

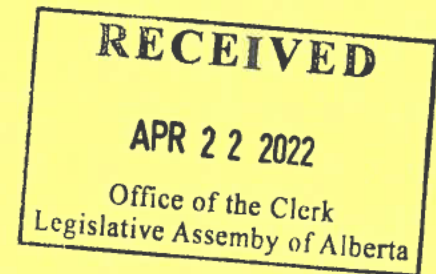
Memorandum

Date: APR 21 2022

From: Travis Toews
President of Treasury Board and
Minister of Finance

To: Aaron Roth
Committee Clerk

Subject: Follow-Up Responses for the Standing Committee on Public Accounts



During the March 22, 2022, meeting of the Standing Committee on Public Accounts regarding Treasury Board and Finance's 2020-21 Annual Report and outstanding recommendations from the Auditor General, the Committee requested department representatives provide (within 30 days of the requests) written follow-up responses to certain questions asked in the meeting.

I am pleased to provide the attached responses to those questions on behalf of the Ministry of Treasury Board and Finance.

Please contact Ms. Athana Mentzelopoulos, Deputy Minister, if further clarification is required.

Sincerely,

A large black rectangular redaction box covering the signature of Travis Toews.

Travis Toews

Attachments

cc: Shannon Philips, MLA, Lethbridge-West
Chair, Standing Committee on Public Accounts

Athana Mentzelopoulos
Deputy Minister, Treasury Board and Finance

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Personal Income Tax – De-indexing – Savings and Revenue to GoA over three year fiscal plan – Ms. Pancholi – (PA-667)

1. Question:

Q1 a) “As of the end of the fiscal year 2020-21 can the officials tell this committee how much more the government collected and how much more Albertans paid because of the decision to deindex the personal income tax brackets?” (PA-667)

“Can officials tell us how much of the government’s deindexing of the personal income tax system and so many other systems was set to save through the end of the Budget 2020-21 three-year fiscal plan? We knew inflation was coming. How much was it seen that this deindexing would save or at least would generate revenue for the Government throughout the three year fiscal plan?”
(PA 667)

Answer:

- Budget 2019 estimated that pausing indexation of the personal income tax system would reduce tax expenditures by about \$20 million in 2019-20, \$98 million in 2020-21, and \$196 million in 2021-22.
- This does not raise tax rates – individuals earning the same amount from one year to the next do not pay any additional personal income tax because of the pause. Albertans also continue to pay far lower taxes overall than they would anywhere else in Canada.

Q1b) Asked information “specifically with respect to the personal income tax cut for the forecast years, for fiscal years 2021, 22 & 23.” (Page 18: Ms. Pancholi)

Answer:

- Budget 2019 estimated that pausing indexation of the personal income tax system was expected to reduce tax expenditures by \$196 million in 2021-22. Fiscal year estimates beyond 2021-22 were not provided in Budget 2019 or the 2020-21 Annual report.

**Analysis and Risk assessment – Rising cost of inflation and purchasing power on Child & Family Benefit, AISH and Seniors
– Ms. Pancholi – (PA-668) and Ms. Renaud – (PA-671)**

2. Question:

“For example, I’d ask the ministry officials if they can comment on – you know, as inflation was predicted to rise in this fiscal year, did the ministry do any analysis on how the value, for example, of the Alberta child and family benefit would be eroded as it was not indexed to inflation? Was any analysis done of that, the purchasing power of that benefit, and if so, what was the analysis?” (PA-668)

“ Did the ministry do any analysis on these three benefits – Alberta child and family benefit, the AISH benefit, and the seniors benefit – as to how individuals receiving those benefits, their purchasing power would be reduced. (PA- 668)

“Was there any kind of analysis or risk assessment done before deindexing AISH benefits, specifically AISH and income support benefits? (PA-671)

Was there any communication “with Community and Social Services just to avoid the issues that we saw before?” (PA - 671)

Answer:

- Various factors and outcomes were considered while making the decision to deindex the Alberta child and family benefit, AISH benefit, and seniors benefits. The standard practice is that ministries, including Community and Social Services, would provide their submissions and respond in terms of the implications and the analysis of that. Included in the analysis is also typically consideration of how Alberta’s programs compare to those of other provinces and evaluation of the sustainability of these programs, including demographics.
- As at March 31, 2021, there were 670,000 seniors in Alberta. By 2035, Alberta will have more than one million seniors representing nearly one in five Albertans (about 19 per cent). The government needs to ensure seniors programs are sustainable to meet this growth in volume of senior clients. Even with the de-indexation, Alberta provided a range of financial assistance programs in 2020-21 which were amongst the highest levels of benefits to

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seniors with low incomes in Canada, resulting in Alberta having the lowest seniors' poverty rate across all provinces.

Seniors Benefit Comparison

	Max Monthly Benefit (single)	Max Monthly Benefit (couple)	Annual Non-deductible Income Threshold (single)
AB	\$285.92	\$428.83	\$21,925
BC	\$99.30	\$220.50	\$2,280
SK	\$300.00	\$530.00	\$4,560
MB	\$54.00	\$116.00	\$9,746
ON	\$83.00	\$166.00	\$1,992
QC		No seniors benefit program	
NB	\$33.33	\$66.67	N/A+
NS		No seniors benefit program	
PEI		No seniors benefit program	
NL	\$109.42	\$109.42	\$40,663*
YT	\$273.05	\$546.10	N/A+
NT	\$196.00	\$394.00	N/A+
NU	\$300.00	\$600.00	N/A+
Average (BC, ON, QC)	\$67.77	\$128.83	\$1,424

All data as of November 18, 2021

Annual income thresholds based on publicly available data.

+ Same benefit amount (\$400/yr) for singles and couples paid if seniors/couple receives GIS.

* Same benefit maximum and thresholds for singles or couples.

- With respect to the Assured Income for the Severely Handicapped (AISH) program, eligible Albertans receive a monthly financial benefit (currently \$1,685), a child benefit (if applicable), health benefits, and personal benefits as needed (to help with extra monthly or one-time expenses).
- Among Canadian provinces, Alberta has the highest disability (AISH) core benefit rate (\$1,685/month).

Inter-Provincial Rates Comparison

AB - AISH	NL	PE	NS	NB	QC	ON	MB	SK	BC
\$1,685	\$754	\$1,203	N/A	\$797	\$1,295	\$1,169	N/A	\$1,270	\$1,358

Note: Inter-provincial rates of ON, SK and QC as of November 2020. Rates for other provinces as of May 2020. BC updated as of April 2021

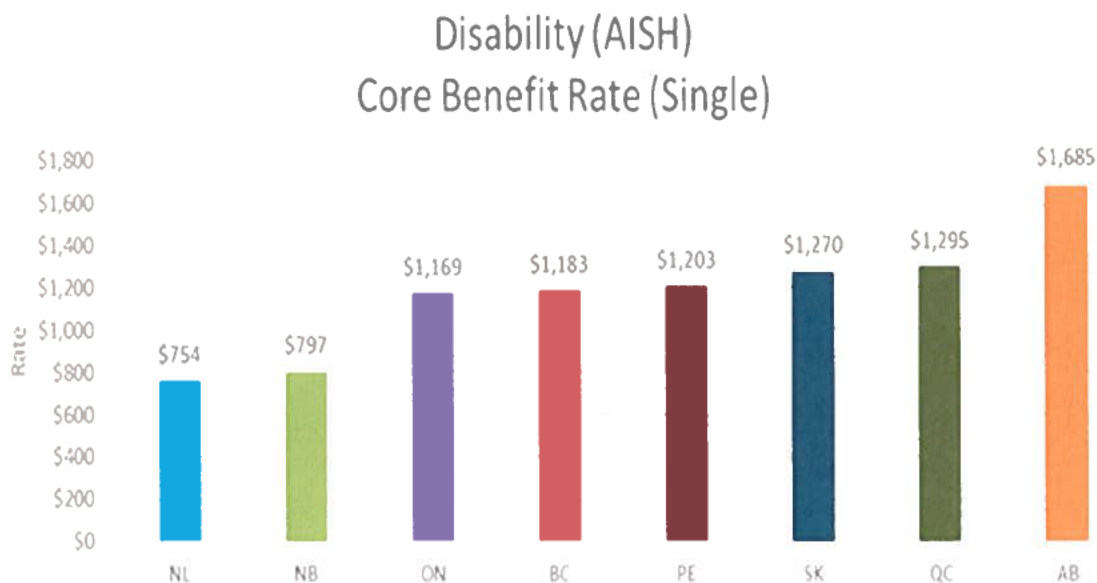
- In 2020-21, the Alberta Consumer Price Index was relatively stable, increasing by 1.1 per cent. This means Alberta AISH recipients' purchasing power would have been marginally impacted, remaining relatively flat.

Q2b) “I’m going to ask the ministry to table with this committee their assessment of their statement, which we’ve heard repeated by the Premier, that AISH in Alberta is the highest benefit received in the country.

(PA - 668)

Answer:

- Among Canadian provinces, Alberta has the highest disability (AISH) core benefit rate (\$1,685/month). Newfoundland and Labrador have the lowest (\$754/month).
- Disability (AISH) Core Benefit Rate (Single)



- The rates in the three territories are not typically included in comparisons because they are calculated differently. They tend to be considerably higher than provincial rates because other benefits are included (e.g. housing subsidies).
- An internal analysis carried out using data from the Maytree “Welfare in Canada” report for the 2020 calendar year showed the following territorial rates for an individual with a disability:
 - NWT = 2,756 per month
 - Nunavut = 1,070 per month
 - Yukon = 1,913 per month

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- The Maytree “Welfare in Canada” report makes it clear *“the provinces and territories have cost of living differences and the way income support requirements is calculated is different. The study focuses and only compares Provincial rates for that reason.”*
- For example, Nunavut’s disability program is more like our Income Support program and has rates by location.
 - Nunavut’s Income Assistance (IA) program supports individuals to “meet their basic needs for various reasons, including **disability**, illness, low-income or periods of unemployment, they are unable to provide for themselves.” The IA program may issue a Disabled Incidental Allowance of \$175 per month to the Head of Household (HOH) and spouse in addition to rent, utilities, and assistance rates.
 - IA program pays a client’s actual rent and utilities **plus** a monthly assistance rate. Assistance rates are based on household composition and zone (Nunavut has four different zones based on shipping costs)
- Finally, cost of living is significantly higher in the NWT, Nunavut, and Yukon
 - Iqaluit 2L milk – almost \$8, and Edmonton 2L milk – over \$4

Student tuition fee and Student loans – Mr. Schmidt – (PA-676)

3. Question:

Q3) As tuition was increased, tax credits were eliminated, “the Government also decided to increase the rate it charges on students loans, moving from prime rate to prime rate plus 1. Can the ministry officials confirm that actually is the case?”(PA: 676)

Answer:

- The floating interest rate on all outstanding Alberta student loan balances, including existing and new loans issued, was scheduled to change from prime to prime plus one percentage point on April 1, 2020.
- Due to the COVID-19 pandemic, all Alberta student loan repayments were paused from March 30, 2020, to September 30, 2020, with no accrual of interest during the period.
- If a student made a payment during this period, the entire amount was applied against the principal balance and not to interest.

Q3 a) How much incremental loan revenue to the government was generated as a result of this increase in the student loan interest rate? (PA - 677)

Answer:

- The total revenue generated from student loan interest in 2020-21 was \$31.1 million.
 - Of this total, \$13.3 million is the incremental revenue generated as a result of the one per cent increase.
- This is a decrease of \$46.3 million from the budgeted amount that resulted from the temporary COVID-19 repayment pause.

Q3 b) How many student loan payers there were in fiscal 2020-21, and what the average incremental cost to them in fiscal 2020-21 was? (PA-677)

Answer:

- The rate increase impacts approximately 245,000 Alberta student loan borrowers.
- The effect on borrowers is minimal, with most seeing a modest increase in their monthly loan payments.
- As an example: borrowers with a \$15,000 loan balance over the standard 9.5 year amortization period can expect their total cost of borrowing to increase between \$700 to \$900 over the full amortization period.

Analysis on leaving Canada Pension Plan and establishing Alberta Pension Plan – Ms. Pancholi – (PA-678)

4. Question :

“Page 19 of the annual report details the department’s work on pulling Albertan’s retirement savings out of the CPP. We know the department commissioned a report containing the economic analysis, costs, and benefits of leaving the CPP and establishing an Alberta pension plan. Will the ministry please provide to the committee a copy of that report as well as the analysis that would have been done by the Canada Pension Plan Investment Board on the costs and liabilities assumed if Alberta were to pull out of CPP.” (PA-678)

Answer:

- Treasury Board and Finance continues to analyze the topic as the complexity of the issue is significant.
- Albertans will be making the decision on whether or not our province moves forward with establishing an Alberta Pension Plan.

**Budget 2020 – Reduction to reporting across GoA – Ms. Pancholi –
(PA-678 and 679)**

5. Question:

Ask the ministry to compile for the Committee a list of all the measures, outcomes, objectives and indicators that were removed in the Budget 2020 fiscal plans for all ministries. (PA – 678 & 679)

Answer:

- Ministry Business plans are posted publicly at alberta.ca/government-and-ministry-business-plans.aspx.
- By viewing and comparing business plans associated with each budget cycle, members of the Committee can develop the clearest possible understanding as to how the approach to reporting has evolved and what measures have been altered, updated, or removed over time.
- For Budget 2021, not Budget 2020, TBF directed ministries to streamline their business plans to ensure Albertans get more targeted and relevant information in clear, simple, and precise language. This refined approach better conveys the link between budgeted spending, government actions, and expected outcomes.
- Identifying and reporting on objectives and performance metrics is an iterative process and are reviewed by ministries annually to ensure they continue to be meaningful and support government's strategic objectives.
- Ministries have continued to track and report on a range of data and indicators outside the content of business plans to inform their understanding of the effectiveness of programs.
- Ministries are not limited to reporting on metrics in the business plans; rather, ministries can include additional performance metrics in their respective annual reports should they contribute to public understanding of ministry outcomes. Ministry Annual Reports are posted publicly at alberta.ca/government-and-ministry-annual-reports.aspx.

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- Ministries also have complete flexibility to report publically on performance measures or other data outside of their formal business plans, and many ministries do this.

**Investment directly related to Corporate Income Tax Cut
– Ms. Pancholi – (PA-679)**

6. Question:

Table the evidence that all the investments that have been indicated by ministry officials to be directly the result of the corporate income tax cut.

(PA - 679)

Answer:

- Alberta's lower corporate tax burden supports investment and employment throughout the economy.
- Alberta's economy is starting to reap the benefits of government policies respecting investment attraction, economic growth, and job creation.
- The number of tech companies in Alberta has nearly tripled since 2018.
- In 2021, Alberta broke its Venture Capital record for the third year in a row. As of November 2021, there had been \$480 million in investments.
- Recent examples of major investments include:
 - Amazon Web Services is investing billions in a new cloud computing operation in Calgary, which is the largest investment in the tech sector in our province's history.
 - Plug and Play, a global tech accelerator and early-stage investor, is setting up shop in Calgary. This is yet another show of confidence in Alberta's massive potential in this growing sector.
 - In Grande Prairie, Northern Petrochemical is investing \$2.5 billion and creating up to 4,000 construction jobs with a new carbon-neutral ammonia and methanol production facility.
 - Dow has announced plans to build the world's first net-zero ethylene and derivatives complex in Alberta, which is the largest capital investment in the province in years.
 - Telus is investing \$14.5 billion and creating 8,000 new jobs in Alberta through 2024.
- The Conference Board of Canada, Desjardins, and TD all have Alberta leading the nation in economic growth in 2022.

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- We are confident the recent changes to our tax system and regulatory business environment have put Alberta in the best possible position for a strong recovery, continued economic growth, and a more diversified economy.
- For example, Alberta will collect roughly \$400 million more in annual corporate tax revenue over the next three fiscal years at an 8 per cent rate than was collected at 12 per cent.

Ratings and Performance indicators – Ms. Renaud – (PA-679)

7. Question:

How does the Canadian Federation of Independent Business arrive at their ratings? Where is the evidence in support of this evaluation? What lessons have been learned by the ministry and what information is conveyed to Albertans via this performance indicators? (PA-679)

Answer:

- The CFIB arrives at its ratings by comparing provincial performance according to a set of criteria, which are revised periodically to continue to reflect the top red tape issues that business stakeholders consider most important. In developing or revising these criteria, the CFIB also considers the availability of a common quantitative metric or indicator that they can rely on to uniformly assess provincial performance. For example, the number of province-specific exceptions to the Canadian Free Trade Agreement has been used as a measure of provincial performance on removing interprovincial trade barriers.
- A more detailed description of the CFIB's most recent methodology can be found in their [2022 Red Tape Report Card](#), particularly in Appendix D.
- The Red Tape Report Card provides our government within an objective measure of Alberta's performance on regulatory modernization, while identifying opportunities for further improvement that are consistent with government's overall strategic direction. For instance, although Alberta scored well in 2022 – again ranking second among the ten provinces – the CFIB recommended that Alberta further improve its promotion of public feedback mechanisms to provide red tape reduction ideas to government, which we have taken swift action on.

OAG recommendation – results analysis reporting standards. – Mr. Walker – (PA-679)

8. Question:

“Can the ministry provide an update on the progress made to addressing the Office of the Auditor General’s recommendation to improve the guidance and training for ministry management to identify, analyze and report on results in ministry annual reports” and to “processes to monitor ministry compliance with results analysis reporting standards”? (Page 19: Mr. Walker)

Answer:

- Treasury Board and Finance developed the Results Analysis Implementation Plan, which outlines steps to respond to the outstanding recommendations made by the Office of the Auditor General.
 - The implementation plan has been shared with the Office of the Auditor General, and department staff continue to meet with Office representatives to discuss steps the ministry is taking to implement the outstanding recommendations.
- As part of that plan, the department is now providing more focused training and outreach to all ministries on results analysis reporting to ensure financial and non-financial information is effectively integrated in annual reports. This will assist in communicating the value of government programs and dollars spent to improve the lives of Albertans.
- Additionally, the department has developed a tool to assist ministries in ensuring they adopt consistent practices on reporting results.
- While Treasury Board and Finance is responsible for developing standards for reporting and providing training and guidance, each ministry is ultimately accountable for the content of their annual reports.

OAG recommendation – Liquidity to reduce debt and minimize borrowing cost. – Mr. Walker – (PA-679)

9. Question:

“Can the ministry provide an update on the progress made to addressing the Office of the Auditor General’s recommendation to “evaluate how it can use excess liquidity within government-controlled entities to reduce government debt and minimize borrowing costs, and implement mechanisms to utilize excess liquidity” and to “ evaluate the Consolidated Cash Investment Trust Fund and pursue opportunities to increase its use or modify its current structure to ensure it remains a relevant cash management tool”? (PA-679)

Answer:

- The Consolidated Cash Investment Trust Fund cash pooling structure is an outdated and administratively complex structure that will be replaced by a new cash pooling structure, which is targeted for implementation by the end of June 2022.
- The new cash pooling structure is a more efficient and flexible structure, aligned with treasury best practices, whereby the pooling structure is automated and allows the government to use surplus cash to reduce debt, or to invest, depending on fiscal circumstances.
- Bill 2, the *Financial Statutes Amendment Act, 2022*, included amendments that will authorize the President of Treasury Board and Minister of Finance to mandate some provincial corporations, regulated funds, and consolidated entities to participate in the new cash pooling structure.
- This provides the government with an opportunity to further reduce both the province’s debt and related debt-servicing costs while enhancing operational cash management efficiencies.
- This also responds to an Auditor General’s recommendation for government to examine its current cash pooling structure and make better use of surplus cash to reduce debt.

OAG recommendation – Issue policies and guidance – Monitor working capital needs of government controlled entities. – Mr. Walker – (PA-679)

10. Question:

Can the ministry provide an update on the progress made to addressing the Office of the Auditor General’s recommendation to “issue policies and guidance for departments to monitor the working capital needs of government-controlled entities to ensure departments only provide cash when needed”?

(PA-679)

Answer:

- Treasury Board and Finance will be implementing a new cash pooling structure targeted for the end of June 2022. This will replace the current cash pooling structure, which is an outdated and administratively complex structure.
- With the implementation of the new cash pooling structure, the requirement of monitoring the working capital needs of government-controlled entities is reduced significantly or eliminated.
- It is intended that, where feasible, all excess cash sitting in government-controlled entities will be pooled and used by government to reduce debt.

