



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Mr. Warren McCall, Deputy Chair
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Mr. Scott Moe
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Mr. Roger Parent
Saskatoon Meewasin

Mr. Randy Weekes
Biggar

Ms. Nadine Wilson
Saskatchewan Rivers

[The committee met at 19:00.]

The Chair: — Welcome to Standing Committee on Crown and Central Agencies. There are no substitutions. We have a number of documents to table, which have all been distributed to you. You will also have received a list of the 14 documents we will be tabling. These are annual reports and financial statements for various Crown entities.

But tonight's agenda includes consideration of vote 74, the Information Technology Office. And then we'll be moving into vote 18 on Finance; vote 12, Finance - debt servicing; vote 82, Growth and Financial Security Fund; vote 175, debt redemption; vote 176, sinking fund payments; vote 177, interest on gross debt - Crown enterprise share; vote 195, changes in advances to revolving funds.

**General Revenue Fund
Information Technology Office
Vote 74**

Subvote (IT01)

The Chair: — But right now, we will begin with vote 74, the Information Technology Office, central management services, subvote (IT01). We have with us Minister McMillan and his officials. I would ask the minister to introduce your officials and, if you like to, provide an opening statement. I recognize Minister McMillan.

Hon. Mr. McMillan: — Well thank you, Mr. Chair. I'm pleased to be here with my officials from the Information Technology Office to answer your questions in regards to the budget for this fiscal year. Before I introduce my officials, I'd like to point out some of the highlights of our plans for the 2012-13 year that will help keep Saskatchewan moving forward.

The Information Technology Office is mandated to be the information technology service provider for executive government. Our business is the delivery of IT [information technology] solutions that enable efficient and effective government programs. This sounds very simple and straightforward. In reality it is more than programmers writing code and technicians installing hardware and software. It involves dedicated and visionary individuals working together to ensure timely and seamless delivery of programs and services to the people of Saskatchewan. It means developing relationships between people so that the ITO [Information Technology Office] is looked to as a trusted adviser and partner for technology projects. It includes improving and maintaining networks so that the system is there when it's needed. And it means doing all this while negotiating to bring hard costs down and working to be as efficient as possible.

I'm proud of the team at ITO, and I am pleased that our mandate will continue with retained funding for our new fiscal year. In addition we have received capital funding for some very exciting and important IT projects that will enhance that service delivery. Through this capital funding, we will be able to continue work on some key projects.

For example there is \$2 million allocated to continue development for the pilot of the criminal justice information management system known as CJIMS. This project with Justice and CPSP [Corrections, Public Safety and Policing], this project will enable the two ministries plus stakeholders to create and maintain one comprehensive file on offenders and eliminating the communications issues that can sometimes lead to mistakes. There is also \$1 million to stabilize and renew government's network and communication infrastructure, ensuring continuity of service to our stakeholders. And there is another \$1 million being invested in enhancing the security of our system and reducing the risk of privacy breaches.

On behalf of the citizens of Saskatchewan, the Information Technology Office works to ensure that the information and program delivery is efficient, effective, and competitive with other jurisdictions. Our citizens deserve a reliable system with which to interact with their government and the comfort of knowing that interaction is safe and secure.

I'd now like to introduce the officials accompanying me today. To my left is Deputy Minister Robert Guillaume; to my right is Assistant Deputy Minister Tim Kealey; and to the far right, director of finance, Rebecca Sengmany. With that we'd be pleased to answer any questions in regards to the estimates which are before us tonight.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — Thank you, Mr. Chair. Thank you, Mr. Minister, for coming before the committee tonight. Thank you to ministry staff for doing so as well.

We'll get into the questions. If the minister could describe changes as it relates to what programs are being funded through this ministry, if there's any programs that are being discontinued or reduced within the ministry.

Hon. Mr. McMillan: — The additions that are changed from last year would be the \$1 million that is specifically allocated to ensuring that our security profile is at an appropriate level. We have maintained from last year another \$2 million to continue on with the CJIMS project. The enterprise risk management, which was in place last year at 500,000, was maintained at 500,000 this year. And the infrastructure renewal piece was 1.5 million last year, and it's continued on with funding again this year at 1.5 million.

Mr. Wotherspoon: — Thank you for that answer. Specific to the reductions of FTEs [full-time equivalent] in your ministry, could you describe the exact number of reductions and what roles those are.

Hon. Mr. McMillan: — Mr. Chair, this year's budgeted FTE reduction is 13. Within that, three come from the supply chain side, five from operations, and another five from application management services. All reductions in all three of these come through finding efficiencies.

Mr. Wotherspoon: — Have the individuals that are impacted been notified on this front?

Hon. Mr. McMillan: — Mr. Chair, these positions are target for the year. Our plan is that through vacancy management, through attrition, and through the ending of term work, that this will be achieved.

Mr. Wotherspoon: — Could the minister just reiterate that list again? So it's supply chain, how many? Applications, how many? And there was one other category, one other function.

Hon. Mr. McMillan: — Supply chain, there is three. Operations, there is five. And application management services, another five.

Mr. Wotherspoon: — Some of the functions that were being retained by way of these roles or others, are some of those going to be contracted out to another provider?

Hon. Mr. McMillan: — No, these are all efficiencies.

Mr. Wotherspoon: — Could the minister describe in each of those categories — supply chain, applications, and operations — the total number of FTEs currently in those, in his structure.

Hon. Mr. McMillan: — Mr. Chair, just to clarify so that it's easier to find in the book. What we're calling operations you may find in the book as inter-ministerial services. The current, the 2011-12 number was 154 individuals in that. That'll be reduced by five down to 149. Under applications support and maintenance, in '11-12 it was 76, going down to 71. And under mandated services, it's going from 15.3 down to 12.3.

Mr. Wotherspoon: — As it relates to . . . So these positions that are eliminated, none of those capacities that were being provided or roles that were being provided are going to be now secured through a third party contract?

Hon. Mr. McMillan: — That's correct.

Mr. Wotherspoon: — Could the minister describe the value of contracts or contracting out or third party providers within ITO?

[19:15]

Hon. Mr. McMillan: — Mr. Chair, I'm going to give the numbers — and I'll ask my deputy minister if I misspeak to please correct me — but 54 contracts at a cost of about \$6.5 million. We see a 4.7 per cent reduction in our workforce through the attrition that we've just spoke of. We can also say that getting down to the 54 is a 4.7 per cent reduction also in our contractors this year.

Mr. Wotherspoon: — The number of contractors. But what value, the 6.5, is that a 4.7 per cent reduction?

Mr. Guillaume: — I believe that number would be fairly flat due to just inflation that we've seen in Saskatchewan, due to prices we've had in the last year, some uplift of cost on service contracts. So that is a number just on the individuals who are helping us out inside ITO as contractors.

Mr. Wotherspoon: — How many of those contracts are with out-of-province vendors, and how many are with out-of-country vendors?

Hon. Mr. McMillan: — Mr. Chair, of the 54 contractors, all of which are on site here in Saskatchewan. As for where their company may be headquartered, we don't believe any of them are out of country. We think that some are possibly out of province. We don't have the information with us, but we would endeavour to make it available to the committee if that was desired.

Mr. Wotherspoon: — Sure. Thank you. Can you describe the on-site presence here in the province?

Hon. Mr. McMillan: — As far as where they're actually doing the work?

Mr. Wotherspoon: — Just the term was used, on site, to describe sort of, I guess, firms that might have their base somewhere else in another jurisdiction. What does on site mean exactly?

Hon. Mr. McMillan: — That the contractors are actually doing services either actually in our physical facilities or meeting with their . . . in Regina or Saskatoon or wherever the work is. It's not, we're not dealing with contractors across Canada doing technical work remotely. These are actually . . . That might be the best way to profile it. This isn't remote contractors; these are actually contractors engaged in getting the work done here.

Mr. Wotherspoon: — The minister offered to endeavour to provide the information as it relates to where their, the whole of their operations and where the base of their operation exists, whether it's in other provinces or out of country. Thank you for committing to providing that back to us.

Could the minister describe the pattern over . . . A pattern may not exist. Could the minister describe the numbers over the last, back to 2007 if you will, as it relates to the number of contracts? More importantly the value of the contracts for each of those fiscal years.

Hon. Mr. McMillan: — Mr. Chair, we've had in the past year, we've had a 20 per cent increase in demand for IT services from our ministry partners. In that time, as I referenced in my earlier answer, we've seen a 4.7 per cent decrease in the number of contractors and relatively flat for the costs over that year. For years going back to 2007, we don't have those back years information with us, but again we will make that available for your committee.

Mr. Wotherspoon: — So thank you. As it relates then to that information specifically, if you could provide back to, I guess, 2007-08 fiscal year, and going back and describing the number of contracts, the value of those contracts. And would the minister have with him here tonight a tracking back to that year of the number of FTEs in his ministry back to that date and time?

Hon. Mr. McMillan: — Mr. Chair, I can provide numbers going back to 2008-09. If the member would like the '07-08 years we can provide those to the committee as well. But in 2008-09 there was 322 employees. In '09-10 there was 307 employees. In '10-11 there was 292 FTEs. FTEs would be the appropriate term, not employees, as the calculation of full time. So for the first three years, I would correct it to say those were

FTE numbers. In '11-12, 277 FTEs, and in '12-13 budgeted 264 FTEs.

Mr. Wotherspoon: — Could the minister provide — of course it's public record — but the total budget for the ministry in each of those years, back to 2007-2008.

Hon. Mr. McMillan: — Mr. Chair, as the member references, this is public information. And we can endeavour to go back to '07. The information we have here is the current subvote, which is \$20.511 million for the year 2012-13. The year 2011-12 it was 19.679 million. That's a variance of \$832,000 over the '11-12, '12-13 years.

Mr. Wotherspoon: — I think the minister has some information to provide that he's endeavoured to do so here tonight. So thank you for that. If he can, in that package, just simply describing maybe for each of those fiscal years, 2007-08 forward, just describing the number of contracts, the value of contracts, along with that. As well, the FTEs and the total expenditure of the . . . within the budget, that fiscal year. But thank you very much for the information there.

When the minister was talking about vendors, who are the vendors that are supplying storage to the ministry and where is that information being stored?

Hon. Mr. McMillan: — Mr. Chair, the ISM Canada is the company that has the contract for the storage of our data.

Mr. Wotherspoon: — There's some discussion both with the Provincial Auditor and as well in this Assembly and in previous committees with respect to impacts of the US [United States] *PATRIOT Act*. And there's been, I know, some analysis done by your ministry. Could the minister bring us up to speed if there's been any further developments on that front? What actions have been taken to make sure that Saskatchewan, data of Saskatchewan people and organizations is protected, and what the impacts of the US *PATRIOT Act* are? And have there been further actions by his ministry and are there actions moving forward to protect Saskatchewan people or to strengthen agreements?

[19:30]

Hon. Mr. McMillan: — Mr. Chair, this is something that, as the members on both sides of the House will know, that was referenced in the auditor's report. It's something that . . . We had met with the auditor previous to that report and had worked closely with her.

With the US *PATRIOT Act*, the chain goes out from any American-owned company, the obligation. ISM [Information Systems Management Corporation] is a Canadian subsidiary of IBM [International Business Machines Corporation], and the chain starts getting fairly long. The concerns of the auditor was that best practices would be that through the contract, that a government or any organization would have to protect themselves through the contract. That is something that was done in this case. We have met with the auditor in regards to this, and she is satisfied that those steps were taken.

In her auditor's report, she referenced what other provinces

have looked at to their privacy concerns around the same Act and found examples. I guess one, I believe it was British Columbia, that was somewhat concerned. And she also looked at the Treasury Board of Canada, who looked at it and thought there was very little reason for concern. But the reality is in this case we, through our contract, took the steps appropriate to ensure that we were secure.

And I would just like to add to the auditor's comments those of the Office of the Privacy Commissioner. And the Office of the Privacy Commissioner is of the opinion that the company would have no legal duty to provide personal information to a foreign government. And that's another body of the independent officer of the legislature that's weighed in on this as well.

Mr. Wotherspoon: — Thanks for that answer. Could the minister provide us some information about the initiative open government?

Hon. Mr. McMillan: — Currently we provide our GIS [geographic information system] data through the geo-Sask portal. That's government data which is open to the public.

Mr. Wotherspoon: — Is the minister familiar with open government, the initiative that's I believe in place in other governments and I believe being discussed at various levels across ministries here in Saskatchewan? Certainly would have impacts for his ministry.

Hon. Mr. McMillan: — Currently British Columbia is the only province which I think would meet the criteria of open government. We're certainly watching what they're doing. I understand the federal government is looking at this as well. I think many of the other provinces are watching the example put forward by British Columbia and we're certainly watching that as well.

Mr. Wotherspoon: — Within this government, I thought that maybe ITO may be a driver within the initiative that we're seeing within ministries, or hearing about across ministries. It sounds as though that's not being driven by ITO or organized by ITO in the Government of Saskatchewan across ministries. Is that correct?

Hon. Mr. McMillan: — As I said, British Columbia is certainly the first and only province which is working through this. We're watching what they're doing with interest.

Mr. Wotherspoon: — Has the minister, ministry been observing these activities and initiatives in the United States as well?

Hon. Mr. McMillan: — Certainly watching what the federal government and the United States has done, but the example of British Columbia is far more relevant to what we face here in Saskatchewan.

Mr. Wotherspoon: — What are the goals of open government and how would the minister, I guess, what would the minister see them to be a benefit here in Saskatchewan and what would be the impact?

Hon. Mr. McMillan: — Mr. Chair, I think one of the main goals is a way for governments to interact with their citizens to obviously leverage the information that governments have. I think in jurisdictions where this has been done well, the data is mined by universities, or different people utilize the information different ways. The technical term I understand is called crowd sourcing, where that information is potentially utilized in ways that provide additional information back to government and leverage it for an advantage for the people of Saskatchewan and for the government that currently has the data.

Mr. Wotherspoon: — The minister's not exactly . . . I know there's discussion in ministries about this initiative right now. It's certainly about technology, and there'd be a significant interface with your ministry I would suspect. The minister's not leading that discussion or contributing to it and setting some . . . working with ministries, or where is this discussion coming from in government? Who's driving it?

Hon. Mr. McMillan: — Mr. Chair, the different ministries are responsible for the data in which they hold. So I think there's two sides to this. Each ministry is responsible for the data. As far as the expertise and the technical advice, that is the purview of the ITO. We bring that certainly to them. There's potentially legislative changes at each ministry that may want to utilize this. I understand that when British Columbia went down this route, there was pieces of legislation that ministries had to change in order to allow the data to be used effectively.

Mr. Wotherspoon: — With respect, I think there was a recent rating of government websites, and I don't believe just on the aesthetics of those websites but their functionality and how they provide information to the public. I believe Saskatchewan was in the very last rung of that ranking across Saskatchewan. Has the minister received that rating? Does he believe that rating is accurate? And if so, is he taking any actions on this front?

Hon. Mr. McMillan: — To the member's question, I don't think your profile was exactly accurate. We weren't in a position that we're pleased with, but we weren't at the bottom of the heap either. I believe the position was 10th of 12 jurisdictions. So it isn't good, but your profile wasn't exactly accurate. No, and in that regard, it is something that is currently being looked at by our government.

Mr. Wotherspoon: — Thanks to the minister. Tenth out of 13 certainly isn't a fantastic ranking, or 10 out of 12 certainly isn't a great ranking. If we were . . . I guess it's NHL [National Hockey League] playoffs time, and I'm not sure we'd be in the playoffs if that were the case. So to that point though, does the minister rebuke that rating, or does he feel it to be a fair assessment? And if it's fair, are there some areas that should and could be improved?

Hon. Mr. McMillan: — Yes. In my answer to the earlier question, it is something that we're currently looking at, yes.

Mr. Wotherspoon: — Thank you to the minister. As it relates to the movement and shift in making decisions around contracting services out and dealing with third party vendors, what sort of value-for-dollar analysis occurs at your ministry or inside your ministry or by another ministry to ensure that that choice is in the best interests of the public?

Hon. Mr. McMillan: — The business process of how we look at these projects, I'm going to pass this to Assistant Deputy Minister Tim Kealey.

[19:45]

Mr. Kealey: — Thank you. The way we'll . . . We provide a support role to the other ministries. So they'll approach us with a project or an initiative. We'll provide technical analysis and support to what the requirements are on a number of fronts. One of those fronts may be the requirement for a project manager or specialized vendors to participate in the development of any one of a number of components of that project.

It's demand driven by the individual ministries. They will come with a specific need and a gap that we may not be able to provide those services internally. We will match that requirement with an appropriate vendor. Each ministry will develop a business case for the overall project including the cost of the vendor or vendors to develop those services. And without a positive return on investment within that business case, they would likely not proceed. So we provide the technical analysis and support to kind of marry the requirements.

Mr. Wotherspoon: — Thank you. Could the minister speak specifically to the mandate letter that he's received as a minister and specifically the point to eliminate government red tape and enhance industry bidding opportunities by introducing efficiency measures like lean to government technology procurement process. Now I understand the concept of lean, but I'm not sure of it being utilized as a tool to simply enhance industry bidding opportunities. Could the minister describe what's meant by that and how he interprets that, what actions he's taken to work towards that aspect in the mandate letter?

Hon. Mr. McMillan: — Mr. Chair, the procurement process, we have roughly 220 active contracts. This is something that, a process that ITO goes through on a regular basis through finding efficiencies, lean being one aspect or one tool to drive efficiencies in this process. We have decreased the time that this takes from one month down to roughly 15 days. It's the actual process, and what's been changed, I'm going to pass over to my deputy minister to walk us through the steps which have led to this improvement.

Mr. Guillaume: — So part of that mandate letter that you're referring to is how do we drive out a more efficient procurement process while, you know, respecting the intent of the competitive process. And what we've done under continuous improvement is decoupled the lengthy terms and conditions and pre-qualification legal work that has to be done. And we do that once a year with service companies. That allows somewhat of a short list. It's not that short. I think there's 30 contracts underneath that that we know we can do business with — the government. And then through that process, as requirements come in from our clients, other ministries, what we're able to do is streamline that process such that our service level is 15 days. We're actually probably tracking less than that if we can marry a requirement with a solution.

The second piece about lean, we do lean events like every other

ministry that has reported here at this table, and one of those just recently was in supply chain management where we're just reducing some of the paperwork and overhead that happens inside a supply chain. We have two more planned in the '12-13 year as well in that same unit of work. Obviously historically, procurement is a very paper-centric, manual process so lots of opportunity for something like lean.

Mr. Wotherspoon: — Thank you. I believe Mr. McCall has a question.

The Chair: — Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair. And thanks to the minister and officials for joining us here this evening for the consideration of the ITO estimates. Just a question referring back to the joint project with yourselves and Corrections, Public Safety and Policing. If you could just give us a bit more of an outline on what is being undertaken with the CPSP.

Hon. Mr. McMillan: — Deputy Minister Guillaume is going to talk about this project as well.

Mr. Guillaume: — This is actually one of my favourite topics, so thank you.

So I'm just going to set some context. You know, we have 1,480-some applications inside of government and many of them are 20-some years old. And one of the challenges for the ITO is to understand how we can modernize that fleet and get it within the current supportable framework that we can operate in, that's effective and efficient for Saskatchewan.

There are some new approaches in software engineering. So in the past what we've done is we've essentially thrown out those old systems and started anew. Right? So we'd sit down and through a waterfall model define what our requirements were and launch the engineers and build something.

When we looked at CJIMS originally to how we were going to build that out, it was close to \$60 million estimate, which was in alignment to certainly with what we anticipated in the environmental scan. As we looked at new approaches, this modernization approach of CJIMS and why it's so innovative — in Canada, actually — for government, is we are using automation and intelligent tools to comb through those old applications that we own today to drive out new code. So it's actually being auto-built and spawned for us. There's still manual process and we still certainly have to continue development. But we're halfway. We're through phase 2 at this point and we are on schedule and we are under budget in fact. Pleased to announce that we even returned a large portion of the \$2 million to General Revenue Fund because it just wasn't the right time to spend it.

Looking forward, we have two more years ahead of us of some code build where those automated tools will actually build out the new information system that both CPSP and Justice require to run their business.

Mr. McCall: — So in terms of the . . . I guess we're looking at two years to get to where we want to be with the project. When CJIMS is completed, what is the functionality on it? What all

will be performed by the software suite?

Hon. Mr. McMillan: — Mr. Chair, in this project, we are the technology partner. CPSP and Justice are the two partners that work with these applications. There's four applications that this will be replacing. They would be the better ones to ask what aspects of those four or are those the four in the entirety.

For us, we're there on the technology side on the project, adding the technical expertise.

Mr. McCall: — Here it was, I thought this was one of your favourite topics of discussion. You don't want to say anything else; that's unfortunate.

But certainly I know in Corrections, Public Safety and Policing, one of their problems is they have significant challenges around scheduling, payroll, and the like. Is that one of the applications that's anticipated in this software package?

Hon. Mr. McMillan: — Yes. We couldn't . . . It would be a better question for one of those two ministries. For us, as the deputy minister said to me, it's about the code, about the programming for us.

Mr. McCall: — So you're not going to crack the code on this one here tonight. Is that what you're insisting on, minister?

Hon. Mr. McMillan: — If your questions are more technical, I think we can help you out. If it's more about the functionality, probably not.

Mr. McCall: — All right. Got to get a little more teched up for you here, minister.

Okay. In terms of the final price tag; and again the deputy minister has referenced funds returned to the General Revenue Fund, what's the final price tag looking to be right now?

Hon. Mr. McMillan: — I can tell you it's estimated at this point at less than 30 million. In the first two years of this project, ITO was budgeted 6 million. Of that we've returned, we've returned half a million of that back to GRF [General Revenue Fund] over those two years. The other two ministries could fill in the gaps as to what they've spent in the first two years, but I can tell you the expectation, the estimate at this point is it would be less than \$30 million total cost at completion.

Mr. McCall: — Is \$30 million falling under the purview of ITO, or is that in total?

Hon. Mr. McMillan: — Total.

Mr. McCall: — So it's gone from a \$60 million estimate down to 30 million?

Hon. Mr. McMillan: — That is correct.

Mr. McCall: — Okay. You didn't have to do lean to arrive at that?

Hon. Mr. McMillan: — Pardon?

Mr. McCall: — Did you have to engage in the lean process to arrive at that reduction . . . [inaudible interjection] . . . That's great . . . [inaudible] . . . I'm just being a bit cheeky. Anyway I think my time is . . . I think I've got the Chair cutting my mike off, so I'll leave it at that and say thanks very much to the minister and officials for the information this evening.

[20:00]

The Chair: — Mr. Wotherspoon, do you want to add any comment?

Mr. Wotherspoon: — Do I have time for one last question?

The Chair: — One quick question.

Mr. Wotherspoon: — Sure. Just specific to the mandate letter again, the first point states explicitly to engage private sector firms in the management and operation of government networks and data centres. Now certainly they're one of the solutions to dealing with networks and data centres, but it seems counter to be that explicit, that that's the only route through the private sector vendors. It seems counter to the lean process, which I believe the lean process would be one of, sort of a value-for-dollar analysis that would make sure that we are pursuing our goals in the most efficient, effective fashion. That's not what this describes here. It describes who the minister should be dealing with directly here. Does the minister recognize sort of this inconsistency between the two directives?

Hon. Mr. McMillan: — Mr. Chair, in the case of both the data centre and the networks, the business case was very strong. It drove savings which was captured by the ITO and ultimately savings captured by GRF to go forward with those. And that was the justification for doing it.

Mr. Wotherspoon: — Thank you for those answers here tonight. I know that our time has elapsed, so I'd like to simply say thank you at this point. Certainly we have some other questions that we can engage at another time. And I'd like to thank the ministry staff that have come before us here tonight.

The Chair: — And I also would like to thank the minister and his staff. And we will take a quick break just to change officials and ministries, and we'll be right back.

[The committee recessed for a period of time.]

**General Revenue Fund
Finance
Vote 18**

Subvote (FI01)

The Chair: — Next on the agenda is consideration of vote 18, Finance, central management and services, subvote (FI01). We have with us Minister Krawetz and his officials. And just before I ask you to introduce your officials and provide an opening statement, I would just ask that the first time an official comes to the mike, just introduce yourself just the once when you first come to the mike. So I would ask the minister to introduce his officials and provide an opening statement if he has one.

Hon. Mr. Krawetz: — Thank you very much, Mr. Chair, and good evening to members of the committee on both sides of the House. Thank you very much for your interest in finance. I'm going to begin by introducing the officials that are sitting here at the front. Of course to my left is deputy minister of Finance Karen Layng. Next to Karen is the assistant deputy minister of taxation and intergovernmental affairs, Kirk McGregor. And on my right is Terry Paton who is the Provincial Comptroller.

Immediately behind me, the three individuals seated there are assistant deputy minister responsible for treasury and debt management, Rae Haverstock. Next to Rae is Margaret Johannsson, who is the ADM [assistant deputy minister] responsible for revenue division, and Victor Calvin is the assistant director of financial services, seated beside Margaret.

At the very back, to the far left, is Joanne Brockman, and Joanne is the executive director of economic and fiscal policy. Next to Joanne is Denise Macza, who is the assistant deputy minister of treasury board branch, and then Dianne Ford who is my chief of staff. And the ADM responsible for the Public Employees Benefits Agency, Brian Smith is seated next to Dianne.

Those are the officials, Mr. Chair, who are with me to assist in supplying information that members of the committee desire. My remarks are going to be brief, Mr. Chair. As you know, the Finance estimates, vote 18 are found on pages 67 and 71 of the Estimates book. And as you note there, the 2012-13 expense budget is \$68.4 million. That's a decrease of \$624,000, or about 0.9 per cent for the ministry's operations. When pensions and benefits are included, the budget grows to 351.9 million, which is an increase of \$2 million or 0.6 per cent.

A couple of the highlights in Finance's area, of course I introduced legislation today that will create tax incentives in the area of housing. And as you know, we have introduced a first-time homebuyers tax credit that will provide an income tax reduction of up to \$1,100 to new homeowners. The budget is introducing a 10-year corporate income tax rebate to corporations investing in multi-unit residential rental projects.

Mr. Chair, the budget also includes funding for two projects intended to make business registration and tax collection more efficient. Phase 2 of the business portal project, which allows businesses to conveniently register with various government programs and services through one online process, is being continued. And we are also updating the Saskatchewan Electronic Tax Services, which will provide online e-filing and payment services for Saskatchewan taxpayers.

Finally, Mr. Chair, 3.4 million has been allocated to the accounts payable project. This is a reduction of 1.2 million, and this project centralizes the processing of supplier invoices and employee travel expense claims from across executive government. With those comments, Mr. Chair, I'd be pleased to take questions from committee members.

The Chair: — Okay. Thank you, Mr. Minister, for the opening remarks. And we will take questions if any are available. Mr. Wotherspoon.

Mr. Wotherspoon: — Thank you, Minister, for coming before

us here tonight. And thank you to all the ministry staff that are here today, appreciate that.

Just with respect to the actual operations of the Ministry of Finance, are there reductions in any of the programs or initiatives that have been ongoing in that ministry?

Hon. Mr. Krawetz: — Thank you for the question, Mr. Wotherspoon. There really aren't any reductions in programs. What we have done is introduced of course the workforce adjustment strategy through various parts of Finance. And you can see by the ministry estimate that the FTE staff complement from the previous year was 334.9. And now it's decreasing to 323.5. Those are the mean changes, but as far as a reduction of program, there aren't any.

Mr. Wotherspoon: — With respect to the FTEs, has it been defined in what areas those reductions will occur?

Hon. Mr. Krawetz: — There are five sections within the ministry's responsibility. And the workforce adjustment in each of those is this way. The Provincial Comptroller's office has a FTE reduction of 6.0. The revenue division has a reduction of 1.7. The budget analysis division has a change of 2.2. The personnel policy secretariat is a point three because of a secondment. It's a small, it's not even a full FTE. And central management services as well is a point one.

Mr. McCall: — Thank you very much, Minister and officials. What was the rationale for those FTE decisions? And if you could take us sector by sector through the department's function.

Hon. Mr. Krawetz: — Thank you very much, Mr. Chair. Mr. Chair, in the five sections that I already mentioned, I'll go over each of those as requested by the member.

In the Provincial Comptroller's office, I indicated that there's a change of six FTEs. As far as technical support for MIDAS [multi-informational database application system], we're looking at the support coming in the area of five FTEs because of retirements, and we'll be outsourcing that. The other one of course is one FTE in MIDAS central operations. That's the same situation.

In the revenue division, it's just a management of vacancies — 1.7 positions, vacancy positions, are being eliminated there. In the budget analysis division, we also are dealing with vacancies that will total 2.2 positions. And I've already indicated the secondment in the personal policy secretariat is equivalent of a point three, and central management services is just a point one. Vacancy management in all of those instances.

[20:15]

Mr. McCall: — Thanks Mr. Minister. You've really caught my attention and interest now. On the MIDAS, five FTEs, what was the dollar figure involved in those five FTEs?

Hon. Mr. Krawetz: — We can give you an approximate of about \$300,000 for those five FTEs.

Mr. McCall: — The minister had referenced outsourcing in

terms of compensating for the function that would be performed by those five FTEs. What's the dollar figure involved in that outsourcing, Mr. Minister?

Hon. Mr. Krawetz: — Two points, Mr. Member. First of all the people that were retiring were highly skilled individuals that were, you know, there was just an inability to replace them with those kinds of skills. The outsourcing that will occur, the contracts have not been established yet. Those are still being worked on, and we're going to move in that direction as we establish the contracts.

Mr. McCall: — Is there dollars allocated for the projected amounts though in the budget for the year under consideration?

Hon. Mr. Krawetz: — My officials indicate that we have allocated about \$450,000, which will be about \$150,000 more to obtain the kind of technical support that we'll need.

Mr. McCall: — So 300,000 entailed in the five FTEs that are retiring and not being refilled or succeeded, and 450,000 in terms of outsourcing requirement for the operation of MIDAS. Is that correct?

Hon. Mr. Krawetz: — Yes, when we look at the technical skills necessary now with the people that have retired — very qualified, very important people — the replacement of those people will be at a greater cost.

Mr. McCall: — Was there any consideration in terms of succession planning or trying to recruit from within to fill those positions and how that would then impact on the dollars being expended, again a greater figure being anticipated with the outsourcing?

Hon. Mr. Krawetz: — Within the ministry, Mr. Paton indicates that there were no people who had that kind of training within the ministry. It's a long, you know . . . As far as the people that were involved in the ministry, there was no one able to replace the individuals that were retiring.

Mr. McCall: — It's interesting, Mr. Minister. This reminds me of my grandmother who was a clerk accountant with the Ministry of Finance back starting in the '60s, then through the '70s, and on into the early '80s. And one of her jobs was to run one of the computers that was used by the ministry at that time. And of course it was one of these punch card affairs that probably filled half the size of a room, and she hit her retirement date in the early '80s and then they kept bringing her back because nobody else knew how to run the computer.

And I guess again, in terms of the thing I always found interesting about that was that the Minister of Finance that is responsible for the financial plan forward for the whole province, in that case, had to keep bringing my grandma back to run the computer because it wasn't worth their while to put out the money to invest in someone in operating obsolete or soon-to-be obsolete technology.

But surely there's been some anticipation of this in the HR [human resources] planning of the ministry, or is it just sort of a reliance on outsourcing in terms of filling valuable roles in the ministry's function?

Hon. Mr. Krawetz: — Thank you for your question, Mr. Member. And, you know, one of the first sources that we looked at from Finance's point of view was of course going to go to ITO because, you know, that technical support that's there, it's more the IT rather than the finance-oriented. And in fact ITO did not have the people that we needed. So when we look at that knowledge that's out there and it's out in the corporate area, it's highly concentrated. These are individuals who need to be involved with that kind of work on a daily basis, and within the Ministry of Finance, within ITO, within government, we did not have those kind of people.

Mr. McCall: — I guess, Mr. Minister and officials, one of the things we're trying to reckon with as the opposition in holding the government to account for the expenditure of public dollars is, alongside the workforce adjustment strategy and the four-by-four strategy and lean exercises and on, there's an attention that's paid to the reduction of FTEs as one metric by which to assess progress on the part of government. But if the progress entails the expenditure of greater funds on the part of government, what looks good on the one hand winds up costing the taxpayer more.

Again this is a relatively small expenditure in the grand scheme of executive government, but of course this is in Finance and I think it's something we'll pursue or we'll try to examine, I guess, in different means down the line. But the idea that you have five people retiring and that's an expenditure of \$300,000 on the one hand, and again it looks good in terms of the workforce adjustment strategy in hitting your targets as regards the 15 per cent reduction overall with the employees in executive government, but if on the other hand you're spending more money, how much further ahead are the people of Saskatchewan in the services that they value, that you have the responsibility for?

Hon. Mr. Krawetz: — The comment I would make there, Mr. Member, is that the five individuals that have been there for a number years and have been involved in MIDAS, I mean, we are looking at MIDAS over all of government and are looking at the technical supports needed now to administer those kinds of programs. The pay bands that we have within government will not attract the kind of professionals that you will require to ensure that that program is up and running successfully.

So as a result if we were going to look at saying, okay we want to ensure that we have the highly competent individuals, that the pay bands don't permit that within government. Because, as you know, in the technical, in the IT world, the salaries garnered by individuals with those kinds of skills are huge, and that's the changes that will occur for us to be able to ensure that we still provide, through these kinds of services, a responsible MIDAS system.

Mr. McCall: — Well I know that my colleague, the member from Rosemont, has a great number of other questions for you. But I still think it's an interesting sort of demonstration of what would appear to be progress or the meeting of goals set by the government on the one hand, but the way it winds up costing more on the other. And we'll be interested to see how that plays out, I guess, across the IT function of government generally and what that means in terms of the broader shift. And certainly we had a demonstration of that in the round of estimates preceding

the minister and officials.

But again my colleague from Rosemont has been very generous with allowing me to tag in on some of this time. But you caught my interest, Mr. Minister, and I thank you for the answers to my questions.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — Thank you very much, Mr. Chair. Mr. Minister, if we could examine a little bit or if you could provide some of the rationale for the potash revenue estimates that have been put forward this year.

Hon. Mr. Krawetz: — Thank you, Mr. Member, for that question. The determining of a lot of the information that Finance uses to determine what will be contained in the budget of course is material that is obtained from Energy and Resources first of all.

We look at a number of things in terms of where the latest sales have been over a period of time. The industry of course has a number of factors that determine that. It's not only production; it's also the actual sales, both domestically and offshore. We have looked at the sales being fairly consistent across the year from the previous year. In fact we're estimating the same number of sales at 10.2 million tonnes. We do expect that the offshore sales will be slightly less, about 5.7 million tonnes, than the previous year at 6.1. And our domestic sales will be about 4.5 million tonnes.

Now in terms of the actual price per tonne, when we look at the Canadian price, Canadian dollars per tonne, K₂O [potassium oxide], we are estimating that at seven hundred and sixty-one thirty-four Canadian, and US price we're actually looking at . . . I don't have that price. Four sixty . . .

A Member: — 463.

Hon. Mr. Krawetz: — 463. Now as you know, there most very recently there was a sale to India that was in excess of that price, and of course the tonnage that was in that quarterly sale was 500,000 tonnes. So those are, you know, the different things that come into effect. We look at base payment. We look at the amount of profit tax. We look at the royalty. And those are all the kinds of things that are built in to determine that the net potash revenue that we project for '12-13 will be \$705.2 million.

Mr. Wotherspoon: — Now if we're looking at that specifically the . . . and you talked about the different parts of the base tax and the profits tax. Could the minister break out each of those areas that derive this revenue and what those increases or changes are from what was realized last year?

[20:30]

Hon. Mr. Krawetz: — Sure I can, Mr. Member. As far as the base payment, the first number I'll give you of course is the '11-12 number and then the next number will be the '12-13 budget.

In '11-12 it was 69.9, and in '12-13, 77.8. So it's up a bit. The

profit tax was 312.8; now it's 555.1. Crown royalty, 361.1 and 142.5. And then in a category called other revenue, it was 4.5 million last year and this year it's 10.0. That totals 785.4. But then there's a deduction called the Saskatchewan resource credit. Last year that credit was 69.9. This year it's 77.8 actual reduction. And in the incentive program, which is a tax credit of 40 per cent of approved R&D [research and development] expenditures for some of these corporations, last year it was \$2.3 million reduction and this year it's 2.4. So when you subtract those two amounts of 77.8 and \$2.4 million from the 785.4, you have the net potash revenue anticipated of 705.2.

Mr. Wotherspoon: — Could the minister just . . . Thank you for that information. Could the minister clarify the '11-12 number for the Crown royalty section? I believe this year it was 142.5.

Hon. Mr. Krawetz: — I'm sorry. My deputy tells me I reversed the numbers. The Crown royalty for '11-12 was 136.1. I may have said 361. But it's 136.1, and this year it's 142.5. I apologize. Sorry.

Mr. Wotherspoon: — It jumped off the page, so that's . . . Thank you. It was specific to the profits tax. And the change, the increase there of 200-and-some million, what's the change there? What's causing that to change in the manner that it is?

Hon. Mr. Krawetz: — Two major factors will contribute to the profit tax rising in excess of 200. It's going to be the price, which is now higher than last year, as well as the investments that potash companies have made in Saskatchewan and that they were used as a deduction from profit tax last year. Many of those deductions are now completed for some of the corporations, so as a result they won't have that deduction and then the profit tax will be higher for us.

Mr. Wotherspoon: — Could the minister speak to that point a little bit? And this is the fact, I guess, that some of these credits have expired or that have been fully exercised, I should say, as writeoffs for some of those investments. Now of course there's new capital investments occurring as well, which are subject as well to be set as a writeoff against that tax. What's the next few years look like from the minister's perspective by way of the full utilization of those writeoffs and then potentially increases in royalties?

Hon. Mr. Krawetz: — The charts, as my deputy's pointed out, is on page 39 and it indicates just the two years of 2012 and 2013. And these are forecast, and you can see that the investment in terms of capital expenditures, it continues to have a downward trend.

We believe that the expenditures that have been invested, the investments really that companies, the three major companies have made — Agrium, Mosaic, and PCS [Potash Corporation of Saskatchewan Inc.] — the billions of dollars that they've invested, a large portion of that is already on a trend that's going downwards. So it will result in larger and larger amounts.

Now that doesn't say, of course, what will be the future investments by these companies. Each of these companies continues to invest in Saskatchewan and they will — based on the royalty structure that we have them, the investment structure

— they will continue to write this off. But the trend line is that we probably . . . As far as the major investment by these corporations right now, we have peaked and will continue to see a build in larger revenues or larger net profit tax.

Mr. Wotherspoon: — Does the ministry have some numbers at this point in time as it relates to the profits tax and some of those increases with the current writeoffs that have, I guess, or that are coming to be fully utilized?

Hon. Mr. Krawetz: — Of course the ministry has assumptions on what corporations might be doing, but this is all around the tax planning of these corporations. They will choose the speed at which they write off their investments, and that is not something that we can control. We know that of course the trend line is such that they have been using their investments as a tax reduction. We believe they're going to continue that.

The complete information, I think, would be able to be given to you, Mr. Wotherspoon, probably from Energy and Resources because that's who we rely on. These are not our numbers; these are Energy and Resources.

Mr. Wotherspoon: — The minister still has confidence in the number that he put forward here with respect to the estimate by way of the potash revenues for this fiscal year?

Hon. Mr. Krawetz: — Absolutely. After the first sale to India, now with the tonnage, 500,000 tonnes with an option on another 200,000 at a price higher than what we have budgeted in our document. We're seeing some exciting things. We're also seeing, of course, the commodity prices, the domestic price in the United States with the corn prices up and soybean up, we believe, as we move through the next few weeks. In fact I know spring seeding is going to be under way in much of North America, in both United States and Canada. We're confident that there will be a demand for potash, for fertilizers because of food production, and we're quite confident that the numbers provided to us by Energy and Resources are going to hold true.

Mr. Wotherspoon: — With respect to something that's been of some discussion in this Assembly and that being the new debt obligations for the universities in the province, who initiated that change where the universities are going to be taking on some debt that would have been financed through central government?

Hon. Mr. Krawetz: — The Ministry of Advanced Ed made their proposals to Treasury Board that included the kind of, you know, funding that you just talked about. So the partnership that had been established by Advanced Ed would have come from them directly through to Treasury Board.

Mr. Wotherspoon: — So it was Advanced Education that initiated this change structure for financing the university projects?

Hon. Mr. Krawetz: — We know of course that the Ministry of Advanced Ed is responsible for the post-secondary program in the province of Saskatchewan, and they made their presentation to Treasury Board. The initiation, as far as who initiated it, whether it's the minister or whether there's a partnership discussion between the universities and the minister, that would

be a question you could direct directly to Advanced Ed.

Mr. Wotherspoon: — Without that change, would the minister admit that it would create some challenges as it relates to on paper balance of his budget?

Hon. Mr. Krawetz: — Mr. Member, when we look at infrastructure development and financing of infrastructure across the piece, you know, this is a common practice with partnerships where there is a need to address commitment. The Academic Health Sciences project has been under way for a number of years and, you know, there have been different amounts of construction and therefore that amount of construction would determine the monies that are necessary. So if indeed Academic Health Sciences was going to change the kinds of numbers that were required, whether it be in the capital area of the Academic Health Sciences building, that would have been a decision the Treasury Board would have made. In this respect, it has no bearing on the balance of the current budget that has been proposed.

Mr. Wotherspoon: — Does the minister feel that the commitment to the dollars to the university and the amount that were budgeted and announced, does he feel that's been fulfilled by his government?

Hon. Mr. Krawetz: — The Academic Health Sciences building will not be completed with this year's construction. There are still wings and various aspects of the construction to continue. I think it still looks like it'll be at least another two more years. The estimate is going to take that entire project well into that 350 to \$375 million category. We've had a combination of funding. There has been university outright commitment in terms of their operating dollars. There has been grant monies, transfers. There have been monies that have been borrowed. So what we do to ensure that the project is finished in the next year or the year after, those will be things that we'll deal with as we . . . If I'm still fortunate enough to be dealing with Finance, we'll look at those things as we move through the next years.

I mean it's a commitment that the province has made. I mean it was made by the former government that a building like that was necessary in the province of Saskatchewan. We think it's going to be a tremendous advantage to Saskatchewan as we've increased the number of training seats, whether they be nurse training seats or whether they be the increases to the medical doctor seats from 60 to 100. Those are all additional spaces that were needed. The Academic Health Sciences building is going to be, I think, prove its worth. And as we look at the construction and move forward into the next phase or couple of phases, we will deal with the financing requirements as they're presented to us.

Mr. Wotherspoon: — In the minister's mandate letter, there is a specific mention to review tax policy on an ongoing basis. Question to the minister is just what's being reviewed right now, and what sort of recommendations does he make or what sort of priorities are coming out of that analysis?

[20:45]

Hon. Mr. Krawetz: — There is no question, of course, our

government is committed to making affordable and sustainable reductions to Saskatchewan's taxes and to improve our tax competitiveness. And that's why, you know, as we've looked at the Saskatchewan tax competitive position over the last four years, we've made some significant changes. I can address a few of those for what has already occurred in the past, and what we continue to do.

One of the very first things that were introduced, of course, was a dramatic reduction to the personal income tax, the PIT, where the exemptions were changed dramatically over the last number of years, where now we're just under 15,000 of a personal exemption. We do have indexation. As the member knows I think that, you know, all of those exemptions are indexed, and this past January 1st there was a further enhancement of all of the exemptions by 2.8 per cent enhancement because that was the figure for the consumer price index that is used year to year to determine indexation. So that has occurred.

We also are reviewing, of course, as we did in the past. Last year we reviewed our competitive position as far as small businesses. And recognizing that our business rate of 4.5 per cent was placing us in a position where maybe we needed to address that, and we did, and we've reduced it to 2. You know, your question about do we continue to monitor these things and are there any tax measures, the monitoring of a small-business rate at 2 per cent with the current level of \$500,000 is one that we have looked at with other provinces. We think we're competitive, and we're not making any changes to that this year.

You know, we made some announcements as indicated in the budget speech to the first-time homebuyers tax credit because we wanted to enhance, through a tax position, we wanted to ensure that we were promoting first-time homebuyers. We also included something called the active families benefit that will allow families, all children now under 18 years of age, to take an active participation and thus reduce their costs through a tax measure.

On the corporate income tax side, you know, we've introduced the multi-unit rental strategy. We feel that it will be a great boom to be able to have nearly 10,000 units, that's the projection, using other incentives as well.

So we've done an analysis for this year's budget. And to ensure that we maintained a budget or produced a budget that was balanced, we did not feel that a significant change to any of the taxes, whether they be the education property tax . . . That was another thing I omitted. The education property rates that have been in place now remain the same. So they were not lowered but neither were they raised.

So when you assess all of the taxes, we want to ensure that Saskatchewan is in a competitive position. We think we are right now. If finances allow the province to move forward on other tax initiatives, you know, there will be a debate as to whether or not we should address the personal income tax side and make sure that, you know, on the exemption side, our nearest neighbour of course is Alberta, who has a personal exemption of over \$17,000 and Saskatchewan's now is just around the \$15,000 mark. So those are always going to be things that we're going to look at to see whether or not we

should make some changes.

For this budget there are no significant changes other than what I've identified. And over the course of, you know, the next months as we begin to prepare for next year's budget, all of those things — whether they're personal income tax, whether they're education property tax, corporate taxes, all of those kinds of taxes that affect people — will be looked at. But at the moment your direct question is, do we have a change plan for any of these taxes right now? The answer is no.

Mr. Wotherspoon: — Thank you for that answer. The minister highlighted personal income tax. Would that be his priority when he's able to move forward with further tax measures?

Hon. Mr. Krawetz: — There are a number of areas, of course, that people are concerned about. On the west side of the province, people know that the Alberta provincial sales tax is zero, and of course ours is 5 per cent. So you have people on one side of the province who are suggesting that the greatest burden to development of the province is the PST [provincial sales tax]. On the east side of the province, with Manitoba having a 7 per cent sales tax, it's not quite as significant.

The personal income tax one is one that we want to ensure that we continue to address. And that's a good, you know, that's a positive situation for us. Because of indexation, we continue to move up. The personal exemption back in '07 was under \$9,000, and today it's at 15,000. So when you really look at, you know, what has been the benefit to any individual in the province of Saskatchewan over the last four and a bit years, that has changed by over \$5,000 worth of an enhancement to the personal exemption. That's a significant tax saving for everybody.

Is there more that can be done in the personal exemption side? As I said, Alberta is up at 17,000, so we have to make sure that we're looking at what other provinces have. You know, Mr. Member, to be honest, I mean there are many competing factors. And personal income tax is one of them and PST is another one and the corporate income tax is a third one. There are many factors that would come into play, and we're going to be looking at all of them if indeed the finances allow us for something that could be introduced that's sustainable and still within a balanced budget.

Mr. Wotherspoon: — Is there some support from your government or from your ministry for a flat tax for personal income tax?

Hon. Mr. Krawetz: — Currently Saskatchewan has three tiers: the 11, 13, and 15. Where we have been lobbied by many of the groups every year, in my two years that I've been Finance minister, you know, many of the groups lobby for changing the three down to at least two. There has been proposals put forward that we should become at least an 11 and a 13, or maybe a 10 and a 12.

Those are always initiatives that of course come with high cost because if you're going to change those percentages, you're also changing the tiers as to when the tax level kicks in. So I can honestly say that none of the proposals that have been put forward by groups in the province of Saskatchewan have

recommended getting down to one tier only. We had some discussion with Enterprise that said we should try to follow the Alberta model which was at 10 per cent — one rate — and you know, since, we've had other discussions with them. I mean they recognize that the one tier at a low tier is not necessarily the best way.

Mr. Wotherspoon: — The minister talked about some different models there though certainly there's a flat one tier that's a possibility. There's also some flattening of those rates moving to a potential two-tier and certainly there's different groups that advocate different positions on this front. Does the minister support and does the government support a flattening of those tiers or the income tax structure?

Hon. Mr. Krawetz: — As we review the information throughout the year, and as I said from the beginning, you know, we're going to look at Saskatchewan's tax regime, all parts of it from being, you know, comparing ourselves to other provinces and whether we're competitive. I'm sure we'll have different options that will be proposed. We'll have to do the analysis and the review of each of those options to see what might be a better system than what we have today, what the cost implications are.

I don't have a preference today because we're not doing it, but as we move forward over the course of the next year or two and look at tax measures that may be contained in next year's budget or the year after, you know, we'll do that due diligence. We'll do that analysis. We'll look at the implications — first of all financial implications, but secondly what delivers the best possible scenario to the public. But at the moment we don't have a preference because we're not doing anything in this year's budget.

Mr. Wotherspoon: — We'd certainly urge the minister to oppose moving in a direction of a flattening of those tax structures and certainly would urge him to stand strong towards a fair, progressive tax structure. But certainly there's analysis that the minister suggests will be ongoing on that front.

Specific as it relates to that mandate letter put forward to the minister, another point reads as a bullet here "to pursue additional education property tax reductions." What's the minister doing on this front?

Hon. Mr. Krawetz: — In this budget, as I indicated, the mill rates for agriculture, residential, and commercial, the mill rates have not been changed for this year. We think we've made very significant gain. We had promised that there would be a change on the agriculture side of up to 80 per cent and we've met that challenge. The mill rate for agricultural properties was set two years ago at 3.91 mills and it still sits at 3.91 mills.

On the residential side, we have reduced that mill rate down to 9.51 mills and it's the same mill rate that's been in place now for a couple of years. That also is significantly lower when we look at residential properties in many of the larger cities. The school division mill rates, when school divisions had the ability to access the property tax base, many of those mill rates were 17 or 18 and in my own school division of course they were up as high as 22 mills. So that's a significant reduction down to 9.51 mills.

Now last year as you remember, on the commercial side, when we introduced this system — I guess now it's three years ago — when we introduced this system we created three commercial tiers. A tier, and I forget my numbers now, the first tier is up to \$500,000 and then the next tier is from — or \$499,999 — and then the next one from \$500,000 to 6 million. We created three tiers, and that's where probably the greatest lobby comes from for attracting, ensuring that we are competitive on the commercial property side when businesses look at the fact that they are paying three tiers of tax.

I can't remember my mill rates on that but I believe it's 12.25 on the first tier and 14 . . . Looking for some assistance from individuals on the tiers. I won't give you the exact mill rate because I don't know what it is off the top of my head. But we have created those three tiers of which we are from a low of twelve and a quarter to I think a high of 18. And that is where I think if we're going to look at addressing the education property tax question, it will be on that commercial area because that's . . . Those three tiers are, we think, they're to a degree uncompetitive to what is done in other provinces.

Mr. Wotherspoon: — So working towards the mandate letter here of pursuing further educational property tax reductions where the minister would see the next work to be done on that front would be on the commercial property tax side.

Hon. Mr. Krawetz: — Yes, I think so, Mr. Member. As I said, you know, as we address, the cost implications of reducing a mill on the agricultural side, or whether it'd be a mill on the residential side, all of these things have differences of the cost to the treasury in terms of revenue that we would have to replace. Because if we reduce the mill rate for any of these components, we are affecting the amount of dollars that the school divisions now can use to run their budgets. And because we would be replacing those amounts fully with the education government grant, we have to do that assessment.

But in the area of growth in this province and becoming competitive, I think the commercial area is one that we would do the most significant analysis first and to determine whether or not, you know, some change is required.

Mr. Wotherspoon: — Thank you for that answer. As it relates to a harmonized sales tax, what's the minister's position on harmonized sales tax?

[21:00]

Hon. Mr. Krawetz: — Saskatchewan will not be pursuing a harmonized sales tax.

Ms. Layng: — We thought we had a document that might provide you the detail, but it must be in even a previous document.

Hon. Mr. Krawetz: — We were going to supply, Mr. Chair, we were going to supply, ensure that we had the right numbers, but we know that last year the middle tier on the education property tax was reduced by 1 mill to 14.75 mills. I believe the bottom tier is 12.25, and I think the top tier is just over 18 mills. On your question, as I said, about the harmonized sales tax, it is not a priority of our government and we are not going to be

pursuing an HST [harmonized sales tax].

Mr. Wotherspoon: — Are there some within your, within executive government or some within your caucus that are urging pursuit of that currently, Mr. Minister?

Hon. Mr. Krawetz: — Well the kinds of information that I've dealt with regarding pre-budget submissions, there has been a report that has been done by some of the financial groups in the province. Chambers of commerce have been involved, business associations have been involved. Some are suggesting that we should be moving to an HST. Others are saying of course that it would be an additional tax on people. So as far our government's position, and of course that's a unanimous position, is we are not going to be pursuing the HST at all.

Mr. Wotherspoon: — Specific to the municipal revenue sharing agreement and sharing the 1 per cent of the PST, there was an impact in changes in your ministry to reduce the pool of those dollars, the PST dollars, by reducing or deducting the Saskatchewan low-income tax credit from it, thus reducing that pool of dollars. Thus in subsequent years, actually the impact wouldn't be felt for another two years. Municipalities would be faced with a reduction of the pool that they would be receiving; their proportional share of the impact, I believe, was described by ministry officials as \$80 million. Based on this, from this budget here, that would be an impact two years from now. What commitment can the minister put forward to make sure that municipalities won't in fact be negatively impacted by this change?

Hon. Mr. Krawetz: — Thank you for your question, Mr. Member. As indicated by the Minister Responsible for Municipal Affairs, in his discussion immediately after the budget with leaders of both rural and urban municipalities, this is an accounting principle change. It's not something that the government is doing. This is something that is being asked of us by an accounting decision, and we're going to follow that up.

There are a couple of components and the net amount will be about, just under \$80 million, the member is right. And if you look at about 20 per cent since we have a PST of five points, which of course one of those points makes up part of the revenue sharing, you're looking at about \$20 million. Twenty per cent of the amount, we believe that number is going to be between 15 and \$16 million. As promised by the Minister of Municipal Affairs to the municipal leaders, we're going to sit down in discussion with them because, as you've said, it will not affect them. It will be something that will appear next March 31st in fact. It'll be the number that appears on the line in the public accounts document of March 31st, 2013, and then that number will be used to determine revenue sharing for the following year.

So as promised by the Minister of Municipal Affairs, we will be sitting down with the leaders of both SUMA [Saskatchewan Urban Municipalities Association] and SARM [Saskatchewan Association of Rural Municipalities] and northern municipalities, and to work out an agreement with them that may have, you know, proportionate financing. It may be full funding. But that is something that we will sit down with those partners and determine, you know, what the implication is as far as an accounting change, and whether or not we would change

the number or whether we would change the interpretation of what the number actually refers to.

Mr. Wotherspoon: — But municipalities have your commitment that they won't be seeing a negative impact as a result of this change.

Hon. Mr. Krawetz: — The situation that could develop is if in discussion with the municipalities, if there is a commitment that the definition of net PST versus gross PST, those are things that we've never had. We've never dealt with them before. Now because of the accounting change, the accounting principle change, we're going to sit down with them and we're going to say, what is the best solution? And you know, as I said it's about a 79 to \$80 million question. The total question is about that amount.

And you know, I'm confident that the PST revenues are going to continue to rise. We know that they have already for next year. I don't know what the amount of PST revenue will be by March 31st of 2013 by using gross or net.

So you know, overall revenue sharing has just enhanced dramatically over the last number of years. I think it will continue to do so. I don't know whether there will be a point — I hope there won't be in the province of Saskatchewan — where we have, you know, a serious crisis, worldwide probably, that will affect purchasing in this province, and that indeed our PST revenue province-wide would decline. If that happens — as the municipal leaders understand, and that's what they wanted in terms of a formula — if indeed the province's PST revenue drops, they will know a year in advance that their revenue sharing will decline as well.

So those are things that we've promised to discuss with them, and I'm sure we'll be reaching a conclusion with those municipalities soon. And of course, it's going to be long before they get their next revenue sharing because the revenue sharing that will be announced in next year's budget, you know, there's no confidentiality about the revenue sharing because as soon as the public accounts document is prepared by Finance and it is released, probably in June as it normally is, they will look at the line item for this year, and they will know what revenue sharing is going to be already for next year. And that won't change on the question that you asked regarding whether or not this accounting principle will affect something into the future. To date we have not made that decision because we have not had the discussions with the municipal leaders that we promised.

Mr. Wotherspoon: — But it would be the intention of the minister to make sure that the deal is held whole and true as it relates to the gross PST. Is that correct?

Hon. Mr. Krawetz: — Mr. Member, all I will say is that the revenue sharing formula is 1 per cent of the PST collected. And there has to be a clarification of what the PST collected is, whether or not it includes the recent decision by the accounting principles or whether or not it doesn't. So those changes have not been discussed with the municipalities.

Mr. Wotherspoon: — Well I guess the minister's left it open then that there's an impact for municipalities moving forward. I think what they'd be looking to hear is that the minister is

looking to honour the whole agreement that was in place when it was struck as it related to PST. And certainly I think it would be the expectation of municipalities to, as we move forward with this new amount deducted from PST, to make sure that they would be receiving the gross amount, or their share of the gross amount of PST prior to that deduction of this credit. The minister can't offer that commitment?

Hon. Mr. Krawetz: — We will work with the Ministry of Municipal Affairs to work out the interpretation of what the new accounting principles will mean for the province of Saskatchewan and our partners, the municipalities. And I think we'll arrive at a fair and judicious system with the municipalities.

Mr. Wotherspoon: — The agreement was certainly celebrated and heralded by your government, Mr. Minister, and it's a rather significant change that impacts them. There was some comment about hoping that PST revenues will rise. Certainly that would be a good thing; it would be indicative of a broader consumption in the economy. But I hope the minister is not suggesting that he's hoping this will rise so that the net amount will in fact be equal to or larger than what the gross amount is currently.

Hon. Mr. Krawetz: — Well, Mr. Member, I can tell you that the formula that has been reached with the municipalities continues to remain in place, and until we have the discussion with the municipalities I, as an individual, cannot say that it will be one way or the other. Of course municipalities will be lobbying that they want to remain whole, and that discussion has been promised with them and we'll see where that takes us. We have, as I've said, we still have many, many months before indeed this will have any bearing on them at all because it's the public accounts document of the year '13-14.

So you know, municipalities have our commitment that we're going to work with them to establish an interpretation of the recent accounting principles that have been placed upon the province of Saskatchewan. And we'll ensure that we have good discussion with them to ensure that, whether we are going with net or gross, it will be something that they will be consulted on.

Mr. Wotherspoon: — What's the timeline for that consultation and for a decision and commitment from your government?

Hon. Mr. Krawetz: — I would like that consultation . . . And I've already had discussions with the minister responsible. Those discussions need to take place in the months of May through to about September or October so that by next year as we get into the building of another budget in October, November, December, there will be a clear decision as to what direction will be impacted way into the future. So it's not something we want to delay and as indicated, it's not a huge number when you look at 15 million over the course of their 237 million as a number, but we want to ensure that there is nothing that would surprise municipalities, and we're going to try to ensure that that occurs very quickly.

I do want to add, Mr. Member, if I might right now because we've just had the information regarding the three tiers in the commercial area, we had indicated . . . I had indicated the agricultural property rate was 3.91 mills. That is in fact correct.

The residential property mill rate is 9.51. That is correct. The first tier, which is the first \$499,999 of taxable assessment is indeed 12.25 mills. On the next tier which will take you from \$500,000 to \$5,999,999, it will be 14.75. So that's where I indicated that we had reduced it by 1 mill from the previous year. And the final tier of anything over \$6 million is 18.55.

So your question of a while back about, you know, would this be an area that we would assess and analyze, absolutely because the three tiers . . . We want to ensure that large corporations are not negatively impacted by the fact that we have three tiers of commercial property tax.

[21:15]

Mr. Wotherspoon: — Thank you, Minister. Just back to the municipal revenue-sharing agreement, or maybe lack thereof, Mr. Chair. This agreement was struck a couple of years back and then it was delayed for over a year. And certainly municipalities weren't happy with it not being fully implemented and the deal not being upheld by this government.

Now we hear from government that the deal that was struck is changing yet again. I think that municipalities are quite disappointed to hear what they're hearing here tonight from the minister and not to have a commitment to that agreement in whole. I think what municipalities in fact are discussing is pressures that they're experiencing all across the province. And in fact, I think what they'd like to be engaging with the ministry with and with the government with, is with respect to looking at some infrastructure solutions from government.

And what I see here is unfortunately is a real step backwards of an agreement that's not being kept whole, a commitment that's not being provided by the Minister of Finance. I find that disappointing. And I think that it . . . You know, from a perspective of the municipalities that exist out there, I'd hope you can sympathize with them. They don't have the revenue collection tools that you have, Mr. Minister, and they don't see the sorts of increases that you see. But they see many of the impacts of the growth in the province and in fact they're vital partners to sustain that growth and to make sure that that growth is in fact improving the lives of Saskatchewan people. So I find it disappointing and actually I find it surprising that the minister isn't in a position to make the commitment to keep that commitment whole.

Hon. Mr. Krawetz: — Thank you. Mr. Chair, a couple of points that the member has asked. First of all, you know, the revenue-sharing agreement that we have in place remains in place. The revenue-sharing agreement that municipalities asked for was that we would create a formula and it would be based on 1 per cent of the five points collected. To date to this year, because of revenue-sharing formula, municipalities will receive this year \$237.4 million. That's 87 per cent more money than municipalities received four years ago.

So I think our government has been very upfront with them. I think municipalities have been surprised, and in fact, I've had some municipal leaders say they're pleased to work with our government because for the first time, whenever they have been downloaded on, they've been downloaded with revenue for the first time in a long, long time, and we have increased by 87 per

cent.

Now as far as the potential change to how Saskatchewan determines the PST, these are national accounting standards that are being introduced that we must follow. We have committed to the municipalities that we will not make a decision. So I, you know, I understand your comments about that, oh well we've made the decision. The answer is no. We have not made the decision to go one way or the other because we want to have that discussion with the municipalities. We said we would.

Those discussions, as you've indicated in your previous question about, you know, whether they're going to be delayed or whether we're going to have them in the not too distant future, I've already committed to that. We're going to have that discussion. I don't want to preclude what that discussion will determine because we're going to listen to the leaders of both SUMA and SARM, and we're going to listen to them to determine what we will do with the new accounting standard that the province of Saskatchewan must follow.

So in terms of your question, I'm not making that decision today because we promised the municipalities that we will have that discussion. And I will await that discussion.

Mr. Wotherspoon: — Does the minister feel that some members might be wanting the net amount so that he moves forward in that discussion? I just don't . . . I'm disappointed, Mr. Minister. I think that this is certainly a circumstance where a deal that was struck with implications for taxpayers across the province, certainly for our municipal leaders across the province who are laying out the infrastructure, responding to the challenges and opportunities of growth that they count on, and that they . . . And I think it's disappointing that we're going back to negotiate something that was negotiated, hopefully negotiated in good faith. And it would be our expectation, Mr. Minister, that that be kept whole.

And like I say, I can't push you further here tonight than you're willing to go by way of a commitment. But I would certainly appreciate, or would have appreciated full commitment to the gross amount on that front, to keeping the deal whole that was struck just a couple of years ago and in fact to engage in a discussion on the fronts with SUMA and SARM in the areas that they're wanting to engage and needing to engage, and that's the discussion around some of the infrastructure needs.

You know, we hear about it all across the province, Mr. Minister. I'm sure you hear about them as well. I know I sat in a economic and community planning forum in Humboldt on Friday. And the needs are significant in responding to some of the opportunities that exist. Lots of those are born at the municipal level. What they're looking for is solutions to meet those challenges and opportunities, not to be spending a whole bunch of hours renegotiating something that's not being kept in good faith that already took a long time, and which all parties had entered into in good faith. So I find it a step backwards and I find it disappointing.

The minister speaks to national accounting standards on this front being the motivator to make this shift. Was this, you know . . . So who initiated this change? Was it from within the ministry or was it . . . Where exactly was the recommendation to

shift this over and reduce the size of the PST pool, thus impacting negatively municipalities?

Hon. Mr. Krawetz: — Thank you very much, Mr. Member. You know, we may agree to disagree on a couple of things, but I think we agree on many things. And first of all, I want to clarify that indeed the Public Sector Accounting Board for the entire nation has determined that we need to make a national accounting standard change. So this national accounting standard change is not asked for by us; it's not initiated by us; Deputy Minister Layng didn't dream this one up in her office. This one is coming from PSAB [Public Sector Accounting Board] that says, you shall follow this standard.

Now the other point you mention about the formula and the, you know, the printing of a number in the Public Accounts document, that's the number that is used to determine revenue sharing and the question will be is whether or not that number, as currently dictated by the Public Sector Accounting Board, should be the number that is net of the changes that the accounting board is proposing. Some people have indicated that it shouldn't be, but it will be the numbers. So we may have to create a condition or a clause with the municipalities that will say, even though the Public Sector Accounting Board is forcing us to put this number in, we may not use that number because we're going to use the gross number that you keep talking about.

So those are the kinds of things that we want to pursue with the municipalities so that they understand if indeed we're going to follow the net or the gross number. We want to make sure that there is a full explanation of that and that indeed that number will be understood by all.

Now when you talk about will there be anyone that will say gee, well just give us the net because . . . There may be because as you've indicated there's a tremendous need out there. There's needs in infrastructure. There are certain programs that municipalities are responsible for right now where they actually pick up the costs at the level. There are certain programs that the province funds through transfers of grants to municipalities. And those are always under discussion about whether or not the province should be sharing, funding certain things, or whether the rural municipalities should be funding certain things. We've had discussions about even things like mosquito control sprays and those kinds of things.

So as we pursue, as the Minister Responsible for Municipal Affairs pursues the discussions, all of these things, I'm sure, are going to be on the table.

And as you've indicated, I know in terms of lobbying of myself and members of government, there's a tremendous lobby for infrastructure. There's a need to address some concerns. And I've indicated in my post-budget discussions, as I've travelled around the province, you know, this has to be a partnership. We need to have the federal government involved in infrastructure. Neither, you know, the municipalities cannot do this alone; the province can't do it alone. And when we start to look at the infrastructure requirements of many of the municipalities, we hope that we can establish those partnerships. And those are, you know, are exciting times for the province of Saskatchewan as we look at the potential of procuring some of the investments

and growth in the province.

Mr. Wotherspoon: — We'll be looking for full commitment with respect to the gross amount, the whole contract that was struck. We certainly believe that to be important and that should be the starting point for moving forward with further consultations and discussions, not what's going to be negotiated and whether or not the agreement should be kept whole. I appreciate that. And accounting change will change how something's stated in the books. But I think it's going to be incredibly important that that amount, although that might be the amount now that's described appropriately, it's going to be important that there's a reporting of what the, I guess, the Saskatchewan low-income tax credit deduction is on an annual basis so that municipalities and that all stakeholders are able to understand the impact of this change and able to understand what the gross amount should be, the dollars that they should have distributed. Does the minister commit to making sure that that's always easily identifiable, what the Sask low-income tax credit deduction value is?

Hon. Mr. Krawetz: — There's no question that we want to make sure that there's a full understanding of the numbers and what they're going to say. And we're looking at, in fact, discussion with public accounts to make sure that we may have to restate something. One of the other points I want to make also, Mr. Member, is that one of the other changes that is going to affect this number — and it's going to affect it in a positive way if you're looking at it from the municipalities' point of view — is the actual, I'll call it a commission, that is paid for the collection of PST. That hasn't been used against the PST side. It's been applied in a different area so in fact if we are going to look at that, that would actually provide them with additional revenue from what was previously. So those are all the kinds of things that we're going to look at. We're going to sit down with the municipalities and, you know, I know we're going to have a good discussion with them and arrive at something that will be acceptable to all.

Mr. Wotherspoon: — So that change to the commission, that was something that was deducted previously from that amount, and it's now shifted to another revenue . . . [inaudible interjection] . . . to an expense. Okay. And what's the value of that?

Hon. Mr. Krawetz: — Almost \$9 million.

Mr. Wotherspoon: — We're still, you know, \$70 million short of the other commitment, thereabout. So certainly they're not sort of offsetting one another. Anyways it's an important commitment. I wish it was here tonight. And then I wish the discussions could stem from there as to addressing some of the other needs of municipalities across Saskatchewan. But it is what it is.

The minister highlighted that this was something not changed by directive of his, not by choice of his ministry or of officials within his ministry, that this is to comply with public sector accounting standard changes. So would he liken this to summary accounting recommendations?

[21:30]

Hon. Mr. Krawetz: — Two points, Mr. Chair, to the member. One, we fully comply with the summary financials that we currently produce. They are within the standards of the public sector accounting principles of the board, PSAP. So that's not, we're not deviating from that on our financial summaries. We follow that. And with the proposal that they have now indicated here, that's just an additional PSAB request.

Mr. Wotherspoon: — The minister may have some level of compliance with specific to his summary statement that's provided but certainly not the tool that's focused on by government. And I think that's where independent stakeholders weigh in and highlight non-compliance with public sector expectations and standards.

Is it time, Mr. Minister, to shift Saskatchewan into a compliance position to satisfy the recommendations of the Provincial Auditor and to make that shift that certainly all other jurisdictions have made?

Hon. Mr. Krawetz: — Well, Mr. Member, I think you know, we have gone over this a number of times where in this province we supply information to the people in this province by way of two sets of books. The auditor and I have had this discussion about two sets of books. We don't try to indicate that the General Revenue Fund accounting system is the entire picture. It's not. It is executive government and it is the ministries. And we are upfront with it because we believe it helps the people understand what is going on within each ministry.

But we also do the summary financials. And we provide them. We budget on that basis. We make the comment. My deputy minister, when she provides the technical briefing at budget day, talks about the summary financial statements. We talk about the effect of the summaries on the entire province, you know, whether or not, you know, the summaries are the same in each province. There are some provinces that have . . . I'll use an example of post-secondary. Universities are included in some provinces. In Eastern Canada, they're not. So in Saskatchewan we are like, probably like Ontario in that in our summaries the universities are not included in our summaries. But on all of the other bases, our summary financials are compliant with PSAB regulations.

Mr. Wotherspoon: — But, Mr. Minister, all of your government's communications are focused on that of the GRF for the second set of books that aren't compliant with public sector accounting standards. And you know, your government at a time of a pretty strong economy and buoyant revenues has continually been into the rainy day fund and the Crown corporations, and then continuing to try to tell this other story over with the second set of books that you use, unlike anywhere else any more, Mr. Minister.

And I mean we're not talking about, you know, \$100,000 or \$1 million or \$100 million. We're talking about billions of dollars, Mr. Minister, that have been drained from, you know, the rainy day fund, which of course have already been received as revenues to government. To count them again as revenues is entirely inappropriate. And then certainly the perpetual drain on our Crowns, which usually starts at the start of the year with a certain number that is suggested and then the minister and the

government goes back to throughout the year, time and time again, to try to float their books, it's less than straightforward with Saskatchewan people.

And I guess I look to the minister. Doesn't he feel it's time for us to, you know, make that shift? We're a prosperous province. We're in many ways wanting, I would hope, to have a spotlight on us in a proud way from an economic perspective but also from a fiscal perspective. And I find it disappointing to see the heels dug in the way that they are on this front as opposed to making that commitment to provide Saskatchewan people with the same sort of measurement and transparency that's provided in the rest of Canada. Does the minister not feel that it's time to make that shift?

Hon. Mr. Krawetz: — Thank you, Mr. Chair. Well to the member, we are following the practice of the former government, your government in fact, the NDP [New Democratic Party], who followed this practice of having both the General Revenue Fund budget and a summary financial statement budget. We present the summaries, and, as you indicated, you know, in your comments in this Assembly in the past and elsewhere, you seem to indicate that the summaries aren't, they don't somehow contain everything.

Well clearly the auditor has indicated that the summaries do. They are found on page 82 and 83 through to 84, 85 of the budget book. They're the summary financial statements of all of the Government of Saskatchewan. They include all of the things that you just talked about: the CIC [Crown Investments Corporation of Saskatchewan], Crowns. They include all of the Treasury Board organizations. They include the school divisions, the regional health authorities. They include the Auto Fund, the crop insurance. Every component of government that is to be included in summaries is included, and they are accurate.

When you talk about, you know, whether or not is it an opportunity for Saskatchewan to pursue something different, well, you know, the people of Saskatchewan lobbied the former government for a change to the revenue-sharing formula. They wanted a revenue-sharing formula. The former government didn't do it. We indicated that we could move in that direction, and we implemented a revenue-sharing formula.

When we look at the model that we're currently following, the presentation of both the General Revenue Fund budget and a summary financial statement, plan, that is the same process that was followed by the former government. Will we make the change sometimes into the future? We're always going to be looking at ensuring that the province communicates to the people of the province of Saskatchewan in a fully understood way, in a way that ensures that everything, that there is complete transparency, that there is complete accountability. And we currently do that with both of these systems.

And in no way are we suggesting, as I've indicated to the auditor, that the General Revenue Fund is the entire picture. It is not. It is strictly executive government. Does the summary financial contain the entire picture of the province of Saskatchewan? Yes, it does. And that's what we contain, or that's what we present in the way of a plan at the time we release our budget as well as we update the summaries at

mid-year.

So those are things that we have currently adopted from the previous government. Whether there'll be a change in the future, there may be some change by someone else other than me or by some other government in the future. That may happen. But at the moment, we believe that we're sharing with the people of Saskatchewan a very transparent model, a very fully accountable model.

Mr. Wotherspoon: — Well that's certainly not the case. And you know, the minister highlights sort of carrying on what he feels was the policy of a previous administration. You know, I know that previous administration also made significant changes from an accounting perspective to bring forward broader transparency and accountability. I know they also made significant improvements in the fiscal position of this province.

But the whole point should be that I guess the word is, the word is progress. We don't stand still in this world, and certainly we shouldn't be as governments. And systems evolve, standards change, and this government's dug in on this matter simply so it would appear to be able to conveniently message what they have with what they're doing as it relates to debt or otherwise.

I guess my question to the minister would be, how does he feel it's fair to state and communicate and advertise the GRF debt number when he knows full well that to arrive at this number on paper, he's drained significant dollars from our Crown corporations — well over a couple of billion dollars over the last few years alone — and just the same from our rainy day fund? We're talking about billions and billions and billions of dollars that are being pulled from the summary side of the equation, if you will, or from other aspects of government. And then the minister somehow feels that it's appropriate to sort of communicate this GRF debt number which has been arrived at in a fashion that's certainly not through appropriate accounting. How's the Minister of Finance of the province of Saskatchewan believe that to be fair and upfront?

Hon. Mr. Krawetz: — Well, Mr. Chair, I think we have to get into a bit of a historical presentation of some facts. Mr. Chair, I've been a member since 1995, of this Legislative Assembly, and up until 2007 was in the opposition and watched the New Democratic Party present their financial statements.

Up to the year 2004 — and I'm only going to talk about, Mr. Speaker, Mr. Chair, from the time that I got elected which was 1995 to 2004 — the government, the NDP government, presented only a GRF budget. There were no other pieces or no other plans that were presented other than a GRF budget up to the year 2004-2005. And in that year, the NDP government at that time decided that they would introduce the summary financials which are found on page 82, 83, and 84. So they made a move. They made a very good move to introduce summary financials. And we applauded them for that because we had been lobbying as an opposition for years that indeed they had to at least add to the GRF the summaries which would be the entire picture of government. And they did that.

There were some things prior to 2007, in fact prior, in earlier years that were questionable because there was ... We currently have a Growth and Financial Security Fund which the

member opposite has referred to as the rainy day fund. When the former NDP actually created this fund, they never put any money into it. It was a fund that contained no dollars. The actual dollars were used to reduce debt — a very good thing. But they were trying to take credit for two things, Mr. Speaker: trying to take credit for reducing debt — sorry, Mr. Chair — and have a fund that had dollars in it. They recognized, near the end of the NDP term, that indeed they had to build a fund. And they did.

And when we were elected in 2007, the Growth and Financial Security Fund, or it was known by a different name prior to '07, had \$1.2 billion in it, actual real dollars. But the debt of this province on the government side was in excess of \$6 billion.

So, Mr. Chair, over the last four years, we have been as a government very adamant in trying to address debt. And we have transferred dollars; as the member indicated, there have been transfers from the Growth and Financial Security Fund. And in fact, a year ago, at the time that I presented my first budget, we indicated that we were going to transfer from the Growth and Financial Security Fund \$325 million and apply it against debt. At that time, debt had been reduced from over \$6 billion to just over \$4 billion, 4.1. And we have used \$325 million of the Growth and Financial Security Fund in this last budget and paid that debt down to today's level, which is \$3.8 billion.

So, Mr. Chair, we have used the Growth and Financial Security Fund to in fact pay down debt. It continues to receive additional dollars. It will do that again this year because on March 31st of this year the General Revenue Fund had a surplus when we finished. And by the rules of the Growth and Financial Security Fund, that surplus is divided into two parts — 50 per cent of it goes against paying down debt and 50 per cent of it goes into the Growth and Financial Security Fund.

[21:45]

So you know, Mr. Member, I don't make any apology about using the Growth and Financial Security Fund to ensure that we have some security against, you know, wild costs that we can't project in the spring. Last year, last spring, when I presented the budget I was not anticipating 359 million dollar's worth of an additional expenditure that had to be made during the course of the year for flooding and moisture controls. But, Mr. Chair, that \$359 million was met as an expenditure by revenue that did not need one dollar from the Growth and Financial Security Fund. We met that challenge because there were additional other revenue sources.

One of the sources that I know the member is going to ask about is the fact that when we built last year's budget, we were looking at a dividend transfer from Crowns that did not include a single dollar from SaskPower. But there was a positive spin to all of the moisture problems of last year at SaskPower in that the revenue generated by hydroelectricity production through SaskPower was extensive, and in fact, well over the \$120 million that we took from SaskPower in the way of a dividend to meet our \$359 million of additional expenses for the flood problems was met.

We have a balanced budget. We still are projecting that the

Growth and Financial Security Fund by next March is going to grow to in excess of \$756 million. That's a comfort zone that we have, Mr. Chair, to ensure that if indeed something very dramatic happens in the world or in Canada or in North America that forces our government to incur additional costs in the hundreds of millions that we have not budgeted for in this budget, we will have the monies available in the Growth and Financial Security Fund.

Mr. Wotherspoon: — Boy, Mr. Chair, if there hasn't been a better justification for why we need to shift to compliance with public sector accounting standards and the auditor's recommendations and provide a clear picture of what we have . . . [inaudible interjection] . . . The minister's shouting that we don't, Mr. Chair, and that's clear.

You know, it's interesting. We have the Minister of Finance talking about how he's lowered debt by taking money out of the rainy day fund and somehow this is an improvement in our financial position. Well I think anyone sitting at home tonight realizes that if you have money in one account and you have debt here, and your amount here that you're saving is reduced and your debt is equally reduced, your net position hasn't changed, Mr. Chair. And it hasn't just been the rainy day fund that they've been going to manipulate the books in this fashion, Mr. Chair. It's significantly been our Crown corporations.

And the minister goes to great length there to explain the eleventh-hour raid of \$120 million from SaskPower, Mr. Chair. But he fails to speak to . . . And he talks a little bit about flooding last year, and somehow tries to speak to this as somehow being a major crisis to the financial position of Saskatchewan, but the vast majority of those flooding dollars in fact are reimbursed from the federal government.

And he fails to mention that the 120 million he took from SaskPower in the eleventh hour of last year, which certainly will drive rates up for power rates up into the future for consumers here in the province, he fails to highlight that it's been well over \$2 billion that he has taken from Crown corporations over the last four years and taken those dollars directly out of Crown corporations into his budget and in fact tried to sell that as a story of . . . Sometimes he's tried to say it's balanced. Usually the numbers are so . . .

The Chair: — Is there a . . . We are doing estimates on financial, not debating a Bill in the House. I would just ask the member to maybe . . . Is there a question somewhere in this? I'll turn the floor over to the member.

Mr. Wotherspoon: — Thank you, Mr. Chair. Certainly the minister takes the liberty of giving some pretty long answers and speaking about 1995 and 2004, and certainly not addressing the questions that are being put before him in doing so, Mr. Chair.

And this is an important matter to the people of this province in having the true and fair picture of our finances represented, to have some sort of this jiggery-pokery, as I think the member that's now a minister . . .

The Chair: — I would ask the member just to choose his words carefully. Continue on.

Mr. Wotherspoon: — To have something less than . . . And when I used those terms, actually I was describing the words of a former Finance critic that I used to read in the paper.

But what we have is something less than straightforward to Saskatchewan people. And this is at a time where revenues have been high, Mr. Chair, where certainly we should be able to provide an accurate picture of our finances so Saskatchewan people can understand what the performance of government is, what the state of their public finances are, and be able to relate that to other provinces and other jurisdictions. The fact we don't have that is disappointing.

Not only do Saskatchewan people expect, of course, proper accounting, proper measurement transparency, they also expect improvements in that financial position. And the two go hand in hand. We've had this government try to sell to the people of Saskatchewan that somehow debt's been reduced on sort of this GRF picture that's not compliant. And that's been done and achieved in part through the billions of dollars that have been taken — literally billions of dollars, Mr. Chair — over the past few years from our Crown corporations and from our rainy day fund. It's not acceptable. I'm not putting the question to the minister here again tonight. He's stated that he's not moving forward with providing that to Saskatchewan people, the picture that they deserve.

What I find is disappointing is that we have a government and a Minister of Finance that is willing to somehow suggest that the debt number is what it is when the dollars are coming out of the Crowns in the manner they are, and the way they're coming out of the rainy day fund. And that's not the case.

The other thing that's disappointing is we have this government and actually the Premier quite often, and certainly by way of communications of this government, try to compare themselves in sort of a positive light to other jurisdictions, jurisdictions I would say that report their finances properly, Mr. Chair. And we've seen that over the last few years, not just this year. But we'll see how these numbers play out, Mr. Speaker. I know this time last year I think the minister was suggesting his budget was balanced on a summary perspective and that certainly wasn't the case at the end of the year — well over \$300 million, I believe.

But my question specifically is how did the, why did the Minister of Finance feel it to be appropriate to go to SaskPower — a Crown that has significant infrastructure needs, needs where we have new power generation demands in the province — how did the minister feel that at the end of the last fiscal year . . . And I understand his story around increased hydro . . . I guess two things. I'd like to know from the minister what was the increase in hydro above budget? What were the profits that were derived off of hydro because of the excessive moisture? And why did the minister think that those were best utilized to be transferred across to his budget, as opposed to being applied to keep rates low for Saskatchewan people and address the power generation needs we have as a province?

Hon. Mr. Krawetz: — Thank you very much, Mr. Chair. Mr. Chair, I want to qualify a previous answer, and the subsequent comment by the member regarding the summary financial statements. Mr. Member, I indicated that the NDP had

introduced summary financial statements for the first time in the year 2004-05 and that they followed those procedures by producing a summary financial as well as a GRF until '07. And we have continued with that practice.

Mr. Chair, the current auditor, Bonnie Lysyk, completed her first audit last year. And I'm going to read into the record two paragraphs from her report, from the independent auditor's report. And the first statement that I'm going to read, and I'm quoting directly from page 79 of her report, says this:

I have audited the accompanying financial statements of the Government of Saskatchewan, which comprise the summary statements of financial position as at March 31, 2011, and the summary statements of operations, accumulated surplus, change in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

End of the first statement, Mr. Chair.

Her last statement which is in the category called opinion, it follows the word "opinion" and says this, and I quote:

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Government of Saskatchewan as at March 31st, 2011, and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.
Signed, Bonnie Lysyk, Provincial Auditor.

So, Mr. Chair, you can see that, you know, there is a difference of opinion between myself and the member about whether or not the summaries are accurate. The member seems to claim that they're not. Clearly the auditor says they are. The auditor has her report on March 31st, 2011. It's the same kind of report that has been in place since 2004 when the NDP introduced the summaries, and we continue to follow that practice. The member asks whether or not we will ever go to a situation where we will drop the General Revenue Fund budget, and as I indicated to him, at this current time the answer to that is no. Might there be a change in the future? It may happen. We are currently focusing on those two sets of books. We continue to present that. They are presented accurately. And as the auditor has indicated, they are according to the standards and she has signed off.

In respect to the member's question about SaskPower, the estimate when we were here a year ago for SaskPower was that they were going to have a surplus of about \$118.6 million, and that appears on page 82, Mr. Member. And because of the increased revenue from hydro especially and some other sources — it's not just all hydro — the forecast that we have projected for the end of the year was \$248 million, which is \$130 million higher. And as I indicated to you, we have asked for an additional dividend of 120.

Mr. Wotherspoon: — Thank you, Minister. Those dollars should have been retained to keep rates low for Saskatchewan people and invest in the power needs and infrastructure that are required. As far as the assertion that — this is I guess where it gets into tricky language, Mr. Chair — but the assertion that

what I was critiquing was the summary financial statement of this government, no, that's not the critique. The fact is that they don't focus on the summary financial statement. The fact is that they communicate on the GRF side, and they sort of cherry-pick the numbers from this.

And I guess as well, to fully represent and properly represent the Provincial Auditor's position in the province of Saskatchewan so not to leave anyone at home thinking that somehow what was read into the record was an endorsement of the accounting of this government, he was highlighting one aspect of his report. But when looking at the whole and how government communicates and how government reports here in Saskatchewan, I'll quote from the Provincial Auditor's report, 2010, volume 2:

Because the Government uses inappropriate accounting policies, the GRF financial statements report net debt and annual surplus inaccurately. If the Government had accounted for all transactions properly, the statements would have recorded net debt of \$8.46 billion instead of \$3.64 billion at March 31, 2010 and recorded a deficit of \$173 million instead of a surplus of \$425 million for the year ended March 31, 2010.

So the minister highlights some aspect of some report, Mr. Chair. But the important part about compliance and about being fair to Saskatchewan people about showing the true picture is highlighted in the call from the auditor, consistently from the auditor. I think it's disappointing that we may try to suggest to Saskatchewan people that her call is anything but what it is. And what she highlights here, I'll use a couple of the words: "inappropriate accounting policies," "reporting net debt and surpluses inaccurately."

[22:00]

And the circumstances here, in this circumstance, is having net debt of 8.46 billion instead of reporting it as the minister has of 3.64 billion. Or in the circumstance of surplus deficit where the minister goes out to Saskatchewan people and suggests that there's a surplus of 425 million, the actual result being, through proper recording, a deficit of 173 million.

Now people at home understand how this worked. They understand if you're draining the children's education fund and adding credit card debt and borrowing from the business account to cover off the budget, you're not actually making improvements. And you're being less than forthright if you're not including that as the whole picture.

Moving on to the 2011 report from the Provincial Auditor, the conclusion finishes on page 218 — 2011 report volume 2, I believe the most recent — just a statement in general:

Saskatchewan's current practices for public reporting on the entire government are inconsistent with other provinces and with best practice. Once a government adopts the Summary Financial Statements [which is mentioned over here] as the basis for its public reporting, it could then improve its key accountability reports on the entire government [something this government has failed to do].

And the implications of highlighting or running ads to suggest debt levels that aren't the true picture or to talk about surpluses that really aren't existent is the reality. But certainly the accountants in the province and the households in the province that certainly understand their own circumstances see through many of these manoeuvres. But it's simply time though. I mean we're doing well as a province on many fronts. It's time for us to provide that fair reporting to Saskatchewan people, provide that true picture to Saskatchewan people.

The next report, next page, next chapter in that report goes on to pensions, Mr. Chair. And I guess I would look to the Minister of Finance to comment on the skyrocketing pension debt that's occurring in this province, significant increases in pension debt, obligations of the public purse as we move forward. And in fact I believe we're at \$6.2 billion in pension debt at this point in time, a significant increase of debt over the last few years. Maybe I'd call on the minister to speak to what his plan is to address this skyrocketing aspect of public debt.

Hon. Mr. Krawetz: — Thank you very much, Mr. Chair. You know, if the member's concerned about the skyrocketing pension debt, then maybe his former government should have addressed some of those problems because they are not new.

But I do want to get back . . . And it's unfortunate that we're talking about the auditor and we're quoting from reports, and you know, I have quoted from the Public Accounts document volume 1, the 2010-11 document that was produced on the 16th of June and was signed off by the auditor. I quoted about the summaries.

And, Mr. Chair, I do also want to indicate that in this very same document the auditor makes reference to the General Revenue Fund. And absolutely, as I've indicated, it's only a portion of government, and this is a qualified opinion. And everybody who understands accounting knows that the auditor has indicated at least two points here qualifying her opinion and has indicated that, you know, there are concerns about the General Revenue Fund and what it presents to the public. Because as indicated on page 48 of this report — and again it's from the Provincial Auditor — and this is what she says about the General Revenue Fund, which is exactly what the member quoted. She says:

These financial statements contain qualifications from Canadian public sector accounting standards and only report transactions and events of the General Revenue Fund, a component of the Summary Financial Statements. Therefore, readers should not use the General Revenue Fund financial statements to understand and assess the Government's overall management of public financial affairs and provincial resources. Rather, they should use the Summary Financial Statements of the Government of the Saskatchewan.

So, Mr. Chair, clearly we agree with that. That's why we present them. That's why we present the General Revenue Fund, so that the people in this province understand what the Minister of Agriculture is spending in his area, what the Minister of Advanced Education is spending — all of the executive government. But that's all it is, is executive government.

On the other side, we have the summary financial statements. And those are presented in the budget as a summary financial plan. They indicate exactly what the Public Sector Accounting Board requires. And as I've indicated, the auditor has indicated that these are accurate and reflect the position of government.

Now to the last part of the member's question. There's no question that the pension liability, the unfunded pension liability is of significant concern to Government of Saskatchewan, to the people of Saskatchewan, all of those individuals who have a pension owed to them by the Government of Saskatchewan. And there are many different groups, and I'm not going to get into those different groups.

The unfunded pension liability is going to continue to grow. It has grown over the last number of years. And primarily the largest component of that is what is often referred to as the old pension plan within the Saskatchewan Teachers' Federation. It is a plan that closed in 1979. Mr. Smith tells me it's 1978. And unfortunately, and this is not the fault of the members opposite nor my fault, it was a pension that was not funded properly. Governments chose not to put in their amounts decades and decades ago. And as a result when the pension was closed, when that pension fund was closed, there were insufficient dollars within that plan. Government is obligated to meet that pension and we are continuing to do that.

I do have my Estimates book here, and if you turn to the Education component of the summaries and you look at the pension costs, you will note that the teachers' superannuation plan, it's listed as statutory. And by the way, if there are people who are looking at their Estimates book at home and watching, would know that this is on page 48. I probably think that there may be one or two, if at most . . . [inaudible interjection] . . . Thousands, thousands, okay. The member says thousands. Well we hope so.

Anyways on the teachers' superannuation plan, the amount of dollars that we will require this year is \$140 million. That is going to continue to increase. It will increase to about the year 2018, a little bit higher, 2019, when we will then start to see a dropping off because as I indicated the plan is closed. The assets of that plan will have been liquidated. And then government is going to be solely responsible for meeting that challenge. Will there be a time when that unfunded pension liability starts to drop? Absolutely, and it'll be in the next six to eight years.

There is a concern. Some provincial governments who have been faced with this same problem have put funds aside to meet that challenge or lessen the unfunded liability. All governments, all governments in the province of Saskatchewan have agreed that this is a statutory obligation. We will meet those challenges. But each and every year, Mr. Member, we will be using General Revenue Fund money to ensure that the pensions owed to the people in this province indeed will be met.

Mr. Wotherspoon: — It is just something that's . . . [inaudible] . . . importance. You know, I think it's about 30 per cent increase over the last four years in that amount. I believe it was \$4.7 billion in 2007, and now it's 6.2 billion and highlighted to continue to grow but also to be a heavier draw each year until somewhere thereabouts — 2019, I understand — before some

of that subsidies. But again I think in a lot of what was presented by the minister, it simply highlights the importance for us to be making the shift to providing a fair picture to Saskatchewan people.

The minister highlights that somehow he wants people to know what the Minister of Agriculture's spending and the Minister of Education. Well of course that would still be provided by shifting our full focus to the summary perspective and communicating fairly with Saskatchewan people.

Right now what's going on is a less than fair picture and really does put itself in a . . . leave itself suspect to manipulation of on-paper outcomes on communications. And we've seen that certainly with this government in a significant way at a time where revenues have been high, Mr. Chair.

I want to highlight specifically one aspect, and I guess there's other aspects of pensions or of debt, sorry. It's not just pension debt that's growing; it's debt in general in the province of Saskatchewan as far the public debt. Certainly that's counter, I guess, to . . . I think there was a commitment in the electoral campaign where the current government earned a mandate to reduce debt. We don't see any of that in this budget when we don't see any of that factored into the longer term plan on page 60 of the budget summary. Certainly that's something that is important to Saskatchewan people and that they'll be observing as we move forward.

But specifically I want to bring the minister's attention to an area that was discussed, in education, and the minister understands education quite well. He had served as a trustee, as an educator himself, but also as the Minister of Education. And in 2009 when the government took over education funding and presented a new model to Saskatchewan people and how they were going to fund education, it was . . . And now it's entirely funded by way of a control of the provincial government. School boards don't have control of the purse strings at their level, and that's not what I'm debating here, Mr. Chair.

But I think what is problematic is that even though school boards don't control their revenues, they're still in a position, Mr. Chair, if you can imagine, where they're being asked to borrow money to go about capital infrastructure, infrastructure projects. And it simply doesn't make any sense. We have school boards that are borrowing at a significantly higher rate than that of the borrowing rate of the provincial government. And this is needlessly costing taxpayers and is utilizing dollars to pay higher interest loans as opposed to meeting other priorities of people, whether that'd be in education or in debt reduction or wherever else those dollars could be utilized.

So I guess I look to the minister. I know I broached it with the Minister of Education who, after going through the questions a few times, seemed to come around to a recognition that having school boards borrow money at a higher interest rate to only be repaid through the flow of money from the provincial government was, you know, certainly not in the best interest of Saskatchewan taxpayers. She had actually asked me at that point, while she was going to be reviewing it, to take it up with the Minister of Finance, which is why I'm here.

So the provincial government now controls education funding

in entirety. It makes no sense for us to be paying more for higher interest loans that school boards have to enter into than the borrowing rates of government. It's more efficient, more effective, for a government to be financing these projects. Or I guess I look to the minister.

[22:15]

Hon. Mr. Krawetz: — Thank you, Mr. Chair, and to the member. First of all on the initial comment, theory of the member regarding the government's debt, as I indicated before, we have paid down in this last year \$325 million of government debt to reduce it to \$3.8 billion. And in our four-year financial plan, found on page 47, we indicate that that government debt of \$3.81 billion will remain at 3.81 billion over the course of this year and out into the next three years.

So as far as government debt, there won't be any reduction, or there isn't a proposed payment of debt to reduce it, neither will there be an increase. There will be, as indicated in the government's debt that brings in the summaries, that brings in the Crown corporations . . . We know that we will be continuing to have our Crown corporations meet the challenge of an aging infrastructure, of a growing infrastructure as well, as we look at especially corporations like SaskPower and SaskTel that need to meet the needs of new cellphone coverage and new Internet distribution and towers. They will continue to borrow.

And in fact, on the Crown corporation debt side, that debt is projected to rise as indeed those Crowns borrow as business enterprises and continue to ensure that they meet those challenges. This year the total combined debt of both the government debt as well as the Crown corporation debt is going to be about \$9 billion, 9.2 in fact of combined government debt. But on the government side it's not increasing.

Now the question that the member poses regarding funding of education, we have had a system in the province of Saskatchewan where the funding of education province-wide has been about 65 per cent and school division has been responsible for about 35 per cent, a 65/35 split. That is what we are going to use with schools, with school divisions as we move forward in ensuring that projects, infrastructure projects, construction of new schools continue with.

We have identified six schools that we're going to move forward with on a 65/35 basis. And in that respect, the school division will indeed either use . . . And in some cases, some school divisions still have some reserves that they are going to use as far as capital. Others will be borrowing the amounts that they need to contribute to ensure that they have met their obligation of 35 per cent. That cost will be covered through budgetary allotments to boards of education.

The difference in the interest rate, if indeed there is some interest rate difference, I think that's where the question was that the member asked of the Minister of Education is, there will be a dramatic increase in interest rates. Well the funding has not changed. School boards were responsible for that in the past. They are going to continue to be responsible for their share. The only difference is of course that the Government of Saskatchewan is now ensuring, is going to ensure that the cost of building the school is going to be picked up by the

Government of Saskatchewan, either directly through our 65 per cent share or indirectly through the 35 per cent share that the school division has to contribute. Because, as the member rightfully indicates, the school division does not have access to taxes as they used to, and the end result is that really not much has changed. It's still a 65/35 split. But on the ownership side, government now will take a direct interest in its share.

The Chair: — Having gone past the two hours and a little bit past that was allotted for this committee, I would ask that a member move adjournment.

Ms. Wilson has moved to adjourn this committee. And before we do, the minister would like to make a remark.

Hon. Mr. Krawetz: — Thank you, Mr. Chair. Yes, Mr. Chair, I definitely want to express my appreciation to the two members of opposition for their questions. We've had a spirited debate about policy and numbers, and I'm sure we'll continue to do that as good government and good opposition also have to incur.

I want to thank my officials. As I've indicated, there are individuals who've been with me throughout the entire evening to assist me in ensuring that I have the accurate information. And it sometimes takes me a little while to get the right numbers in my head, but I'm hopeful that I have been able to provide to the member the responses that, in terms of the factual numbers that he asked for, that indeed we provided them to him. So I want to thank my officials for being with me here tonight.

The Chair: — I recognize Mr. Wotherspoon.

Mr. Wotherspoon: — Would the Chair allow me to respond with two minutes in response to the first answer? And then I want to thank officials and the minister.

The Chair: — Yes.

Mr. Wotherspoon: — The minister highlighted specifically that this last year he had reduced debt by a few hundred million dollars. Of course this again highlights why we need to shift to a fair, true state of our finances. That money's been borrowed or taken from our Crown corporations, who have only borrowed money and passed that back to Saskatchewan people with higher utility rates. In other circumstances, it's been taken from the Crowns or taken from the rainy day fund. We need a clear picture on this front. It's the only fair way to treat Saskatchewan people.

One other point as it relates to the education financing and the higher interest loans that school boards are being forced to engage in, there is a discrepancy between the two rates. I believe back just a couple of months ago, when one of the school boards had to go out and secure \$16 million of borrowing, that rate they secured was just over 4 per cent, about 4.2 per cent for 20-year money. That rate at that point in time for the Ministry of Finance — I don't have the exact number in front of me right now; I did verify it at that point in time — was just over 3 per cent though. The difference over that period of time in fact is that \$16 million in infrastructure will cost needlessly \$2 million more on that percentage difference

between the borrowing rate, the higher borrowing rate that school boards can access, than the rate of government. So \$2 million, that's in one project's being certainly not utilized in the best fashion.

We can be more efficient, more effective on this front and meet the priorities of students or broader challenges of government by a different model, by utilizing the preferential financing structures of government. Of course there's been change on that front too, where school boards have lost their revenue source, ability to collect revenues. And it's simply not realistic to continue to move forward having them borrow at a higher rate.

With that being said, I want to offer sincere thanks to the minister for his time and his answers here tonight. And I want to thank all the officials of the Ministry of Finance for the good work they do throughout the year and certainly for coming before us here this evening. So thank you very much.

The Chair: — Thank the minister and his officials for appearing before the committee. I believe I've asked for adjournment. Ms. Wilson has moved that this committee adjourn to the call of the Chair, and the meeting is now adjourned.

[The committee adjourned at 22:23.]