because they were really concerned about the prohibitive and unaffordable cost of insurance for, particularly, new class 1 drivers.

Now, there was significant uptake of the 1,000 spots or so that were offered for driving training applications and for benefits there, but what indeed was happening is that many of those drivers who go through the training process weren't being employed as new drivers because companies can't afford the insurance rates for new class 1 drivers, because they, as they told me, lack the experience to be insured at a lower rate. I'm wondering, first of all, if indeed your ministry is collaborating with the ministry of transportation to remove these barriers and take a look at how indeed the rating system can be changed so that these class 1 drivers are classified as less costly, insurable drivers so that they can actually be hired by

companies that move goods and products in Alberta such as the Alberta Canola Producers. That's one element.

Of course, right across the board there are many, many operators who are carrying passengers and cargo, whether it be large transport trucks or small bus operators throughout the province, privately scheduled bus operators, even nonprofits who operate small handibuses, are all talking about the high cost of insurance being very, very difficult for them to continue operating. Earlier in your mandate you brought in the topic and you promoted heavily this concept of self-insurance. I'm wondering: because of the high cost of insurance, is it your recommendation to all private and nonprofit operators of transportation companies, through these fleet operators, that they seek to avoid these high costs of insurance by self-insuring under the program that you introduced earlier in your mandate?

Mr. Toews: Chair, there's a lot in that question.

Because we have a little bit of time on the clock, which is good, I would just like to read an answer into the record, an answer that the Member for Lethbridge-West posed this morning. We have the number. The question was: for '21-22, what were the actuals with respect to AIMCo investment management costs? We have those: \$847 million. I just wanted to read those into the record.

With respect to the insurance question I appreciate the member raising this because this is an issue right across the province, right across sectors, and we absolutely need to work together to find a solution. We've been working with the insurance industry for some time around solutions for, well, let's say, inexperienced drivers, new drivers. We've a shortage of class 1 drivers in this province. In some areas the lack of drivers is holding economic growth back – I can say that that's the case in my region – and we have to find a way to safely get more drivers up and going.

There are a number of things that we're doing. I think the member alluded to our driving back to work grant, which would provide some support for new drivers to get their MELT training. I have to say that insurance companies to date and – you know, our transportation metrics would indicate that the MELT program has had limited effect in terms of providing additional safety. Firstly, overall, our trucking industry in Alberta is an industry that's marked by a high level of safety and a lot of professional drivers. That's number one, and I want to make that known. But given the fact that – again, certainly, insurance companies, based on the data that they see, are not recognizing the merits in reducing accident rates with the MELT training.

We're looking as a government, working with other provinces as well, at enhanced training. Now, we're not suggesting this would be mandatory, but it would be optional for new, budding truck drivers, individuals, Albertans who want a career in the transportation industry. They could take further training, and the further, more comprehensive training, we believe, would result in a lower risk profile, and a lower risk profile would result in lower insurance premiums.

Now, insurance, broadly, is tough right now, and the trucking industry is, you know, really on the front line of a hard insurance market. We've had an insurance industry, insurance market that's really hardened up globally but certainly in the North American context given some of the losses that have been experienced over the last number of years. Of course, during those times insurance companies have to recapitalize, and they do that one way, through premiums. That's what we're experiencing right now in the industry. The trucking industry, of course, is facing that challenge along with every other insurance consumer in one way, shape, or another.

One option that new drivers do have is insurance through the Facility Association. It's expensive, but it's an option. So if there is a trucking company that has a new driver and they need to get

insurance for that driver and they're turned down by other options, other providers, they can get insurance. It'll be expensive, but they can get insurance through the Facility Association.

4:10

You know, the member alluded to self-insurance, and I believe he was referring to the fact that we have enabled captive insurance companies to be domiciled here in Alberta. I have to say that we've had great interest in captives here in the province. We have a few moving forward right now, which is very good news. You know what? I encourage trade associations, industry associations where their members are challenged with insurance, particularly if they believe that insurance premiums are not reflective of the risk in the sector, to work to understand whether a captive might be an option for them. Captives require significant capitalization. Captives are not an inconsequential entity to establish, but I believe that in some cases a captive insurance company may provide a solution.

Mr. Dach: Thank you.

I'll continue with a couple more questions if I may. Knowing that the driver training is something that's, as you just mentioned, an important issue for operators of transportation companies – just yesterday school bus operators and their associations were asking for shorter training periods, shorter than the current five weeks' training that they're now required to go, in an effort to attract more bus drivers to the school bus driving industry. I'm wondering. If indeed knowing that request for a policy change and shorter training periods, what insurance cost effect – what are insurance industry members telling your ministry in reaction to this, if you had time to hear about it, as to: would these insurance costs be affected? How would the insurance costs be affected, in your view, if indeed you chose or your government chose to shorten the training periods to entice more people to take up school bus driving as an occupation?

Mr. Toews: The information that we've seen to date with respect to MELT training would indicate that the MELT training has not resulted in a measurable improvement or reduction in accidents. Ultimately, it's a reduction in claims that will ultimately drive down costs and result in lower premiums. That's why right now there's work being undertaken to understand a more comprehensive training program – it would be voluntary, of course – so that new drivers could participate in that kind of training program and perhaps experience a reduction in their insurance costs.

I do want to say again that certainly in our heavy transport industry in Alberta broadly, certainly in our, you know, education transportation sector we do have a very good track record. There's additional risk with new entrants, and particularly with our heavy transportation sector there's additional risk with new entrants. But overall we've had a good track record. I think of our school bus drivers historically, and again I think many of us probably in this room rode the bus for something close to 12 years in our . . .

The Chair: Sorry. We'll have to finish that story later on.

We'll now be moving over to the government caucus for a 10-minute block. Mr. Singh, you're back online, back and forth with the minister. Go ahead, Mr. Singh.

Mr. Singh: Thank you, Mr. Chair. I will start where I left my questioning there. On page 84 of the fiscal plan we can see that the targeted funding for affordability measures is expected to decline from \$2.2 billion in 2023-2024 to just under \$1.5 billion in 2024 and '25 before increasing again to \$1.8 billion in 2025 and 2026. Can you please provide some clarity on these fluctuations?

Mr. Toews: Sure. Chair, I'm happy to provide a bit of clarity as we take a look at – you know, the affordability measure differential, as the member noted, in '23-24 totals \$2.25 billion. We've talked about what is included in this upcoming year, and that begins to come down in '24-25. A reason for the reduction in '24-25 is the fact that based on our energy prices, we are expecting that the fuel tax suspension program will not be in play. We're expecting oil prices below \$80. If we're wrong, of course, and if oil prices are higher, then the fuel tax suspension will be in play. That's the good news about that program, but based on our projections, we're not expecting it to be going forward.

The direct affordability payments, of course, will be ending in the upcoming year, '23-24. There's a reason for that; it's because, right now and in the year previous, this is the time of great inflation. We're projecting inflation rates to decline already in the back part of '23 and then into '24, so the affordability payments, we are anticipating, will wind down, and that program is not planned to be renewed in this fiscal plan.

Now, one measure that we're reporting here is the indexation of both our social programs and our personal income tax system. One thing I want to be clear – I don't want to be disingenuous with Albertans. In 2019 we committed that when we had our fiscal house in order, we would reindex any programs that were paused and our personal tax system. That's why we're doing it. Number one, we're fulfilling a commitment. But the reality is that this is a time of great affordability challenge.

That's why we're including that measure on this schedule, because it will provide very tangible relief from a system that wasn't indexed. That's the reason why we moved from \$1.5 billion to \$1.8 billion in affordability measures in the out-year. In the out-year there's additional benefit from reindexing, indexing our personal tax system, and also additional benefit in our social program affordability support.

Mr. Singh: Thank you, Minister, for the answer.

Is it safe to assume that some affordability measures will no longer be necessary moving forward, thus resulting in the decrease?

Mr. Toews: The answer is yes. We anticipate as, you know, inflation rates drop, there will be less rationale for the Alberta government to be supporting Albertans, certainly, directly. But, like I had mentioned earlier, some of these programs will be permanent. I've talked about the fuel tax suspension program; it will be a permanent feature here in the province.

We haven't talked about the natural gas price consumer protection mechanism. We're not expecting that protection mechanism will trigger as natural gas prices have to hit \$650 a gigajoule. However, the protection mechanism is in place, so Alberta natural gas consumers can rest in the fact that if we all of a sudden – and it's not inconceivable that this could happen in the next year, two, or three – see natural gas prices spike, consumers will be protected at \$650 a gigajoule. Again, Albertans can benefit from an owned resource.

Mr. Singh: Thank you, Minister.

It is obvious that the budget is full of measures that seek to make life more affordable for Albertans. This includes the aforementioned fuel tax cut on page 9 of the fiscal plan as well as the gas and electricity rebates on page 9 and the tuition cap for the postsecondary education on page 9. I could keep going, but I want to leave time for others to ask questions, Minister, as well.

We can all recognize the importance of supporting Albertans with high inflation costs, but I've heard that people also want us to focus on reducing the debt and saving for the future. Can the minister tell us about how our government balances investing in

these affordability programs while still focusing on debt repayment and savings?

Mr. Toews: Chair, I would love to answer that question. Such an important question. I'm always encouraged when I hear the sentiment around fiscal responsibility communicated by so many Albertans. I hear it in my region of Grande Prairie-Wapiti, my constituency; I hear it all the time.

I hear it all the time, and I'm really pleased to say that we've in this last fiscal year paid off over \$14 billion of debt. Every dollar of debt that matured during the fiscal year was paid off, and here's some good news around that. Number one, it saves Albertans debt-service costs, as we would expect. Right now, with interest rates rising, the cost of capital to the Alberta government is going up as well if we're going to issue bonds on capital markets or borrow in any other way. And if we had not paid that debt off but, in fact, were going to capital markets at our current cost, we would be adding \$560 million in debt-servicing costs next year, which is so significant, and every year thereafter until that debt is paid for. That's over half a billion dollars that we can use for education, for health care, that we can deposit into the heritage savings trust fund or use for future debt repayment. So there is great benefit.

4:20

The other benefit in paying down debt is this: it creates fiscal room. You know, one can't anticipate when we're going to bump into another economic shock. We see what's happening on capital markets today as we see the failure of, you know, a couple of regional banks in the U.S. We don't expect that this is going to be financial system contagion; however, we need to anticipate that down the road, at some point, there will be another economic challenge or economic shock not dissimilar to what we faced in 2020. What we needed in 2020 was fiscal room so we could deal with the fiscal challenge. The best way to create fiscal room is to pay off debt. I believe that right now, given where we're at, paying debt down should be the priority for the use of any surplus.

Mr. Singh: Thank you, Minister.

Furthermore, we just recently discussed how funding for affordability measures is expected to decline in the next couple of years, but I wanted to see if the minister would provide a comparison between the cost of these programs and the amount of our debt that we are projected to pay off.

Mr. Toews: I'm not sure I'm entirely following the question. The tension between the cost of the programs and the amount of debt we're going to pay off – I mean, our programs are a combination of reindexing our personal tax system and reindexing social support programs. Both are commitments we made in 2019, and these are commitments that we're delivering on, first and foremost.

We also have, you know, a series of tax-relief measures as well as some direct support payments. But what I can suggest is that the \$2.2 billion that in this upcoming fiscal year is ultimately provided under the affordability matrix: that investment in supporting Albertans and reducing the tax burden on Albertans will also pay dividends. That will help improve our competitiveness as, again, we reduce the tax burden on Albertans with the fuel tax suspension, as we ensure that Albertans, broadly, can hold on to more of their hard-earned dollars instead of paying those in taxes, and there's also an economic benefit to that in the province.

I'm probably missing your question here. We've talked about the benefit of debt repayment, what we've accomplished last year, and we also talked about the imperative around providing additional support over this fiscal plan for Albertans and Alberta businesses.

Mr. Singh: Thank you, Minister. I feel you've answered my questions there.

Let's move to oil prices. It is clear that the recent surge in oil prices had a hugely positive impact on Alberta. It has allowed this government not only to run a surplus but has also allowed us to help out Albertans during the affordability crisis through measures like pausing the provincial fuel tax. Given the importance of energy prices in this province, I have a few questions, and . . .

The Chair: Thank you, Member.

We'll now move to the Official Opposition for a 10-minute block. Back and forth with the minister?

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

The Chair: Thank you. Go ahead, Member.

Ms Phillips: Thank you, Minister. Why don't we turn to page 71 of the fiscal plan. I just want to go through some of the revenue from other sources, and we'll see how far we get. Maybe I'll ask a couple of questions, because some of them might require some follow-up from officials or written follow-up later or whatever the case may be. So leaving aside other – although we can get back to it maybe. When I was in government, I always just assumed that the other revenue was Brian Mason's speeding tickets; the hon. member had a lead foot, and he made a good transportation minister that way.

We'll go to the TIER fund first. This is, of course, the industrial carbon tax. I'm looking at the ministerial order from December 21, 2022, that sets the industrial carbon tax amounts. It goes up \$65 in 2023, \$80 in '24, \$95 in 2025, and then a bunch of step changes until section (i), which is \$170 per tonne by 2030 for that carbon tax. But what I see here in the TIER fund is that we have a forecast of \$637 million for '22 – that's when the carbon tax was \$50 a tonne – and then it goes down in '23 even though the carbon tax itself for industrial facilities is going up to \$65; for '24, we see the amount going up only very slightly, but the carbon tax is now \$80 per tonne; and then in '25 – sorry; I mixed up one of those numbers, but by '25 we have \$300 million of revenue in 2025 for when the carbon tax for the industrial emitters is \$95 a tonne.

I asked officials about this during the briefing, and they said that it was a function of the carbon markets, to which I responded: that makes sense, because as soon as you signal to the markets that the price is going up, you're going to get some market activity happening in the credit markets, right? And it's not always going to redound to the benefit of the Crown. Be that as it may, that's fine – right? – because we understand that this industrial carbon tax is designed to, you know, incent early action. It's designed to give people credit for things that they're not regulated to do and to become more competitive in a carbon-constrained future.

What concerns me is that now we've got this escalator laid out in ministerial regulation, but we've got a declining revenue by a lot, not just a little bit. I'm wondering if Treasury Board and Finance has done some internal analysis here, if they're doing an internal review, if they're looking at options to kind of get our arms around the credit markets a little bit more. This has the happy consequence of keeping the feds out of meddling in our business, which is something I'm all for, but also it might allow us to better regulate, expand, or exercise some market surveillance on the credit market.

It seems to me that that's the right job for TBF as the amounts become so much more material on the operator's balance sheet, as that carbon tax goes up to \$170 per tonne by 2030, as this ministerial order does. So has there been internal conversation about this? Is there any kind of review? Does TBF see a role for themselves and their own expertise in terms of understanding how financial instruments work, already regulating the securities regulator? Any thoughts on that? You

know, halving of the revenue is a third of a billion dollars; it's a lot of money.

Mr. Toews: Yeah, it's significant, and right now, realistically, it's a little hard to predict behaviour three years out as we see rising carbon prices. You know, I think, Chair, the member noted that, where right now we're trying to anticipate behaviour, we know that in some cases emissions will be dropping generally, and that's one reason why we expect that we'll be collecting less TIER income even as the price increases. We also know that there will be carbon trading, and then as a result of that, the Alberta government is not going to be collecting on the levy. But all of this is, you know, the best estimate at this point in time, and one can't perfectly predict behaviour into the future.

One thing with respect to, you know, additional analysis: we're starting that work right now. We recognize that this is an important area, so we're starting that work now to – we know that there will be structure developed and mechanisms developed, and that work is beginning.

Ms Phillips: I'll just go on to the – I kind of go up the other revenue, Minister. I've got SUCH fundraising, donations, and gifts. I know that one of the things in the university sector, when there were a number of sort of implementing the MacKinnon panel recommendations on the calculation of how much we were spending – this was a real bugbear for them; this was a burr in their saddle. They did not like that their donations were essentially counted against their operating expense. If you had a really good donation or fundraising or got a big gift, as U of L oftentimes did, that was counted against their expenditures when they turned around and spun it out into bursaries or scholarships or whatever the case may be.

So, number one, have we fixed that? And, two, these numbers are fairly flat; does that reflect – what? – past practice or economic conditions? What's behind that forecast?

4:30

Mr. Toews: Sure, Chair. Good questions. The answer to question 1 is yes. Have we fixed it? Yes, we have. This was some time ago. We recognized that a hard expense ceiling for these institutions simply did not result in the outcomes that I think anybody looked to achieve. Even with our fiscal rules we have provided an exception for dedicated revenue, and this includes our postsecondary institutions. We want to encourage them to be entrepreneurial, to be out there fund raising. Many of them participate in research. Some of that's funded federally and from other sources, and we want to encourage it, not penalize it. That's been our approach, and that's one reason why we've seen, you know, in terms of the budget and actuals, our postsecondary costs rising, because we've not held them, we've not constrained them in that way.

Now, with respect to fees these institutions ultimately provide us with their projections. That's how we put together these forecasts. We've not sat down and tried to figure out what they might look like. We've simply taken the numbers that our institutions have provided.

Ms Phillips: I'll just move up in the bit of time I have here. We have health and school board fees, and those are amalgamated together. I'm wondering if there is a breakdown of those somewhere within TBF and if that can be provided to us in some kind of written follow-up or later on in the evening maybe, if that is available, because they do increase significantly. I'm wondering how much of that is school board fees, because some of that can be because of enrolment. Some of it can be due to just budgetary

decisions at the board level. Then on the health side I'm just wondering what the increased fees are there. If there's some sort of breakdown over there, that'd be great.

Mr. Toews: Sure. Yeah. Chair, we'll be happy to provide that breakdown, that detail.

I should note, just to add to my previous answer, that, of course, we are limiting tuition increases to 2 per cent. That's also one reason why we're seeing a bit of a flattening of that revenue line once we get into the out-year especially.

Ms Phillips: Well, hopefully, we'll have higher enrolment, too.

Then APMC: what is behind those numbers? Is that North West upgrader related? Can we just kind of dig into that a little bit in the 44 seconds we have left?

Mr. Toews: Yes. North West upgrader figures pretty significantly into the APMC results, as we know. Something that I should note is that it would have been about two years ago, during the summer of 2020, during the energy price crash, that we as a government actually renegotiated the government's position on APMC. We restructured our debt, renegotiated with our counterparties, and really strengthened the Alberta government's position. It was an improvement of net present value of future cash flows to the tune of about \$2 billion.

The Chair: Thank you, Minister.

We'll now move on to the government caucus. I see Mr. Singh had his hand up again and will go back and forth with the minister. Go ahead, Mr. Singh.

Mr. Singh: Thank you, Mr. Chair. I will circle back to my question. It is quite clear that the recent surge in oil prices has had a hugely positive impact on Alberta. It has allowed this government not only to run a surplus but has also allowed us to help out Albertans during the affordability crisis through measures like pausing the provincial fuel tax. Given the importance of energy prices in this province I have a few questions. What are the energy price assumptions for the third quarter of 2020-2023?

Mr. Toews: Sure, Chair. Good question. I've been checking. You know, the member talked about this resurgence in energy prices. I was hoping WTI had gone up 10 bucks this afternoon, but it hasn't yet. Of course, we're seeing the volatility in commodity markets today in a big way. Our third-quarter forecasts for '22-23 are \$90.50 a barrel for WTI, and that's down slightly from mid-year. Mid-year we were at \$91.50, and of course that's reflected in our new revenue projections for our current year. Our first-quarter assumption was \$92.50, so we've seen a softening in our projections for the fiscal year, the fiscal year that's going to expire here – what? – in 16 days. We're very close to the end.

Mr. Singh: How concerned is Alberta's government with potential drops in the price of oil? How is this impacting Budget 2023 and forecasting moving forward?

Mr. Toews: Well, if you ask me, today as we again watch the volatility in commodity markets, you know, we're just reminded that our revenue structure in Alberta has some volatility, has significant volatility, so we're really paying attention. That's one reason why we take quite a prudential approach in our forecasting in our estimates. Certainly, at the time we finalized our assumptions that ultimately drive our revenue projections, we were between 4 and a half dollars and \$7 lower than the private-sector average forecast for WTI prices.

I believe we've taken quite a conservative approach to the differential. We're projecting just under \$20. The differential has been trading, you know, in that \$15, \$16 range recently. With Trans Mountain pipeline coming on, that expensive pipeline coming on, likely this fall, it will, again, provide additional efficiencies and additional options to Alberta producers, likely even potentially narrowing that differential even further. I think that on the differential we've really taken quite a cautious approach. That's reflected in today's numbers.

We talk about kind of the third stool in this big economic assumption revenue matrix, and that is our currency. We've projected a Canadian dollar at 76.2 cents relative to its U.S. counterpart, and today we're 72 and change. Again, there's a bit of an inverted effect on our currency. As much as Ottawa may not like the fact that we still have a petrodollar, we still have a petrodollar to some degree. The energy industry is such a significant industry in Canada and makes up such a large percentage of our exports. Therefore, it does have an impact on our currency. Typically historically if we have seen energy prices drop, then we would also see our currency drop, and as our currency drops, then, obviously, every dollar we receive in American currency is more in Canadian terms, so a low dollar is good. That's what I'm trying to say, that a low dollar is good for government revenues.

Again, we've taken a prudential approach on all three of those really major metrics with respect to royalty income. That's important because we see volatility. Today is a great example.

Mr. Singh: Thank you, Minister. I think you have answered most of my questions.

If the price continues to drop rather than remaining steady, how is the province ensuring that it will continue to have money to help Albertans and to grow this province?

Mr. Toews: Well, look, we've just tabled, presented a fiscal plan and appropriations bill on the floor of the Legislature. That's our plan for the upcoming year in terms of our spending plan, delivering government programs, funding government programs. That plan is in place.

I talked about the importance of creating fiscal room. Well, you know, again, on a day like today we're reminded of the importance of creating fiscal room and paying down debt in years where we can pay down debt and creating that room. That is so important because while we will always work and strive to present and deliver balanced budgets and surpluses, we know, with our volatile revenue structure, that in the event we have a year where energy prices really drop unexpectedly, we will have to, in fact, continue to deliver government programs. That's the reality. If we have fiscal room, that allows us to deliver those programs and to obtain the capital at as low a cost as possible.

4:40

I have to say that right now we've had a couple of credit upgrades here in this last year. We'd not had a credit upgrade in Alberta – prior to this year I think the most recent one was 2001. These credit upgrades are actually lagging with what the market tells us Alberta's credit rating should really be. We're borrowing, and certainly over the last number of months at times our cost of capital as a province has been cheaper than that of Ontario, and Ontario is kind of the benchmark amongst provinces. That's good news, and that bodes well for Albertans in the future.

Mr. Singh: Thank you, Minister, for your answers here.

I will give the remaining time to my colleague Member Turton. Thank you, Mr. Chair.

Mr. Turton: Thank you very much, Mr. Chair, and thank you very much, Minister and the rest of your staff, for coming out here today so as to kind of chat with us for these six hours. I just want to continue the line of questioning a little bit of what my good friend MLA Singh was talking about in terms of provincial resiliency, in terms of, you know, the revenue streams and diversification. I guess I just want to kick-start my line of questioning here in this segment. On page 8 of the fiscal plan it shows how diversification of the Alberta economy is further boosting the advantage that we have here in the province. I was just hoping, Minister, if you can maybe elaborate on how the province is actually diversifying the economy so that we're not so dependent upon nonrenewable resource revenue to ensure that the books are balanced.

Mr. Toews: Chair, through you to the member, I appreciate the question, and I'm not surprised by that question from that member, who is concerned legitimately about diversifying Alberta's economy and ensuring that we have a diversified revenue structure as well in the province. Again, we've talked earlier about the action we took in 2019 to broadly improve the competitiveness of Alberta's business environment. You know, that was step number one. I continue to believe and I'll again for the record note that I believe that government is well served, the people are well served, business is well served when governments take a broad approach because governments will often get it wrong if they choose only a boutique approach. All you have to do is drive across this province and you will find plays, investments that were only there because of government incentive, and now all you see is kind of a weathered carcass. You can drive right across this province and see examples of that. That ultimately results in a misallocation of capital, and that's something we need to always avoid.

All that to say that with the broad approach we've taken, creating a very competitive business environment as well as in sectors where we compete globally with other jurisdictions that have additional incentives but sectors we know we're naturally competitive in, by offering additional incentive, we're seeing great diversification in this economy. All we have to do is take a look at De Havilland Air choosing Alberta to bring their water bomber manufacturing plant to. I can tell you this. We met with the executives from De Havilland very recently. This is only their first step. They're expecting to, they're hoping to, they're planning to onshore their supply chain – where? – right here, in Alberta. And the good news is they did that without one dollar of additional taxpayer funding or support. They did it because of our incredibly competitive business environment, including access to young, educated Albertans, who they know can have a great career.

The McCain announcement was another example of further diversification in our economy and all of that along with financial services. I talked to the importance of financial services and their great contribution to corporate tax revenues. All of that is creating a broader base for Alberta government revenues.

The Chair: Thank you, Minister.

We'll now move over to the Official Opposition for a 10-minute block going back and forth with the minister.

Ms Phillips: Yes, please.

The Chair: Then, after that, we'll take a quick break, so go ahead.

Ms Phillips: Okey-dokey. Thank you, Mr. Chair. We'll just go back to the revenue from other sources. I want to inquire about the AGLC gaming lottery revenue because in 2021 we brought in sports betting, and at that time we had a commitment to bringing in retail sports betting, mobile extensions. The reporting at the time was that the Canadian Gaming Association estimates more than \$4

billion is gambled through sports books every year. That's nationally. The AGLC expected at that time \$3.3 billion in sports betting wagers, and they had added online 50/50 as well. Then I look over in the revenues, and they're pretty well flat. What is behind that? Why is it that, you know, I can't turn on a television and watch a hockey game or anything else without being advertised to about sports betting every 25 seconds, yet I don't see any additional revenue to the Crown for this? Why? And when are we going to see that revenue? Clearly, by all accounts we do have sports betting happening.

Mr. Toews: Chair, I'd like to thank the member for the question. I, too, have observed the – we're inundated with, you know, sports betting ads. In fact, I've heard concerns from constituents around the density and the frequency of those advertisements. One thing I would note is that certainly many, many of those advertisements are in fact advocating for right now what we would say are grey channel organizations, organizations that aren't legal to be active here in the province. That's a concern of ours because when it comes to gaming, my number one concern is social responsibility. I think that's the number one concern. We all probably have people in our sphere who've got caught up with a gambling addiction, and it's tragic. It's tragic in our families and in our communities. Number one, social responsibility is critical.

Now, we went forward with Play Alberta. We know that there's going to be sports betting and there's going to be online gambling, so we went forward with Play Alberta. Play Alberta is AGLC's kind of step 1 in providing Albertans with what could be characterized as a safe venue for online gambling and sports betting. There are two advantages. One is that they build in social responsibility to Play Alberta. That's critical. Number two, the profits stay in Alberta so that we can use those revenues to deal with some of the costs that ultimately come from aberrant behaviour in this area.

Now, AGLC has come forward with a plan to move to step 2 and step 3 and further liberalize this, effectively, activity in this space. Step 2 will be including our existing casino operators in, again, offering them the ability to participate in sports betting, and in step 3 would be an even broader approach. We're in the process of heading into step 2. Step 2 will, again, allow our existing players more opportunity, and we believe that's important. We have, you know, gaming investment in this province that has been here, and we think that it would be very natural that they would have an opportunity to benefit from the sports betting play. Again, many of those casinos are First Nations casinos, and they're very interested in working in this space.

We have Kandice Machado here from AGLC. Kandice, I don't want to put you on the spot, but I'm going to put you on the spot. Would you be interested in making a few comments around AGLC's plan to move forward?

Ms Machado: Hello. Kandice Machado, chief executive officer for AGLC. Thank you for the question, Minister. I think you addressed it quite well. We have a staged approach to offering sports betting in the province of Alberta, and we're currently in a request for proposal stage in negotiating on the retail expansion with a mobile extension, as noted by the minister. Certainly, I'll highlight, along with what the minister said, that we do continue to see growth in Play Alberta and the offerings through Play Alberta, where the money played in Alberta stays in Alberta, and that is reflected in the budget estimates. The net revenue that we expect to generate through Play Alberta is close to \$150 million annually. Again, we offer some of the most robust social responsibility measures on the site.

I don't have anything further to add.

4:50

Ms Phillips: Can I just ask a follow-up, Mr. Chair, while we have folks from AGLC? I'm seeing in TBF estimates the \$1.6 million in gaming research, and I think that the minister and I agree that – I a hundred per cent support the sort of harm reduction approach to gambling because I really worry about it, too. We all have folks that we kind of know of for whom it's become problematic. So where are the other investments of some of those gaming revenues back into abatement, education, you know, those posters that we see in casinos, things like that? Where are those other investments, and have they increased at all as casinos have kind of gotten back to normal and other forms of gambling have sort of resumed after the pandemic?

Mr. Toews: Yeah. Chair, I'm going to call on Kandice to make a few comments, if Kandice has anything else to say from AGLC's perspective around, again, social responsibility, and then I'm going to actually turn to Mark Brisson from our department, who also is quite active in terms of additional research in this area, which is also critical. Is that acceptable?

The Chair: Absolutely, yeah. As soon as you're finished, make sure you let her know that she's finished and can just sit down.

Mr. Toews: Duly noted.

Go ahead.

Ms Machado: Thank you. Again, Kandice Machado, chief executive officer for Alberta Gaming, Liquor and Cannabis. We certainly continue to look at our social responsibility programs that we offer through AGLC. Specifically for gaming, we focus on GameSense. We also have a self-exclusion program and some very good measures on Play Alberta.

From a funding perspective, yes, we've increased the funding. Our funding for the budget year '23-24 is over \$11 million. We also continue to look for ways to provide our marketing programs in a way that resonates with Albertans. Again, it's focusing on where they are and the best ways that we can communicate our messaging and make sure that folks who need support receive that support.

We also have representatives in every casino facility that support Albertans on the floors when they have the desire for self-exclusion or additional information to support any concerns that they have. Along with that, I'll just highlight that we also offer DrinkSense campaigns. Dry9 is one of those campaigns. And we launched CannabisSense to provide neutral information to Albertans to support safe use of cannabis products.

Thank you.

Mr. Toews: Great. Kandice, thank you.

Mark.

Mr. Brisson: Am I on? Yup, I am. Hi. Mark Brisson, assistant deputy minister, Treasury Board and Finance. Our team works with the Alberta gaming research institute out of the University of Calgary, provides grant funding, and we work with them on their strategic plan of priorities of what research priorities they have for the year. We also attend some of their board meetings as well as their conferences to make sure that we're aware and working with AGLC on making sure we have the right balance. We work closely with them. It's a priority for us because, you know, like you say, you watch a hockey game, you can see all of the Ontario gaming sites. In Alberta we want to make sure we have a proactive approach going forward. So the research side, the proactive approach that AGLC is putting in place, and trying to have a balanced approach is the way I would answer it.

Mr. Toews: If I can just add, because this was a very good question from the Member for Lethbridge-West. You know, the board at AGLC and certainly my department know my number one priority is social responsibility, and I've appreciated how they've delivered.

The Chair: Thank you, Minister. We can finish up that conversation.

We're going to take a quick five-minute break, followed by a 10-minute block with the government caucus.

[The committee adjourned from 4:55 p.m. to 5 p.m.]

The Chair: My apologies, Minister. If you could please take your seat, we will get back to it.

We have a 10-minute rotation for the government caucus. I see Mr. Turton has the floor. Go ahead, Mr. Turton.

Mr. Turton: Yes. Thank you very much, Mr. Chair. Minister, continue back and forth if that's okay? Yes? Okay. Sure. Awesome. Well, thank you very much, Minister.

Just to kind of continue on some of our questions that we were talking about in the last segment, I was asking a couple of questions about diversification to kind of create that provincial resiliency when it comes to how our province can manage and weather these financial storms. However, on page 11 of the fiscal plan it does mention the risk of recession. I'm thankful that at least there's acknowledgement of it. I mean, that's the main reason why we want to diversify the economy and our different income streams, to make sure that we don't go there. I guess a question for you, Minister: how resilient is Alberta's economy in the face of this possibility? I mean, I know earlier you were talking about the volatility of oil revenues. Maybe just please elaborate a little bit on that.

Mr. Toews: Well, again, further to my previous comments – and, again, this has been checked with our chief economist, our major banks – I do believe Alberta's economy is positioned well to be resilient in the face of headwinds, volatility. You know, we're seeing a good example of that today, and there are a couple of reasons for that.

We've talked about Alberta's diversifying economy and the momentum. There's such a thing as economic momentum, and, Chair, we have economic momentum right now in Alberta. You know, we can see that with the plans that are even on the books, where De Havilland is coming. They're coming. McCain has just announced their largest manufacturing and processing investment of all time, anywhere, right here in Alberta. Those projects, I believe, are going to move forward in spite of the fact that we're seeing some volatility in markets, in spite of the fact that we may see – we can't preclude it, perhaps, broadly across the economy in Canada – a shallow recession in a couple of quarters in '23.

But it's because of the momentum we have right now broadly in our economy that I believe Alberta is going to show some resilience. On top of that, of course, we're dealing with inflation challenges. You know, at a time of inflation it's not a bad thing to have an economy that still has a strong resource base. Obviously, if we see energy price inflation, that's typically reflected in commodity prices broadly, certainly in agriculture products. We've seen higher prices on the forestry side as well, and all three of those sectors drive the Alberta economy in a very material way in different regions.

I do believe, because of the momentum we're seeing in the province broadly – I've talked about financial services. Alberta is just becoming a magnet for capacity in the financial services sector right now. More broadly, within manufacturing we talk about petrochemical manufacturing but aerospace and now even

agriculture processing and manufacturing. All of those sectors, I believe, are seeing growth, and that growth is creating momentum in this economy. That momentum is also reflected in the fact that Canadians are moving here. That will also provide some additional resiliency in the economy as these Canadians, new Albertans, are going to need a home. They're going to need a place to stay, rent. They're going to be going to the grocery store. They're going to be consuming services and products right here in the province. They're also going to be looking for work.

According to the CFIB we have about 100,000 spare, unfilled positions right now in Alberta. I know that in my constituency, Grande Prairie-Wapiti, if I drive through Grande Prairie, I will go past probably 20 to 25 signs outside, on the roadside, for employers looking for staff right now. I believe Alberta is uniquely positioned to withstand some of the economic challenges in a very significant way.

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

I appreciate you talking about financial momentum. During this term here I know our government has experienced a couple of things that the previous government never has, you know, one being a balanced budget and the other one being a credit upgrade. I guess, regarding those credit upgrades, I mean, based upon the fiscal plan that you've put forth and in light of that momentum that you talk about, are you expecting any additional credit upgrades in that regard?

Mr. Toews: You know, based on the high-level response that we had to our budget from bond-rating agencies, you know, I would be surprised if we didn't have another credit upgrade or two over the next six to nine months. Now, obviously, energy prices are going to have an effect on that, because there's no doubt they continue to have a bearing on Alberta's revenue structure. No, I would expect that there's a pretty good chance of another credit upgrade or two within the next six to nine months. Again, that's good news for Alberta's cost of capital.

Mr. Turton: Excellent for that.

In light of that, you know, potential for credit upgrades – obviously, we have to be able to see it – I notice that on page 11 it shows the total revenue is estimated at \$70.7 billion for the upcoming fiscal year, which is about \$5.4 billion lower than the record revenue of \$76 billion, which was forecast earlier. Minister, are you at all concerned about the estimated revenue for the 2023-2024 year being lower than last year's forecast?

Mr. Toews: Chair, I'm not at all concerned that we're seeing in our fiscal plan a reduction in revenues, because we are projecting, you know, a very material drop in WTI prices. Again, we're projecting over \$90 for the 2022-23 fiscal year, dropping down to \$79 for the upcoming year, and we're also projecting quite a wide differential as well for this upcoming year. The fact that we're seeing, well, let's call it a bit of a correction in nonrenewable resource revenue is not particularly alarming.

What's encouraging broadly is that over the course of this fiscal plan we see growing revenues on other revenue lines, growing revenues from personal income taxes, you know, rising at about 7 per cent per year, which is significant. That reflects the wage growth that we expect we'll see in the province, and that reflects, you know, the additional employment opportunities that we believe are going to be created through the fiscal plan, all of that resulting in expanded fiscal capacity and increased government revenues.

We are also projecting corporate taxes to continue to grow, again, coming down slightly this year, coming off these very high energy

prices, but then growing, you know, in the neighbourhood of 5 to 6 per cent over the course of the fiscal plan.

Again, you know, I've talked about the fact that in most years financial services is the sector that contributes the most to corporate tax revenue. Financial services are very sensitive to corporate tax rates and to differential in corporate tax rates, and it's rational – it makes sense – for firms, especially those in financial services, to really look to allocate as much of their taxable income to the province with the lowest corporate tax rate. I believe that's what we're seeing. RBC announced that they're moving their tech hub – where? – into Alberta, we see Ernst & Young declare Calgary as their financial centre of excellence for the Americas, we see TD at capacity, and I can just keep going through the financial services companies that are adding capacity right here in Alberta. That's rational behaviour given the incentive to report as much taxable income right here in the province.

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

In the last minute or two I just want to talk a little bit about the Alberta heritage savings trust fund. I know that we talked a little bit about the revenue side, about decreasing volatility with our long-term projections. I know some of my colleagues have talked about debt repayment as well as oil prices. But there's a key aspect to the financial state of the government, and that has to do with saving for the future and making sure that future generations are going to be looked after when it comes to, you know, seeing value from the nonrenewable resource revenues that we have. I guess, just right off the bat, I was hoping, Minister, you could maybe just elaborate on the financial position of the fund today.

Mr. Toews: Sure. Chair, a great question. I have to say that in my prebudget consultations over the last couple of years the interest in the heritage savings trust fund by Albertans broadly has just been off the chart. You know, I think that as Albertans have recognized that we're back into surplus territory, all of a sudden they're so interested in saving for the future. Again, so many are interested in fiscal responsibility.

As at December 31, 2022, the fund had a market value of \$18.6 billion. Now, I mean, investment returns have been tough this last year. You know, if somebody has killed the market, I want to know who they are, because it's been a really tough year in terms of investments in capital markets. AIMCo's returns have been better than benchmark, have been better than the passive benchmark, and that's also important.

5:10

The Chair: Thank you, Minister.

Members, we will now move over to the Official Opposition for a 10-minute block. Back and forth with the minister? Mr. Dach.

Mr. Dach: Perfect. Thank you very much, and I appreciate the opportunity, Mr. Chair, to continue on and speak a little bit about economic development in rural Alberta. Of course, the minister is fully aware, being from Grande Prairie-Wapiti – rural Alberta is his home, and he's probably over time had an opportunity not only to ride a yellow school bus, as he mentioned in earlier comments, but he also probably had occasion to ride a Greyhound bus once in a while in his past life in his riding of Grande Prairie-Wapiti.

I wanted to ask the minister a few questions around rural bus transportation. In reference to page 145 of the business plan once again, talking about economic development and rural bus transportation being a driver of economic development for small towns, I wanted to ask the minister: how many of the 107 Alberta communities that lost Greyhound bus service in 2018 are in his riding and still no longer have regularly scheduled bus service, and

how many in Alberta, of those 107 communities that had Greyhound service, still have no regularly scheduled bus service? I know that the minister might be aware . . .

The Chair: Member, I'm just going to question you a little bit on relevance here. If you could come to a line item in the minister's budget or the budget documents that talks about Greyhound buses, I'd be happy to entertain it.

Mr. Dach: Well, I was hoping that the business plan would be a relevant document to point to when talking about economic development in rural Alberta.

The Chair: If you can tie it into the business plan document, that's a challenge I put forward to you. Go ahead.

Mr. Dach: All right. Thank you very much. I'll refer once again to the business plan and economic development in rural Alberta, with the chair's indulgence, and I wanted to know if indeed the minister can point to a single line item in the budget that is dedicated specifically to the facilitation by the province of Alberta in re-creation of some form of regularly scheduled bus service network in Alberta, because many, many communities are suffering badly. The current operators, the four operators that are now existing – four smaller ones plus the Red Arrow, a larger operator who operates the gravy routes, I'll call them – are really, really struggling. Red Arrow is doing okay, but the four smaller operators are really struggling and losing money and, particularly postpandemic, are hanging on by the seat of their pants. Being from rural Alberta, you well know how much of a benefit the bus service was as an economic driver. It was not only carrying passengers; it was carrying parcels and goods.

What I heard in a Zoom consultation that I had recently from members of RMA, from businesspeople in rural Alberta's communities was that there's a need for leadership from the province to facilitate the resurrection of some form of a rural bus transportation network in the province. For example, I heard from businesspeople in High Level that they are now relying upon taxis to transport workers to and from High Level, at huge expense, because there's no regularly scheduled bus service. I'm wondering if you could comment as to whether that's on your radar at all. Is there anything dedicated in your budget to specifically assist the redevelopment of some form of rural bus transportation, regularly scheduled rural bus transportation, to serve rural Alberta?

Mr. Toews: Chair, there is. It's called the fuel tax suspension program, a direct line that is going to provide additional assistance to, certainly, bus lines right across the province. I've heard from so many owners in the transportation sector what a difference, what an impact that has made to their bottom line. And I don't want to soft coat or make light of the challenge in rural Alberta with busing and transportation, because it's real. I mean, as I listened to the member's question, I'm hearing some advocacy on behalf of rural Alberta, and I appreciate that, because communities need to be connected, and many have lost their busing service. But in terms of what we are doing in this budget, the fuel tax suspension program is a very meaningful measure to improve the competitiveness of those who will see a need and an opportunity and step into that opportunity with perhaps a bus line, a short line, maybe a larger service across the province.

I know in my community the municipalities got together to provide what they called the County Connector. That was effectively a bus line that would provide bus service between some of the local towns into Grande Prairie, and it wasn't without its cost. It was at significant

cost to the municipalities, and I have to say that with the number of times I went past the County Connector and there wasn't one person on that bus, as a ratepayer I really questioned its veracity.

That's why I believe the approach should largely be market driven. It's government's role to create, you know, the most competitive business environment possible to where there's need such as in High Level, where an entrepreneur can step in and say: look, I think I can offer a solution here that's going to come in at a low enough cost to attract interest. That's what we're looking to do in the province. I appreciate the member's concern for rural Alberta and his concern to ensure that rural Alberta is connected.

Mr. Dach: A follow-up if I may, Minister, through the chair. My point in bringing up this issue was, in fact, that the market forces are not satisfying this need. They do need some leadership, and as you've alluded to in the past, in very many industries government investment has been required to incent a development in various different industries. Here's one example clearly begging for some leadership and a realization that on its own market forces are not replacing, even with a different business model, what Greyhound provided beforehand.

Now, it's 2023. We shouldn't have a total lack of rural bus transportation for huge swaths of Alberta, and that's what we've got right now. We've got four operators which operate a limited number of routes, and there are huge swaths of Alberta – there are communities the size of Camrose and Wetaskiwin – that don't have bus service. That's something that I hope that you'll turn your attention to and put money towards, to facilitate at least a really solid discussion with RMA, with towns and villages and businesspeople throughout the province to investigate this lack, this need that is out there.

I think it's an unsung story. I'm trying to raise the awareness of yourself as Minister of Finance and others to pay some attention to it because rural Alberta is really hurting as a result of this lack of a network of rural bus transportation. I think it's something that one would do well to pay attention to. It may seem like a small thing, but if you are in rural Alberta and you don't want to rely upon family and friends to get you to a medical appointment, to a larger centre, you may well choose to sell your house a few years earlier and move into the larger centre and then vacate that smaller community and depopulate it one step further. It's really important to the health of rural Alberta that these bus services be resurrected in some form.

There are European models of different kinds. There are co-op models. There are lots of different business models that might be applied in different ways in different communities that should be looked at. I really think it's incumbent upon the Alberta government to spend some money to at least facilitate the discussion to find out what would be needed. What is the business community saying? What are elected officials saying? Also, in the Indigenous community, as well, it's very, very important to Indigenous populations that they have a rural bus transportation network for public safety. So rather than just saying, "Let's let it be market driven," let's assist the market by letting it be known what exactly is needed, what communities are saying, and show the leadership needed to facilitate that discussion as a province.

Mr. Toews: Chair, if I can respond. Again, I appreciate the member's advocacy for rural Alberta. Message received. But, again, I'm the Minister of Finance, not the minister of transportation. You know, when I looked at the budget and fiscal plan, the question was: what are we doing to encourage and facilitate and improve connectedness in our communities? Well, the fuel tax suspension program is something that's tangible; it's direct.

What I would suggest is that the member have this conversation with perhaps the minister of agriculture and certainly the Minister of Jobs, Economy and Northern Development. I think that would be a very appropriate conversation. Connectedness matters, and I appreciate the advocacy for rural Alberta.

5:20

One thing. Can I also add to that, Chair, very quickly? We've just come through a time of great disruption, and we're seeing businesses, we're seeing transportation, infrastructure – we're seeing that all kind of reset right now, so I take the member's, you know, advocacy seriously. We need to ensure that communities are connected following this time of great disruption. There's been business loss. There have been businesses that have stopped operating, including those in the transportation sector.

The Chair: Thank you, Minister.

We'll now move on to the government caucus for a 10-minute block. Go ahead, Mr. Turton.

Mr. Turton: Yes. Thank you very much, Mr. Chair. Minister, I'd just like to ask a quick supplemental regarding the last topic that I finished off my last block on, which was the Alberta heritage savings trust fund. Minister, you talked a little bit about where the fund is currently, but I know a key part about the fiscal plan moving forward is keeping 100 per cent of the fund's net income actually in the fund, not putting it into general revenue. I know you've talked a great deal about the potential of what this fund could actually be and the impact it could have on families right around the entire province. I guess I was just wondering if you could elaborate a little bit about this need for change – why now? – and how it will actually impact the actual growth of the fund.

Mr. Toews: Yeah. Chair, appreciate the question from the member. Again, I talked about the great interest in the heritage savings trust fund in my prebudget consultations. You know, in terms of a surplus allocation, number one, we're going to stop robbing the heritage savings trust fund of its earnings. We think that's probably a good place to start, so we have introduced legislation that will effectively accomplish just that. Right now, I think as most committee members know, all earnings that aren't required to inflation-proof the fund categorically get transferred to the general revenue fund. If we pass this legislation – I'll look forward to the members across the aisle for their support on this as well – that change, then, will result in the earnings of that fund categorically staying in the heritage savings trust fund, and it would take an act of Treasury Board, in fact, to bring anything across to the general fund.

In the fiscal plan we are showing over four years – that includes our current fiscal year, '22-23 – effectively transfers or earnings retention, if you will, of \$5.7 billion. Now, that includes the \$2 billion that we've announced that we're going to be investing in the heritage savings trust fund from the surplus of the last two years, but it also includes earnings for future periods. That will be a material increase in the balance of the heritage savings trust fund. We're also anticipating for, you know, markets to normalize, capital markets to normalize, and for AIMCo to be able to continue to deliver strong results for Albertans with the heritage savings trust fund.

Mr. Turton: Excellent. Well, thank you so much for the comprehensive answer there, Minister.

At this point I'd like to cede the rest of my time to my good friend MLA Ron Orr.

Mr. Toews: Chair, can I just add to that answer? Is that acceptable?

The Chair: Absolutely.

Mr. Toews: I haven't mentioned it here, but I've mentioned it elsewhere. I asked my department here maybe a couple of months ago to come forward with the analysis of: where would the fund be at today if every dollar that the fund earned had been retained in the fund without any deposits over and above what were made to the fund? Where would we be at? The analysis concluded that instead of an \$18 billion fund, we would have a fund that would be approaching \$300 billion today. You know, as a lifelong Albertan, as an Albertan with children making this province their home, I regret that we were not in a position to reinvest those earnings, but that's what's encouraging today. I believe there's broad support across the province to reinvest those earnings into the fund. A \$300 billion fund would generate approximately \$20 billion a year of investment earnings. That would off-set, displace the nonrenewable resource revenue that right now we're depending on in part to pay for operations. The best day to start is today, and that's what we're doing.

The Chair: Yeah. But you wouldn't be allowed to spend that \$20 billion, sir.

Mr. Toews: Fair.

The Chair: Go ahead, Mr. Orr.

Mr. Orr: Thank you, Minister. I just want to circle around a couple of questions on debt and related subjects. I see on page 142 of the fiscal plan that debt is estimated to be \$78 billion into this next year. That's \$17.3 billion, I think, lower than was estimated in 2022. I just wonder if you can comment on: what has the government done to actually make this debt lower than projected, and how are you going to keep working to see that the debt is moving in a lower direction?

Mr. Toews: Chair, great question. You know, the taxpayer-supported debt for the province at the end of the last fiscal year was approximately \$93 billion. We talked about the fact that we had the opportunity this year to pay off every dollar that matured, which was over \$14 billion, and that's what brought our debt down to \$79.7 billion; that's what we're projecting where we'll be here in another 16 days. We're projecting some additional repayment in the upcoming year to bring us down to \$78.3 billion.

Again, with the economic assumptions we're using in this fiscal plan, we're expecting that debt level will stay fairly flat for the remainder of the fiscal plan. Obviously, if we see energy prices higher than what we're projecting, which we believe is quite conservative – \$73 in the out-year, \$76 in the mid-year – of course, that will facilitate additional debt repayment as that will generate additional surplus. But the fact that we've paid off \$14 billion, again, has a great impact on Alberta's debt-servicing costs.

I talked about the \$560 million savings every year. Again, those are savings because we're at a time where capital is more expensive. The debt that we have right now, that's placed right now – I believe our average interest rate, cost of capital, is just under 2.8 per cent, 2.78 average, for debt that's currently placed with, you know, an average maturity time frame of 11.7 years. If we're unable to pay off debt as it matures, that means we're going back to capital markets at a time of higher capital costs, and that will result in higher debt-servicing costs.

You know, if I can say one thing today, it's this. There is great benefit in reducing our debt as we can achieve surplus results in Alberta.

Mr. Orr: Yeah. Thank you.

You've actually gone where I want to go to a certain degree, which – I mean, the whole challenge of debt is the debt-servicing cost. My concern, though, is that as we look at page 150 of the business plan, in spite of a lower debt the debt-servicing cost is actually increasing by '25-26, almost to \$3 billion. I really want to challenge you on the assumptions that you also alluded to, because I look back and I actually fully recall that from 1973 to 1983 the inflation rate never went below 7.5 per cent. It peaked at about 14 per cent. Interest service costs were substantially higher than that. The Bank of Canada rate – I just checked – landed into 20 per cent. So the assumptions that – what are the interest rate assumptions in terms of calculating those projected debt-servicing costs? There were 10 years where the average inflation rate was 10 per cent, not 3 or 4 per cent that we've had these last years, and the interest rates were higher even than that. So I'm really quite interested or concerned, I guess, about: how do you arrive at those projected debt-servicing costs, and are they realistic projections in the light of past history?

Mr. Toews: Well, I mean, they're very consistent given the economic assumptions we've made around central bank rates and the cost of capital. I had noted that our average cost of capital for the debt that we have placed right now is 2.78 per cent, so it's placed at a very low cost.

5:30

Effectively, what we have done is that as we've built our fiscal plan, we've determined – based on the anticipated surplus we've anticipated the amount of cash that that surplus will generate, and from that we've determined how much debt we can pay off in the year of surplus. We're expecting our debt to continue to decline, but we're not going to pay off all the debt that's maturing. As a result of that, we are planning to have to get into capital markets to some degree over the course of, you know, the next three years, not only to pay off debt that's maturing but also to, in some cases, finance our capital plan, which also requires cash. Our annual cost of the capital plan exceeds the amortization that we're booking each year. That then, again, creates a cash requirement on the capital side year over year.

The Chair: Thank you, Minister.

We'll now move over to the Official Opposition. I see Mr. Carson has got the floor.

Mr. Carson: Absolutely. I'd be happy to go back and forth if the minister is willing.

Mr. Toews: I'm willing.

The Chair: Yes. Go ahead.

Mr. Carson: Thank you very much. I just want to take a moment to ask a couple of questions – and I had relatively similar questions for my critic portfolio, Service Alberta, Minister – regarding land title operations. Of course, most Albertans – and I'm sure you know, Minister, that land titles is currently several months behind or has been for at least a couple of years, potentially several years now. My first question is if the minister has any understanding to the value in terms of economic impact that that is having, whether it's regarding corporate income taxes or anything else. If he's able to provide any of those figures.

Mr. Toews: Chair, I appreciate the question, and I think it is a relevant question. We've not done analysis, and I think it would be challenging perhaps to do defensible analysis around the entire

economic impact due to the delay with land titles. But we know this: there is an impact. I absolutely would acknowledge that. That's why in last year's budget, Budget 2022, we, in fact, funded Service Alberta. We provided the funding that we believed would be required to get caught up on land titles, but here's what happened: Service Alberta hired additional staff to get caught up in land titles at the same time our economy took off, and thousands if not tens of thousands of Canadians chose Alberta as their place of residence, and it created additional incremental demand for land title transfers. So we didn't get caught up with that additional capacity that we funded, and I acknowledge that.

In this budget we have again funded Service Alberta for increased capacity. On top of that, we've provided \$100 million in our capital plan to effectively modernize our registry system, because this is the real answer. We're working with an antiquated system right now in land titles. That has to be corrected. It should have been updated, you know, years ago. Again, we're going to do it this – we're funding it this year in this fiscal plan so that, number one, we can get caught up by the end of the year on the current backlog in land titles; number two, modernize our registry system so that we can work in this current age.

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

Just one other question that I have on this issue – and this, again, came up through the deliberations in Service Alberta estimates – and it was regarding late payment of property taxes. Now, through the slowing of land titles several months behind, Albertans are finding themselves and municipalities are finding it hard to ensure that taxation documents and housing appraisal documents are making it to the proper people, so they're having issues collecting those taxes. Something that the Minister of Service Alberta and Red Tape Reduction mentioned was that the government of Alberta was planning, as far as I could tell from his answer, to cover all late payments, to reimburse all late payments for property taxes. Just wondering if you're able to provide any details to that, if you have a figure for how much that is going to cost, if it is happening this year and next year, a timeline for that as well.

Thank you, Minister.

Mr. Toews: Chair, the answer is yes. We are providing funding where there have been, effectively, late charges and penalties because somebody hasn't received their property tax notice. We're covering those costs. We're going to have to provide an integral number; it'll take us a few minutes, if the member would be patient.

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

Are you able to also potentially let us know how many Albertans are expected to receive that reimbursement? Yeah. That would be my supplemental to that.

Mr. Toews: We'll provide the amount spent to date and as much data as we have.

Mr. Carson: Thank you, Minister.

That's all, so I will hand it off to my colleague Member Phillips. Thank you.

Ms Phillips: Thank you. I just want to follow up on behalf of one of my colleagues, Minister. Sometimes in estimates other ministries say, "Oh, can you go ask the Ministry of Finance about that?" so this is one of those. It may be that you don't have the answer right away, and if we can endeavour to just clean up the answer either between now and an hour from now or a written response, that would be okay, too. As far as we can read here, on page 106 of the

capital plan we have \$8 million over three years allocated to ag societies, but then on page 116 it says \$3 million over three years, and then on page 1 of the capital plan it says \$2.5 million over three years for a total of \$7.5 million. Sometimes this is because of rounding, and if it's that, then that's fine. This was asked at the agriculture estimates: what accounts for these inconsistencies? It was indicated at that time that we should inquire with Finance. It would be good to know what the figures are and if we can clean this one up.

Mr. Toews: All right, Chair. I appreciate the question. The amount I can provide is \$2.5 million per year for each year in the fiscal plan. That I can provide right now. In terms of any inconsistencies in the fiscal plan we'll have to take a look.

Ms Phillips: Okay. So \$2.5 million a year for each year of the fiscal plan, so that's, then, this year, next year, and the following year?

Mr. Toews: That's right. And there's a rounding factor. I mean, when I take a look on page 116, it shows a total of \$8 million because of rounding.

Ms Phillips: That's fine. Okay; \$2.5 million each year for each year of the fiscal plan, and there might be an issue in one of the places in terms of clarity. It doesn't look like it, though. It looks like we've probably got the clarity that we need. Okay. Good.

I will go now just to the section on responses to the Auditor General. It starts at page 166 of the fiscal plan, and it provides the responses – February, March, May, June, December – of the various departments. There were recommendations that came in June of 2022 around, basically, tracking all that federal money that came in for COVID. At that time the AG reiterated some of his 2019 recommendations on how to track that, but I don't see those responses to the Auditor General here in the fiscal plan. So I'm wondering if the department did not accept those recommendations in the end, or there was some talk at the time, in terms of the response to those recommendations in June of 2022, that there would be some updates to the business plans and the annual reports. I'm wondering if that's happening and if there's any other reason why we don't see the department's response to those recommendations here.

Mr. Toews: I believe that within the fiscal plan we have responded, and we're being transparent with the response to all of the Auditor General's official recommendations. I believe it's comprehensive in terms of those recommendations as well as the response to those recommendations.

Ms Phillips: There was a report that came out on June 29, 2022, that found it wasn't always clear what the \$4 billion in COVID-19 spending in 2020-21 actually achieved. There was a question around, you know, amounts spent, and the Auditor General is always worried about outcomes and so on. At that time he did not issue a new recommendation to Finance, but he repeated a 2019 recommendation. Was that accepted by the department at the time, and do we not see a response here because of – why?

5:40

Mr. Toews: Again, I mean, there's a difference between a comment and a recommendation. I believe we have the comprehensive recommendations here. We've captured those, and we have a response. We have Dan Stadlwieser here, our controller, with us.

Dan, we knew there would be an opportunity for you today. I'm going to call on Dan to provide . . .

The Chair: I just hesitate. We're only at 10 seconds left, so maybe on the next block.

Mr. Toews: Okay. All right. We get the few-minute warning here.

The Chair: All right. Very good. We'll be moving on to the government caucus for a 10-minute block. Go ahead, Mr. Orr.

Mr. Orr: Yeah. Thank you. I'd like to talk a little bit about the debt-to-GDP and credit ratings. I noticed in the fiscal plan that debt-to-GDP is at 10.2 per cent and declining. That's well below the 30 per cent anchor number that was presented in the 2022 budget. For the sake of Albertans, really, is why I'm asking this. Could you just talk about why it's important that we keep our net debt-to-GDP low? Secondly, we've seen multiple credit-rating upgrades as a result of some of that, as a result of improved management. Can you explain, again for Albertans, why our government continues to see credit-rating upgrades and how that actually helps us?

Mr. Toews: Chair, I obviously appreciate that question. Now, you know, as I think all the members of the committee know, we established fiscal anchors shortly after we implemented our first fiscal plan. We established the fiscal anchors at a time when – due to the pandemic, due to the massive energy price collapse and the contraction in the global economy, due to the lack of economic clarity we established anchors that would guide our fiscal decisions during that difficult time. One of those anchors was to maintain a relatively strong balance sheet. We define that as a net debt-to-GDP ratio of 30 per cent or lower.

I think it's important to know that at the time, pre-COVID, 30 per cent was about the provincial average, actually. We believed, again, based on information that we had, that keeping that ratio 30 per cent or stronger would ensure a relatively strong balance sheet, would allow the province to recover fiscally, and would ensure that we had a little bit of fiscal room, fiscal capacity available. The good news is that we did not exceed 30 per cent. In fact, we stayed well below it. Right now we're projecting that within, you know, 16 days we're going to have a net debt-to-GDP ratio of approximately 10.2 per cent. That's by far and away the strongest ratio of any province in the country. I believe Saskatchewan is the next closest and something north of 14 per cent. Still a strong balance sheet.

A net debt-to-GDP ratio, effectively, you know, is certainly a good measure of balance sheet health, balance sheet strength, but it's also a good measure and metric that basically measures a jurisdiction's ability or entity's ability to service debt, again because of the GDP being the denominator. That's one reason why we're going to continue to monitor that ratio.

You know, those fiscal anchors that we established back in 2020 are still in play today. The fact that we're going into single-digit net debt-to-GDP in terms of the ratio in future fiscal years is very positive. All of that, of course – the strong balance sheet, the momentum we have within the economy with an economy that's diversifying at significant rates, and with the fiscal discipline that we brought to the province – has informed the decisions for credit-rating agencies to ultimately provide improvements, upgrades to the province's credit rating.

Mr. Orr: Thank you. I wonder if you could address one other fiscal anchor. We've talked about it a lot in government in the past, and that's the issue of per capita spending relative to other jurisdictions. I just wonder if you could make some comments on that. Where are we at in relation to the other provinces in Canada?

Mr. Toews: Chair, that, as the member noted, was another fiscal anchor, I believe a critical fiscal anchor, because back in 2019 we

inherited a government that was spending, well, according to Dr. Janice MacKinnon and her committee, \$10 billion more than comparator provinces on a per capita basis in delivering government services. The sad part was that we weren't getting better results.

Our government embarked on, you know, a major effort to bring fiscal responsibility to the province and also embarked on program reform. We were part of that at Treasury Board. To simply ultimately fund programs less will result in less output, but when you reform the way you deliver programs, you can deliver them more efficiently. A good example of that was our funding formula in Education, that ultimately put more resources into classrooms and allowed Alberta to ultimately align our per capita spend on education with that of other provinces. The good news is that we established the fiscal anchor of aligning our cost of delivering government services with the average of Ontario, Quebec, and British Columbia, the other large provinces.

The good news is that this fiscal year, '22-23, the year we're going to be just completing, we will have arrived at that objective. We will have aligned our per capita spend, and I believe that's important. I believe that Alberta should be able to deliver at least as efficiently as the average of Quebec, Ontario, and B.C., and that takes fundamental program reform. It takes ongoing evaluation of programming and a critical eye on that evaluation. That will be ongoing. That will necessarily be ongoing into the future.

Mr. Orr: Thank you.

I just wonder if you could explain something that probably confuses a lot of people, corporate income taxes. You actually reduced the tax rate by 4 per cent, and the net result was a greater amount of revenue coming into the province. How does that work, that you reduce the taxes and there's more money coming in? Can you explain that for people?

Mr. Toews: Well, again, our goal back in 2019 was to create a very compelling business environment, you know, a very compelling and competitive business environment, one that would attract investment, create opportunity, ultimately result in economic growth, economic diversification, which results in expanded fiscal capacity. That's what's been happening.

Now, I will say that the higher energy prices this last year contributed to our corporate tax revenue. There's no doubt about that. Our energy companies were quite profitable and are paying significant amounts of corporate tax. But right now we're seeing growth right across sectors, and that growth is resulting in increased economic activity, fiscal capacity, that's also contributing to higher corporate tax revenue for the province.

We've talked about the importance of the financial services sector in corporate tax revenue. Right now there's every reason for, you know, national companies to understand how they can allocate more of their taxable income to Alberta. I believe that's happening, and that's also resulting in increased corporate tax revenues. The whole concept is this: create a bigger pie by governments taking a smaller tax cut, and as we see economic growth, that growth, which results in expanded fiscal capacity, will actually generate and create more revenues for the government at a lower rate than it does at a higher rate.

Mr. Orr: Good. Thank you.

Kind of on the same subject, the job-creation tax cut, page 122 of the fiscal plan, do you have any sort of metrics on how much or how that has helped? Can you give us any value figures on what that generated by doing that?

Mr. Toews: There are a number of variables that companies evaluate when they make decisions around deploying capital and where they deploy capital, where they place their investment. Corporate tax rates are one factor, again, of many. I talked about the sensitivity in financial services to differentials in corporate tax rates. We don't have a specific number. You know, we've not done the analysis, the work to tease out a specific number, and I think that would be hard to do, to provide an integral number.

5:50

But we know this. By broadly creating this very competitive business environment, of which our corporate tax rate is a key component, it has resulted in tens of billions of dollars of investment attraction, economic growth, diversification, expanded fiscal capacity. We've seen our corporate tax revenue rise from, you know, just over \$3 billion to \$6.5 billion in the current year at 8 per cent instead of \$3 billion and change at 12 per cent. While we're expecting a small adjustment this year, we're still going to be reporting \$5.9 billion of corporate tax revenue at 8 per cent and then climbing at about 7 per cent per year throughout the fiscal plan. Again, this approach is working, and it's about . . .

The Chair: Thank you, Minister.

We'll now move to a 10-minute block for the Official Opposition. Member Phillips, go ahead.

Ms Phillips: Yes, please. Minister, I'll just go through a few questions and read them into the record, and if they need follow-up later, that's also fine. One question that came out of the Energy estimates is the renewable energy program revenues. Officials were very confused by my question during budget lockup: where are the revenues? People seem to think there weren't any. That is, of course, wrong. There are revenues. It's \$138 million cumulatively, we learned in Energy estimates. I'm wondering: where are those reflected? Is that in other revenue maybe? And is there a forecast for that as well?

I also see in here that there are just the kind of business-as-usual CCUS investments. Certainly, you can't go into any meeting with Pathways Alliance members or others in the oil and gas sector, in particular, but other sectors as well, like cement and others, petrochemicals, without a conversation about where we are at with the carbon capture and sequestration and utilization investments and whether we are going to be doing anything that is stackable with the current federal approach. I don't see anything in this budget. This would have been the time for that. So I'm wondering: did no one go to Treasury Board with a proposal? Why don't we see it in this budget?

Those are two pieces that are kind of coming out of Energy but are reflected in both expenditure and in some of that sectoral approach that we talked about earlier this morning.

Mr. Toews: With respect, Chair, to the first question, we'll provide a written answer for that.

With respect to your second question, around additional, perhaps, incentive support for carbon capture, utilization, and storage, a couple of things. Number one, as a government broadly in four years – and the member would know this; they were part of this during their term – this government has been making, you know, material investments in carbon capture and storage. I think we're around \$1.8 billion right now, and with TIER funds we've been setting some funds aside. I believe it's going to be around \$200 million set aside for additional carbon capture, utilization, and storage investment in the future. So we have been leaders on that front. Of course, that's irrespective of all the regulatory work and identifying carbon hubs, making pore space available, which has also been very significant.

Now, with respect to our petrochemical incentive program, carbon capture and storage infrastructure qualifies for that incentive, which is 12 per cent, which is a significant incentive. Again, for petrochemical projects that's significant, and that's been noted by proponents.

With respect to other carbon capture and storage investments – and the member identified the Pathways effort, which is a courageous, you know, visionary, massive project that will work to go a long ways to decarbonizing the oil sands. We're very supportive of that effort. Right now we know that Albertans will be making a very significant contribution implicitly through our royalty structure. The fact is that some of those expenditures will be deductible for royalty purposes, and with many of the oil sands projects in postpayout, where those projects are paying between 25 and 40 per cent of, effectively, the net into royalties for eligible expenditures, Albertans will be all in on that because of the impact on royalty income. Right now Energy, TBF, and the industry are working together so that we can well understand the relationship between our royalty structure and implicit support.

We've also, you know, been clear that when we complete that work, we'll look to understand what more may be required, where gaps may exist, and what more the Alberta government may need to do to ensure that we have a competitive space relative to the inflation reduction act. One thing I . . .

Ms Phillips: This is the piece that I was trying to kind of get to in terms of the inflation reduction act, essentially that gap that people are now telling us exists of 15 per cent, 10. It really depends on who you're talking to, but there is one.

I have a couple of follow-up questions. That answered some of that. That was very helpful. Thank you, Minister.

I want a little bit of clarity. With this PDP, which is effectively a 12 per cent GOA contribution, who gets the crediting for the environmental attributes? That is to say, again, to this question about the credit market, who owns those credits, then? Do we, or do they? They're doing a voluntary activity of abatement. As we know, the value of credits is escalating rapidly, so who owns them?

Mr. Toews: I mean, effectively, if a petrochemical project investor ultimately invests in carbon capture and storage, it will bring down their emissions, and it would have an impact on the levy that they would be paying. Effectively, they would be paying a lower levy than they otherwise would. The petrochemical incentive program, again, is a grant, is an incentive to encourage investment in petrochemical projects here in the province, including the carbon capture and storage piece. Ultimately, these companies, as they put up 88 per cent of their own funding for that infrastructure as well, are going to benefit from lower levies than what they would otherwise pay as their carbon emissions will be lower.

Ms Phillips: So they get the credits.

One of the things that the previous government did – I don't know if it was necessary or not, but it was a lot of money – was that they did double crediting for the Shell Quest project, which, of course, is quite a bit of a larger project and sort of different in terms of what you see now with respect to technology.

I guess my question would be in general, then. The statement of principle coming out of the GOA for the purposes of investor certainty is that the credits belong to whoever makes the investment, or have we gotten there yet in terms of giving that investor certainty? All I hear when I go into these rooms is that people want investor certainty, and they want to know what Alberta is up to relative to what's happening both coming from the federal government and

what's stackable, what's not, et cetera, and so on and how that measures up against the increasingly more competitive investment climate for these types of climate change related investments south of the border.

Mr. Toews: Chair, the benefit will vest with the project owners.

Ms Phillips: So that's given the current arrangements, but have the GOA reviewed other ways of making investments or working with Pathways and others, and would there be, then, any change to that in terms of who owns the credits?

6:00

Mr. Toews: Well, Chair, I am not going to get caught up in speculating all of the options in the future, but what I can say with certainty with respect to the Pathways parties and their project is that Albertans will be implicitly invested in that infrastructure, again, through the royalty structure. We're just working right now to understand that calibration. It's important that we know that calibration and understand what more may need to be done. We know that in the energy industry broadly, the conventional sector, they're also very interested in what the level of support is out there, and we need to ensure that any future programming, again, deals with gaps and deals equitably across sectors.

Ms Phillips: Yeah. There is certainly continuing, ongoing work to be done around methane abatement, for sure.

I will turn things back, then. I only have 20 seconds. I can do that – right? – Mr. Chair. No? You want to hear me talk for 20 seconds? Is that the request? I'm hearing very clearly from the chair.

The Chair: Unless you have no further questions, Member.

Ms Phillips: All right. I have no further questions right now. We can turn things back and go over to the other side.

The Chair: Thank you very much, Member.

We'll now move over to the government caucus for 10 minutes. Go ahead, Mr. Sigurdson.

Mr. Sigurdson: Thank you, Chair. Once again to the minister: are you okay going back and forth?

Mr. Toews: Yes.

Mr. Sigurdson: Excellent. Thank you. First, before I begin, we're hitting about five and a half hours into this, so I just want to say thank you for being here and taking the time as well as to all your department heads and staff. This is incredibly important work. I know that when I ran in the last election, this was a major issue for me. I saw a fiscal train wreck headed on a path that was unsustainable, and I was concerned about the future of my three boys. So I just want to thank you for all the hard work you've put in. This hasn't been easy. I know it's been a lot of ministries working together, but you came up with a plan and two balanced budgets. I think it's something to be extremely proud of. And investing in the heritage trust fund: that is something I'm very thankful for because that speaks to the future generations, you know, and it just gives a lot of positivity back right now to a lot of the people that I hear from every day in my constituency.

But I am going to shift the conversation a little bit about things maybe a little bit outside of Alberta's control. When we talk about fiscal transfer reform, in your business plan on page 147 objective 1.4 talks about advocating for fiscal transfer reform. I think this is something incredibly important. It gets brought up a lot. There is a lot of contention around this issue, and I think it's something that

we need to continue to advocate on behalf of to get fairness. I'm just wondering what you can provide for us for additional information and to update us on: what is the government's work on getting more of our taxpayer dollars back into Alberta?

Mr. Toews: I absolutely appreciate the question. This is a question I hear about, you know, from my constituents. I think that that is a question. Albertans recognize the fact that we make a net fiscal contribution in the neighbourhood of \$20 billion a year to the rest of the country. It's very significant. It's done through a multiple of ways and certainly through the Canada pension plan – that is one of the net fiscal transfers right now – but as well the fact that we have an outsized economy, and Albertans earn more in the province. We have a young demographic. We're more highly employed in this province. All of that, along with our corporate fiscal capacity, makes Alberta an outsized contributor fiscally, nationally.

We do need reform of our federal fiscal transfer programs. I don't have to remind the members in this committee that fiscal stabilization is a program where we need reform. That's one of our transfer programs, and we did make some progress, I have to say, some limited progress. We had support from every other province to eliminate the cap, the per capita cap on fiscal stabilization. That would have resulted in a \$2.4 billion adjustment to our claim in it would have been 2016.

We were unsuccessful in the complete removal of the cap. We were unsuccessful in retroactive activity, at least to date. We're not giving up on it. But we did see the federal government increase the per capita threshold from \$60 per person to \$170, so that effectively increased Alberta's maximum claim in any given year from about \$250 million to about \$750 million. So it's about a half a billion dollar adjustment in a claim year, which is something. It is something. More work needs to be done with fiscal stabilization.

With respect to equalization, I had made some comments earlier when I was queried on equalization reform, but I'll repeat those. Right now I think Albertans certainly – I personally, I believe the government broadly, and I think Albertans broadly have real concern over a federal fiscal transfer program that provides disincentive to any jurisdiction to maximize their economic output. I believe right now our equalization program could create aberrant behaviour in that area. So we need fundamental reform.

Number one, we need to ensure that Quebec's hydro income is valued based on fair market value. That would have a very significant impact on Quebec's equalization. If in the event we could deal with that issue and deal with the GDP floor issue, that grows the program even as income disparity narrows, if we could deal with those two issues, it could take, you know, what's about a \$22 billion program and probably cut it down by at least a third, if not in half. That would be really significant, and that would be a win for Albertans.

You know, I get a sense that Albertans are not opposed to the concept of equalization. This is the conversation I have with my Finance minister counterparts. We're not opposed to the principle, and the principle was this, that regardless of where you live in this nation, every Canadian should have access to a baseline level of support and services. I can support that principle.

But when a federal fiscal transfer program and the mechanism of that program provides disincentive for jurisdictions from maximizing opportunity for their citizens, we have a problem. When it penalizes those jurisdictions that are doing everything they can to create wealth, we have a problem. So that's what we need to change. We're looking at making some mileage here ahead of 2024 as again equalization comes up for renewal.

Mr. Sigurdson: I appreciate that answer because I think what we've seen over the past couple of years is that this is an issue that was really very, you know, front of mind for a lot of individuals when they saw what was happening in Alberta. We were struggling and, with that, we were still contributing, and it created a bit of that contention that we see in Alberta. Of course, they want to continue, I believe, to see our government continue to work for that fairness, so I appreciate the work that you're doing on that right now.

I apologize; I'm going to be jumping around here a bit. It's five and a half hours in, so a lot of questions have been asked, but I've got a couple of gaps and maybe a couple of clarifications. I'm next going to jump a little bit to just talk about public-sector compensation because it was another issue that was raised to me. Of course, the previous government, you know: 180,000 lost jobs. The only sector that grew in Alberta while they were in power was the public sector.

Page 98 of your fiscal plan provides an overview of the public-sector compensation, including a mention of the MacKinnon panel report, that found that during that period in those recent years, '08 to '17, the total provincial core government compensation expenses grew by 49 per cent.

I think this is something that we've got to look at. You know, we want to make sure that we're rightsizing government. We are a province that continues to grow. We also want to make sure that we're providing high-quality government services where needed and investing accordingly as we continue to move down that path. But can you talk, maybe just over the last couple of years, about the ministry and what you've done as far as executing some operational efficiencies to be able to control that and be able to get that back in line to a growth rate you think is acceptable?

Mr. Toews: Chair, just a really great question and a great question when we understand that public-sector compensation makes up about 55 per cent of the government spend, you know, in terms of operating expenditures.

6:10

Now, you know, I want to be on the record with a deep appreciation for the public sector. The last few years for some have been difficult and, I think, especially for our front-line health care professionals. I know some personal stories, as they delivered health care during the pandemic in really, really difficult circumstances, the sacrifice that was made. I just want to acknowledge that today, and I know I can say the same for many others across Alberta, whether it's private or public sector. So many just went above and beyond.

Our fiscal restraint in part has been due to rightsizing the public service here in the province. We reduced the size of the public service by about 7 per cent at the end of last year, and we made great progress. In fact, I think it was crowding 8 per cent in terms of downsizing. We did it compassionately, largely through attrition wherever possible, but we did look to rightsize. We've added back. We're planning to add back some positions this year, but the ratio per thousand Albertans was 6.45 public servants in 2019. It will be 5.83 at the end of this year, so we've made great progress on a per capita basis on rightsizing.

The Chair: Thank you, Minister.

We'll now move to a 10-minute block for the Official Opposition. I see Member Phillips is ready to roll.

Ms Phillips: Thank you, Mr. Chair. Thank you, Minister. We're almost there.

When I was going through the fiscal plan, there are lots of notes in my margins of constituents who have raised exactly these issues that are contained within the fiscal plan, so I want to put those on the record and just sort of let you know or flag some of these issues

as I went through it and make sure that at least they are on someone else's radar other than mine as I stand on their doorstep and I listen to what people think is important, because that's always your best marching orders in this job.

I'm looking at page 92 and operating expense around the victims of crime and public safety fund. I have heard directly from the Chinook Sexual Assault Centre that the restructuring of the uses of the victims of crime fund disadvantaged new organizations such as theirs. So I'm wondering if we can look into that, dig into it a little bit. Some of that restructuring on how to use that money – like, I can appreciate that it counts against deficits in bad years and so on, and that was why there was a review, but it's a significantly smaller pot of money, and there are some restrictions on funding formula. It would be good to dig into those to make sure that those new organizations are not disadvantaged in accessing that fund in the same way as existing organizations. That's as I understand the problem directly from them.

Mr. Toews: Chair, it's noted.

Ms Phillips: Okay. Thank you.

Next. Around Justice we have \$259 million included annually for court and justice services. There's some Crown prosecution services stuff, and there's some capital plan investment around courthouse infrastructure. I'm well aware – we all are – of the buckets over there in the Edmonton courthouse every time it rains or the snow decides to melt. I see in here that there are some planning funds for Sherwood Park and continuing, I think, with the Red Deer courthouse, but there are other regional courthouse services that need attention not just in the capital investment piece but also in the number of humans there to do the work. I have heard directly from people who work at the Lethbridge courthouse on both topics. If there is, as we're assigning new FTEs – it almost seemed to me, listening to the woman that had just finished her 30-year career at the Lethbridge courthouse, that both a workforce review – because I've heard this in other jurisdictions as well in terms of workforce needs to be able to keep up with, you know, the Jordan decision, all the things, and some of those capital planning requirements. Courthouses are way more expensive than I think anyone imagines at first. I think that would be in order for that, and I will be doing a service to the kind woman on Chippewa crescent who raised this with me a couple of weeks ago.

Mr. Toews: Chair, can I respond to that? I appreciate the member raising it. Our challenge with court capacity is well documented, and that's been a challenge for some years. I got to know our lead Crown prosecutor in Grande Prairie way back in 2019, and already, back then, it was a concern, and it's remained a concern, very admittedly. This year we are increasing the budget for Justice by 10 per cent. We have also entered into a new remuneration agreement with Crown prosecutors. We found that we were falling behind other provinces and the federal government especially, so we needed to adjust our compensation to not only attract but retain our CPs.

But this funding is more than just for CPs; it's for court capacity broadly.

Ms Phillips: Yes. It's so important.

Mr. Toews: It's for staff broadly, because that is one of the core deliverables of government, you know, an acceptable level of public safety and a fair and efficient justice system.

Ms Phillips: The next piece I'll talk about a little bit is around the provincial Chief Firearms Officer. That's also on page 92. I have one of these folks in my constituency, and when this announcement

was first made – it was a couple of years back now – that we would be moving these functions into JSG, her concern at the time was around resourcing. Her concern was, of course, that we were taking on a number of new expenses, because there are resources required for this work, so I'm glad to see the initial funding there. But I do want to flag that maybe there might be – as we take on some more of those functions regionally, some cost-containment efficiencies, that kind of oversight might be required there. Let's make sure that we are being as responsible as possible, because I've heard directly from these folks, and I just want to make sure that I've passed on that feedback on that topic.

Mr. Toews: And, Chair, I mean, certainly, that objective would align with mine in terms of delivering efficiently. I think we all recognize that, you know, the federal government isn't delivering here. There are firearms owners who can't get the licensing transfers, all of that, done on a timely basis, so we believe this is going to result in better service. Not only that, but it will ultimately provide the province the ability to direct activity here, which we know – there's a very different mindset in Alberta around the safe use of firearms by law-abiding citizens and the attitude in Ottawa. We need an Alberta-centric attitude.

Ms Phillips: Yeah. I mean, certainly, it's good that we're keeping the same humans doing that work because it is relationship-based work, as I understood from my constituent who does that function in southern Alberta. It's about those connections with, you know, gun clubs and a lot of these folks, collectors. But as GOA takes on new functions, I just want the concern to be noted around cost containment and efficiencies.

Around casino revenue and share for nonprofits – I wanted to raise this a little bit in the time that we have. When I'm not knocking on doors, apparently I spend my time volunteering at casinos for various children's activities, and every time I do this, I try to pass the time with my fellow volunteers by asking them how many of these they do a year, talking to the organizations, you know, whether it's fellow board members, or sometimes it's the staff of the organizations: "Have you seen your take go up, go down? How has that gone over the years? How would you improve the system?" I've just asked people directly: like, if you were in this chair, what would you do differently?

So I want to know if there are any changes on the horizon to polling, to the share for nonprofits. What we kind of see as the future of this – I got the sense that people don't mind doing it as long as they know what the benefits are going to be back to the nonprofit. Don't ask them when they're finishing up the 4 a.m. shift, but in general they don't mind it. I usually take the 4 a.m. shift. It's awful. But I'm wondering if we can talk a little bit about that and send messages directly to nonprofits, if we could, around government's intent around some of that revenue, any plans to increase more support to nonprofits through that vehicle.

Mr. Toews: Sure. A really pertinent topic, for sure. I believe Alberta is the only provincial jurisdiction that actually allows charities to directly participate in casinos. Now, again, other provinces, I believe, will apportion some grant funding from casino income, gaming income, but I think Alberta is the only jurisdiction where charities can actually participate. You know, one can debate the merits of that opportunity, for sure, but I think, at the end of the day, there's probably some value there as, again, charities and nonprofits can step in and actually participate in raising funds.

6:20

This is a very complex area. AGLC has conducted quite a thorough review around this model, and as you would expect, there are many competing conclusions and objectives with this model. There have been some very modest changes that came out of that work, but I don't believe we're done in the intermediate term with respect to making adjustments to ensure that, you know, every region of the province can participate, has access to a casino to raise funds for their charity. Not sure we're done in terms of determining exactly what broad objectives we're trying to support in society by providing access to casino funding, so that work remains a work-in-progress. But there was a thorough consultation process taken on by AGLC, and work continues.

The Chair: Thank you, Minister.

We'll now move over to the government caucus.

Mr. Sigurdson: Back and forth, I assume, still?

Mr. Toews: I'm okay with it.

Mr. Sigurdson: Excellent. I definitely wanted to just wrap up on what we were talking about before, on the public sector, and you just kind of got cut off on the end there. Of course, I as parliamentary secretary for EMS reform also want to be on the record, my appreciation to the public sector and public-sector workers for what they do for the province. Of course, it was just highlighting that the sum of what we're seeing was the highest across comparator provinces, and you made a comment that it kind of dropped down to – was it 5.8 per cent per 1,000 that it was right now? Just wondering if you can comment on where that puts us now in line crossjurisdictionally, in comparison to other provinces in Canada.

Mr. Toews: I'll have my officials pull the sheet, but, Chair, I believe that puts us the lowest per capita, actually, by some distance in terms of public service members per 1,000 residents. But I believe the specific metrics are here. We'll provide those to you.

Mr. Sigurdson: I can definitely – we can rotate back to that, for sure, while they find that documentation.

But from some of the other – shifting total gears again and moving just down the line, the fiscal services concierge. You were speaking a little bit about the diversification that we're seeing right now in a lot of areas. A lot of it is extremely exciting, what we're seeing, the massive amount of investment that's coming here to Alberta. On your key objective 2.5 of your business plan, it states that the ministry will "enhance awareness of the Financial Services Concierge and regulatory sandbox for the finance and fintech sectors, to promote the diversification of Alberta's economy." I'm just wondering if you can provide some background as to the need for increasing the awareness about this regulatory sandbox.

Mr. Toews: Chair, great question. Firstly, we did within our department establish a Financial Services Concierge so that investment proponents coming to the province would have basically a one-stop shop to assist them in walking through the regulatory environment, again, which provides certainty for investment. I can tell you that that concierge has been active in the province. There's just so much interest in financial services broadly.

With respect to the regulatory sandbox for financial services, we had a conversation about that earlier, and there's been an awful lot of interest in financial services – oh, here we go – in the sandbox.

If I can, Chair, I just want to go through this list. You know, my official ADM of Treasury talked about an example of a crypto custodian trust company that expressed interest, which is really great. But we have, you know, loan companies that have expressed interest, contract corporations, fintech companies, again, crypto companies, payday lending and money services businesses, digital asset custodians, extraprovincial trust companies, federal continuance of provincial trust companies, a biotech firm, a metaverse formation business. There has been so much interest in that regulatory sandbox for financial services.

Again, these are services that are new and novel, and the advantage of a regulatory sandbox is that a company can come into Alberta and provide a new or novel product offering to a limited group of consumers, typically for a limited period of time, under the umbrella of a regulator who is willing to be creative and provide exemptions as required and also requirements as required, including transparency, so that consumers are well protected. But that, the ability to come into a jurisdiction and test a new or novel product, has driven great interest in financial services, and it's part of our greater value proposition.

We talk about – you know, you create a perception, an attitude because you back up words with real actions. Folks, we backed up our words with real actions, and it's created momentum in this economy. It's created the deep belief in the investment community that Alberta is a jurisdiction where I can go and invest, work hard, take risks, deploy capital, and succeed. Friends, that's why I'm incredibly optimistic about our future. That's why I believe Alberta's economy will be much more resilient than any jurisdiction in Canada.

Mr. Sigurdson: That's really exciting news. I think, you know, as somebody that was in business before, having predictability when it comes to regulations is incredibly important. As well, with that, having that sandbox that you're creating to be able to twofold assist those coming to Alberta but also make sure consumers are protected: that's incredibly important work.

I guess, just to follow up on that because we're closing on about two minutes left here on six hours, how much funding are you putting towards this? You know, any time you're putting taxpayers' monies towards this – I guess we talk. I always revert back to what the return on investment is. Do you really feel that the money being

spent in this space right now has that real benefit to the taxpayers' money being invested in it?

Mr. Toews: That's a great question, and that should be a calculation that occurs every time we look to make an investment. With the Financial Services Concierge it's one FTE. It's all we're setting aside. That's the incremental. Now, we're using existing department capacity, so it's about \$130,000. It doesn't mean there's only one person doing this work; it means that that's the incremental cost to government. In terms of the regulatory sandbox, we're using existing capacity across three ministries, again, so that we're not taking on a lot of extra cost to offer this new and novel opportunity.

I want to get back, Chair, on the actual public service metrics, and this would be public service employees per 1,000 residents. Alberta, I believe, is right now at 5.83, and Ontario is slightly better, at 5.7. Of course, they have the great advantage of economies of scale. The next province would be British Columbia, at 6.3; Saskatchewan, 14.6; Quebec, big-government Quebec, 9.6; Manitoba, 12.8. Relative to other provinces Alberta is winning here, but we can never take our foot off the gas on ensuring that we're delivering most efficiently.

Mr. Sigurdson: I really appreciate all your answers.

Of course, we've got about 25 seconds left, so just on behalf of everyone here a thank you to you, your staff for all your time that you put into providing clarification and answering all the questions that were put forward to you today. We really appreciate all the work you put into this amazing budget for 2023. Thanks again.

Mr. Toews: Chair, thank you, and from me to all the committee members, thank you for this day.

The Chair: Thank you.

I apologize for the interruption, but I must advise the committee that the time allotted for the consideration of the ministry's estimates has concluded. I'd like to remind committee members that we are scheduled to meet again in half an hour in this room to consider the estimates of the Ministry of Energy, and it starts promptly at 7 o'clock. Run out there, grab a bite, and get back in here.

[The committee adjourned at 6:30 p.m.]

