

The logo for the province of Alberta, featuring the word "Alberta" in a white, cursive script font, followed by a small white square icon. The logo is centered within a horizontal banner that has a background of abstract, overlapping geometric shapes in shades of green and grey.

# **FISCAL PLAN**

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## EXPENSE

**BUDGET** **20**  
**17**

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# EXPENSE

*Budget 2017* maintains a focus on protecting the vital public services that matter to Albertans, like health care, education, income support programs and social services.

In 2016-17, operating expense grew 3.9%. The increase was the result of significant pressures on health, education and social services from continued population growth and increased income and social support caseloads arising from the recession, made deeper by the Wood Buffalo wildfire.

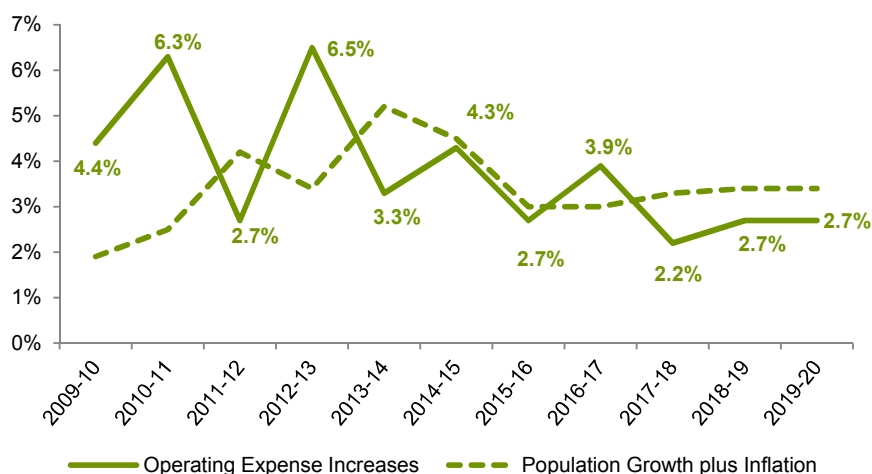
As Alberta's economy enters a recovery phase in 2017 and 2018 and government revenue improves, managing operating expense in a responsible way continues to be central to government's plan to reduce the deficit year-over-year and return to balance. The rate of growth in operating expense will be 2.2% in 2017-18, and 2.7% in 2018-19 and 2019-20. This is well below the projected rate of population growth plus inflation projected for Alberta which is expected to average 3.3% in each of the next three years.

In addition to managing program spending, government will find in-year savings of \$200 million in 2017-18 and 2018-19, and \$100 million in 2019-20, reducing the operating expense base in future years.

Overall, *Budget 2017* includes \$54.9 billion in total expense in 2017-18, including the Climate

Leadership Plan. Five of the largest ministries (Health, Education, Advanced Education, Community and Social Services and Children's Services) account for 74% of total expense.

## Operating Expense Increases



**Note:** Numbers are not fully comparable over time due to accounting changes; 2009-10 to 2014-15 exclude SUCH sector operating expense.

**Source:** Alberta Treasury Board and Finance

## Budget 2017 – Expense

(millions of dollars)	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Budget	Forecast	Estimate	Target	Target
Health	20,012	20,361	20,721	<b>21,406</b>	21,937	22,609
Education	7,891	7,911	8,015	<b>8,228</b>	8,451	8,667
Advanced Education <sup>1</sup>	5,702	5,901	5,878	<b>6,034</b>	6,153	6,283
Community and Social Services <sup>1</sup>	3,012	3,079	3,255	<b>3,325</b>	3,389	3,464
Children's Services <sup>1</sup>	1,125	1,286	1,292	<b>1,372</b>	1,476	1,502
Other Ministries and Legislative Assembly	10,491	11,302	11,170	<b>12,362</b>	11,866	11,736
Other Expense (net of in-year savings)	709	927	2,033	<b>1,196</b>	1,574	2,115
<b>Total Expense – excluding Climate Leadership Plan</b>	<b>48,942</b>	<b>50,767</b>	<b>52,364</b>	<b>53,923</b>	<b>54,846</b>	<b>56,376</b>
Climate Leadership Plan	-	330	1,380	<b>936</b>	1,806	1,633
<b>Total Expense</b>	<b>48,942</b>	<b>51,097</b>	<b>53,744</b>	<b>54,859</b>	<b>56,652</b>	<b>58,009</b>

<sup>1</sup> Adjusted for government reorganization.

## MINISTRY OF HEALTH

Budget 2017 provides stable funding for health care.

Health's expense is budgeted at \$21.4 billion in 2017-18 (excluding Climate Leadership Plan and debt servicing costs). *Budget 2017* keeps the government's commitment to provide stable funding for health care, with Health's operating expense budget increasing by 3.2% in 2017-18. Alberta is moving towards community-based care, which includes shifting from a focus on hospitals and facilities to more community-based care closer to home, planning and structuring health care around people and their community, and enabling Albertans to be active partners in their own health.

**Alberta Health Services (AHS).** There is \$14.7 billion budgeted for AHS operations in 2017-18. AHS will continue to identify operational efficiencies and clinical best practices. The standardization of radiologist fees and a shift from acute care to community services are also expected to help moderate healthcare cost increases. As part of *Budget 2017*, the government is increasing investments in community care with an added emphasis on home care and plans to add over 1,000 new Continuing Care beds.

### Ministry of Health – Expense (excluding Climate Leadership Plan, debt servicing costs and non-cash pension provisions)

(millions of dollars)

	2015-16 Actual	2016-17 Budget	2016-17 Forecast	2017-18 Estimate	2018-19 Target	2019-20 Target
Alberta Health Services' Operations:						
Acute Care	4,025	3,729	3,966	3,909	3,938	4,001
Support Services	2,037	2,010	2,093	2,140	2,181	2,258
Diagnostic, Therapeutic and Other Patient Services	1,957	2,190	2,141	2,054	2,071	2,094
Community and Home Care	1,751	1,848	1,826	2,027	2,113	2,171
Continuing Care	1,025	1,068	1,055	1,072	1,141	1,189
Physician Compensation and Development	967	955	955	1,013	1,026	1,026
Information Technology	563	548	566	508	481	465
Administration	426	480	465	491	493	491
Ambulance Services	475	477	488	471	478	478
Drugs and Supplemental Health Benefits	417	425	439	462	463	494
Population and Public Health	347	360	331	344	343	338
Research and Education	96	211	137	163	165	165
Alberta Health Services Sub-total	14,086	14,301	14,462	14,654	14,892	15,169
Department of Health:						
Physician Compensation and Development	3,890	3,889	4,081	4,185	4,288	4,400
Drugs and Supplemental Health Benefits	1,577	1,615	1,669	1,787	1,849	1,990
Population and Public Health	206	284	240	351	447	543
Diagnostic, Therapeutic and Other Patient Services	284	301	301	327	354	371
Acute Care	146	150	159	167	186	204
Infrastructure Support	50	43	62	122	100	100
Information Technology	67	85	68	86	91	96
Ministry Support Services	63	79	79	86	86	86
Administration	30	38	29	39	40	43
Cancer Research and Prevention Investment	5	13	10	12	12	12
Department of Health Sub-total	6,317	6,496	6,699	7,162	7,452	7,847
Health Quality Council of Alberta	7	7	8	7	7	7
Consolidation and Accounting Policy Adjustments	(399)	(443)	(447)	(417)	(414)	(414)
<b>Totals</b>	<b>20,012</b>	<b>20,361</b>	<b>20,721</b>	<b>21,406</b>	<b>21,937</b>	<b>22,609</b>

**Physician Compensation and Development.** There is a total of \$5.2 billion budgeted in 2017-18 for various compensation and development programs for approximately 9,700 physicians and 1,650 medical residents. The government and the Alberta Medical Association (AMA) partnered to amend the 2011-18 master agreement in 2016-17 to help pave the way to more team-based care and revised compensation models. The amended agreement recognizes a shared responsibility to provide quality health care in a financially sustainable framework and is expected to improve patient care and slow the growth of health-care spending. In addition to over \$100 million in savings realized in 2016, the revised AMA agreement, compared to business as usual, produces an anticipated savings of \$400 million in 2017. The collaboration between government and physicians will support doctors practising in communities where they are most needed, reward doctors for the time and quality of care given to patients, reduce duplication of services and enhance care coordination through the use of information technology and data-sharing.

There is \$5.2 billion budgeted for physician compensation and development programs in 2017-18.

**Drugs and Supplemental Health Benefits.** There is a total of \$2.2 billion budgeted for these benefits in 2017-18, including \$606 million for prescription drugs and \$128 million in dental, optical and other supplemental health benefits for seniors. This budget also includes a total of \$333 million for outpatient cancer and specialized high cost drugs.

**Other Programs.** There is \$249 million budgeted in 2017-18 to support primary health care. Additionally, there is \$215 million budgeted for human tissue and blood services and \$111 million for allied health services which include podiatry, optometry and oral surgery. The ministry has committed a \$45 million increase overall for addiction and mental health and support, including funding to support the implementation of the recommendations in the Valuing Mental Health Report. Funding for these initiatives will be used to support the shift towards community-based care and to support integration of the health system.

## MINISTRY OF EDUCATION

Education's expense is budgeted at \$8.2 billion in 2017-18 (excluding debt servicing costs and non-cash pension provisions). Government is making a significant investment in education, because good jobs begin with a good education. The government is fulfilling its commitment to fund enrolment growth, maintain a stable teacher workforce, and reduce school fees, making life more affordable for Alberta families in *Budget 2017*.

**School Fees.** *Budget 2017* delivers on government's commitment to reduce school fees. *Bill 1: An Act to Reduce School Fees* supports Alberta families and reduces the burden that school fees create. Government will eliminate school fees related to instructional supplies or materials and transportation for eligible students to their designated school. This will reduce school fees by \$54 million on a school year basis.

Budget 2017 delivers on government's commitment to reduce school fees.

**School Board Operations.** There is \$7.8 billion budgeted for public and separate school board operations in 2017-18. *Budget 2017* includes:

- ◆ \$6 billion for Early Childhood Services to Grade 12 instruction. This funds enrolment growth of 1.8% (about 12,000 students) in 2017-18 (2.2% in 2018-19 and 2.5% in 2019-20). Included is \$410 million for teachers' pension current service payments, with a further \$473 million in Treasury Board and Finance to pay for the Teachers' Pre-1992 Pension Plan payments. Also included is \$451 million to support students' success within an inclusive education system;
- ◆ \$746 million to operate and maintain schools, including an investment of \$118 million in Plant Operations and Maintenance funding, which is being changed from capital investment to operating expense in each year of 2017-20 to reflect the use of the funds by school boards to address minor repairs to maintain school facility operations. The total amount of funding allocated for the infrastructure, maintenance and renewal program is not affected by this transfer;
- ◆ \$364 million for amortization of existing school facilities;
- ◆ \$351 million to support student transportation services of which \$168 million or 48 per cent is for rural transportation;
- ◆ \$249 million for governance and system administration; and
- ◆ \$93 million for program support services.

**Private Schools.** There is \$263 million budgeted in 2017-18 to support about 100 accredited-funded private schools and almost 100 private operators that provide Early Childhood Services programs.

**Savings Initiatives.** Education will implement savings initiatives totaling \$42 million in 2017-18 and \$16 million in each year of 2018-20 through reductions in department administrative spending and finding efficiencies, moving forward with the high school redesign, and ending the three year transition funding window for the Regional Collaborative Services Delivery Model.

## Ministry of Education – Expense (excluding debt servicing costs and non-cash pension provisions)

(millions of dollars)

	2015-16 Actual	2016-17 Budget	2016-17 Forecast	2017-18 Estimate	2018-19 Target	2019-20 Target
School Board Operations:						
Instruction – Early Childhood Services to Grade 12	5,802	5,849	5,839	6,040	6,251	6,443
Operations and Maintenance	749	626	753	746	750	756
School Facilities Amortization	325	355	351	364	360	360
Student Transportation	339	350	345	351	356	366
Governance and System Administration	243	250	247	249	249	249
Program Support Services	94	99	94	93	95	95
School Board Operations Sub-total	7,552	7,529	7,629	7,843	8,061	8,269
Accredited Private Schools and ECS Operators	246	248	255	263	268	275
Departmental Program Support & Amortization	106	128	122	121	121	122
Ministry Support Services	23	22	21	21	21	21
School Facilities (includes planning)	-	5	9	3	3	3
Consolidation Adjustments	(37)	(22)	(22)	(22)	(22)	(22)
<b>Totals</b>	<b>7,891</b>	<b>7,911</b>	<b>8,015</b>	<b>8,228</b>	<b>8,451</b>	<b>8,667</b>

## MINISTRY OF ADVANCED EDUCATION

Advanced Education's expense is budgeted at \$6 billion in 2017-18 (excluding debt servicing costs and non-cash pension provisions). *Budget 2017* keeps the government's commitments to provide stable funding to institutions and ensure the post-secondary system is accessible and affordable for Alberta students and families by continuing to freeze tuition for a third year.

*Budget 2017 makes post-secondary education affordable by continuing the tuition freeze.*

**Post-Secondary Operations.** There is \$5.6 billion budgeted in 2017-18 for post-secondary operations, supporting an estimated 265,000 full and part-time students, including apprentices. *Budget 2017* provides for base operating grant increases to institutions of 2% per year and includes an additional \$3.6 million to continue to provide mental health funding for students of post-secondary institutions.

**Student Aid.** Government is committed to ensuring that Albertans can get the training and retraining they need to be successful. *Budget 2017* has \$252 million budgeted for Student Aid programs in 2017-18. This includes:

- ◆ \$96 million for scholarships and awards to about 54,500 students, and includes an increase of \$4.4 million for the Alexander Rutherford High Achievement Scholarship to support an additional 4,000 students; and
- ◆ \$56 million for grants to about 16,400 students, which includes \$4.2 million for increased payments through the Alberta Low Income Grant.

In addition, there is \$630 million budgeted for student loans in 2017-18, which reflects a \$51 million increase from *Budget 2016*, and is expected to assist more than 81,300 students.

**Apprenticeship Delivery.** There is \$46 million budgeted for apprenticeship delivery, including \$900,000 to expand apprenticeship training opportunities in 2017-18 to help more unemployed apprentices finish their training.

**Foundational Learning.** There is \$85 million budgeted for Foundational Learning Supports in 2017-18. This includes \$80 million in grants to support eligible Albertans attending programs such as English as a Second Language, basic skills and academic upgrading, or short-term occupational training to help them transition into post-secondary studies and/or find employment. While attending an approved foundational learning program, eligible Albertans receive monthly financial assistance to help them pay their bills and funding for the costs of tuition, books and mandatory fees.

### Ministry of Advanced Education – Expense (excluding debt servicing costs and non-cash pension provisions)

(millions of dollars)	2015-16 Actual	2016-17 Budget	2016-17 Forecast	2017-18 Estimate	2018-19 Target	2019-20 Target
Post-Secondary Operations	5,321	5,485	5,447	5,599	5,719	5,833
Student Aid	210	240	257	252	255	260
Other Support for Adult Learning	74	80	80	82	83	87
Foundational Learning Supports	75	83	87	85	78	82
Apprenticeship Delivery	43	43	38	46	48	50
Ministry Support Services	33	28	26	27	28	29
Alberta Centennial Education Savings Plan	14	-	-	-	-	-
Consolidation Adjustments	(68)	(58)	(58)	(57)	(57)	(57)
<b>Totals</b>	<b>5,702</b>	<b>5,901</b>	<b>5,878</b>	<b>6,034</b>	<b>6,153</b>	<b>6,283</b>

## MINISTRY OF COMMUNITY AND SOCIAL SERVICES

Budget 2017 provides stable funding for income support programs and social services during a challenging time.

The expense budget for Community and Social Services is \$3.3 billion in 2017-18 (excluding flood recovery initiatives), and provides supports to some of Alberta's most vulnerable. During a challenging economic time, *Budget 2017* ensures that Albertans in need can access income support programs, homeless and outreach supports including women's shelters and community-based Family and Community Support Services.

**Persons with Disabilities Supports.** There is \$1.1 billion budgeted in 2017-18 for programs supporting persons with disabilities including persons with developmental disabilities, family support for children with disabilities and fetal alcohol spectrum disorder initiatives.

**AISH.** There is \$1.0 billion budgeted in Community and Social Services for income and other supports and \$248 million budgeted in Health for related health benefits in 2017-18, helping about 57,000 disabled adults live more independently. Combined, the budgets reflect an increase of \$56 million from 2016-17 to address expected caseload growth.

**Employment and Income Support.** There is \$826 million budgeted in Community and Social Services for these programs in 2017-18, including \$605 million for income support programs. There is an additional \$257 million budgeted in Health for related health benefits, which includes adult and child health benefits. These programs help low-income Albertans to cover their basic costs of living and provide access to career, workplace and labour market information to help them get back on their feet. There is a \$31 million increase in Community and Social Services and Health over 2016-17 to support unemployed Albertans during a challenging economic time.

**Homeless and Outreach Support Services.** There is \$187 million budgeted in 2017-18 for these supports. This will help house about 2,000 homeless Albertans this year and support nearly 3,300 spaces in 26 homeless shelters, 710 beds in 30 women's emergency shelters, programming in 11 second-stage shelters, and outreach supports to women and children leaving family violence. Since 2009-10, over 14,195 Albertans who were homeless have been housed.

**Community Supports and Family Safety (CSFS).** There is \$124 million budgeted in 2017-18 for CSFS, which includes funding for Family and Community Support Services of \$101 million, keeping the government's commitment to support these 80/20 partnerships between the province and 319 municipalities and Metis settlements.

### Ministry of Community and Social Services – Expense (excluding flood recovery initiatives)

(millions of dollars)

	2015-16 Actual	2016-17 Budget	2016-17 Forecast	2017-18 Estimate	2018-19 Target	2019-20 Target
Persons with Disabilities Supports	1,056	1,089	1,128	1,128	1,167	1,189
Assured Income for the Severely Handicapped	953	978	1,001	1,048	1,094	1,139
Employment and Income Support	688	698	812	826	804	812
Homeless and Outreach Support Services	176	181	181	187	188	188
Community Supports and Family Safety	130	124	124	124	124	124
Ministry Support Services	23	22	22	25	25	25
Consolidation Adjustments	(16)	(13)	(13)	(13)	(13)	(13)
<b>Totals</b>	<b>3,012</b>	<b>3,079</b>	<b>3,255</b>	<b>3,325</b>	<b>3,389</b>	<b>3,464</b>



## MINISTRY OF CHILDREN'S SERVICES

The expense budget for Children's Services is \$1.4 billion in 2017-18. The ministry was established to create an increased focus on ensuring that children in Alberta are provided with the services and supports they need to thrive in healthy families and healthy communities. *Budget 2017* provides stable funding for the child intervention system, early intervention services, child care and the Alberta Child Benefit.

*Children's Services was established to create an increased focus on services and supports for Alberta's children.*

**Child Intervention.** There is \$766 million budgeted in 2017-18 for child intervention. *Budget 2017* provides stable funding that provides a solid foundation to strengthen the child intervention system, serving more than 10,000 children and youth receiving services across Alberta. The Ministerial Panel on Child Intervention will be making recommendations to improve Alberta's child death review process, propose actions to strengthen the child intervention system, and explore the systemic issues that lead to children coming into government care.

**Early Intervention Services for Children and Youth.** There is \$103 million budgeted in Children's Services for Early Intervention Services for Children and Youth, including Parent Link Centres and home visitation programs. *Budget 2017* provides increased funding of \$11 million to support Parent Link Centres within Indigenous communities, mental health programming and caseload growth in the Advancing Futures Bursary program.

**Child Care.** There is \$321 million budgeted in 2017-18 for child care programs. *Budget 2017* reflects an increase of \$14 million from 2016-17 for continued support for Early Learning Child Care Centre pilots and provides stable funding for the child care subsidy program and child care accreditation.

**Alberta Child Benefit.** There is \$174 million budgeted in 2017-18 for the Alberta Child Benefit program. This is the second year of this benefit which will provide up to \$2,785 each year to Alberta's most vulnerable families, in support of about 200,000 children.

### Ministry of Children's Services – Expense

(millions of dollars)

	2015-16 Actual	2016-17 Budget	2016-17 Forecast	2017-18 Estimate	2018-19 Target	2019-20 Target
Child Intervention	738	735	763	766	777	784
Child Care	287	307	307	321	404	417
Alberta Child Benefit	-	147	125	174	177	181
Early Intervention Services for Children and Youth	91	92	92	103	109	112
Ministry Support Services	17	17	17	20	19	19
Consolidation Adjustments	(9)	(11)	(11)	(11)	(11)	(11)
<b>Totals</b>	<b>1,125</b>	<b>1,286</b>	<b>1,292</b>	<b>1,372</b>	<b>1,476</b>	<b>1,502</b>

## OTHER MINISTRIES

Budget 2017 enhances  
*FireSmart to fund wildfire  
prevention, preparedness and  
management.*

**Agriculture and Forestry.** Expense is budgeted at \$1.1 billion in 2017-18 (excluding the Climate Leadership Plan and debt servicing costs). This budget provides \$476 million for crop, hail and livestock insurance and \$122 million for agriculture income support programs. There is \$199 million for forestry programs including an increase to FireSmart to fund wildfire prevention, preparedness, and management. This budget also provides \$135 million for industry development to support ongoing efforts to expand existing and open new markets for Alberta's agriculture products including providing a grant program for small breweries. \$42 million is provided to ensure food safety and animal health.

**Culture and Tourism.** Expense is budgeted at \$351 million in 2017-18. This budget provides \$115 million for Community and Voluntary Support Services, including \$38 million under the Community Facility Enhancement Program and \$24 million in funding for Culture and Tourism infrastructure. This budget also provides \$77 million in support for creative industries, including the Alberta Media Fund. There is also \$61 million for tourism marketing and development.

**Energy.** Expense is budgeted at \$716 million in 2017-18 (excluding Climate Leadership Plan). This budget provides \$251 million for operations of the Alberta Energy Regulator and \$36 million for the Alberta Utilities Commission, both industry funded. The budget for Orphan Well Abandonment, also industry funded, is \$31 million in 2017-18.

**Environment and Parks.** Expense is budgeted at \$564 million in 2017-18 (excluding Climate Leadership Plan and flood recovery initiatives). This budget provides \$132 million for ongoing water management and stewardship. Work also continues on flood hazard mapping to assist Albertans in mitigating potential flood losses; as well as the Alberta Community Resilience Program, a multi-year grant program supporting the development of long-term resilience to flood and drought events, while supporting integrated planning and healthy functioning watersheds. This budget also includes \$85 million for parks including funding to enhance the protection of the Castle Special Management area through expansion of the Castle Wildland Provincial Park and the creation of the Castle Provincial Park. In addition, this budget includes \$76 million for provincial environmental monitoring, evaluation and reporting and \$44 million for fish and wildlife including support for provincial woodland caribou management and recovery and the containment and management of whirling disease detected in Alberta in August 2016.

Budget 2017 enhances  
*protection of the Castle Special  
Management area.*

**Executive Council.** Expense is budgeted at \$26.9 million in 2017-18, consistent with 2016-17. This budget provides \$7.1 million for public affairs and \$4.1 million for intergovernmental relations.

**Indigenous Relations.** Expense is budgeted at \$188 million in 2017-18 (excluding Climate Leadership Plan and flood recovery initiatives). This budget provides \$129 million for the First Nations Development Fund and \$32 million for First Nations and Métis Relations. There is \$3 million allocated to help build a new relationship with Indigenous peoples and support

initiatives in response to the United Nations Declaration on the Rights of Indigenous Peoples.

**Infrastructure.** Expense is budgeted at \$695 million in 2017-18 (excluding Climate Leadership Plan, flood recovery initiatives and debt servicing costs). This budget provides \$383 million for property management operations and \$215 million for realty services, including leases and land sales.

**Justice and Solicitor General.** Expense is budgeted at more than \$1.4 billion in 2017-18. This budget provides \$484 million for ongoing Public Security programs including provincial policing for \$237 million, supporting RCMP officers across the province. This budget also provides \$280 million for Corrections, \$202 million for Resolution and Court Administration, \$98 million for the Crown Prosecution Service and \$81 million for Legal Aid. Included in these amounts is new funding to address critical staffing pressures in Crown Prosecution Service, Resolution and Court Administration Services and Correctional Services.

**Labour.** Expense is budgeted at \$203 million in 2017-18. This budget provides \$108 million for workforce strategies, including \$32 million for skills training and support and \$29 million for labour market programs. *Budget 2017* keeps the commitment to continue the Summer Temporary Employment Program (STEP), with \$10 million per year.

*Budget 2017 continues the commitment to deliver the Summer Temporary Employment Program (STEP).*

**Municipal Affairs.** Expense is budgeted at \$1.7 billion in 2017-18. This budget provides \$1.2 billion to municipalities through the Municipal Sustainability Initiative, including \$335 million in basic municipal transportation grants. This budget also provides \$59 million for Grants in Place of Taxes and \$50 million for public library services.

**Seniors and Housing.** Expense is budgeted at \$683 million in 2017-18 (excluding debt servicing costs). This budget provides \$365 million for the Alberta Seniors Benefit, supporting about 150,000 low income seniors. This budget also provides \$262 million for programs delivered by the Alberta Social Housing Corporation, with \$100 million for seniors housing and \$67 million for the rental assistance program.

**Service Alberta.** Expense is budgeted at \$359 million in 2017-18. This budget provides \$192 million for technology and business services to government ministries, centralizing core administrative functions to maximize their efficiency and effectiveness. This budget also provides a total of \$95 million for services to Albertans, including Motor Vehicles and Other Registry Services, Land Titles and Consumer Awareness and Advocacy.

**Status of Women.** Expense is budgeted at \$7.4 million in 2017-18. This budget will continue to support integration of gender equality into government policy and programs with a focus on ending violence against women and girls, increasing women's economic security as well as supporting women to pursue leadership. This budget also includes a grant program providing funds to non-profit and charitable organizations for projects and activities that improve the lives of women and girls in Alberta.

**Transportation.** Expense is budgeted at \$2.3 billion in 2017-18 (excluding the Climate Leadership Plan and debt servicing costs). This budget provides

\$429 million for on-going Provincial Highway Maintenance and Preservation, and a total of \$1.2 billion in capital grants to municipalities for programs including Green Transit Incentives Program (GreenTRIP), Strategic Transportation Infrastructure Program, Alberta Community Transit Fund (formerly Municipal Transit Initiatives), Municipal Water Wastewater Program, Water for Life, UNDRIP – Access to Regional Drinking Water Systems and the federal Public Transit Infrastructure Fund and Clean Water Wastewater Fund.

**Treasury Board and Finance.** Expense is budgeted at \$1.5 billion in 2017-18 (excluding the Climate Leadership Plan, debt servicing costs and non-cash pension provisions). This budget provides \$473 million for the Teachers' Pre-1992 Pension Liability, \$474 million for investment management services provided by Alberta Investment Management Corporation and \$147 million for the enhanced Alberta Family Employment Tax Credit.

## PUBLIC SECTOR COMPENSATION

*\$26.1 billion is budgeted for public sector compensation.*

Total public sector compensation, including for teachers, doctors and nurses, is budgeted at \$26.1 billion in 2017-18. This includes the costs of existing collective agreements and reflects the savings from freezing salaries of managers in the Alberta Public Service and in government agencies including Alberta Health Services (AHS), and of political staff. Across the broader public sector, there are increases in front-line staffing levels for school boards and AHS.

Total public sector compensation amounts to 55.8% of total operating expense in 2017-18. By 2019-20, total public sector compensation is expected to fall to 54.8% of total operating expense.

### Budget 2017 – Public Sector Compensation

(millions of dollars)

	2015-16 Actual	2016-17 Budget	2016-17 Forecast	2017-18 Estimate	2018-19 Target	2019-20 Target
Alberta Health Services	7,742	7,760	7,987	8,092	8,157	8,226
School Boards	5,711	5,863	5,902	5,999	6,183	6,371
Post-secondary Institutions	3,270	3,495	3,495	3,547	3,656	3,741
Alberta Public Service (Departments)	2,728	2,774	2,839	2,822	2,869	2,895
Other Government Agencies	621	613	600	624	638	647
Environmental Protection and Enhancement Fund	39	10	34	10	11	11
Sub-total	20,112	20,514	20,857	21,095	21,514	21,889
Physician Compensation and Development	4,660	4,675	4,869	4,988	5,104	5,216
<b>Totals</b>	<b>24,772</b>	<b>25,189</b>	<b>25,726</b>	<b>26,082</b>	<b>26,617</b>	<b>27,106</b>

## ABC REVIEW

In November 2015, the government announced a three-phased review of agencies, boards and commissions (ABCs), focused on improving services and ensuring value for Alberta taxpayers. The first phase of the review focused on agencies subject to the *Alberta Public Agencies Governance Act* (APAGA).

*Budget 2016* announced the amalgamation or dissolution of 26 ABCs. The *Agencies, Boards and Commissions Review Statutes Amendment Act*, passed in the fall of 2016, allowed for the dissolution of three of the 26 agencies established in statute by repealing their relevant legislation. The Act also enhanced administrative and governance provisions for agencies in the first phase of the review, including social services appeal boards.

Salaries and benefits in Alberta's agencies boards and commissions should be consistent with the broader public sector and comparable jurisdictions. In 2008, the Auditor General highlighted the need to provide a framework for executive salaries for ABCs. Through the *Reform of Agencies, Boards and Commissions Compensation Act*, passed in spring 2016, followed by approval of regulation in early 2017, government has taken action on this issue. A compensation framework has been established that includes salary ranges for designated executives in public agencies under APAGA.

The executive compensation framework will apply to Chief Executive Officers (CEO) and equivalent roles for 23 designated public agencies. Changes will include: eliminating bonuses; eliminating executive market modifiers, which is added pay over and above regular salary; capping executive severance pay at 12 months; aligning other executive compensation components, such as benefits and vehicle provision and allowances; and eliminating perks such as retention bonuses, golf club memberships and housing allowances. These changes to compensation are expected to save nearly \$16 million a year. About half of the CEO positions at these ABCs will see an overall reduction.

In addition, five public agencies with unique circumstances will be required to submit compensation plans for review and approval of the President of Treasury Board and Minister of Finance: Alberta Investment Management Corporation, Alberta Treasury Branch, the Alberta Teachers' Retirement Fund, Alberta Health Services and the Alberta Electric System Operator.

Phases two and three of the review are currently underway and will be completed in 2017-18. The second phase is examining ABCs not governed by APAGA. The third phase is focused on public post-secondary institutions.

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