Legislative Assembly of Alberta

The 31st Legislature
First Session

Standing Committee
on
Resource Stewardship

Ministry of Treasury Board and Finance
Consideration of Main Estimates

Wednesday, March 13, 2024
9 a.m.

Transcript No. 31-1-4

Legislative Assembly of Alberta
The 31st Legislature
First Session

Standing Committee on Resource Stewardship

Rowswell, Garth, Vermilion-Lloydminster-Wainwright (UC), Chair
Schmidt, Marlin, Edmonton-Gold Bar (NDP), Deputy Chair

Al-Guneid, Nagwan, Calgary-Glenmore (NDP)
Armstrong-Homeniuk, Jackie, Fort Saskatchewan-Vegreville (UC)
Dyck, Nolan B., Grande Prairie (UC)
Eggen, David, Edmonton-North West (NDP)
Hunter, Grant R., Taber-Warner (UC)
McDougall, Myles, Calgary-Fish Creek (UC)
Sinclair, Scott, Lesser Slave Lake (UC)
Sweet, Heather, Edmonton-Manning (NDP)

Also in Attendance

Ellingson, Court, Calgary-Foothills (NDP)
Getson, Shane C., Lac Ste. Anne-Parkland (UC)
Johnson, Jennifer, Lacombe-Ponoka (Ind)
Phillips, Shannon, Lethbridge-West (NDP)

Support Staff

Shannon Dean, KC	Clerk
Teri Cherkewich	Law Clerk
Trafton Koenig	Senior Parliamentary Counsel
Philip Massolin	Clerk Assistant and Director of House Services
Nancy Robert	Clerk of *Journals* and Committees
Abdul Bhurgri	Research Officer
Christina Williamson	Research Officer
Warren Huffman	Committee Clerk
Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications
Christina Steenbergen	Supervisor of Communications Services
Shannon Parke	Communications Consultant
Tracey Sales	Communications Consultant
Janet Schwegel	Director of Parliamentary Programs
Amanda LeBlanc	Deputy Editor of *Alberta Hansard*

Transcript produced by *Alberta Hansard*

Standing Committee on Resource Stewardship

Participants

Ministry of Treasury Board and Finance
Hon. Nate S. Horner, Minister
Paul Lebane, Assistant Deputy Minister, Economics and Fiscal Policy
Scott McCormack, Assistant Deputy Minister, Provincial Bargaining and Compensation Office
Chris Merriman, Acting Assistant Deputy Minister, Financial Sector Regulation and Policy

Alberta Investment Management Corporation
Paul Langill, Chief Financial Officer

9 a.m. **Wednesday, March 13, 2024**

[Mr. Rowswell in the chair]

Ministry of Treasury Board and Finance
Consideration of Main Estimates

The Chair: I'd like to call the meeting to order and welcome everyone in attendance. The committee has under consideration the estimates of the Ministry of Treasury Board and Finance for the fiscal year ending March 31, 2025.

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

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

Mr. Sinclair: Scott Sinclair, MLA for Lesser Slave Lake.

Mr. Hunter: Grant Hunter, Taber-Warner.

Mr. McDougall: Myles McDougall, Calgary-Fish Creek.

Mr. Dyck: Nolan Dyck, MLA for Grande Prairie.

Mr. Horner: Nate Horner, MLA, Drumheller-Stettler, and Minister of Finance and President of the Treasury Board. With me I have Paul Lebane, Dana Hogemann, Kate White, and Craig Johnson.

Ms Phillips: Thank you, Mr. Chair. Shannon Phillips, MLA for Lethbridge-West.

Mr. Ellingson: Hi. I'm Court Ellingson, MLA for Calgary-Foothills.

Mr. Schmidt: Marlin Schmidt, Edmonton-Gold Bar.

Mr. Huffman: Warren Huffman, committee clerk.

The Chair: Okay. Thank you.

There are no people participating remotely, and there have been no substitutions.

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 the meeting can be accessed via the Legislative Assembly website. Please set your cellphones and other devices to silent for the duration of the meeting.

Speaking rotation and time limits. Hon. members, the main estimates for the Ministry of Treasury Board and Finance shall be considered for six hours. Standing Order 59.01 sets out the process for consideration of main estimates in legislative policy committees. Standing Order 59.01(6) sets out the speaking rotation for this meeting. The speaking rotation chart is available on the committee's internal website, and hard copies have been provided to the ministry officials at the table.

For each segment of the meeting, blocks of speaking time will be combined only if the minister and the member speaking agree. If debate is exhausted prior to six hours, the ministry's estimates are deemed to have been considered for the time allotted in the main estimates schedule, and the committee will adjourn. Should members have any questions regarding speaking times or rotations, please e-mail or message the committee clerk about the process.

With the concurrence of the committee I will call a five-minute break near the midpoint of the meeting. However, the three-hour clock will continue to run. Does anyone oppose having a break? Okay.

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

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

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

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

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

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

Mr. Horner: Thank you, Chair. Good morning, everyone. It's my pleasure to discuss the 2024-2027 business plan and estimates for the Ministry of Treasury Board and Finance. Treasury Board and Finance encompasses the ministerial department as well as the Public Service Commission, communications and public engagement, and the agencies, boards, and commissions that report to me as minister. In addition to the officials joining me at the table today, I would also like to acknowledge that there are several other representatives of the ministry's government-related entities in attendance in the gallery today.

On February 29 I tabled a budget that supports Albertans today while maintaining Alberta's economic growth into the future. Budget 2024 is a responsible plan for our growing province. It strengthens health care and education, it builds safe and supportive communities, it ensures we will continue to manage our resources wisely, and it promotes job creation to build Alberta's competitive advantage. I'd like to take a few minutes to give a few details on each of these priorities.

The government continues to refocus the health care system to drive improvement so that every Albertan has access to care when and where they need it. Budget 2024 supports our efforts to make sure every Albertan has a family doctor or health care provider. We're recruiting and retaining more physicians to underserved communities while also training more rural and Indigenous family doctors. By transforming continuing care, seniors can age with dignity in the community with better access to home care and end-of-life care. With new mental health and addiction facilities, more people will have access to our recovery-oriented system of care.

We're also building a bright future for our children. To address enrolment growth this year, Budget 2024 will allow schools to hire more teachers and other support staff. Forty-three new school projects will add 35,000 new and modernized student spaces in communities where we're seeing the biggest pressures.

This budget will support a commitment to build about 3,300 new affordable housing units and complete 1,800 units that have already been committed to or are currently in progress. It expands our rental assistance program to support 550 more households in need. We continue to index payments of social programs to inflation, helping out families, seniors, and people with severe disabilities. Plus, a new 25 per cent discount program is saving seniors up to $20 million each year on medical driving tests and personal registry services.

Budget 2024 is also helping to make Alberta more safe and secure for everyone. It supports police, more mental health crisis teams, and more shelter spaces. We're strengthening the justice system and improving access by upgrading courtrooms, adding more judges and staff, and supporting prosecution services to target violent criminals and gang members.

But we're not only protecting Albertans and communities from crime and violence. Budget 2024 also protects our environment and prepares our communities and the economy to face future floods and the very real threat of drought and worsening wildfires. We're funding 100 more firefighters and providing them new firefighting equipment and, eventually, upgraded air tankers. We're also shoring up Alberta's valuable water supply and protecting our communities through drought and flood mitigation projects.

Drought remains a major concern going into the spring. That's why we're also launching a new strategy to increase water availability across the province and enhance our water management: irrigation projects that help provide farmers and agricultural producers with a safe and reliable water supply to grow crops and water cattle and municipal water and waste-water projects that will ensure Albertans continue to have clean drinking water and that communities continue to attract investment and grow.

Through Budget 2024 we're attracting more investment, supporting more jobs, and developing a skilled and diversified workforce to keep our economy growing. Municipalities have access to hundreds of millions of infrastructure dollars through the local government fiscal framework. Plus, Budget 2024 launches the new local growth and sustainability grant. This application-based program provides $60 million over three years for municipalities to fund infrastructure that supports economic development and addresses needs in their communities. We're adding 3,200 seats in apprenticeship programs, and we're supporting projects such as the Alberta petrochemicals incentive program and the Alberta carbon capture incentive program. This is driving clean technology development, adding more jobs, and helping Alberta reduce emissions.

Through all of this our commitment to fiscal responsibility and our fiscal framework is ensuring we can maintain Alberta's economic strength. We've balanced our budget with spending that can be sustained going forward, and we're strategically paying down maturing debt and saving in the Alberta heritage savings trust fund. We're focused on building a generational store of wealth for our children and our grandchildren.

I'd now like to speak a bit about the three outcomes of Treasury Board and Finance's 2024-2027 business plan. These outcomes will be achieved through a series of objectives rooted in strong fiscal sustainability, effective public service, and responsible policy and regulatory oversight. The business plan provides Albertans with information about the major initiatives planned over the next three years.

First, the ministry is committed to ensuring Alberta has a strong and resilient financial foundation that maintains fiscal discipline and supports sustainable government services. Our new fiscal framework is a key component of that commitment. It ensures that we'll continue to balance the budget, control spending, and allocate available surplus cash to repaying maturing debt, growing the Alberta heritage savings trust fund, and investing in one-time initiatives that don't permanently increase government spending.

9:10

We'll also evaluate the governance structure and investments of the heritage fund to maximize its size and earnings for the benefit of Albertans in the future. We'll monitor the fairness, competitiveness, economic efficiency, and revenue stability of Alberta's tax system while continuing to provide tax policy advice and tax and revenue program administration support across government.

The second outcome of the business plan ensures that policy and regulatory oversight for the financial securities, insurance, and pension sectors is effective, fair, and in the interests of Albertans. To achieve this, the ministry will continue to lead and implement changes to modernize the legislation, regulations, and policies in the areas for which we're responsible. In addition, we'll continue to work co-operatively with other jurisdictions to improve securities regulation in Canada, improve access to capital, and maintain a provincially led regulatory system that meets the needs of Alberta market participants and investors.

To promote job creation and economic diversification, the financial services concierge will work with financial service companies and innovators to guide them through Alberta's legislative and regulatory frameworks and will continue to engage with our partners in the auto insurance industry to develop solutions that will keep Alberta's auto insurance system accessible, affordable, and sustainable over the long term.

Lastly, we're continuing to work to ensure Alberta has an efficient and effective public service. Our ministry remains committed to delivering timely and client-focused human resource services and to engaging and supporting employees in a safe, diverse, inclusive, and respectful work environment in the APS.

Communications and public engagement are also part of Treasury Board and Finance. CPE supports the work of all ministries by delivering co-ordinated government-wide communications that are clearly presented, accurate, and relevant, making it easy for Albertans to access services and understand government information. As you can see, TBF's role in Alberta government operations is essential, and we will continue to take pride in our important duties and responsibilities.

I'd now like to provide you with some highlights from the ministry's estimates. Treasury Board and Finance's consolidated revenue is budgeted to be $31.9 billion in '24-25, a slight decrease from the $32 billion forecast for the '23-24 fiscal year. The decrease can mostly be attributed to lower corporate income tax revenue in '24-25 due to the recent softening of commodity prices although we expect corporate income tax revenue to grow and remain strong over the rest of the forecast period.

We also expect to see investment income decrease in '24-25, mostly due to lower returns in the Alberta heritage savings trust fund. Meanwhile personal income tax revenue will remain strong and continue to increase as more people and businesses create and take up jobs in our diversifying economy. Owing to the resilience of our low-tax business environment, we expect to see revenue return to growth next year and reach an all-time high of $35 billion in '26-27.

Now, moving on to expense, the consolidated ministry expense for '24-25 is estimated at $7 billion, an increase of about $2.2 billion from the '23-24 forecast. There are a few factors behind this increase, but most of it's due to the $2 billion contingency that is reflected in my department in '24-25. Any use of the contingency is ultimately reflected in the appropriate department at the end of the year, and we don't anticipate it will be utilized significantly within Treasury Board and Finance. Our debt-servicing costs will come in around $3.3 billion for the year, again highlighting the importance . . .

The Chair: Thank you, Minister.

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

To the member who's starting, would you like to share time?

Ms Phillips: Yes, I would, Mr. Chair.

The Chair: Minister, are you okay with that?

Mr. Horner: Pardon me, Chair? Was that asking about back and forth or block?

The Chair: Yes.

Mr. Horner: Back and forth is fine.

Ms Phillips: Okay. Thank you, Minister.

The Chair: The block of shared time is 20 minutes, during which time you may go back and forth with questions, comments, and responses. However, neither participant can talk for 10 minutes straight.

You can carry on. Thank you.

Ms Phillips: Well, as politicians we'll take that as a challenge, Mr. Chair.

Thank you, and good morning to everyone. Thanks to all the officials for joining us here this morning on our six-hour journey together.

I was just reflecting that I did six hours in that chair times four and then six hours in this chair times four, so we're coming up on 50 hours of estimates of various kinds, Minister. And I thank you for going back and forth because I think that we honour the parliamentary tradition when we get full answers, especially on a matter of supply and confidence, which is, of course, our job here as legislators, and actually uphold the duties of the Legislature at a time when democracy seems to be under threat in all kinds of places around the world. So this is good, and I'm grateful that we're going to go back and forth.

I want to start with just a couple of questions about auto insurance if I could. The annual report of the superintendent of auto insurance used to come out in January usually. In 2020 the department sat on it for a while, and then they said that they maybe didn't even have to put out the report because things were available elsewhere. That claim was not readily verifiable. Then it started to come out in the spring, which was good, but if the information is readily available elsewhere, I want to see if we can get it now. The ADM responsible may have this information, and they can follow up if they like. What is the 2023 claims ratio for automobile insurance? Again, a commitment to follow up in writing, maybe by this afternoon if they have it, would be fantastic.

Mr. Horner: I'm sure we can get that, Member Phillips. I don't have it in front of me, but amongst our team we'll get it to you today. I can promise that.

Ms Phillips: What is the expense ratio for the 2023 automobile insurers as well? So claims ratio and expense ratio.

I'm also wondering about how many more captive insurance companies are operating in Alberta in 2022. The annual report said one, but at that point the legislation was relatively new, I believe, so I'm wondering if there are any more that have come into the market since that time.

Mr. Horner: I believe we have 17 captive insurance players active in the province today. I think there's a short list of about four that we expect will be active very soon and then another eight in the queue. I can get you more detail on that. Or who would be the best . . .

Ms Phillips: If the minister would just commit to some sort of follow-up. What the areas that they are captive insuring in would be great – like, what lines of business that they are actually undertaking, what they are insuring, in other words, in Alberta – if they can provide that. I'm not sure if the legislation provided for that level of detail, but that would be good.

Mr. Horner: Well, I can – Chris Merriman is here. He would be the expert in that place, Member Phillips. I believe the numbers I just gave you are accurate, but if Chris would like – you know, we have everyone here. I'd rather not create a bunch of homework for him.

Ms Phillips: Yeah. Sure. That would be great.

Mr. Horner: Please come to the mic, Chris.

Mr. Merriman: Morning, committee. I'll get the auto insurance . . .

The Chair: Excuse me. Could you introduce yourself first?

Mr. Merriman: Sorry. I'm Chris Merriman. I'm the acting assistant deputy minister of financial sector regulation and policy. Thank you. I'll answer the captive question first. There are 17 actives, as the minister indicated. There's one that the approval process we're finalizing within the next little while; we're just waiting for some information from another jurisdiction. As the minister indicated, there are an additional three or four that are getting close to this, and we have ongoing conversations with a number of different industries and representatives and companies themselves that want to set up captives in the province. There are quite a number of different industries where they have been in place, everything from ag to car dealerships, energy. I'm not sure if I want to get too detailed into all of that because I may be breaching some confidence with their establishment, but it's quite a different range in the industries that are being established.

Thank you.

Ms Phillips: Just to move on to, I guess, section 7.2 of the estimates, page 240, the Automobile Insurance Rate Board budget has doubled, from $1.3 million to $2.6 million. Why?

9:20

Mr. Horner: I believe, Member Phillips, it's mostly built around consumer education, but I'll get you a more fulsome response. It's almost entirely around consumer education.

Ms Phillips: What is the AIRB educating about this year that they weren't educating about last year that necessitates $1.3 million more money?

Mr. Horner: Well, I think a desire to ensure that Albertans are aware that they definitely can shop around and the best tools, you know, available to do that. The data shows that although everyone's concerned about their auto insurance premiums, very few do shop around and understand the amount of variation in the marketplace, so just to provide that education, that there are other options out there and that they should always be checking to see what else is available.

Ms Phillips: Is this, then, a million-dollar advertising spend, or is it some other requirement that insurers themselves have to communicate with customers? What does this look like? What are we spending this money on?

Mr. Horner: I believe it's a combination of advertising and other, you know, technology investments around the website. I can certainly look into that, but I believe that's correct.

Ms Phillips: Did I hear a commitment, then, that if the annual report of the superintendent of insurance is available or at least the claims ratio for automobile – if that information is available, would the minister be able to table it?

Mr. Horner: The data for claims and expense ratio is not available yet. Happy to discuss that with you in the future.

Ms Phillips: Okay. I'm going to go to communications and public engagement, which is, of course, line 10 on the expense vote by program on page 240. I want to discuss government advertising a little bit here. I'm looking for information on how much was spent by CPE in Q1 of last year's fiscal on government advertising all in. Again, I'm happy for a follow-up of some kind. Of this $34 million last year how much of that was all in just government advertising of any kind?

Mr. Horner: I'm quite sure I don't have a breakdown by quarter for you, Member Phillips. Just one more time. You want to understand the overall – do you want a breakdown of what it was spent on?

Ms Phillips: The first thing I'm looking for on CPE is: how much of the $34 million in the '23-24 fiscal year was actual government advertising? We've got $34 million there, but, you know, there are people, there are FTEs, there are other things happening in that line item. How much of that was government advertising all in? And what was the government advertising spend for Q1 of the '23-24 fiscal year?

Mr. Horner: The advertising spend lives within the departments, and this is the overall budget for CPE.

Ms Phillips: Okay. So then, in a different way, the advertising spend for government advertising of, for example, affordability programs, that kind of stuff: would that live in TBF, or would that live in Executive Council or somewhere else?

Mr. Horner: We can talk about CPE's budget, or I'm happy to talk about the advertising campaigns that would be separate from that. Is that where we're headed?

Ms Phillips: Yes.

Mr. Horner: Yes. I can give you some info on that. This information would break down the different campaign names and the spend as of February 29. That's the most current info I have. The major campaigns would break down like this. It would be a total of $22 million across 40 advertising campaigns, but I do have the largest campaigns here. I think this is getting to the intent of your question. The Alberta pension plan campaign was budgeted at $7.5 million. The actual spend as of February 29 was $3.6 million. I can give you a little context there. When the federal government agreed to involve the Chief Actuary, the campaign basically reeled itself in at that time in the fall.

The clean electricity regs campaign, Tell the Feds, was budgeted at $7.7 million. As of February 29 the spend was $7.4 million. The wildfire emergency campaign was budgeted at $3 million. The spend as of February 29 was $1.5 million. Roadside worker safety was budgeted at $1.5 million. The spend was $1.5 million. Addiction supports: the budget was $2 million. The spend was $1 million. Addiction recovery supports: the budget was $1 million. The spend was $1 million. Health care refocus: the budget was $1.5 million. The spend was $1.1 million as of February 29. Budget 2024 had a budget of $1 million. I don't have the data on that yet because the budget was on February 29 and my data goes to February 29. Likewise, the Alberta Is Calling attraction bonus budgeted at $3 million, and wildfire prevention budgeted at $1 million, but I don't have any data on the spend because it's that fresh.

Ms Phillips: Thank you.

Looking for Budget 2023, then, what did that come in at at the end of the day? Obviously, I couldn't ask about it last year because we were in the middle of it. What was spent on advertising Budget 2023? That might get to my original question about Q1 because it would have happened at the same time.

Mr. Horner: Advertising for the actual Budget 2023?

Ms Phillips: Yeah.

Mr. Horner: Well, like I said, there are 40 different campaigns. Do we have that data? Bear with me, Member Phillips. Budget 2023: the total spend was $2.1 million.

Ms Phillips: Okay. So double. Good.

Mr. Horner: I do have more here. Would you like to hear more?

Ms Phillips: Well, I wouldn't mind – well, we've got APP from last year. We've got the electricity regs, so we've got the big guys.

Mr. Horner: Alberta Is Calling? Would you like that?

Ms Phillips: Well, sure.

Mr. Horner: There are a few here that should be on the record.

Ms Phillips: We're talking about what was spent in '23-24, but that's what you just gave me rolled up to February 29, so I think I have it.

Mr. Horner: Yeah. This is going back. This is in '22-23, much like your budget question, if you're curious.

Ms Phillips: Yeah. Sure. What was spent on Alberta Is Calling? I don't think anything was spent on APP, but I'll take that one and whatever else was spent on, like, affordability programs, that kind of stuff if it came out of a different department.

Mr. Horner: Sure. The Keeping Alberta Affordable campaign from '22-23: the total spend was $4.5 million. There was also the affordability in your pocket campaign. That was $2.7 million. Both of those are for '22-23. Alberta Is Calling was $3.6 million. Those are probably the big ones. Budget '23 was $2.1 million.

Ms Phillips: Right. Okay.

I want to move on to the agencies, boards, and commissions compensation piece. Last fall Bill 5 repealed RABCCA and instead enabled the minister to create new directives to guide agencies, boards, and commissions and other public entities. I am looking for: which new compensation directives has the minister created as a result of Bill 5?

Mr. Horner: Since the repeal of RABCCA it was followed up with a ministerial order that basically directed all the agencies, boards, and commissions that work would continue under the same constraints as RABCCA. We're holding them flat as if RABCCA still existed while the department is consulting, doing a lot of work behind the scenes, consulting with all the entities to get to where we can have fully active compensation plans. That work is progressing, I'd say, fairly well. The expectation is that we'll have our first fully functional compensation plans sometime in the fall, probably with some of the more simple, I'd say, entities first, the easier ones to accomplish. But while we get there, if there is to be an exemption, they would still need to get my signature, just like under RABCCA.

9:30

Ms Phillips: Have any of the university presidents written to ask for upward adjustment of their compensation?

Mr. Horner: I would have to get – not since I've been in this in this role, Member Phillips.

Ms Phillips: Have we heard from the CEO of AIMCo or the Securities Commission or the AFSC?

Mr. Horner: Okay. The best information I can share is that none of those entities, the CEO, has asked for an increase in compensation. There have been asks for overall adjustments within the entities, but that's under consideration. Nothing has been signed. Yeah.

Ms Phillips: When will the public have some visibility on upward adjustment and compensation at these entities, whether universities or otherwise?

Mr. Horner: Well, like I said, it's just under consideration now, any adjustments, so I wouldn't want to speculate.

Ms Phillips: If and when adjustments come, how will the public know that they have happened? Will they be published? How will folks know that these entities have had changes to their executive pay and compensation?

Mr. Horner: Yes. They are published; published on King's Printer. Since April 1, 2023, approximately nine exemption requests have been granted under RABCCA by a ministerial order and are published on King's Printer. Exemptions and modifications are evaluated based on current market conditions and pressures, emerging changes to the scope of responsibility for roles, and recruitment and retention challenges experienced by employers.

Ms Phillips: Just so that I understand the legislative mechanics correctly, then, as it stands right now under RABCCA, if there's an exemption, it is posted as a ministerial order, and it is published that way. If there are new compensation directives that come as a result of the repeal of RABCCA and the replacement with – well, just as a ministerial directive. It's not really a replace situation; it was just a repeal. Then are those required to also be published as a ministerial order or some other government announcement?

Mr. Horner: I think, Member Phillips, I'll ask Scott McCormack to come to the mic and help walk us through a little bit of process here, if that will work for you?

Ms Phillips: Yep.

Mr. Horner: Thank you, Scott.

Mr. McCormack: Thanks very much. Good morning. I'm Scott McCormack, assistant deputy minister with the provincial bargaining and compensation office and supporting this work in the development of the new compensation model and transition from the prior RABCCA model.

As was discussed, under RABCCA any orders or approvals that are made are issued by ministerial order and then published on King's Printer. As was communicated at the time the legislation was being amended, we know we're having to develop, as part of the new model, the processes that support the consideration of adjustments. It may not be identical to the exemption process under ministerial order because of the compensation plan process, but there's very much a commitment to publish them just as we would have with ministerial orders, any directives that are issued under the Public Sector Employers Act.

To that point, when the Public Sector Employers Amendment Act, 2023, was proclaimed, that effectively repealed the RABCCA framework, and the first directive was to hold those controls in place, as the minister referenced, during the transition. That is in the process of being published as well as a public record of that directive. Any other exemptions in the meantime are actually processed under the PSEA, not necessarily an exemption from RABCCA but under the new legislation.

Ms Phillips: Okay. If I have follow-up questions based on reviewing that transcript, I'll come back to it this afternoon in terms of requirements to speak to the public.

Okay. Let us move on, then. Actually, just one final question. I know that things are under consideration, but what do the timelines look like for exiting consideration, and when can the public expect to see some changes to compensation directives? I imagine some are further up in the queue than others. Does the minister have a sense of when the public can expect to see some of these changes to compensation?

Mr. Horner: Yeah. I think my previous comments are as accurate as they can be at this time. We are expecting to have completed compensation plans sometime in the fall. This is, admittedly, complicated, and they're doing their best to, you know, consult and communicate effectively with the entities. But especially for some of the simpler entities that is our expectation: sometime within this year we'll have some completed plans. But just important to understand that we're talking about the entire entity in that sense, and you can understand it's a new process.

Ms Phillips: Okay. Thank you.

I want to move on now to a little bit of APP, everyone's favourite topic. Last year Minister Toews confirmed to me that setting up and staffing our own revenue agency would be, essentially, part and parcel of an Alberta pension plan. That would cost, he said, at a minimum or a low end $500 million. Folks might remember me almost falling off my chair when he confirmed that. I thought he'd give me a politician answer, and he didn't; he gave me a $500 million answer.

Obviously, that response was based on something and based on analysis from the department. Certainly, when I asked him to confirm the analysis that had been published externally by Trevor

Tombe from the University of Calgary, he said that Trevor Tombe's analysis was on the low end. That tells me that he had access to something within Treasury Board and Finance that suggested, either confirmed Mr. Tombe's analysis and said that it might even be low. Can the minister direct me to the source document, to that report or analysis, that Mr. Toews referred to last year?

Mr. Horner: Just for clarity, Member Phillips, because you mentioned a few things there, the potential for a revenue agency – obviously, that's in my mandate letter – but also you've mentioned APP. Which exactly do you want to understand the set-up cost for?

Ms Phillips: I want to understand the revenue agency.

Mr. Horner: Okay. You're correct in former Minister Toews' comments, and like I said, it is in my mandate letter to explore that. The team has committed that we will do that. Your recollection of Minister Toews' comments, I believe, are correct in the $500 million plus; that is our estimation. The information I have is in draft form. I can't share it with you, but I can say that our team hasn't really done any work on this as of yet, any new work. I'm relying on the same information Minister Toews had, but my expectation is that it would likely cost even more than that.

Ms Phillips: We have an expectation in a mandate letter that we're going to pursue something that's going to cost a minimum of half a billion dollars a year when we're not funding, necessarily, for population and inflation in key program areas like education and health care. How is the public supposed to make that decision or provide any feedback on the contents of that mandate letter, the direction of government spending this much government bandwidth on something that is so expensive? How is the public supposed to deliberate on that or make a determination on that when we don't have any evidence in front of us? That is to say, would the minister commit to releasing whatever information they have so that the public can deliberate on it?

9:40

Mr. Horner: Once we have a final report, I'd be happy to. I would just kind of clarify. I think my direction from the Premier, my mandate letter, is simply to explore it. I think we're committed to doing that, and we'll release the information that we have. If it's a good decision to pursue, we will. You know, many of the pros and cons and potential benefits have been debated publicly for a long time, so I'm skeptical at this time that it's something that we would wholeheartedly take on considering all of our other fiscal challenges in the province. But the Premier has asked us to look into it, and we certainly will with some updated data and fresh eyes.

Ms Phillips: Now, the relationship between an Alberta revenue agency and the APP – we've been dancing around it – is there a relationship? If we have our own pension plan, do we have to have our own revenue agency?

Mr. Horner: No. I'm sure you could kind of connect the two, but they don't rely on one another in any way. The pension would have its own set-up and start-up costs.

Ms Phillips: So deductions, all of that, for an as yet notional APP would be administered how?

Mr. Horner: Well, currently, all we've done is release the LifeWorks report and, you know, discuss the potential regarding benefits and premiums with the province. The LifeWorks report didn't in any way get into the administration; it didn't give a recommendation. That is all something that would have to be carefully considered later on.

Ms Phillips: The LifeWorks report did say that set-up costs for noninvestment-related activities for an APP would cost between $100 million and $1 billion.

Mr. Horner: Pardon me, Member Phillips. One more time.

Ms Phillips: The LifeWorks report found that set-up costs for noninvestment-related activities – and I assume that means administration of the plan and a collection of premiums and all of that stuff – for a stand-alone Alberta pension: it would cost between $100 million and $1 billion. Does that include a revenue agency?

Mr. Horner: No, nothing to do with the revenue agency. That's entirely separate. But I think that speaks to the spectrum of possibilities. You know, that's everything from using what currently exists under CPP, using administration that currently exists in Alberta, or starting completely fresh with a new entity, and people would be the high end of that spectrum, I'm sure. That just speaks to how little information they have. That was beyond the scope of their study, really, so I think they just tried to give you the entire spectrum of possibilities, but I'm sure that's a rough estimation.

Ms Phillips: So when the feds come back, the office of the Chief Actuary . . .

Mr. Hunter: Point of order, Mr. Chair.

The Chair: Go ahead.

Mr. Hunter: Under 23(b), speaks to a matter other than the question under discussion. The hon. member knows that we're here to discuss budget estimates. I don't believe that an APP is actually in estimates. It's something that was talked about in the past, obviously. Perhaps this is more of a question that would be for question period versus estimates.

Some Hon. Members: Good question.

The Chair: Go ahead.

Mr. Schmidt: Well, despite the enthusiastic cheers of support from the other government backbenchers for Member Hunter's point of order, this is not a point of order. The minister clearly has a mandate to explore an Alberta pension plan. They've spent money on advertising an Alberta pension plan this year. He's already admitted that in some of his statements. Clearly, this is an item that is related to the budget, and I think the member should be allowed to continue this line of questioning.

The Chair: I would agree that it has some financial implications for the coming year. The APP is not in the budget, but some spending might be related to it, so I'll allow the continued questions going forward.

Ms Phillips: Thank you, Mr. Chair. I'm going to pull up the business plan as well, and I'll just make sure that I make reference to that as well as I go along because certainly there's mention of CPP reform in various places in the business plan as well. Thank you.

Let me get back to this here. I was talking about LifeWorks. The LifeWorks report says this $100 million to $1 billion range for noninvestment costs, and then it says, oh, between $100 million and $150 million annually as we go along. That was kind of its estimate.

Now, the feds, as the minister mentioned, I believe in his opening remarks or in response to the ad campaign question, are supposed to come back to the province at some point over the course of 2024 with an asset transfer number. Are they also going to be providing any more clarity on the noninvestment cost so that the public can have something more specific than between $100 million and a billion? That seems awfully difficult for the public to be able to make a decision on.

Mr. Horner: Thanks for the question, Member Phillips. No, the answer is: they won't be coming back with any of that. Maybe just to clarify one more time. The office of the Chief Actuary is engaging with three other actuarial firms currently to, you know, analyze and interpret the federal legislation on what the withdrawal formula should be. Once they have that – we're expecting that in April. That's an important milestone. Then sometime in the fall we're expecting the actual number from the Chief Actuary. Nothing else has been has been asked for. That's just simply the asset withdrawal transfer number.

Ms Phillips: Is the government, then, anticipating providing more clarity on these set-up costs and noninvestment costs over the course of this conversation?

Mr. Horner: Well, you know, it's such early days, Member Phillips. I really wouldn't want to speculate, but I'm sure that the government of Alberta would have to have that conversation with Albertans. Like we said, you know, you have to kind of get past the first question first: is this even something that we want to entertain? Then there are options. But we heard from Albertans that they want more clarity on the asset withdrawal number. I am pleased that the feds have asked the Chief Actuary to get involved. After all, it is the feds' legislation. I think we're in a good place to get more clarity and understanding. Obviously, it's complex, and there will be questions that follow, but that's the first step.

Ms Phillips: As I understand it, LifeWorks, previously Morneau Shepell, had a contract with Treasury Board and Finance since, I think, at least 2020 for examining the possibility of an Alberta pension plan. We know that there were at least two iterations of the report, before the one that came out in September, that were never released. They were sort of circulating around Treasury Board and Finance. There were some expenditures over some time, and there was a lot of backing and forthing with CPP investments and others. In all that time Morneau Shepell, LifeWorks, or whoever else, their predecessors, successors, whatever they're calling themselves, never provided anything more than between $100 million and $1 billion for all of that time and energy spent studying the viability of an Alberta pension plan?

9:50

Mr. Horner: I think it just goes back to what they were asked to do. You know, they were asked to determine what the asset withdrawal number would look like, how that would correspond to changes within benefits, if they were to stay the same, what premiums would look like to have the same level of security and sustainability as CPP or greater. You have to cross one bridge before you get to the next, and it wasn't in their scope. They tried to make that clear in their report, too, that it wasn't in their scope but that these were the very rough spectrum of estimates depending on which way you went.

Ms Phillips: Can we then talk about what was paid to LifeWorks, because I'm not super certain we got our money's worth? Seeing as no expert has confirmed their asset withdrawal number, and they couldn't give us a reasonable expectation of what costs would be. So can we, then, have put on the record the amounts paid to LifeWorks or any of its predecessors or successors for consulting fees for the '23-24 fiscal year, and are there any outstanding for '24-25?

Mr. Horner: I know there's nothing outstanding. I'm happy to give you a number and put it on the record. I need some clarity on when it was paid because it would have been in the '22-23 . . .

Mr. Sinclair: Point of order.

The Chair: A point of order has been called.

Mr. Sinclair: Thank you, Mr. Chair. Sorry for interrupting, Minister and Member Phillips. I'd like to call a point of order. Standing Order 23(b): "speaks to matter other than the question under discussion." She's referring to the LifeWorks budget of APP, which was not in this year's budget and was commissioned years ago, and I don't believe it's fair to keep on with this line of questioning. I realize I am just a lowly backbencher to the member opposite . . .

Ms Phillips: Yes.

Mr. Sinclair: . . . but I do believe it's okay to bring up fair questioning. And I don't appreciate the condescension.
Thank you.

Mr. Schmidt: Well, thank you, Mr. Chair. Certainly, the issue of what the Department of Treasury Board and Finance has paid to LifeWorks is clearly spelled out in the budget. We're not here just to talk about the '24-25 budget. We're also here to talk about the '23-24 budget. It's presented in the government estimates. It's presented in the business plan. The minister was about to tell us how much he has paid in this current fiscal year for the LifeWorks report, and I would like to hear an answer. This is not a point of order.
Thank you.

The Chair: It is getting a bit repetitious, but if we can refer it to a part in the budget, the estimates that we have now, that would be helpful.
Go ahead. You can continue on with your line of questioning.

Mr. Horner: Thank you. Appreciate that clarity. You know, I think for '23-24 that would be in Public Accounts. We're here to talk about '24-25. But I think it's an important question, and I'd like to answer it. Certainly, I have nothing to hide.
LifeWorks received approximately $1.8 million to do this work. I don't know if you've hired any actuarial firms. I haven't, but I've seen some of the bills. It's probably a pretty good deal.

Ms Phillips: Okay. In '22-23 what were the amounts disbursed?

Mr. Horner: That would be Public Accounts. But it's my belief it happened over two fiscal years, Member Phillips.

Ms Phillips: All right. That's fair ball.

Mr. Horner: Just to clarify again, there was an RFP for this.

Ms Phillips: Right. Yeah. Okay. Can the minister then confirm what the GOA paid the panel chair, Jim Dinning, in '23-24?

Mr. Horner: I'll get you that over the course of today, hopefully this morning.

Ms Phillips: I'm looking for whatever disbursements happened for the other panelists as well, and if there are projections for '24-25 for the panelists. I'm also looking for their other expenses, travel per diems, those kinds of things. If the minister could table that level of detail, I would appreciate it.

Mr. Horner: We will get you that. I would just add that there's nothing in the budget going forward on that line. You know, I wouldn't want to speculate, but if we chose to proceed in that way, the cost would have to be taken on and absorbed by my ministry.

Ms Phillips: Okay. Can the minister confirm that the GOA also paid $74,500 to Alberta Right Consulting, the principal of which is a former UCP political staffer, to do the APP public engagement panel?

Mr. Horner: : One more time, Member Phillips. Apologies.

Ms Phillips: Can the minister confirm that the GOA also paid $74,500 in a sole-source contract to Alberta Right Consulting, the principal of which is a former political staffer for the government, to do the APP public engagement panel?

Mr. Horner: That's '22-23.

Ms Phillips: I'm just going to make sure that is – I have . . .

Mr. Horner: : I'm trying to be flexible with you, but . . .

Ms Phillips: I have the sole-sourcing in front of me, and under sole-source contracts for government business Treasury Board and Finance: start date was the 2nd of October 2023; end date, 29 March 2024 for Alberta Right Consulting.

Mr. Horner: Honestly it's probably a great question for my deputy to answer at Public Accounts. I'm trying to be . . .

Ms Phillips: But the contract is within this – the end date is 29 March 2024.

Mr. Horner: It was paid out in the last fiscal year, Member Phillips. It's – probably Public Accounts would be more appropriate.

Ms Phillips: How is it that a contract is paid out in the last fiscal year when it is ongoing right now? So you're saying the '23-24 was paid out?

Mr. Horner: Bear with us, Member Phillips. I just want to get the right information for you.

You're correct that it's ongoing. I apologize if I was – but it is in '23-24. We can see the amount, but I'll have to get back to you with the amount disbursed.

Ms Phillips: Okay. This contract was for public engagement, yet it was sole-sourced. Is there an explanation for the sole-sourcing?

Mr. Horner: It just comes to the value amount. Sole-sourcing under $75,000 is allowed in these situations by trade agreements. That's about all the information I have.

Ms Phillips: There was also a contract for Critical Point Communications to concern themselves with the APP public engagement panel for $20,000. Why was that contract sole-sourced?

Mr. Horner: The same reason, I'm sure, but we'll look up the rationale for you, Member Phillips. Don't have that . . .

Ms Phillips: It says here it was under category Z, meaning no explanation, really. So I guess my question would be why that $20,000 couldn't be done within the existing amounts in CPE or elsewhere.

Mr. Horner: I guess, look at it this way: we don't have to provide a rationale for under $75,000, and that's probably why they get categorized that way. But, yeah, I don't have any more information on that.

Ms Phillips: Who are the principals for Critical Point Communications? When I look them up, will I find political ties to the UCP?

10:00

Mr. Getson: Point of order. I'm just trying to find the specific one. Causing disorder is one of them. Needless repetition is going on here and also imputing false motives, something along those lines, of that nature. With great anticipation upstairs I was watching some of the debate taking place, and we've been stuck on APP for a long time. The member obviously still keeps going after the minister on other items. I don't know if she's trying to gain political points in here for an upcoming leadership race or whatever the heck else is going on. Really, Chair, through you to the member, maybe we can get back to some of the task at hand. There's a big budget, a lot of really good things in here. To imply that this is something motivated for political means, maybe that's the pot calling the kettle given the reputation of the other ones across the aisle.

Mr. Schmidt: Well, Mr. Chair, despite the member opposite using inflammatory language in his own point of order, this is not a point of order. The member is trying to get some additional information for some sole-source contracts which have been executed in the budget year that is in front of us. I think that the member should be allowed to pursue this line of questioning, and I find that this is not a point of order.

Thank you.

The Chair: I would caution. We are having lots of stuff that's in previous years. You know, we will have Treasury Board and Finance back in the next month. We need to bring it forward into this year. If you can be more clear on how you're tying what you're talking about into this year's estimates, that would be good. We'll let you continue on, but if you can tie it more closely to what we've got in front of us, that would be better.

Mr. Horner: Yeah. Thank you, Chair. We'll look forward into the new fiscal year, but I would just comment that that contract was taken on by the panel. They're independent of us, asked to do a job. That's probably why I don't have the information in front of me, Member Phillips, but I'd add that clarity.

Ms Phillips: Okay. Let's move on to a couple of questions about AIMCo for a bit here. A few years ago I obtained information via freedom of information that showed that TBF thought they could save $41 million a year by bringing ATRF into AIMCo and having their assets managed by AIMCo. The AIMCo business case, that I also had to obtain by freedom of information, showed that all other AIMCo existing clients would save $29 million annually by making it more difficult for APP to choose a different asset manager and also by forcing the teachers to use ATRF by legislation. That's the ancient history of this.

Then we fast-forward to the 2021 TBF estimates, and AIMCo's investment management services went up, and this year they go up again. They're adding 40 FTEs. They're expanding their New York and Singapore offices. Can the minister show me in the forecast where that $41 million of savings or any savings have been realized by bringing ATRF's assets under management by AIMCo?

Mr. Horner: Thank you. The ATRF statements weren't consolidated before, so you wouldn't see it in the estimates. Member Phillips, to get to the intent of your question, if you'd allow me, I think we should bring Paul Langill to the mic, seeing as how he's here, if you'd like to talk.

Ms Phillips: Yeah.

Mr. Horner: Okay. Paul, would you indulge us? I think we had questions about management fees returns.

Mr. Langill: Right. Okay. Well, good morning. My name is Paul Langill. I'm the chief financial officer for Alberta Investment Management Corporation. Maybe just a couple of comments, really, on our budget process. We do consult with all of our clients when we prepare our budgets. That's done over the course of the fall, and we get that budget approved by our board in December. That's the budget you actually see in the estimates today. We also do cost benchmarking on our costs against our peers, and that's independently performed. Over the last five years on average we're about 15 to 20 per cent below our peer median in our costs. We're quite an efficient operation.

Now, as far as the question from the member on the business case, ATRF, I can't really comment on the business case, but what I can say is that we onboarded ATRF and WCB. I think this was back in 2021-2022. I know a couple of sources of the savings as outlined in that business case were, as the member mentioned, internalization of externally managed funds – so reduction of fees, external fees – and also, you know, greater economies of scale, because you have, obviously, a larger AUM base to spread your overhead over.

On the first point, what I can say is that we have internalized about $9 billion of externally managed funds that came over from WCB and ATRF. I estimate that in doing that internalization, we were able to reduce the external fees by about $20 million to $25 million; I don't have the exact number. That's on the external side. That's public assets. It's a lot easier to internalize public assets because they're liquid. Illiquid assets like real estate, infrastructure, private equity: that will come over time, but those mandates can be quite long, five to seven years.

On the other point, you know, the AUM and the scale, again I'd point back to the peer benchmarking that we do, that's done independently, to look at our costs. That number has been consistent over the last number of years. Our costs have increased, so I just want to maybe make a couple of points on that. We have had a fairly sizable increase in our FTEs over the last three years. I think a lot of that was really catch-up. We invested in new capabilities; in some areas I think we were a bit light, to be honest with you. We're at about 700 FTEs right now. Going back about three years, we were at about 500, so that's up about 200 over that time period.

The other thing I would say is that, you know, AIMCo has gone through a corporate investment strategy refresh in '21-22. The new strategy is, really, becoming much more client-centric in our approach. We moved, really, from strategy to execution last year, and we've launched a business transformation program, a multiyear program. We have that in the budget this year, a little over $40 million, so that explains that a lot of the increase budget over budget is really executing on that program.

Again, that program will be a multiyear endeavour. We expect that to be over four years, and the total cost: we expect that to be about $130 million. In fact, a lot of it is moving towards a new operating model to better serve our clients as well as dealing with some old technology and data which needs an uplift. Last time such a program was undertaken was over 10 years ago.

Okay. Does that help? Thank you.

Ms Phillips: Just to follow up on one question, if the minister would like to invite the gentleman to stay, we understand that there was a strategy refresh, and we understand why given, you know, kind of what went down at AIMCo between '19 and '21. Now we are into the execution of that new strategy. What public communication and reputation management pieces are part of that? We see that that turbulent period has resulted in some erosion of public trust and client mistrust in AIMCo. That's not a secret; the CEO has acknowledged it in op-eds. So what piece of that refresh, that $40 million of execution, concerns itself with reputation repair and management?

Mr. Langill: Yeah. I think that's difficult to sort of pinpoint, but I would say that, you know, we have spent a lot of time and effort with our clients on rebuilding our trust. That goes without saying, and that's been said before. On this journey, as we execute our strategy over the next three or four years, we have the clients completely engaged right at the outset. We've already met with them multiple times and their boards to understand why we're doing what we're doing in this business transformation and what benefits they will receive as a result of this business transformation. So we are very much engaged with all of our clients in this journey.

10:10

Ms Phillips: It seems to me, though, that there remains some public perception – right? – and while the clients are obviously the number one focus, Albertans and the public are also a key stakeholder here. If the minister wouldn't mind – perhaps he has some insight into this as well – in terms of repairing AIMCo's reputation among Albertans, what are either the specific directives coming from the minister, or what are the strategies coming out of AIMCo in order to do that?

Mr. Horner: You may want to comment on this, too, Paul.

I would just say, you know, that in conversations with the board chair I think it focuses around, really, only two things: the client relationship and great returns. That's their focus. They certainly have tried to be more proactive in their relationships for their clients, the pension plan holders. I would also say, before I let Paul comment, that the Premier has talked about the heritage fund specifically, so I'm not talking about AIMCo here. She's talked about the heritage fund and its importance to the province. I think that over the coming year, as we're able to show more clarity on our plan in that regard, I think a lot of that will be around ensuring that Albertans understand that this is their fund and that we want to shepherd it and manage it with the highest possible governance standards and ensure that they have great returns.

Paul, I would allow you to comment as well if you'd like.

Mr. Langill: I think you covered it well there.

Just to say that, obviously, rebuilding trust does take time. The proof is in the pudding. What are your objectives? What's your strategy? Make that very transparent, and execute on that, and then take people along with the journey and be fully transparent on that path. It is ultimately about the highest risk-adjusted returns for our clients – right? – and that's why we're executing on this transformation, to enable us to do a better job of that. Again, I go back to the whole transparency in the client engagement.

Ms Phillips: Mindful of the time that we have left, in this fiscal year AIMCo appears to be adding 40 FTEs. I think that was confirmed a little earlier as well. I just want to confirm that those are primarily in New York and Singapore and that the New York office is staffing up for a direct lending strategy. Is my understanding correct?

Mr. Langill: Maybe a couple of points on that. Most of the 40 is investment management and technology. The New York office has 11 people, and Singapore has five. We're not expecting those offices to grow much next year.

Ms Phillips: As for the direct lending strategy, I think I read something about this in media reports. Mindful of the time again, I think it's probably in the public interest to ask just a little bit about: what are the competitive drivers for that lending strategy? Does AIMCo have experience with direct lending and the associated risk management?

Mr. Langill: Not too dissimilar to any other institutional investors, and our clients are actually allocating more to private credit, so we want to satisfy that need. We do have a long track record in managing the private debt and loan portfolio.

Ms Phillips: I guess, with the 20 seconds left, we can talk just a little bit about that there are larger players in this market with very fast approval timelines, so the competitive pressures are there. Because this is a new sort of risky endeavour, I'd just like some comment on that.

Mr. Langill: We've had a lot of experience in managing these portfolios in the past and clear risk management and underwriting methodologies and practices.

The Chair: Thank you.

That concludes the first set of questions from the Official Opposition.

I will ask Member Johnson to introduce herself for the record.

Mrs. Johnson: Yes. MLA Jennifer Johnson, Lacombe-Ponoka.

The Chair: Okay. We will now move on to the independent member for 20 minutes. Did you want to share time, or did you want to go block time?

Mrs. Johnson: Back-and-forth shared time would be wonderful if the minister is agreeable.

The Chair: Is that okay with you, Minister?

Mr. Horner: Yes, of course.

The Chair: Okay. So you can talk back and forth; no one can talk for 10 minutes straight, but go ahead.

Mrs. Johnson: Great. Thank you, Mr. Chair and through you to the minister. On page 157 of the ministerial business plan it states that one will "undertake a mandate review of ATB." Can the minister explain when this will occur?

Mr. Horner: Yes. Thank you, Member, for the question. That is in my mandate letter. It hasn't happened yet, but conversations have been ongoing between myself and the board chair and through her with the CEO, so that work will continue in the upcoming year. Happy to say, you know, we are very proud of the relationship the government of Alberta has with ATB and very proud of the dividend we were able to bring forward as part of Budget 2024, the first in ATB's existence.

Maybe we would just say, you know, that since its inception ATB was originally mandated to get capital out into the community at a time when that was very difficult. Any rural MLA knows the service they provide in a lot of our small towns and communities. What we've seen is ATB has done a good job of managing its book of business, and they've gotten to a place where they're able to provide this dividend back to Albertans. They're still consolidated on our books, and a lot of their capital flows through the government of Alberta, but this is sincerely helpful. It comes in and helps us in our cash position, so the $100 million dividend will be paid out $25 million per quarter.

I think also it's helpful that it speaks to, you know, ATB's relationship with the province. I know as a rural MLA in my time in different roles, I think it's important that people understand that ATB does a great job helping the province in a lot of different ways. I know we have a representative from ATB that I'm sure would love to speak to that, but I'm going to steal his thunder and speak to it. They do a lot of great work. They've done a lot of great work getting capital historically and currently into the oil and gas space. They're doing amazing work in the technology space right now. I think they are important, but we want Albertans to also know that if that's the bank that they use, and many do, I think they have 22 per cent of the business in the province. If they do, they can also rest assured knowing that ATB is also helping us provide the services and programs that are important to them. So I think it kind of tells a nice story and speaks to their importance.

Mrs. Johnson: Thank you, Mr. Chair and through you to the minister and his team. On page 157 again of the ministerial business plan, 3(a) states "Performance Indicator: Inter-jurisdictional comparison of provincial public administration employees per 1,000 residents." Can you explain the impact that Alberta's lower numbers as compared to the other provinces is having? Is that positive or negative? We do have lower numbers. Is that good, and how?

Mr. Horner: Yeah, I think this is an important benchmark a lot of provinces use, but I think it speaks to our efficiency within the public service of being able to provide the programs and services Albertans rely on. If memory serves, I think we're at, you know, 5.9 per 1,000. That is not the lowest in the country. I believe Ontario is at 5.4.But important to also understand: I don't think it would be wise for us to try to chase that down to Ontario's level simply for just the economies of scale that a province of their size or the population of their size has. It's nice to know that they're there but to understand why. I think we're in a good place. FTEs have grown somewhat in this budget but it's something we continue to watch closely. With the population that's growing at our speed I think that is to be expected but important to reference that benchmark.

10:20

Mrs. Johnson: Thank you, Mr. Chair, to the minister. On page 158, we see the numbers in the budget '23-24 and the forecast for '23-24, the contingency/disaster and emergency assistance. These numbers are quite different. It goes from $1.5 billion to $2 billion. It's quite a substantial increase; over 30 per cent. Can you explain these differences?

Mr. Horner: I'm grateful to get this question and get this on the record. Thank you, to the member. I think there's always a typo every year, unfortunately. This is one of those.

So, just to clarify, this has been corrected on the documents online but I'll just kind of get this on the record. The published estimates are correct. If you see page 247 of the estimates, the amount of the contingency forecast in TBF for 2023 is zero. Page

13 of the estimates shows the allocation of the contingency in ’23-24. So it was simply an error.

Mrs. Johnson: Well, thank you, Mr. Chair, through you . . .

Mr. Horner: And the business plan has been corrected online.

Mrs. Johnson: Thank you for that clarification. I didn’t expect that answer. So thank you, Mr. Chair, through you to the minister.

My esteemed colleague brought up AIMCo and I’d like to go a little bit more on that, if I can do that. Page 158, again from the ministerial business plan, how are the increased estimates being determined on AIMCo for the upcoming year? We just heard your colleague speak to the increased employment and I’m curious if that is what this increase is on that estimate line or if it is something different. Could the minister speak to this, please? AIMCo Investment Management Services.

Mr. Horner: While we’re back in this theme I just wanted to put on the record – indulge me – to give a bit of an answer to Member Phillips for her previous question around ATRF and AIMCo. ATRF has reduced its contribution rates three times since the decision was made to consolidate the investment function at AIMCo. I think that speaks positively to saving, you know, the teachers and the government money. Thank you for that.

Now back to your question. The increase is due to performance incentives for both internal managers and external investment managers; and higher head count largely driven by the growth and investment management as assets under management grows; building capability for data modernization, as Paul mentioned; and strengthening its business technology, security, and cloud platforms; and supporting corporate initiatives tied to achieving AIMCo’s strategic plan. These costs would be recovered from clients.

Mrs. Johnson: Great. Thank you, Mr. Chair, through you to the minister.

On page 156 of the ministerial business plan 1.c it states:

> Performance Indicator: Alberta’s tax advantage compared to other provinces.
> Alberta’s tax advantage is an estimate of the total additional taxes individuals and businesses would pay if Alberta had the same tax system as other provinces. The tax advantage is reported based on figures in budget.

In 2019-2020 the Alberta tax advantage is 13.4, and I think that is million dollars. It goes up to $19.7 million in ’23-24. Can you explain the performance indicator and expound upon this a little bit more, please?

Mr. Horner: Happy to. Yeah, that’s billion with a “b.”

Mrs. Johnson: Sorry.

Mr. Horner: Yeah. This comparator is just if you took the tax structure of any other province and then applied it directly to Alberta’s data. It’s just looking at what all of the taxes would be in another province compared with Alberta and what it would be under their situation. If you just took Manitoba’s or Saskatchewan’s or Ontario’s and compared it directly to us what that would look like. Yeah, it’s a significant number, and it does grow because, you know, the economy is growing; so is our tax base.

Mrs. Johnson: Thank you, Mr. Chair, through you to the minister, for that explanation. Another question. One of this government’s consistent goals is to cut red tape. Earlier this morning I came from your colleague – and my colleague – the hon. Minister Nally with Service Alberta and Red Tape Reduction, and heard a lot of great information coming from that ministry as well. It’s nice to see that red tape is a high priority for this government.

Outcome 2:

> Policy and regulatory oversight for the financial, securities, insurance, and pensions sectors is effective, fair and in the interests of Albertans.
> The ministry supports the prosperity of Albertans and Alberta-based businesses by reducing regulatory costs and administrative burdens, by setting effective policies and regulations, and providing oversight for these sectors to protect the interests of investors and consumers.

Do you have a number to represent how much money was saved through the cutting of red tape in 2023-24 in your ministry, and can you give examples of how this has happened?

Mr. Horner: No, I’m afraid I don’t have that compiled number for you, Member Johnson. But I think when it comes to this ministry and, you know, the pursuit of red tape – Mr. Hunter is in the room with us, and I know how much he cares about this file – I think one of the things that we’re always working towards is aligning tax policies with the federal government, trying to pursue ease and access of our tax systems. So that pursuit continues, and I think it’s of great importance to Albertans.

I don’t have a compiled number for you, but I’m sure it’s substantial. I do appreciate the intent of the question.

Mrs. Johnson: Thank you, Mr. Chair, through you to the minister. One more question. Under Revenue in the business ministry plan, page 150, we see an increase in how much we are earning from other taxes. Can the minister explain what has contributed to this increase in revenue?

Mr. Horner: Well, while I’m waiting to get the information – I’m sure it’s the fuel tax, so the amount of the, you know, relief we were able to provide in the last fiscal year through the fuel tax program. We had taken the entirety of the tax off till the end of the calendar year. The total tax represents about $1.4 billion over the course of a calendar year if it was applied at the 13 cents. Currently, in this last quarter, we’re seeing a nine cent tax even though we’re below the $80 WTI threshold. Part of the program process says that when it’s reintroduced, it isn’t reintroduced at the whole amount. So it’s at nine cents this year. If you see our WTI forecast in the budget, it’s at $74. So you could then assume that if it stayed in and around that level, Albertans would expect that the full fuel tax would apply over the course of the next fiscal year. But that being said, it is broken up by quarter, so even if oil were to get above the $80 threshold, a portion of tax relief could be seen, and then if it went over $90, you would see the full portion.

10:30

It’s kind of complicated. I know the media has asked a lot about, you know, that oil got over $80 there for a few days, and they’re wondering: hey, is this going to help us here? But they used the last 20 trading days up to the 15th, to the end of the quarter. The retailers need the last two weeks to actually apply the tax, so it’s most likely that we would see it move to 13 cents in the next quarter.

Back to your original question, the other taxes line: that’s almost entirely the fuel tax difference.

Mrs. Johnson: Thank you, Mr. Chair, through you to the minister and to his team. If I may offer the minister congratulations on being one of four ministries that is operating on a surplus. Congratulations to him and his team.

The Chair: Thank you very, very much.

Okay. Now we'll take our five-minute break. We'll come back at 10:37, I guess, and start with the government side.

[The committee adjourned from 10:31 a.m. to 10:36 a.m.]

The Chair: Okay. We will now move to 20 minutes for government caucus members and the minister. Would you like to share time?

Ms Armstrong-Homeniuk: Yes.

The Chair: Okay. Minister, are you okay with sharing time?

Mr. Horner: Yes.

The Chair: Okay. Go ahead. You can talk for 20 minutes.

Ms Armstrong-Homeniuk: Okay. I can do that. Thank you, Chair. Chair, through you to the minister, first of all, Minister, I want to tell you what a wonderful job that you're doing and how great you are for this role. You definitely take a great leadership role here in Alberta, and I want to thank you. I'm honoured to be your colleague and to be speaking with you today. Also, thank you for taking the time to come today to committee to answer some of our questions.

I'd like to begin on a topic that is top of mind for many Albertans, and that is, of course, affordability. With the nation-wide inflation of the past years prices have been rising across the board, and I know that your ministry as well as the entire government of Alberta has been laser focused on making life more affordable for everyday Albertans.

I'm glad to note that Budget 2024 seems to be a continuation in that direction. On page 7 of the government of Alberta's strategic plan for 2024-27 I see that the government remains committed to affordability as part of its priority to boost Alberta's advantage. What measures does Budget 2024 take to make life more affordable for Albertans, and are there any external conditions or trends that you expect will significantly affect the affordability of our province in the year ahead?

Mr. Horner: Thank you for the question. Yeah. I know that affordability is top of mind for many Albertans and Canadians. I don't know the page, but there's a line in this document that shows that, you know, if you look backwards over the last couple of years but also forward over the next few, the affordability measures take in total, I think, $13.3 billion. So a substantial amount of, you know, intention and priority has been put towards ensuring that affordability is seen and heard and felt – actually felt – by Albertans, and that commitment continues.

I would like to answer your question a little more specifically about some things in this budget and estimates that speak directly to specific lines. Budget '24 includes significant investments in affordable housing, a new discount program for seniors, as well as increased funding for affordable child care and foster care. The budget provides $717 million in capital grants over three years to advance Alberta's affordable housing strategy. This includes $254 million in new funding to help build 3,300 new affordable housing units and complete 1,800 units that are already under way. Operating support for the seniors' lodge, social housing, and specialized housing and rental assistance programs is being increased by $38 million in '24-25 to $257 million.

In addition to supporting service quality at housing facilities, this funding will support the expansion of the rental assistance program. I know Minister Nixon has spoken about that somewhat, but it will help an additional 550 Alberta households in need. I believe that brings the total households supported to just under 13,000, a substantial number. The new 25 per cent seniors discount for personal registry services and medical driving tests will save Alberta seniors between $16 million and $20 million per year.

In '24-25 funding for child care services will increase by 15.9 per cent to $1.5 billion. This will create more affordable child care spaces and lower fees for parents. Budget 2024 also provides $22 million over the next three years to index foster caregiver rates to inflation. This will enable more Alberta families to take on the responsibility of becoming foster caregivers and make life more affordable for current caregivers.

In addition, a number of previously announced affordability measures continue with Budget 2024. These measures include the indexation of Alberta's personal income tax system. The basic personal exemption is increased at 4.2 per cent, I believe. You know, this is substantial savings for Albertans. It totals almost a billion dollars, I think $980 million, and is the highest in the country and growing. It's also important to note the indexation of our most important social programs, including the Alberta child and family benefit, AISH, PDD. That indexation will provide an additional $283 million to Albertans receiving these supports.

I think those are some specific line items, but I should also just point to the belief that, you know, as we take on all of our other measures to incentivize economic investment, to make sure that Canadians and immigrants and everyone understands that Alberta is a place of opportunity. Although we see affordability challenges, you still see people voting with their feet and choosing to call Alberta home for a lot of different reasons. We want to ensure that while we're certainly helping in the places that we feel we have the fiscal capacity to help, we're also keeping our eye on the big picture in regard to Alberta that will ensure that affordability will remain.

By doing that – by managing our finances prudently, by using our fiscal framework, managing our debt while making investments in the heritage fund, planning for the future – that will ensure that Alberta can keep the $19 billion tax advantage that was previously mentioned. That can't be lost in this. While we're doing these specific things to help folks, we have to ensure that Alberta can remain, you know, that bastion of opportunity across the country. And we will.

Thank you.

Ms Armstrong-Homeniuk: Thank you, Minister.

Minister, the fuel tax relief that the government has provided throughout the last years of inflation was significant. Page 129 of the fiscal plan implies that this program is going to be around for a long time. Can you confirm under what parameters the fuel tax relief program is operating and whether the program will remain a permanent feature of Alberta's tax system? Minister, how much is the program projected to save Albertans in the coming fiscal year? Also, why only provide relief when oil prices are high? Why not provide fuel tax relief all the time?

Mr. Horner: Okay. I'll unpack that. I did kind of previously go through the WTI correlation. That has been legislated, so that will be ongoing, you know, the potential for fuel tax relief, depending on WTI price. I believe that in this last quarter it's about $124 million in savings for Albertans, being at the 9 cents as opposed to the 13 cents, and over the full course of the year it equals about $1.4 billion. I think Albertans have saved roughly that amount since we started providing relief through the program.

10:45

To give you a little more detail around the specifics of how the program works, I can walk you through, you know, the WTI staging. Maybe just a reminder for everyone. When WTI is below

$80 as an average in the preceding quarter, the full tax will apply, 13 cents a litre. Then as it moves, so from $80 to $85, you would see your first partial piece of fuel tax relief: it would move to 9 cents a litre. From $85 to $90 it would move to 4.5 cents a litre. Then at over $90 or more the fuel tax would be totally removed.

I would just like to comment briefly about the defensibility of this program and why we thought it was important to legislate it. I think everybody understands that when oil is high, fuel is high. You know, that's kind of the heart of this. But the other piece is that as oil is high, also our royalty income goes up. I think that kind of the beauty of this and the simplicity of this is that when fuel is the highest and government has the most fiscal capacity to offer the relief, it is automatically given to Albertans, who own this resource. That's why we think it's defensible to keep it moving forward. It's about $1.4 billion annually, like I stated. It is important that Albertans get to understand that, because it is an important revenue line when the government can't afford it, but hopefully they take solace in understanding why and knowing that it will be there, depending on the price.

Your specific question went back to asking about: how much is this program projected to save Albertans in the coming fiscal year? As I mentioned, WTI is forecasted at $74. Depending on a specific spike throughout the year, it is unlikely to apply but certainly could. I think oil is $2 higher today than previous and had just gotten over $79 before I left my office. Who knows? Hopefully so. That would make a lot of things better.

I hope that answers the question as to why we can't just get rid of the tax completely and why we think it's important to keep the correlation with WTI prices.

Ms Armstrong-Homeniuk: Thank you, Minister.

Under priority 1 the government of Alberta strategic plan mentions that Albertans pay less in overall taxes when compared to other provinces, with no PST, no payroll tax as well as low provincial income tax indexed for inflation. In fact, about 40 per cent of Alberta's tax filers pay no income tax at all. For 2024-25 Alberta's tax advantage is $19 billion. Minister, I truly believe that our competitive tax climate is a big part of the Alberta advantage and a big part of why so many newcomers from across the country and around the world are choosing to make Alberta their home.

As mentioned in the strategic plan, the government is committed to maintaining Alberta's tax advantage compared to other provinces both for individuals and businesses. What steps has the government taken to ensure Alberta continues to have a tax advantage?

Mr. Horner: Thank you for the question. I think, you know, what stands out to me is the fiscal framework. I can't say how grateful I am for that work that was done before me or how important it is not only for us elected rubes as we are trusted to manage the finances of the province but how important it is to credit-rating agencies. It's no secret our connection to WTI prices and our reliance on them.

I think the fiscal framework is important because it – I almost want to say that it forces us – guides us to manage our operational spending within each year. By giving us the direction of how to use surpluses and surplus cash, I think that's important, and that's something, I know, that the credit-rating agencies have told me they very much appreciate and like, that we're either going to be paying down debt or saving it. You know, they very much appreciate the heritage fund. These are people that understand money and the value of compound interest and the net position of the province. They appreciate both of those things.

I think, to get to the heart of your question – how do we protect Alberta's tax advantage? – we protect it by planning for the future. You know, we received about $19 billion in oil and gas, bitumen royalties last year. We were forecasting $17.4 billion, I believe, in the year we're entering, and as you saw with the slim surplus that we tabled, we're using almost all of it.

Looking forward out into 2050, I think that's why the Premier's comments struck a chord with so many. That $19 billion, $17 billion, $20 billion difference: by having a plan through our savings in the good years and a commitment to leave the retained earnings in the fund, if we can build that fund up to a material amount that has the ability to be used annually, by that time, in 2050, if and when our oil and gas royalties come down substantially, we'll be able to lean on the annual payments from that fund.

You know, there's no magic here. If you're going to require more than that, you have to use some of the other levers available to government, and that is the tax base. I guess the heart of my answer here is: by planning for the future, and we can protect that tax advantage and the affordability it offers all Albertans through the fiscal framework, through the fund and this new vision that the Premier has begun to communicate.

Ms Armstrong-Homeniuk: Thank you, Minister.

Minister, could you just describe a little bit how our tax advantage positions Alberta favourably in job creation, investment attraction, and, my favourite, skill retention?

Mr. Horner: Yeah. Well, I think you get proof points just by looking around us. I know the area you represent, MLA Armstrong-Homeniuk, and I know you're familiar with Dow and Air Products and all of these projects that could have chosen a different jurisdiction but chose Alberta for a multitude of reasons. Our tax advantage certainly helps in that regard, also the APIP program in regard to Dow and the Industrial Heartland in your area specifically.

What that means is that if you look across the country, we're expected to lead the nation again in economic growth. I believe Minister Jones was updating us with the jobs numbers yesterday in the House, and I think he said that the lion's share of all the jobs created across the country are being created in Alberta. So I think it speaks to the entire package. You know, people are moving here not only for the opportunity but for the fact that, speaking in relative terms, compared to everyone else, we have great affordability advantages still, even though many Albertans are facing sincere challenges. I'm from the sticks, but I do drive around some of our two biggest cities once in a while, and you see a lot of Ontario plates, a lot of B.C. plates. You can just see it happening around us, that people are choosing to call Alberta home. It's a combination of a better life, opportunity, and affordability, and it speaks to the entire package.

10:55

Ms Armstrong-Homeniuk: Thank you, Minister.

On page 121 of the fiscal plan it states, "Budget 2024 announces the planned implementation schedule for the new eight per cent personal income tax bracket for income up to $60,000 as promised by the government." I know my constituents are excited to experience the full relief on their payroll taxes. Can you please outline the implementation plan of the new tax bracket?

Mr. Horner: Yes. Thank you for the question. I know the Premier was clear. She'd made this promise to Albertans, and she gave it to me in my mandate letter along with, you know, the caveat that we're to balance the budget. As you all know, that is also part of our fiscal rules. Budget '24 lays out our proposed path to get there: to legislate in '25 to move to 9 per cent at the $60,000 and below threshold in '26 and a full 8 per cent in '27. Once fully implemented, this is about $760 in savings annually per Albertan. But I should just also reference that that works out to about $1.4 billion.

So that's the challenge that my team faces and the rest of the government of Alberta: we want to fulfill that commitment – and I know we will – but we're trying to do it pragmatically while balancing the budget going forward.

Ms Armstrong-Homeniuk: Minister, are there any other affordability measures the Alberta government has done to provide tax relief to Albertans that you want to highlight?

Mr. Horner: Well, I definitely would like – because I think we're always quick to talk about, you know, the newest and shiniest thing. But I would . . .

The Chair: You'll have to save that for the next batch.

That concludes the government members' first block of questions.

Now we move to the second round of questions and responses. The speaking rotation, going forward, will be the same as the first round, starting with the Official Opposition, followed by independent members, and then the government caucus. However, speaking times are now reduced to five minutes for the duration of the consideration of the ministry's estimates.

We will begin this rotation with the members of the Official Opposition, who will have up to five minutes for questions and comments, followed by a response from the minister, who may speak for up to five minutes. After both individuals have had an opportunity to speak once, we will then move to the next caucus in the rotation. If the member and the minister agree to share time, we will proceed with 10-minute segments, during which neither the member nor the minister may speak for more than five minutes at a time. Members are reminded that they may not cede any unused portion of their five minutes to another member.

Member, do you want to share time again?

Ms Phillips: I would like to request to share time, Mr. Chair.

The Chair: Minister, what would you like to do?

Mr. Horner: Yeah, happy to.

The Chair: Okay. So you have 10 minutes of shared time, starting now.

Thank you.

Ms Phillips: Thank you, Mr. Chair and through you to the minister. I want to talk a little bit about affordability and direct the minister's attention to page 161 of the fiscal plan, schedule 22, changes to fees. I heard the minister talk about how we want to welcome new immigrants and people from across the country and around the world to Alberta, and I couldn't agree more, which is why I was quite surprised to see an increase to the immigration educational credential assessment application fee from $200 to $260 and then the Alberta advantage immigration program application fee increase from $500 to $840, the reconsideration fee from $100 to $250, and any other fees from $100 to $150. My question is on these increases, some of which are quite significant. The initial application fee for the Alberta advantage immigration program is the one that stands out to me and that reconsideration fee. Those are pretty substantial increases. Why did the department decide to increase them, in one case more than double?

Mr. Horner: Yeah. Thank you for the question. I do know we had many conversations with Minister Yaseen before this happened. But to put it simply, the fee rates hadn't changed in a very long time, and they didn't in any way cover the costs. I know the minister wanted to make it more sustainable because he would like to expand it in the future. He's trying to manage his ministry going forward with the hope of proving that to Treasury Board, you know, making it defensible. We challenged all of our ministers, "If you're coming to us looking for an expansion of a program, think about where the dollars will come from," just making sure that they understood that we know that a priority in this budget and every budget – and I'm sure in the future, too – will be towards Health and Education and that we want to provide these things but to look at the revenue line. I think he did with clear eyes, and we supported him in the increase.

Ms Phillips: My next question would be: was there a deliberation on any kind of interjurisdictional comparison? We compete for labour in a number of different jurisdictions, particularly in health care and particularly given a lot of the settlements that we are seeing in other comparator jurisdictions, specifically British Columbia with bargaining outcomes there. Is this in line with any of these fees? There are also the domestic ones, too, right? They also went up: the educational application fee, the basic application fee. These kinds of things all went up as well. Was there a comparison to what is going on specifically in British Columbia but also in Ontario and other jurisdictions where we compete for labour?

Mr. Horner: Well, we do always do interjurisdictional comparisons. I'm sure Minister Yaseen will share more information with you during his estimates, how he got to this decision, but I would point to the fact that we're certainly not having any challenges, you know, attracting immigrants. I think that if you look at what's happening, we don't see it as a barrier. I know the interjurisdictional comparisons were made, but I don't have that in front of me.

Ms Phillips: We'll follow up with the relevant department. Thank you, Minister.

Moving on to bargaining and the main cost drivers of the budget, of course, I read on page 99 of the fiscal plan that this budget contemplates health care compensation to increase by 3.3 between last year's fiscal and this year's and education total compensation to go up by 3.7 over the same period. Is that the whole story, or is the province modelling other bargaining outcomes?

Mr. Horner: Well, I know you're aware, you know, of the position we're in, that we're in active bargaining. I certainly want all of the public service to know how much they're valued by the government of Alberta as we go through this process. Five of the six big agreements expire March 31, but the other one, the sixth, is also at the table. For fairness to the process I would just like to keep my remarks brief and say that we respect the process.

As you're aware, within the process they certainly look at what's happening around us, you know, our crossjurisdictional comparisons with other provinces. They also look at potential recruitment and retention challenges in specific sectors. Those conversations are live, but that's as much as I'd like to speak publicly about it in this place.

Ms Phillips: The province has two options. If it doesn't land specifically on 3.3 and 3.7, it has the option to absorb anything more than that within existing allocations or take in-year adjustments up to Treasury Board. What is the government's plan here to absorb any bargaining settlements above what's been telegraphed in the fiscal plan within existing allocations in existing budgets or to perform in-year adjustments?

Mr. Horner: Well, you know, like I said, I don't want to get too much into this out of respect of the process. The numbers that you're referencing: I would just say that they indicate both a change in price but also volume. That's not what's being considered at the tables themselves. They're focused on price, but when it comes to our expectations, we have to look at price and volume, of course. It'll depend where they land going through the process.

Ms Phillips: Physician compensation is a huge chunk of any budget. I remember being quite shocked when it dawned on me after Redford's settlement somewhere in 2013-2014 just how much it takes of our annual budget. I suppose the only thing more expensive is not doing it. Is physician compensation reform baked into this budget?

11:05

Mr. Horner: Is physician compensation reform baked into this budget? No.

Ms Phillips: Well, they have a number of changes that they would like to make. Is that forecast in this budget?

Mr. Horner: No. I can only speak to the fact of the numbers in front of us. Nothing's baked in for potential reform.

But you're certainly not wrong. We all love our doctors. We wish we had more of them. We wish we had them in the right places. When it comes to the specific dollar amount, this number sticks out in my mind: in 2019, I believe, physician compensation was $5.4 billion, and it's currently projected at $6.6 billion in this budget. More physicians are registered here. Obviously, there are volume pressures with a growing province that triggers some of that.

Because you asked the question – and I think it's important for Albertans or to get it on the record to understand how substantial that is – when you're looking at the total compensation cost for the public sector in this budget, I believe the number is about $31 billion. So $31 billion out of $73.2 billion is obviously substantial, but of that $31 billion, $6.6 billion is physicians, so roughly the $25 billion left represents the other, you know, 250,000 Albertans that are working for the public service. Just to give you an idea of the overall numbers. It is substantial.

There are initiatives that are represented in this budget for recruitment and retention, line items especially for rural and remote and Indigenous communities, but there's nothing regarding potential reforms baked in, as you said, into these line items.

Ms Phillips: Cognizant of the time I have left, I just want to turn our minds to the fiscal framework really quick. I'll get the question on the record, and we can return to it in a subsequent block. The fiscal framework that was put in place by Premier Kenney and lauded by the minister in a previous answer calls for a 7.4 per cent increase in expenditures this year to account for inflation and population, a $63.6 billion ceiling, which is on page 16. Actual investment in public services will be $60.1 billion, or a cut of $3.5 billion, relative to simply keeping up with inflation and population growth. I'm wondering if we can talk about that a little bit. Are we hedging here against bargaining outcomes? How will those outcomes be financed, through absorption in existing allocations or in-year adjustments?

And we've got 10 seconds.

Mr. Horner: I'll come back to it, Chair, when we switch back.

The Chair: All right. We'll move on to the government caucus. You have 10 minutes of back and forth.

Mr. McDougall: Thank you very much. Looking at page 17 of the fiscal plan, it's a breakout page for the government's heritage savings trust fund, and I find this, you know, an item and an issue that has interested me for many years. We all like to lament the situation right now, especially when we compare it to Norway and the huge amount of money that exists there; I think it's about $1.6 trillion. It always concerned me that, well, people like to lament the fact that we never went the same pathway in terms of our sovereign fund related to oil and gas revenues. There were decisions that had to be made, and decisions were made by Norway particularly that impact the differences and difficult decisions that have to be made; for example, living within your means and spending wisely and contributing in other ways to government coffers. For example, people seem to forget that Norway pays a VAT of 21 per cent versus our zero savings sales tax. That's a decision that Albertans have made, and there are implications behind that.

The other thing that people seem to forget is that the amount of revenues per barrel of oil equivalent or per capita that Norway gets from their oil and gas revenue is much higher than Alberta because we share our resource revenues with the rest of Canada. They get higher prices for their products versus us, and they have lower operating costs for their industry than us. That's something that critics seem to forget.

Nonetheless, here we are, and I'm excited to see that this government has a greater determination to go back more closely to the initial intent of the heritage fund that we moved away from in the 1980s, which brings us to my question, which is: can you comment on the feasibility of what we're embarking on doing right now, now that we've clearly eliminated the idea that we're going to use the heritage fund as a rainy-day fund, if you will? I'd like you to elaborate a little bit on that.

There were some figures that were put up there about, you know, hitting a $250 billion number by 2050 or higher; $400 billion is, I think, the other maximum range. But to achieve that – and this is the big thing that I think a lot of people seem to miss – is the power of compounding returns. If you can talk about – AIMCo has returned less in real income historically than CPI plus 4.15 per cent, which a lot of funds would be targeting on a 10-year horizon. What changes are being made to get back to that kind of 10-year trend that we would like to aspire to, that will be necessary to get the kind of balances that we'd like to see in 2050.

Well, I'll leave that there, and I have some more questions. If you can.

Mr. Horner: Sure. Yeah. Thank you for the question. There's a little bit to unpack there, so I'll try, MLA McDougall.

You're not wrong. The heritage fund has been around since 1976, and I believe $48 billion over the course of its life has been taken by the government of the day to use on operating. Your comment about, you know, compounding interest and the value of money: you could imagine, especially the dollars that were taken out further back in time, the value they would have had staying in the fund. It was simply inflation-proofed.

I'm happy to say that, you know, over the past few years a lot of intent has been put around trying to make it a priority when we can. I believe it was under $17 billion – $16.7 billion stands out in my mind – in 2019. We're forecast to the end of the upcoming fiscal year to have it at $25 billion. I think that's incredible in a pretty short amount of time.

The re-energizing of the fund, the vision that the Premier has begun to communicate: it will require that we hold fast in our commitment to leave the retained earnings in the fund. You know, it'll be over a billion dollars this year, plus the $2 billion deposit. That will be totally necessary to achieve the $250 billion to $400 billion vision by 2050. We will need to have that commitment, and we've made the legislative changes, that the default position now is that the retained earnings stay in the fund. Before they went to government revenues, general revenues, and the elected politician of the day would have to make a decision to take and make a deposit in the heritage fund. It's swapped now in its default setting. I think that's important.

The earnings you mentioned regarding AIMCo: I think that if you look at their 10-year return – and I can let Paul speak to this if I get this wrong – I believe it's 8.4 per cent with the cost netted out over the last 10 years. I think that when you look at the current costs of our debt, I think at about 3.9 per cent, that kind of speaks to the value proposition that we're taking forward to Albertans in the current year. But that commitment to leave the retained earnings is essential for the plan to work. I know the Premier will communicate more on that vision later in the year.

11:15

There's a lot of – I'm new to this role, admittedly, but, you know, speaking to those in the finance world, a lot of changes happening in finance regarding especially around a lot of the sovereign wealth funds around the world: it's more of an asset-ownership mentality as opposed to an asset manager. There are ways that they can secure consistent higher rates of return through that structure. But too early to communicate all of that. The plan is being developed. We have some great globally renowned advisers helping us through that process.

But that is the plan, to grow it to a place where we could consistently use it without draining it, and we think that some of these estimates are potentially even conservative. We'll have more to communicate in the years to come.

I hope that answered both parts of your question.

Mr. McDougall: That's great.

One of the truisms of government is that everybody wants to spend more money – not everybody. Many people want to spend more money, they want to pay less taxes, and the third element of that is debt, which people tend not to want to talk about, and the implications of accumulated debt and what that does to a jurisdiction's finances. I've witnessed in many cases some particularly egregious results from jurisdictions that have ignored the question of debt and what that does long term to their ability to spend.

I noticed, or we all noticed, I guess, that you're talking about transferring about $3.2 billion in this current year to pay down debt rather than, say, add that to what goes to the heritage trust fund. I guess the question is: of that $3.2 billion, what is the cost of the debt that we're avoiding, if you will, versus the cost of the expiring debt that we're paying down? That difference, of course, would normally be something that would not be available for operating expenses if we had that incremental interest payment that we had to make. So (a) it's good to see that we have the ability to pay it off, but it would be nice to be able to put a number behind: what is it that we're saving in terms of interest payments by this capability and this decision to do that?

Mr. Horner: Yeah. A very relevant question. As I mentioned in my previous answer, the average of the . . . [Mr. Horner's speaking time expired] I'll come back to that.

The Chair: You'll have to come back to that.

Okay. We'll move over to the opposition caucus for their 10-minute back and forth.

Ms Phillips: Thank you, Mr. Chair. I'd like to just confirm or request to the minister that we go back and forth.

Mr. Horner: Yes.

Ms Phillips: Okay. So we had talked about the – we had left off on the fiscal framework. I had essentially asked – the fiscal framework calls for a 7.4 per cent increase in expenditures to account for inflation and population, but we've got about a $3.5 billion shortfall relative to that ceiling that is forecast. So I want to know, given rates of inflation and given population growth, why this budget does not contemplate working within the fiscal framework. Is this a hedge against bargaining outcomes?

Mr. Horner: No. Thank you for the question. I'm glad we get to readdress it. You mentioned that the fiscal framework calls for us to spend to, you know, CPI plus population. I would correct you in this regard. It doesn't call for that. It's the ceiling, not the floor. It's always there to protect us. You know, I think when you look at the fiscal rules, you never know which fiscal rule will impede you, and they will differently in different years. It could be the contingency, it could be the operational line, or it could be the fact that you have to balance the budget. We would not be able to balance the budget if we spent to that number, so priority was taken.

Although the operational increase to government is 3.9 per cent, I think you can see that having Health and Education at 4.4: that's what we made our priority. But it's the combination of the fiscal rules that help us land in the right place, and that's how we landed, or part of how we landed, at this number: working within what we can afford.

Ms Phillips: In terms of FTEs that are, of course, on page 162 of the fiscal plan, the UCP forecasts health care staffing to increase by less than .947 per cent and education staffing to increase by 2.09 per cent, yet the government's population forecasts show the province growing by 3.7 per cent after growing 4.1 in calendar '22. So this budget does not appear to fund for population growth in the two biggest sectors where in particular in education you see that you must fund for population growth, because children have a habit of getting older. I am wondering why we chose not to fund for population growth in those two big department areas.

Mr. Horner: Well, I think we are funding for population growth. I would say that that is happening. But I would say that when you look at – you know, FTEs don't represent people. They represent a full-time worker over the course of a year. So we know that both in health care and education that that may not be the case. Education, I guess, for example is 10 months, not 12. You also have educational assistants and bus drivers for example that are partial days within those 10 months. In health care certainly, you know, you have nursing staff that work different lines, so just, I think, an important piece of clarification. On education specifically I think the enrolment growth funding represents $1.2 billion over the three-year span, and that's $840 million in new funding. I think it represents 3,100 educational staff.

Ms Phillips: I want to talk about the personal income tax line for a little bit and the CIT line a little bit here, just to understand projections and so on. The personal income tax cut that formed part of the election platform: there has since been some editing of that promise, and there has been an indication it would be phased in. I'm wondering if it is reflected in any of the forecast revenues for personal income tax, that new bracket. Is it in these numbers?

Mr. Horner: It is not. It has to get through our committee, cabinet process, Treasury Board. So it will be reflected once we get into the legislated year.

Ms Phillips: It will be reflected once we get into, like, this calendar year or in terms of the year when it's now been promised for in 2026?

Mr. Horner: When we bring in the legislation. We can't presuppose it, but once it gets through the process, it'll have to be reflected in the forecast.

Ms Phillips: Why wasn't it in this budget?

Mr. Horner: Why wasn't it in this budget?

Ms Phillips: Yeah. Even in the forecasts out if you were going to push it out, why wasn't it in this budget? It was a pretty key promise.

Mr. Horner: Well, we wanted to make it clear that we were showing, you know, where our commitment would land, but we can't add or subtract from the forecast that which hasn't happened. When we bring in the legislation it will be reflected in the forecast. To, like, the heart of your question: why hasn't it happened yet in this budget year? We were able to, you know, see the difficulties within Budget 2024 early on, I guess, as I was getting up to speed in my new role and saw the challenges coming.

11:25

You know, this is only me speaking, certainly not the Premier or cabinet. I was tasked with doing multiple things at once, including balancing the budget and responding, as you mentioned, to the population surge, especially in health care and education, so a choice was made to, you know, ask Albertans' understanding that we're trying to make the right decision and that we're still committed to bringing this forward but that we can't at this time.

Ms Phillips: Is there a cost projection for the foregone revenue of that? Can the minister share that with us?

Mr. Horner: Yeah. The total impact – and this number would reflect the personal income tax base of the year we're in because that's when I received it, but it would be $1.4 billion for the full 8 per cent impact over the course of a full fiscal year.

Ms Phillips: Thank you, Minister, for that.

Another question on foregone revenue. It's a little bit more niche. It certainly didn't take up a lot of the headlines during the election campaign, but I've been thinking about it a little bit. We have a much more generous charitable tax credit now as a result of a private member's bill last year, so can the minister tell us the amount of foregone revenue for '23-24 that was projected based on that private member's bill and the increase in charitable donations, if any, that happened? That might be a question for written follow-up. Like I said, it's a bit more niche. But at this time last year there must have been a foregone revenue projection, seeing as it passed last year.

Mr. Horner: I'd have to get back to you, Member Phillips, on the delta, on the difference. The total line item is $340 million in revenue change regarding donations and gifts, but the specific delta I don't have. It would have been in the previous budget, but we can . . .

Ms Phillips: Yeah. At the time that piece of legislation purported that it was going to increase charitable donations, so if there is any evidence of that, I would be keen to see it so that the charitable and nonprofit sector can better understand the impact. Either way, I think that's what's motivating this line of questioning. It does have a bearing on fiscal management and planning and cost to the treasury, but it also has a bearing on how stakeholders conduct themselves in their fundraising efforts for charitable endeavors.

Mr. Horner: I'm not sure how specific Mr. Lebane will be able to be, but I would ask him. This is under his shop and his file to comment.

Mr. Lebane: Yeah. I'm happy to comment. The new measure, I believe, was brought in for the 2023 tax year. Albertans are just filing their taxes for the 2023 year now, so it'll probably be another year or so before we have really detailed microdata where we can go through and look at what behaviour . . .

The Chair: Thank you very much.

We will now go over to government caucus for the next set of questions.

Mr. Sinclair: Thank you, Mr. Chair. Thank you, Minister and your entire team, for all the amazing and daunting work you must have trying to allocate spending for Albertans but doing it in a very responsible way.

I don't know if I'll circle back or maybe ask a different line of question. But related to my colleague from Calgary-Fish Creek, when we talk about meat and potatoes – I mean, you're a small-town guy like me, so you can understand that I appreciate the beer-budget analogies as much as anybody does, and so do the people from northern Alberta, where I'm from. So in layman's terms is it possible to be able to correlate maybe a simpler way of describing the importance of paying down our debt, especially, I find, with people who aren't maybe that interested in politics or don't follow it that well, which happens to be a lot of my friends that I grew up with, I would say, and the effects of not paying down that debt in a way that we can highlight the importance of it when it comes to what we're doing? Because especially, I find, for younger people, when they're talking about affordability right now, the paying down of debt, sometimes for me, I have a hard time giving them, you know, a real couple of strong bumper-sticker-style answers, like I said, in a more common-sense style of fashion with all the political acumen.

Just to finish off, the other half of the surplus cash was allocated to the Alberta fund where $2 billion is going to be transferred to the heritage fund and $1.2 billion will be used for debt repayment. If you could just describe maybe what weighed into splitting that allocation rather than, for example, simply paying off the debt with the full Alberta fund amount. I know that was a two part question, but if you can give me an answer on television that I can share with the local people of Lesser Slave Lake, I think that would be quite amazing. And then I do have a follow up, if that's okay.

Thank you Mr. Chair.

Mr. Horner: You're telling me the people of Lesser Slave Lake watch this, Scott? I appreciate both parts of the question. You know, I'm from the agriculture sector by trade. Debt is not new to me in the business that I came from; it's essential. It's a tool. It's hard to be in a position of growth without it. But I do know that if you're using it for operational spending, that only takes you down one path. I think that's important. I don't think that debt is necessarily an ugly word; it's a tool, but it's a tool that has to be managed with an eye to the future.

The costs: I think this kind of takes off on the end of MLA McDougall's question. Our average debt currently is 3.9 per cent for the debt that we hold. Almost a third of the total taxpayer supported debt needs to be refinanced over the next three years, so we know that that will be at a higher rate than 3.9 likely, although we do think interest rates will come down in the middle of this upcoming year. Our last bond offering, just to share at the table, I believe, came in at about 4.6, and there are variations depending on the term and, you know, if it was an arbitrage situation with a different currency. I think that since December we've seen between 4.2 and 4.6 depending on whether they were 10s or 30s. We did have a substantial arbitrage play with the US dollars going back to last month that was very beneficial to the trade. If you wanted really short term our three-month debt would be around 5 per cent and the savings from the debt repayment that you mentioned would add up to about $128 million annually, so you're saving that interest cost in the years going forward.

Why the people of Slave Lake should understand that this is important: you know, you don't have to go back too many years when Alberta didn't have much debt, and where we currently sit we'll end this fiscal year at 76.1, expecting our taxpayer-supported debt to end at 78.1 at the end of the next fiscal year. It represents a projected $3.4 billion in debt service costs. That's interest. You know, there's no budgeted line item for principal repayment, so you can't pay down debt without putting the province into a cash surplus. Otherwise, you'll just take on more and deal with the interest charges.

If you look at what's happening around us, and this is maybe what I might point out to your constituents, the budget that B.C. just tabled will take their debt servicing from exactly where we are today, from $3.4 billion annually, to $5.7 billion in three years. It'll take their net debt position from $71 billion to almost $130 billion. Their net debt as a percentage of GDP will erode substantially from about 15 per cent to 28.8 per cent.

11:35

The path that we're on, although it does mean that we'll have to do some borrowing while we save, while we invest in our own infrastructure, will see our net debt per capita and net debt as a percentage of GDP in a stable position and then declining in the out years. Very important metrics, especially for the capital markets, credit rating agencies. Yeah. We see our net debt to GDP at 9.1 in the year that we're in, dropping to 8.5 and then 7.7.

We're already in the best position across the country. But by sticking with the fiscal framework and showing the capital markets and the credit rating agencies that we're committed to them, I think Alberta can expect further credit rating upgrades, as opposed to what the other provinces are likely to see which is decreases, which makes our debt more affordable that we currently have and going forward in the opposite for them. But it also protects, you know, that tax advantage that you spoke to. If we have a debt servicing line item that's growing and already dwarfs many of our ministries combined, you can just understand that that money will have to come from somewhere because we do have to answer the bell of the needs of the province and this is why the fiscal framework is so important.

I think the other part of your question was: how do we make the decision to invest in the heritage fund and not use it all towards debt repayment? I think that speaks to the Premier's intent to re-energize the heritage fund, that value proposition difference between the 8.4 per cent that I mentioned over the last 10 years, you know, the goal to make that even better.

The Chair: There's a rule of talking no more than five minutes in a row, and we've breached that. But I know the member did have a follow-up question, so if you could ask that question and then carry on with your explanation, you'd be okay.

Mr. Sinclair: Thank you, Mr. Chair. If the minister could please continue on with his previous answer. I'd love to hear it.

Mr. Horner: I'm sorry, Chair, and to the member. I didn't realize I was being a windbag.

Under the fiscal framework there is discretion. As you're aware, the $3.2 billion went towards debt repayment. It's a value calculation, and it's about timing, I guess. You know, for elected folks I think it's very simple to want to pay down the debt. I came in here thinking that was the easiest and most prudent thing to do, and I still would lean towards it in many regards. But I think the timing of this with wanting to re-energize the fund spoke to the intent around putting the $2 billion in there and really trying to see this grow.

You spoke about the compounding value of money. You can understand that if we're looking out to 2050, the impact that that deposit by itself could have over that amount of time. If we're going to have the commitment to let it ride, so to speak, out to 2050, the value of that $2 billion weighed against the opportunity to pay down that debt – it's a choice that was made, but I certainly stand behind it and stand behind the Premier, that she wanted to make that choice at this time.

The Chair: Thank you very much. We'll now move over to the opposition caucus for the next 10 minutes.

Ms Phillips: Yes. I would just like to seek permission to go back and forth with the minister. Okay.

I'm going to ask about Bill 10 because it's in front of the House and there's some numbers that are in front of the House right now, just so that we have some clarity. On the fiscal plan, page 95, the Alberta Is Calling attraction bonus, "targets skilled workers to help fill critical labour shortages." It says here that it will start in April '24 at an expense of $1 million this year, $12 million next year, $1 million in '26 and '27. And the legislation announced – I guess, introduced yesterday – indicates $10 million for 2,000 workers but we have a $14 million budget. So what's the extra $4 million? That's a fairly large percentage.

Mr. Horner: Yeah. So the breakdown of the difference would be between administration but also communications. A big part of that promotion will be around making sure people understand that it's available. I don't have the details to how that will roll out but I'm sure Minister Jones can share it.I do think in conversation there will be direction, you know, going at the skilled trades colleges and academic institutions across the country, making sure they're aware of the potential.

The $10 million, the heart of the program, that'll actually be paid out, I know that you know those specifics: 2,000 people, $5,000. I know the minister spoke to the fact that the way it was originally envisioned he as a minister didn't think the $1,200 per person was material enough to actually make a moving decision. They wanted something that would actually represent the cost to move across the country. But, yeah, a combination of the campaign to make it successful and the administration because it does require proof that your personal income tax was paid in Alberta as one of the requirements of the program. So it's a little more complicated to administer, but it also makes it more defensible, I guess, at the same time.

Ms Phillips: I think the public would be interested in the breakdown between the administration costs and the advertising costs. I'm wondering that when this program was brought up to Treasury Board and when it was costed out, did it factor in any of the CRA existing tax writeoffs that one can get for moving expenses? Any private-sector activity? What else went into the analysis and the amount that is being given to people to make it material?

Mr. Horner: You know, we definitely looked at all options to administer it. CRA isn't and couldn't and wouldn't administer it for us, so we are within the department. The breakdown on the $4 million is $3 million towards the campaign and $1 million to administer it. Pardon me. Jet is administering it.

Ms Phillips: Yeah. Okay. So $1 million for Jet to administer, $3 million on the campaign. So is that $3 million, then – we talked about the past Alberta Is Calling advertising which was coming in at about $3 million, I think, for the last two fiscal years, or at least this one and last year's. Is that allocation, then, all of Alberta Is Calling for this particular program? Or is there $3 million plus another government spend for $3 million on, like, general Alberta Is Calling and then also Alberta Is Calling to give you some money, I guess, is what I'm asking.

Mr. Horner: Two different $3 million lines . . .

Ms Phillips: Okay. So we're doing a $6 million spend on this.

Mr. Horner: Well, slightly more. The old Alberta Is Calling campaign that would have been in the previous fiscal year is $3.6 million, and then this is $3 million in this budget.

Ms Phillips: Good. I wanted to go back on the charitable tax credit, if there was anything else to add on that either in uptake, in foregone revenue. Anything else to add that went into the analysis last year that is then in the projections this year?

Mr. Horner: Paul.

Mr. Lebane: Thanks. I checked with the team. We're estimating that the cost of the enhancement, so the increased amount for that 60 per cent, works out to about $56 million. That's totally modelled, though; we don't have real data. As I said before, we won't have that real data for another year or so. We don't have any initial indications yet on uptake or what incremental impact that had, though, at this time.

Ms Phillips: Was there analysis when this was brought in on any, like, modelling of increased donations? I mean, the $56 million would have come from somewhere, either maintaining status quo or increasing donations.

Mr. Horner: Yeah.
Paul, feel free to comment. It was a private member's bill so I don't know if there was as much, but walk us through it.

Mr. Lebane: Yeah. There was some analysis done in 2022 expecting some incremental amounts of donations. I don't have it offhand, though. It's from a couple of years ago, so we'd have to go back and see what we could find if it was desired.

Ms Phillips: That would be great. I think that from the perspective of the charitable sector understanding whether and if that increased amount has a behavioural change would be helpful for them to know in their own planning.

11:45

I have another question about the cash reserves. I recall as a member of Treasury Board a long time ago that we made a decision to set aside a substantial cash reserve in the very unlikely event that the bond markets froze. At the time everybody said that that was a bad idea, and then fast-forward to the pandemic, and the bond markets froze. My question is: has the policy on holding a cash reserve for the GOA changed over the long term, or is there any other mechanism that might be – you were talking about bond sales and so on, but I'm wondering if there's any other approach to that cash reserve issue as a result of what happened in that very unlikely event that absolutely happened.

Mr. Horner: We still have the same policy, Member Phillips. We are looking at it. You know, I'm glad you brought it up. I wasn't in the room, but I was able to hear the story from the former minister and saw how white his face was when they were absolutely, you know, counting the days till the ship of Alberta hit the shore. I think it's interesting.
It also kind of speaks to our borrowing program in this sense that, you know, liquidity is important for the capital markets. They want to know that you have consistent offerings. They want to know that they can get in and out and make changes to their portfolio, and Alberta's, I guess, historical "borrow when you need to and not often" wasn't viewed in a way that helped us in our rating and interest rates either, and that's part of why we're trying to communicate to the capital markets that we have a lot of debt to refinance, that we want to come consistently. We're trying to communicate to them the economic position of the province – and they do love the fiscal rules – and just show that we're sticking to them and why we're borrowing. We're doing a lot of preborrowing this year because there's a very large debt stack maturing in the first quarter of 2025, so even though we know interest rates are going to decrease, we're going to borrow almost $3 billion a quarter in preparation of the first quarter of '25.
But, yeah, we do we do monitor the cash reserve and understand the importance of liquidity. Is it three? Yeah. It's $3 billion still that we keep in cash reserves.

Ms Phillips: Okay.
Speaking of white faces, certainly, when oil, you know, hit 26 bucks a barrel for WTI in January of 2016, I had one of those white faces, and that's why TMX was so important. We asked about this in lock-up. I'm not going to get a chance to get to it all, but we can follow up. There doesn't appear to be an allowance for price uplift due to TMX for bitumen in these documents. We asked about this. I want to fully understand why it is because whether the last budgets for the past eight or even 10 years have had anything in common across different parties and different Premiers, it's that getting two out of three pipelines is good for WCS and therefore good for Alberta's bottom line. So I want to understand why I don't see that price uplift through market diversification and better competition for the last barrel in these documents.

The Chair: Thank you.
Okay. We will go to government caucus to continue questioning.

Mr. Dyck: Excellent. Well, thank you so very much. I really appreciate the questions, appreciate the answers, and looking forward to asking some myself. My first question here definitely impacts my constituency up in Grande Prairie and area. The entire north-northwest has significant gas and energy revenues, which is excellent for our province. I'm really happy with our technology. I'm really happy with our opportunities. I'm happy with just seeing the insight and the opportunities that people are grabbing hold of in our constituency. Kind of along these lines, but as we're moving forward, if we do see unexpectedly high oil prices and perhaps even a cash surplus, how will the government's new long-term goal of growing the heritage fund up to $250 billion by 2050 factor into the future Alberta fund allocation decisions? It comes into: there's play on the question of oil prices and cash surplus. Really, the question is on the long term goal of growing the $250 billion fund. How are those allocation decisions going to happen in the future?

Mr. Horner: Thanks for the question, MLA Dyck. You know, the fiscal framework dictates that the first half goes to debt repayment, and then the rest can be used for those three items: further debt repayment, investment in the heritage fund, or one-time spending decisions that don't increase the operational line going forward. I think those decisions will have to be made year to year. It's a big commitment to leave the retained earnings in the fund. That is the key part of growing the fund out to 2050 to hit those targets. Additional deposits, if WTI puts us in a cash surplus position, can certainly be considered. Like I said in the previous answer, the impact of making those deposits now over the timeline of out to 2050, certainly, would be compounded and have a lot of value to make them early.

Yes. I took quite a few questions just on the forecasting process, how we determine that number. You know, we sit and meet with kind of almost a syndicate of bank and industry forecasters. They definitely try to have at least one face-to-face meeting a year, usually during the budget construction period, where we get to ask them and they get to ask us. They're almost as interested in our chief economist and forecaster's perception of oil and gas and those spaces but also GDP and economy predictions. Catherine Rothrock, our chief economist, is exceptional, and we generally have outperformed industry forecasters, especially on the economic side, GDP predictions, jobs, and I think we're in the top quartile when it comes to forecasting WTI. So those things are important, and I do think that, as Member Phillips talked about, the situation we're in when oil is substantially lower: we all know what that challenge creates and the debt it makes us take on. We want the forecast to be prudent. You know, we're basing our operational spending in many ways off the revenue that's available to the province.

But, in my opinion, you know, we do want to ensure that there is at least an opportunity for upside for the province. If you look at that $74 threshold, I look at it like the province has all the downside below $74, but through the fiscal framework we're allowing ourselves to have some upside in those good and decent years where oil works in our favour. So a combination of those things, prudent forecasting and then pretty strict direction on how to use it when it's available to you.

Mr. Dyck: Awesome. Thank you, Minister.

I want to talk about a slightly different conversation now, ATB, their dividend overtaking. You know, growing up, I grew up in a small town, too, and ATB had significant impact on our small community of about 2,500 people, so it has significant opportunity to continue doing that. On page 19 of the fiscal plan we're just looking at the future cash flows anticipated by our government, and our financial dividend is $100 million per year. I don't believe we've taken this before, but I also understand that ATB is already consolidated into our government of Alberta financial statements, so it doesn't really seem like there will be a lot of impact on the surplus. What is the motivation for taking a dividend from ATB?

Mr. Horner: Great question. I know we have a representative from ATB here, but I'd be happy to say that, as I mentioned earlier, I think it speaks to that story about why ATB is important to the province, why it's a great asset and not just for the services they provide. I mentioned, you know, the capital they put especially towards certain sectors like oil and gas and now technology, and technology specifically around agriculture, I know, is a space that they're quite proud to be in right now.

11:55

But also it communicates to Albertans the importance of them being a successful regional bank. You know, they weren't always in a position and didn't have a balance sheet where they could give this dividend. They've had to grow to a size through being a successful bank, and that means that they have to make commercial-based lending decisions. I think the entirety of that story, I hope, tells Albertans that not only are they making commercial decisions to stay a successful, profitable bank; they're sharing with us, the shareholder, in a way that they hadn't previously, so I think that's a positive story.

You're not wrong, because we're fully consolidated. It doesn't impact the surplus-deficit position of the province, but it impacts surplus cash. So if we're looking at having an Alberta fund either with something in it or without something in it, it definitely will impact that. But I'm proud of the story. I think the story makes a lot of sense.

Mr. Dyck: Thank you, Minister.

Another question just on this. You kind of touched on this, so I do appreciate it. With the increased cash coming from ATB to the government – and this is in both the general budget and cash flows to the government – how will this interaction of the dividend affect our borrowing needs? Will $100 million affect our borrowing needs? How does it play into our fiscal rules and also the Alberta fund? I know you mentioned that a little bit, but particularly our borrowing needs: how does this really play into some of that coming from ATB as a dividend?

Mr. Horner: Yeah. Well, surplus cash is certainly different than our surplus-deficit position in this. Because of how narrow the surplus was this year, that made it really stand out. I think it's a great educational piece for everyone and the media to understand the difference, but it will impact our surplus cash position. You know, in a given year it could mean the difference between being in a positive position and having some in the Alberta fund or not. In conversations with the board chair and ATB executives I think it's an amount that's material but still gives them room to grow. At the end of the day, they're our entity, and a lot of what ATB is flows through us. We take a lot of that risk, the taxpayers and people of Alberta do, so it's important to us that it's material but also that it leaves them room to grow and be successful. But yeah. It's definitely in the cash position that it will matter.

Deputy just gave me a great note. Like, in this current year it means we borrow $100 million less, if we wanted to describe it that way.

Mr. Dyck: That's fantastic. Really appreciate the answer, Minister. Yeah. That's significant; $100 million less is significant for our province. Thank you for doing that work.

The Chair: Thank you very much.

Opposition members, you have 43 seconds. Do you have a question or two that you want to ask?

Ms Phillips: Yes, actually. I would just like to follow up on this matter of the ATB. Over the years we've heard some folks on the Conservative side sometimes take ATB privatization for a little test drive, and I asked this directly of the minister's predecessor. There have been over the years some, you know, promises to privatize ATB coming from various leadership candidates, that kind of thing, or even backbenchers making uncharitable comparisons to Canadian Western or saying that maybe some of the storefront should be closed in some of the more far-flung areas. Just going to give the minister an opportunity to . . .

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

I would like to remind the committee members that we are scheduled to meet this afternoon at 3:30 to continue our consideration of estimates of the Ministry of Treasury Board and Finance, which will be in the Grassland Room.

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 12 p.m.]

Published under the Authority of the Speaker
of the Legislative Assembly of Alberta