

# PUBLIC ACCOUNTS COMMITTEE – MAY 7, 2024

## Post PAC Questions & Answers

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### Question, Hansard pg. 100

**Ms. White** (cont'd.): The year prior there was a public consultation done on insurance. What I can tell you is that from data from January to June 2023, so covering this period, Alberta drivers paid on average 1.7 per cent more for auto insurance. They did pay more than they had the year before despite the freeze because, for example, you may have changed your car, you may have changed your location – other factors come in – or your insurer may have actually received an increased rate before the pause came in. So, just to let you know, kind of overall it was down to a 1.7 per cent increase, which is still an increase, not a decrease, as you mentioned.

Again, I mentioned the file and use guidelines. They encourage insurers to seek increases of less than 5 per cent and to also limit driver rate increases to no more than 10 per cent while limiting rate changes to every 12 months. So those are more examples of the policies that are put in place and were in place in '22-23, in addition to the freeze, to try to protect rates from rising.

**Mr. Haji:** So, basically it still went up by 1.7 per cent.

**Ms. White:** It still went up by 1.7 per cent based on, majorly, that your insurer may have already had a rate increase, and/or your circumstances changed in some way as an individual. But, again, what we always want to say to Albertans is: if you have a question or you have a complaint about your insurer, please contact the AIRB, particularly if you feel you're being treated unfairly or policies are not being followed.

**Mr. Haji:** Do you have any idea of that increase was national in terms of like if it was a 1.7 per cent increase, how was that comparable to other comparable jurisdictions?

**Ms. White:** I think we'll have to get that information for you and table it back.

### Answer:

Comparable jurisdictions are considered to be Ontario and a combination of New Brunswick, Nova Scotia, Newfoundland and Prince Edward Island, or "the Atlantic." Alberta's increase for average insurance premiums for the referenced period (December 2022 to June 2023) was 1.7 per cent (from \$1,611.86 to \$1,639.13), Ontario's increase was 2.5 per cent (from \$1,715.46 to \$1,758.26) and the Atlantic's was a reduction of 0.3 per cent (from \$1,197.69 to \$1,193.77).

Data for other jurisdictions is not available for that period.

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### Question, Hansard pg. 100

**Mr. McDougall:** I see that the debt-to-GDP ratio is only 9.8 per cent in '22-23, which is well below the fiscal anchor of 30 per cent. I'm just wondering what impact that type of situation in your interactions with credit agencies and the financial institutions when we're going to market our debt – you know, how they see that. What impact do you think that may have on our funding costs exactly?

**Ms. White:** Great. Yeah. Thank you for the question. Again, we provide advice to Treasury Board in terms of fiscal priorities, in terms of treasury asset and debt management, certainly, always a big focus of our department and, frankly, has been since Alberta's fiscal position changed from net assets to net debt. I mean, we were always relatively good in the debt market, but I'm happy to say that we have a nation- if not world-leading debt team here in the Alberta government. You know, the paying down of the significant amount of debt that happened in 2022-23 really sent a signal to credit markets that we were serious about getting that number down.

Again, we want to focus on '22-23. I would say that laid the groundwork, that and the fiscal framework that we ultimately introduced, that really produced subsequent credit upgrades. But that significant paydown of debt, over \$13 billion, in '22-23 sent a strong signal to credit markets, and we really started to see our cost of funds decrease relative to others. You have to be careful because interest rates are always changing, so the way that we try to measure our success changes relative to our peers.

**Mr. McDougall:** How would you quantify, you know, if we wanted to compare to BC or Ontario and other places? Is there a kind of general comment you can make as to what our advantage is there in terms of their funding costs?

**Ms. White:** Absolutely. We're certainly happy to table bond spreads. I won't take you through the whole graphic. It's a little bit difficult to do verbally, but what I can say is that the commitment to fiscal discipline and paying down debt, as I just mentioned, really laid the groundwork. One of the things the department does is work with the credit-rating agencies to tell the story so that they have questions, not unlike the committee, on where our spending and revenue is going and how we're managing it. We work with the credit-rating agencies to ensure that story is transparent and told well, and this laid the groundwork for subsequent upgrades.

If we compare to B.C., unfortunately, our colleagues in B.C. have laid a different path. They've recently – again, probably groundwork laid back in '22-23 – you know, subsequently been put on warning and even downgraded. In terms of the relative performance of our debt-to-GDP, 9.9 per cent by March 2023. Compared to British Columbia, they were at 15.4 per cent. We always want to compare to Ontario because they're big borrowers: 38.2 per cent. Government of Canada: 45.6 per cent. You can't find someone on this chart that is anywhere close. I guess closest would be Saskatchewan at 12.8 per cent. Yeah. We continue to see the debt-to-GDP ratio improve as the economy grows and debt reduces.

### Answer:

Since the start of 2024, there have been some clear performance gains on Alberta spreads relative to Ontario's and British Columbia's spreads. As Alberta's fiscal outlook improves, this reduces the risk premium on Alberta bonds. Spread differences are the best indicator of how investors' view Alberta's improving fiscal position relative to other provinces.

Table 1 (below) compares Alberta spread differences between Ontario and British Columbia from January 2 to May 15, 2024. Relative to Ontario, Alberta bonds have tightened and closely match Ontario. Alberta also has a better spread relative to British Columbia. On the basis of longer-term bonds, the table shows that the market has a more favorable long-term outlook for Alberta relative to other provinces.

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### Question, Hansard pg. 107

**Ms. Armstrong-Homeniuk:** As mentioned on page 34 of the TBF annual report, “the Sustainable Fiscal Planning and Reporting Act received Royal Assent on March 28, 2023, and introduced a fiscal framework to guide future decision-making, in both good times and [in] bad, for the province’s finances.” Can the department please expand on how this framework works to support the long-term sustainability of government programs and services for the benefit of all Albertans while ensuring their hard-earned tax dollars are used wisely?

### Answer:

The fiscal framework is intended to help manage the impacts on government fiscal planning of Alberta’s unique economic and revenue volatility, both the upswings and the declines. It does this by requiring balanced budgets, limiting year-over-year operating expense and in-year expense increases, and setting policies for the allocation of any surplus cash. The fiscal framework was effective starting in the 2023-24 fiscal year.

Finally, on page 15 of the report you noted that net debt-to-GDP was 9.8 per cent in 2022-23.

1. Am I correct in that this ratio is the lowest under the UCP and the lowest since there was a change in government?

Yes, net debt-to-GDP was 9.8 per cent in 2022-23, the lowest since there was a change in government in 2019.

2. In 2018-2019 it was 7.9 per cent?

Net debt-to-GDP was 7.9 per cent in 2018-19 and was on a steady decline since 2016-17 when government went from a net financial asset position to a net financial debt position as a result of ongoing deficits and additional government borrowing. In early 2020, COVID-19 had wide ranging global effects which significantly impacted the province’s revenue and Alberta’s GDP. Net debt-to-GDP reached 20 per cent in 2020-21 at the height of the COVID-19 pandemic and has steadily improved to 9.8 per cent in 2022-23 due to the province’s strong economy and fiscal results.

It is important to recognize that Alberta’s GDP can swing dramatically, like government revenue, which can affect the ratio significantly as it is the denominator. Below are net debt numbers and Alberta’s calendar-year GDP numbers for context:

(billions of \$s)				
Year	2019-20	2020-21	2021-22	2022-23
Net financial Assets / (debt)	(40.1)	(59.8)	(59)	(45.6)
Year	2019	2020	2021	2022
Alberta GDP	351.4	296.7	376.4	459.3

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### **Question, Hansard pg. 107**

**Ms. Armstrong-Homeniuk:** On page 23 of the annual report it discusses how indexation is a way to ensure that income thresholds for certain tax rates automatically increase with inflation. I see that in the beginning of the 2022 tax year, Alberta resumed indexation of the personal income tax system for inflation. I also see that the Alberta child and family benefit, ACFB, was indexed by 6 per cent starting on January 1, 2023. How did the indexation of the personal income tax system and the Alberta child and family benefit, ACFB, help Albertans in '22-23?

### **Answer:**

Resuming indexation of the personal income tax system on January 1, 2022, was estimated to save Albertans approximately \$300 million in 2022-23 through lower personal income taxes. Indexation of the Alberta Child and Family Benefit (ACFB) began on January 1, 2023, providing an estimated \$7 million in additional benefits to eligible families in the final quarter of 2022-23.

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Questions – Hansard pg, 108

D. **Mr. Rowsell:** Key objective 3.2, listed on page 42 of the annual report, is to foster and promote a safe, diverse, inclusive, and respectful work environment in the APS, Alberta public service. This government is committed to supporting a healthy, diverse, and inclusive workplace where employees feel respected, valued, and safe.

- a. Can the department please share with this committee what policies and initiatives were implemented in 2022-23 to help meet this key objective?

### Answer; PSC

- The Alberta Public Service has implemented initiatives and actions that focus on building an inclusive and positive workplace culture where differences are celebrated, and all employees feel free to be their authentic selves.
- The APS Diversity and Inclusion Action Plan was created in 2020 and set out specific actions for the APS to take to ensure we remain an inclusive and positive place to work.
- I'm pleased to share that by the end of 2023, 97 per cent of the actions outlined in the plan were implemented.
- Education and Awareness
  - The department supports training and learning opportunities to promote awareness and understanding of diverse groups, including Indigenous Introductory Training, Disability Awareness in the Workplace, Accelerating Women in Leadership and Duty to Accommodate training.
  - From April 2022 to March 2023, 72 per cent of APS employees also participated in Respect in the Workplace and Foundations of Unconscious Bias training.
  - The Diverse and Inclusive (D&I) Recruitment Practices for Hiring Managers course was also launched on April 1, 2022, and provides hiring managers with the knowledge to deploy barrier-free and inclusive hiring practices.
- Initiatives
  - D&I initiatives and actions continue to evolve, ensuring that inclusivity is integrated into every aspect of our work. Examples include:
    - a. Employing Persons with Disabilities
      - i. In 2022-23, the PSC-led Employing Persons with Disabilities initiative supported the hiring of 18 employees. More than 200 leaders and HR professionals completed Disability Awareness in the Workplace training.
    - b. Indigenous Healing Circles
      - i. In 2022-23, 116 Indigenous employees found a safe environment to share in collective healing and support through quarterly Indigenous Healing Circle Sessions.
    - c. The Indigenous and Visible Minority Mobility Program
      - i. The APS is representative of the diversity in Alberta's population. Programs like the Indigenous and Visible Minority Mobility Program facilitates opportunities for aspiring APS managers who identify as a visible minority or Indigenous.
      - ii. Since its launch in September 2022, the program has placed 15 non-management visible minority and indigenous employees in management roles.
    - d. Occupational Health and Safety
      - i. Supports for psychological safety and employee well-being, and disability supports for employees continued to be enhanced through 2022.
      - ii. Work began on a Psychological Health and Safety (PHS) Framework, which continued through 2023.
      - iii. A Duty to Accommodate Policy to support APS employees with accommodation placement needs was developed in alignment with legislation.