



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Hansard Verbatim Report

No. 15 – April 5, 2017



Legislative Assembly of Saskatchewan

Twenty-Eighth Legislature

STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Ms. Colleen Young, Chair
Lloydminster

Mr. Ryan Meili, Deputy Chair
Saskatoon Meewasin

Mr. Fred Bradshaw
Carrot River Valley

Mr. Terry Dennis
Canora-Pelly

Mr. Glen Hart
Last Mountain-Touchwood

Mr. Warren Kaeding
Melville-Saltcoats

Mr. Kevin Phillips
Melfort

[The committee met at 19:00.]

**General Revenue Fund
Finance
Vote 18**

The Chair: — All right. Welcome, members, to committee. I'd like to inform everyone that as Chair, myself, Colleen Young. Other members that are here this evening: Fred Bradshaw, Terry Dennis, Warren Kaeding, Kevin Phillips. And subbing in for Glen Hart is Doug Steele, and in for Ryan Meili is Cathy Sproule.

The first order of business is the election of a Deputy Chair, and pursuant to rule 123(2), the Deputy Chair for this committee must be an opposition member. And given that Mr. Meili is the only member of the opposition on the committee, I will ask a member to move:

That Ryan Meili be elected to preside as Deputy Chair of the Standing Committee on Crown and Central Agencies.

Mr. Phillips.

Mr. Phillips: — I would move:

That Ryan Meili be elected to preside as Deputy Chair of the Standing Committee on Crown and Central Agencies.

The Chair: — Mr. Phillips has moved the motion. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. All right.

Pursuant to rule 148(1) the following estimates and supplementary estimates were committed to the Standing Committee on Crown and Central Agencies on March 30th, 2017 and March 22nd, 2017 respectively.

Estimates include vote 195, advances to revolving funds; vote 13, Central Services; vote 175, debt redemption; vote 18, Finance; vote 12, Finance — debt servicing; vote 177, interest on gross debt — Crown enterprise share; vote 33, Public Service Commission; vote 154, Saskatchewan Opportunities Corporation; vote 152, Saskatchewan Power Corporation; vote 153, Saskatchewan Telecommunications Holding Corporation; vote 140, Saskatchewan Water Corporation; vote 150, SaskEnergy Incorporated; vote 176, sinking fund payments — government share; supplementary estimates March 2016-17, vote 18, Finance.

This evening, the committee will be considering the estimates and March supplementary estimates for the Ministry of Finance. Before we begin, I would like to remind the officials to introduce themselves when they are speaking, for the purposes of *Hansard*.

Today we are considering vote 195, advances to revolving funds; vote 175, debt redemption; vote 18, Finance; vote 12, Finance — debt servicing; vote 177, interest on gross debt — Crown enterprise share; vote 176, sinking fund payments — government share.

Subvote (FI01)

The Chair: — We will now begin with vote 18, Finance, central management and services, subvote (FI01). Mr. Minister, please introduce your officials and you can begin with any opening comments.

Hon. Mr. Doherty: — Thank you, Madam Chair, and good evening to committee members. I'll begin by introducing Ministry of Finance officials joining me here this evening. I'm of course joined by Clare Isman, the deputy minister of Finance; Denise Macza, associate deputy minister of treasury board and treasury management.

Seated behind me, Dave Wild, associate deputy minister of Public Employees Benefits Agency; Karen Allen, assistant deputy minister, corporate services; Terry Paton, Provincial Comptroller; Brent Hebert, assistant deputy minister, revenue; Arun Srinivas, executive director, taxation and intergovernmental affairs; and Joanne Brockman, executive director, economic and fiscal policy; and Morgan Bradshaw and Paul Hamnett from my office.

Madam Chair, I'd like to begin this evening's proceedings with a few comments before we get into question and answer, if that's okay with you. So the Ministry of Finance estimates vote 18 are found on pages 61 to 65 of the Estimates book. The 2017-18 expense budget for the ministry's operations is \$51 million, a decrease of 2.5 million from the previous year. When the funding requirement of 303.2 million for pensions and benefits is included, the total budget is 354.6 million, an increase of \$161,000 overall from the previous fiscal year.

Madam Chair, the Finance budget includes \$2.6 million to cover an increase in pensions and benefits costs, based on actual 2016-17 pension and benefit costs as well as rate changes for several benefits that more accurately reflect the forecasted expenses.

There is also \$5 million for research and development tax credit, which was announced in the budget and introduces a refundable component to enable more Saskatchewan small- and medium-sized businesses to benefit from the incentive. Those increases are offset by a \$9 million reduction, which is the elimination of commissions paid to businesses to collect PST [provincial sales tax], liquor and tobacco consumption taxes. Electronic filing and administration has evolved, lessening the burden on businesses.

And part of that efficiency for clients is enhanced by the ministry's project, which is replacing our revenue management system. The 2017-18 budget includes \$12.45 million in capital for the fourth year of this five-year, \$35.5 million initiative. Investment over the first four years is approximately \$33 million to replace the current system which had an intended life cycle of 10 to 15 years and is now more than 35 years old.

The first component of the new system went live in 2016,

supporting collection and administration of tobacco and fuel taxes. When fully up and running, the new tax administration and compliance system will use software designed to fully administer and track the various tax categories and, most importantly, it will enhance services for taxpayers, farmers, and businesses. Components will go live over the next two years, with the project fully complete in 2018-19.

Some of the Finance ministry's operational highlights include the Public Employees Benefits Agency — or PEBA, as it's well known — administers 12 pension plans for more than 95,000 members and some 900 employers. The agency monitors 53 investment managers who have invested \$11.9 billion in pension and benefit assets in 100 investment mandates. Our ministry provides advice to the subcommittee on public sector bargaining for 39 collective bargaining agreements, covering more than 62,000 FTEs [full-time equivalent].

Finance administers tax revenue, tax incentive, and tax refund programs to approximately 62,000 businesses and 32,000 farmers annually. The ministry generates tax revenue and promotes compliance to tax programs through its risk-based audit and enforcement activities. The ministry supports about 10,000 financial system users in government and produces approximately 350,000 payments to suppliers, grant recipients, and employees.

Staff at Finance approve financial statements for 129 government agencies, produce public accounts and financial reports, including quarterly reports, and of course the annual provincial budget.

Madam Chair, every day people work hard to serve clients inside and outside of the government through the various branches and divisions at the Ministry of Finance. Our government and the people of Saskatchewan are well served by those who work at this ministry. I would like to take this opportunity to thank them for their efforts and excellent work, particularly over the last couple of weeks since the budget came down, when we've had an awful lot of outreach into the business community and answering calls and emails at the ministry. I want to thank you for the opportunity to be here this evening, and we'd be happy to answer questions, Madam Chair.

The Chair: — Thank you, Minister. Are there any questions? Ms. Sproule.

Ms. Sproule: — Thank you very much, Madam Chair. Thank you, Mr. Minister, for those comments. I was just following along, based on what you had said last year, and there's a few questions I just want to raise on your opening comments. Last year when you were talking about the initiative to replace your revenue management system, you indicated last year that the project was on time and on budget. Can you say the same this year?

Hon. Mr. Doherty: — I'm told yes.

Ms. Sproule: — Yes. Okay. Just another curious comment. Last year you had talked about the 10,000 users that you had for your central financial management system and producing about 700,000 cheques and deposit notifications. You said this year it was 350,000. Is that there something that's changed, or is it just

... What's the difference?

Hon. Mr. Doherty: — I'm informed because of the advancement in the system, we're doing a lot more electronically. So last year the system would have included electronic funds transfers or electronic deposits and cheques. We're reducing the number of pieces of paper that are going out now and doing it electronically.

Ms. Sproule: — Okay. Thank you for that update. The other question I had, right off the top before I forget, is that last year we were also looking at vote 151, Municipal Financing Corporation of Saskatchewan. And I'm just wondering, is that moved to a different consideration or is that something we're not speaking to tonight?

Hon. Mr. Doherty: — So I'm informed that last year there were borrowing requirements to the Municipal Financing Corporation. We don't have any of that forecasted this year, so there's no requirements for it to be included in estimates. So basically nothing has changed from what we accomplished last year.

Ms. Sproule: — All right, thank you. I may have a couple questions on that organization as we go along, but that's helpful. Thank you.

Now last year I had started a collection of revenue data that I'm putting into a spreadsheet, you may recall, and I think it was Mr. Srinivas that actually gave me some of that information. I again have it in hard copy, Madam Chair. I've made enough copies this year to share with the entire committee, and if we could start with that and then just get it done, then that would be helpful. So it's up to you, Madam Chair. I can read them or I can give everybody a hard copy.

The Chair: — We'll take hard copies.

Ms. Sproule: — Okay thank you. All right, thank you. Now last year you have a column, Mr. Srinivas, what we did get was some, I believe, we were able to get the '15-16 estimates and the '16-17 estimates. You didn't have the '15-16 actuals at that time, so I'm wondering if you have them this year, and then perhaps you would have the '17-18 estimates that you could share with us this evening.

Mr. Srinivas: — Thank you. Arun Srinivas with the taxation and intergovernmental affairs branch at the ministry. All right, so I've got similar information to what we went through last year. I don't have the '15-16 actuals with me tonight, but I'm sure we can prepare those and send those at a later date. But what I do have for tonight, I think you had asked for the '16-17 budget estimates and the '17-18 budget estimates.

Ms. Sproule: — I'm sorry. I should have been asking for the '17-18 budget estimates. You gave me the '16-17 last year.

Mr. Srinivas: — Okay.

Ms. Sproule: — So that's a typo at the top of the page.

Mr. Srinivas: — Okay, so you just need the . . .

Ms. Sproule: — The '17-18 budget estimates.

Mr. Srinivas: — '17-18 budget.

Ms. Sproule: — Yes.

Mr. Srinivas: — So again for corporation income tax, I haven't got the taxable income figures with me here tonight. But I do have the components of the corporate income tax revenue forecast for '17-18, so I can give you those.

So for '17-18 we expect that the amount of corporate income tax revenue generated from the general corporate income tax rate will be \$1.282 billion. The value of the reduction for the purposes of the small business tax rate is equal to \$412.3 million. The value of incentives such as the manufacturing and processing profits tax reduction, the investment tax credit for M & P [manufacturing and processing] acquisitions, and the research and development tax credit are estimated to be \$62.4 million. And the prior year, the estimated prior year adjustment for 2016 tax year assessments is currently forecast to be \$78.1 million, for a total corporate income tax revenue forecast for 2017-18 of \$729.4 million.

Ms. Sproule: — Thank you.

Mr. Srinivas: — Moving on to fuel tax . . .

[19:15]

Hon. Mr. Doherty: — Sorry, if I could just interrupt. Ms. Sproule, is that what you want him to do, is go through the entire list of . . .

Ms. Sproule: — Yes, if that's okay with you, that'd be great.

Hon. Mr. Doherty: — Sure. Okay.

Ms. Sproule: — Thank you. Yes.

Mr. Srinivas: — Moving on to fuel tax then, the gasoline component of the fuel tax revenue forecast is \$273.9 million. The diesel fuel component of the revenue forecast is \$215.4 million. The locomotive component is \$38.7 million. Other fuel, including propane and aviation fuel, is \$8.9 million. The value of the gasoline competition assistance program for 2017-18 is estimated to be \$0.6 million. The rebate for fuel purchased on reserve by First Nations individuals is estimated to be \$15.8 million. And there's one other component as well, which is commercial refunds which is estimated to be \$5.1 million, for a total revenue forecast for fuel tax of \$515.4 million.

For individual income tax, again I don't have with me today the taxable income figure, but I do have the components of the revenue forecast. So we are forecasting that current year Saskatchewan income tax will be 2,671,900,000. The value of incentives including the graduate retention program, the labour-sponsored venture capital tax credit, the foreign tax credit, the political contributions tax credit, the mineral exploration tax credit, and the employees' tools tax credit is forecast to be \$100.7 million. And the prior year adjustment, in respect of assessments for the 2016 taxation year, is forecast to

be negative \$30.6 million, for a total personal income tax revenue forecast for 2017-18 of 2,540,600,000.

For property tax revenue, the education property tax is forecast to be \$746.9 million. Property tax revenue of the Global Transportation Hub Authority is estimated to be \$2.3 million. Property tax revenue of the Northern Municipal Trust Account is estimated to be \$4.5 million, for a total property tax revenue forecast of \$753.7 million.

Ms. Sproule: — Do you have the '16-17 estimates for that area as well?

Mr. Srinivas: — Yes.

Ms. Sproule: — Thank you.

Mr. Srinivas: — The budget estimate for 2016-17 for education property tax was \$660.2 million; for the Global Transportation Hub Authority is \$2.1 million; for the Northern Municipal Trust Account it was \$4.6 million, for a total revenue forecast of 666.9 million. I can give you the Q3 [third quarter] forecast as well for property tax if you like.

Ms. Sproule: — That's okay.

Mr. Srinivas: — No? Okay. For provincial sales tax, the gross PST revenue forecast for 2017-18 is 2,165,100,000. The value of the low-income tax credit is forecast to be \$115.6 million, for a net PST revenue forecast for 2017-18 of 2,049,500,000.

You've asked for liquor consumption tax. The liquor consumption tax for 2017-18 is forecast at \$95.3 million. You've also asked about commissions paid for the collection of PST and liquor consumption tax, and those are in the estimates, but they're forecast to be zero for 2017-18.

Ms. Sproule: — For both of them?

Mr. Srinivas: — For both. Yes.

For tobacco tax, the revenue components are, for cigarettes, we are estimating \$300.1 million; for cut tobacco, we're estimating \$28.9 million; for cigars, we're estimating \$11.8 million; and the cost of the First Nations rebates are estimated to be \$60.5 million, for a total tobacco tax revenue forecast for 2017-18 of \$280.3 million.

So next on the list is corporation capital tax revenue. The revenue from financial institutions is forecast to be \$73.7 million. The revenue from Crown corporations is forecast to be \$76.2 million. The revenue from insurance premiums tax is forecast to be \$143.3 million. The revenue from fire prevention tax is forecast to be \$8.2 million. The revenue from motor vehicle insurance premiums tax is forecast to be \$12.4 million. And the revenue from the mineral rights tax is estimated to be \$8.5 million.

With respect to the resource surcharge, the revenue forecast for 2017-18 includes \$110.2 million from the oil and natural gas industry, as well as \$100.5 million from the potash industry and \$61.8 million from other resource industries.

With respect to motor vehicle registration fees, the 2017-18 revenue estimate for vehicle registration fees is \$177.9 million; for driver's licence fees, the estimate is \$17.8 million; and for other service fees with respect to motor vehicles, the estimate is \$11.1 million.

With respect to the commissions paid to SGI [Saskatchewan Government Insurance] for the collection of fees or the cost to SGI for the collection of fees, I think those questions might be better put to SGI, I think, as we had discussed last year as well.

Ms. Sproule: — And for transfers from the federal government, I already have the health transfer and social transfer from estimates, but maybe you could go from there.

Mr. Srinivas: — Sure. I've got for Growing Forward 2, the estimate for 2017-18 is \$40.2 million. For the labour market development agreement, the estimate is \$41 million. For the gas tax transfer, the estimate is \$59.1 million. There's no amount currently forecast for wildfire assistance at this point in time, and I believe that's the same for PDAP [provincial disaster assistance program] assistance. So for environmental container handling charges, let's see if I can find that.

Ms. Sproule: — I'm sorry. If you could provide those, if you do find them, for 16-17 as well.

Mr. Srinivas: — Okay. So I don't have a breakdown by container type. I have the aggregate figure. So for the 2016-17 budget, estimate was \$25 million, and the 2017-18 budget forecast is \$27 million.

Ms. Sproule: — All right. Thank you very much for that. Just a couple questions in terms of exactly what we're looking at here when I give you that list. In terms of resource surcharges, is that all of the royalties that are attributable to oil corporations and potash? Is that the total aggregate sum? Are there other taxes or royalties?

Mr. Srinivas: — Yes, in respect of oil and gas extraction in the province and in respect of potash and other resources, there are also royalties and production taxes and the like which appear in the revenue schedule as other non-renewable resource revenues.

Ms. Sproule: — It would be very helpful for me if you could explain what the surcharge is.

Mr. Srinivas: — So the surcharge is an additional levy based on the gross value of sales of oil, natural gas, potash, uranium, and coal that are produced in Saskatchewan. It's separate and distinct from the royalty structures that are administered by the Ministry of the Economy. It's simply another rent on the resources that are produced.

Ms. Sproule: — Hence the name "surcharge," obviously. What bill or what legislation would determine the levels of the surcharge?

Mr. Srinivas: — The surcharge is actually levied under *The Corporation Capital Tax Act*.

Ms. Sproule: — All right, thank you very much. I think that'll be it for this year. Okay, thank you. I think what I'd like to do

next is just go back from some of the commentary that was made last year in estimates and just get a bit of an update on some of the things you were working on. And maybe — I'll see how far back I can go here — maybe just a little question. This is actually from a couple of years ago when we talked about the Municipal Financing Corporation. At that time, their debt was expected to grow to 249.4 million.

Now in the estimates this year . . . I'm just going to take a quick look at that. Where is that vote? 170 . . . 151. If you can help me find what page vote 151 is on, that'd be helpful too. Got it here. I thought it was in Estimates. It's not in the Estimate books at all? Used to be. Sorry . . . [inaudible interjection] . . . 141 in the Estimates, thanks. Near the back. Oh yes. Yes, it's also on page 144, that was where I was looking at it. It does show up in the Estimates at \$7.4 million in terms of loan repayments.

I guess what would be really helpful for me, just an explanation of how this corporation works, what those numbers mean, and I guess why there isn't any need for it this year in terms of a vote.

Ms. Macza: — Okay. Denise Macza from treasury board branch, Ministry of Finance. The Municipal Financing Corporation offers loans to municipalities for their infrastructure needs.

[19:30]

So every year we make an estimate of how much funding will we require based on what we estimate will be the request of the municipalities. So it's an estimation of what the municipalities will request in financing. And if the cash flows of the corporation aren't sufficient or not deemed to be sufficient as a result of the investments, then we will borrow money to finance the needs of the municipalities.

Ms. Sproule: — So the Government of Saskatchewan borrow on the corporation's behalf if they don't have sufficient cash to do that lending.

Ms. Macza: — Correct.

Ms. Sproule: — Is that a corporation that is under Finance's responsibility then, or is it under another ministry?

Ms. Macza: — Finance.

Ms. Sproule: — Okay. So this estimate for 17-18 of 7.4 million, that would be loan repayments that you expect to come back into the corporation itself?

Ms. Macza: — Yes.

Ms. Sproule: — And as far as you know, the demands for infrastructure, they're able to finance this year so that's why you're not needing a vote on that.

Ms. Macza: — Yes. Exactly. The cash flows are sufficient to meet the expected forecast demand from municipalities for their needs.

Ms. Sproule: — All right. I think that is great then. So in terms of the schedule of debt on page 141, then that just shows what

their estimated debt will be for 2018 is a hundred . . . Is that \$100 million?

Ms. Macza: — Sorry, the total debt for MFC [Municipal Financing Corporation of Saskatchewan] is \$208.9 million, and you can see it's coming down from previous years, meaning that we're paying down some debt.

Ms. Sproule: — So that's the sinking funds of 9.6 million and then . . .

Ms. Macza: — Correct.

Ms. Sproule: — You've got general gross debt and government business enterprise specific gross debt. Can you explain the difference between those two?

Ms. Macza: — Okay. In certain instances, based on the accounting requirements, if we borrow money and at the time of borrowing we know it's going to be for the corporation specifically, then we can assign it as under estimated general gross debt. But if a period of time passes such that the government borrows the money and then a week or a month later we determine that the corporation needs it or another entity needs it, then the accounting rules require us to align it as government business specific debt.

Ms. Sproule: — So for example SaskPower in the same chart, most of its debt is GB [government business] specific because you knew at the time it was borrowed it was going directly to SaskPower.

Ms. Macza: — Exactly.

Ms. Sproule: — Okay, that's good. Thank you very much.

Now in 2016, last time we met to discuss the estimates was June 27th of 2016 and I just want some updates on that. I think, Minister, we were talking about Standard & Poor's and we had just received the newest, latest rating the day before we met in Finance last year. I know we haven't received it yet for this year. And at that time, you had talked about there's a 1 in 3 chance that we wouldn't hit the targets but there was a 2 in 3 chance that we would hit the targets. So you were kind of banking on the odds there and were hoping that you would get back to balance this year.

Can you share with the committee, and I know we've discussed this a bit in question period, but sort of share with the committee how that didn't happen and explain how we ended up in the 1 in 3 rather than the 2 in 3 chances?

Hon. Mr. Doherty: — So when we met last June, we had tabled the budget on June 1st, and we were talking about obviously fresh numbers of what we had forecast in that budget. And as I announced it, I believe it was November 22nd if memory serves, we did mid-year, the mid-year update. If you look on page 64 of your budget document, that document right there, page 64 shows the third quarter update and that basically lays out exactly what transpired during the course of the year both from the budget on June 1st to the mid-year at Nov 22nd.

And then when we released the third quarter forecast on March

22nd this year, the same day as this year's budget came down, there was the further deterioration in some of those revenue line items from what we had forecast last June 1st. And any increases you will see in between June 1st to mid-year then mid-year to the end of the third quarter on the expenditure side, that gets us from the original forecasted deficit of 434 to the third quarter forecast now of \$1.288 billion.

Now offset in some of those areas obviously were transfers from the federal government, one-time payments. And I was explaining this at a town hall or at the Conference Board of Canada meeting this past Monday I attended — I don't know if you had the opportunity to attend any of that in town or not — but a question came from the audience with respect to the changes in revenues in this current budget we just tabled. And the reality is that last year we ended up with about \$850 million, I think, in one-time revenues from the federal government. That's one time obviously, so that's gone for this coming year. We don't have a bunch of dams to transfer over or the different kinds of payments that were coming through from the federal government which is why the major changes in the tax base with respect to the shift to the consumption, the expansion of the PST base and then the increase from 5 per cent to 6 per cent.

So you know, last June when we met, Ms. Sproule, none of us around this table would have . . . I mean you always are anticipating what could be the risks associated with your budget. And certainly when we saw the late harvest with respect to the fall weather continue very, very wet and in some places a lot of snow that took us well into the end of October, beginning of November. It was still a million-plus unharvested acres out there, what I'm told from the Minister of Agriculture, that will be whatever can be salvaged this spring. That drove up our insurance, our crop insurance costs considerably post-mid-year when we had the final numbers come in from crop insurance through the Ministry of Agriculture, and then we saw a continued deterioration in our tax base, both in personal income tax when we receive . . .

And keep in mind the federal government collects the personal income taxes for the province and remits them to us based on the previous year's filings of individuals in the province of Saskatchewan, gives us a figure of what they anticipate to be in the ensuing fiscal year. We plug that in as best as we possibly can knowing that there could be some changes with the changes in population, and we look at the employment figures, all of those different factors, into what we think we're going to derive from personal income tax. And what we saw, obviously, was a further deterioration.

Most economists and finance officials will tell me that that's the lag effect. It takes a couple of years for that lag effect to catch up. When we saw, as you rightly point out in the House, the drop in oil prices beginning in 2014 and then with the deterioration in potash and uranium, kind of the perfect storm if you will in the commodity sector, that takes a while to work its way through the economy on taxation revenue, and that's what we saw during the course of this last fiscal year was just the continued deterioration in both corporate, consumption tax, and the personal income tax.

So you know, getting back to what we're obviously . . . I don't want to say overly optimistic in June, because we don't build in

a lot of optimism, if any, in a lot of cases because you're trying to deal with the best forecast you possibly can with the information you have at the time. This is what manifests itself during the course of the fiscal year.

I would say on the expenditures side I thought we did, as a government did . . . I'm not patting ourselves on the back here but from a managing expenditures component, where we had major expenditure increases was in the areas of agriculture because of crop insurance and then obviously in health, social services, and protection of persons and property, which is primarily the justice system and corrections areas.

When you have utilization pressures there because of increased population, you just don't turn someone away from the emergency room department or if they require social assistance you just don't turn them away because it throws your budget numbers out. That's where we saw pressures but I thought we did a good job in in-year adjustments through other ministries in trying to curtail those expenditure increases as much as possible. But the fact of the matter is we took a huge hit on revenue during the course of the year and then some unexpected crop insurance costs that really drove our expenditure side.

Ms. Sproule: — Thank you. In terms of the transfers from the federal government, I know there was the dam transfer. Was that an actual cash transfer or was that an assets transfer?

Hon. Mr. Doherty: — Both.

Ms. Sproule: — Both. Could you share with the committee how much was the assets and how much was cash?

Hon. Mr. Doherty: — So on the cash side, it was 350 million in cash and on the asset value side it was 300 million.

Ms. Sproule: — 300 million. So the 300 and . . . Sorry, the cash was 350?

Hon. Mr. Doherty: — Correct.

Ms. Sproule: — Was that basically to assume the liabilities of those particular structures?

Hon. Mr. Doherty: — Correct.

Ms. Sproule: — Okay. Thank you. Now I'm not sure I understood how you explained the projections that you based your budget on last year. So you were saying, for the taxation revenues, is that from the federal government or do you have your own economists as well that analyze those?

Hon. Mr. Doherty: — I'll let Mr. Srinivas explain it, precisely what we do.

Mr. Srinivas: — Okay. Sorry, Arun Srinivas again. So for personal income tax, the forecast is essentially based on prior-year assessments, actual assessments for a previous year. And then we start from the provincial economic forecast and look at the forecast growth in personal income and apply those growth factors to then forecast what we anticipate personal income tax assessments will be for the year that we're forecasting. From that we also deduct our estimation of the

value of various incentives that would deduct from gross corporate income tax revenues. And then we also do an estimation of the prior-year adjustment which is essentially the difference between the amounts that we were paid in respect of a prior taxation year and what our current estimate is of where we think assessments will land for that year. So that difference is a prior-year adjustment which also factors into the current-year revenue forecast.

Ms. Sproule: — It just seems that \$521 million is a really large number to be out from budget at third quarter. Are you anticipating it's going to be higher in fourth quarter? Are there any indications how things are looking now at the end of March?

Mr. Srinivas: — The third quarter forecast is very close to final. At the time that we do the third quarter forecast we essentially have the final assessment data for the 2015 taxation year. Those assessments are for the most part completed from the feds, and so from that point forward, the figure or the forecast for the current year or for the 2016-17 fiscal year is pretty close to final. It doesn't vary by a great deal to the end of the year.

Ms. Sproule: — We'll see in July, but . . . Or end of June, I guess. Okay, now on the non-renewable resource forecasting, how did it turn out the way it did? I mean, how could economists not foresee that the prices didn't rise? Like what were they basing their projections on?

Hon. Mr. Doherty: — Again, if you look on page 64 of the document, we missed the budget by 205 million. At mid-year, we were out \$26.3 million on the third quarter forecast. That's primarily potash. Potash prices continued to soften during the course of the year, so that's just a function. We derive our information from the Ministry of the Economy, for the most part, on what they get from the industry itself.

[19:45]

And I mean, we have analysts at the banking syndicate that provide their input to Ministry of Finance officials, Ministry of the Economy officials. But then we also sit down — we being the government through the Ministry of the Economy — sit down with the potash industry and say, okay, let's start talking about what your sales forecasts are, and what they believe their volume's going to be and what they believe their price is going to be. And that's how we build our forecast, is based on the information we receive directly from the industry. And they just missed it on price; the price just continued to come down.

It also is a function of the value of the Canadian dollar. And if we're off on the value of the Canadian dollar, because a lot of potash is sold into the US [United States] in US dollars, if the Canadian dollar appreciates vis-à-vis the American dollar, it reduces the amount of revenue you have through the royalty structure, through what we receive from the potash industry. So that \$205 million on a \$1.484 billion forecast budget is primarily driven by the potash industry.

On oil, I think we were, if not dead on . . . I'm looking for Joanne . . . [inaudible interjection] . . . Pretty much bang on during the course of the fiscal year. So we forecast the oil pretty

successfully in this last fiscal year. It had dropped considerably, obviously, over the last couple of years from an overall revenue perspective. But in building the budget that we presented on June 1st we forecast oil, I think, pretty much bang on.

Ms. Sproule: — So I guess . . . I mean, I think the original forecast was a \$400 million deficit when we were talking last June?

Hon. Mr. Doherty: — Four thirty-four, yes.

Ms. Sproule: — Yes, and now we're at 1.3 billion basically. So that other \$700 million, if only . . . You know, you were pretty close on oil, potash — couple hundred million — so the rest is really the tax mis-forecast, or the unexpected drop in tax revenue?

Hon. Mr. Doherty: — That and net income from government business enterprises. If you look, we missed it by 316 million there. That's primarily reflected by lack of sales, if you will. If you have a temperate winter, it really affects the bottom line of SaskPower and SaskEnergy. We love, from a government perspective, very, very cold, long stretches of time during the winter, right? If that doesn't manifest itself, and we saw that during the last year — it was a warmer winter than usual — it directly affects SaskPower's and SaskEnergy's operating income.

Ms. Sproule: — So I guess . . .

Hon. Mr. Doherty: — Oh, oh, sorry, that's the other one, right. Also built into that is the WCB [Workers' Compensation Board] refund. That 316, or the drop in net income from government business enterprises was the WCB refund to the tune of about 280 million or 254, I think, net when you take government refund out of there.

Ms. Sproule: — Yes, I get the sense that when we're talking to . . . that a lot of this is, you're saying is because of the lack . . . of the fall in resource revenue, but it sounds like that you were close to, and that it's other things that are the reason why the deficit is larger now than it was in June. So it seems to be not quite what we hear you saying. Like you talk a lot about the fall in natural resources revenue, and that's why our deficit is as high as it is.

Hon. Mr. Doherty: — No, but that's over the course of three years that has dropped and has stayed down, as opposed to what some forecasts had said it was going to come back with respect to the value of oil. So, and as I said, when that stays down the way it has for that prolonged a period of time, that's when your tax revenues really . . . Because all of your service industries that support the oil and gas sector, they stop spending money on fuel and consuming things. So the consumption base goes down precipitously. You're laying off workers. You're laying off workers over and over and over again, and not calling them back as quickly as we thought they would be called back, based on the price of oil stabilizing. That affects your income tax, both personal and then corporate income tax, over that same three-year period that we're talking about. That's when you really start to see that lag effect.

So we have to base it on what the feds tell us from an

assessment perspective on personal income taxes, what Arun just talked about in forecasting of the budget. And then when it comes to reality as we hit third quarter, the feds come back and say, oh 2015 numbers weren't anywhere near what we thought they were going to be.

Ms. Sproule: — They knew they were going to be lower.

Hon. Mr. Doherty: — How much lower? That's the problem in forecasting.

Ms. Sproule: — That's a half-a-billion dollar question at this point. Okay. All right, thanks, Mr. Minister. I guess we could look at the expenditure side as well, but we'll talk about that when we get to SaskBuilds and some of the other expenditures.

Last year we talked a little bit about the change in the Canada Health Transfer and how the former prime minister changed the calculation, and it was changed to a per capita adjustment. You had indicated that the Premier would be raising this at the Council of the Federation meeting last July, and you were hoping that it was something that the federal government would engage on. Have you got any updates for the committee on that?

Hon. Mr. Doherty: — So the premiers did meet on that, and you may or may not recall, the Prime Minister would not call a First Ministers' meeting with respect to the Canada Health Transfer. The premiers have put forward a position paper indicating it was rising at a 6 per cent escalator and this government, the new federal government — not new anymore; but the federal government, the Liberal federal government — had said that was coming to an end in 2017 and they were going to present a new position on this. The premiers got together, had presented a position paper to the Prime Minister asking for, based on their economic analysis that was done for the Council of the Federation, on a 5.2 per cent escalator moving forward.

You may or may not recall at the December federal-provincial meetings between the Health ministers and Finance ministers in Ottawa — which I attended along with Minister Reiter — Minister Morneau walked to the room and said, it's 3 per cent escalators moving forward or the rate of growth in GDP [gross domestic product]. We have some additional dollars for home care and some additional dollars for mental health care over a 10-year period, but we're not accepting the 5.2 per cent escalator. Take it or leave it. And you may recall that the provinces rejected that.

Shortly thereafter, obviously, the federal government was reaching out to different provinces. I think New Brunswick signed on to a bilateral agreement before even any of us even got home from Ottawa. So New Brunswick was the first province to break ranks with the federation followed by, I believe in this order, Newfoundland and then Nova Scotia. I think we were the fourth province to negotiate a bilateral agreement, and then PEI [Prince Edward Island], BC [British Columbia], and now Ontario and Quebec and Alberta. Manitoba is the only province that has not negotiated, to my knowledge, a bilateral agreement on that.

So that was one of those positions when the federal government walked in and said, it's our money; we allocate it the way we

see fit. Here's the escalator moving forward. Take it or leave it. And to be quite frank, the provinces don't really have a much of a leverage point on that, so we built our budget based on that escalator with respect to this fiscal year.

Ms. Sproule: — All right. Thank you. Thank you very much for the update. Moving along, we talked last year a little bit about public reporting on sinking funds. I think it was Mr. Paton actually we were talking to. At that point you said it would be interesting to look at and what type of information was publicly available in either jurisdictions. And then after that we talked a little bit about . . . Oh yes, I'm moving on, sorry. Mr. Srinivas, you might need to come back.

This was accrual estimates for the surcharge payments from resource companies, and I think there was some discussion about accurately estimating or how you attempt to accurately estimate what the accrual adjustment should be. And I'm just wondering if you have made any changes in the last 12, or 10, 9 months in terms of the estimates, accrual estimates for the surcharges?

Mr. Srinivas: — Okay, we've made no changes to the forecasting methodology at this point in time. We're continuing to test the accruals, the variability of the amounts that come in as returns are submitted and assessed. So that's an ongoing process that we continue to work towards.

Ms. Sproule: — Is there any more public disclosure that you're going to share on that, or is it just basically what . . . Have you any plans to share more information, or is it just what . . . Where do we see those estimates?

Mr. Srinivas: — Currently the surcharge estimate is printed in the budget, but as far as accrual estimates or whether we adopt accrual estimates, I don't think those would be published anywhere. If and when we do move to that system, it would show up, similar to the questions that you asked about the components of the various revenue estimates earlier this evening, it would show up in there.

Ms. Sproule: — Because I think that was something the auditor was wanting you to do but you were saying it's a very difficult thing to achieve. Right?

Mr. Srinivas: — That's why we continue to work towards testing the reliability of various estimation processes to try to come up with what the appropriate accrual estimate should be.

Ms. Sproule: — Okay, thank you. I'll check in next year, see how it's going. We talked a little bit about PST exemptions as well. And I think the minister indicated, for example, that groceries would be untouchable as far as PST exemptions. When we see some of the changes this year, removing certain items from the exemptions, would you say that that list is now untouchable for the next three years in terms of your forward planning? Or is that locked in now? Have you made that determination in terms of transformational change; that is final, and everything in there is now untouchable?

Hon. Mr. Doherty: — Well, what I would . . . I never want to say never, but I also don't want to leave some unanswered question dangling out there to say, well they wouldn't rule this

out, so to speak. And so, I mean, I understand how the political game works.

What I would say is our medium-term forecast, which we've laid out in this budget document — both this current fiscal year that we just presented the budget on, plus the ensuing three years — does not include any changes to the exemption list on our revenue forecast that we've laid out there. So is it locked in? I mean, I don't think any government should ever confine themselves to saying this is absolutely not on the table. If you are faced with a natural disaster or a major crop failure or some type of unforeseen event that requires you to find revenue sources, you know, you would hate to rule that out.

But as far as the exemption list that continues . . . You know, we're being heavily lobbied by some organizations to go after some of these things, with respect to discussions on some other revenue sources. And so we continue to believe these are necessities, basic necessities, whether it's prescription drugs or electricity or what have you, on this particular list. And so that is not factored into our medium-term forecast four years out.

Ms. Sproule: — Thank you for that. In terms of your four-year forecast, I mean I think it shows up on page 47 if that's what you're talking about in terms of a four-year forecast is the public debt forecast. Do you have . . . Is that your entire . . . Like we talked about the debt management plan last year, and it used to be required under *The Growth and Financial Security Act*, but obviously the bill's gone. Is this still what you would consider to be your four-year plan is at the bottom of page 47, the public debt forecast? Is that what you would call your debt management plan?

Hon. Mr. Doherty: — Yes, I just want to clarify a couple . . . If you look on the page before that, on 46, that's our medium-term forecast. What you're referring to, of course, is the debt forecast based on capital projects that we have ongoing now. So that's borrowings between borrowing for operations, borrowing for our capital builds plan, and borrowing for the government business enterprises or the Crown corporations forecasted out to 2021.

As you can see, on operational debt, we will hit \$5.8 billion this year and because our . . . Through the use of cash and other revenues available to us, we want to maintain that level of operational debt. And of course, when you get back to balance and surplus position, you no longer borrow for operating purposes but . . . So there's the medium-term forecast on page 46 from the revenue/expenditure component, and then the forecast for total public debt going out to 2021.

Ms. Sproule: — Thank you. I was going to ask another question on tax expenditures and I remembered it as we moved into that area. But when you spoke last year about transformational change, that you would be looking at all of these things with that lens and deciding what is core function of government, when you looked at the exemptions, say the 14 under the provincial sales tax or the three under the fuel tax and I guess all of them, corporation income tax, personal income tax, is there a . . . I've said this in adjourned debates. Do you have a rubric that you've established or is there a checklist or is there a, you know, a definition of what you deem to be core government services? And is that how you make these

decisions? Or if you could share with the committee how you determine, at least for in the mid — what do you call it? — the medium-term financial outlook, that these are core to government services. Like, what sort of evaluations are you doing?

[20:00]

Hon. Mr. Doherty: — I think it's a very good question. I'm going to . . . kind of a two-part answer, if I could Ms. Sproule. I'm going to talk about what we define as our core services. And as I said in the budget speech last June, this is an iterative process in the sense that as we're doing these — I don't want to get metaphorical here — but as you're doing these deep dives through ministries and then Crowns and what have you, as managers are being tasked with finding efficiencies or determining if there's redundant programs or overlapping programs . . . And government is a huge complex business.

You know if you just took the ministries of Justice, Social Services, Health, and Education, with all of the different CBOs [community-based organization] that are associated with those four ministries, some of them cross all four ministries and the programs that they offer. And are we achieving what we want to achieve as a government and is that CBO achieving what they want to achieve as a CBO with this cross-functionality and different sources of funding coming from four different ministries into the exact same organization for different purposes? But you know, are we using taxpayers' dollars the most efficient way possible to achieve an objective?

Then I'm going to ask Arun to talk about how we arrived at the complete tax review we went through to arrive at the tax decisions that we made in this particular budget. But if you look to page 68, which lays out the revenue and expenditure items, if you look at those particular areas it's evidenced by where we spend the vast majority of taxpayers' dollars, where our priorities are.

And I have said over and over again — I'm sure you're sick and tired of hearing me say it — that, you know, between health care, education, social services comprises about, I think it's 72 per cent in this budget, about 72 per cent to 75 per cent of total spending in the overall spending that we have here. So that speaks volumes to what our government considers our core services along with these other areas.

And you look at transportation, that includes our highway system. If you look at agriculture, that's primarily crop insurance in there. But there still are a number of different ag programs in place that are constantly being reviewed to determine whether they serve the purpose they were intended to serve, if they're still needed out there in rural areas, or if there is other ways we can deliver that or if the private sector can deliver that.

Obviously in economic development you still need . . . We had a good discussion today, you and the Minister of the Economy in question period about diversifying the economy and what areas are we involved in there to try to stimulate certain areas or to attempt to provide incentives in those areas to diversify the economy. And that's some of those areas there.

The protection of persons and properties, our justice and correction system; obviously we're hearing an awful lot — I don't know if you were at the SARM [Saskatchewan Association of Rural Municipalities] convention or not — but we certainly heard an earful from rural municipal officials and elected leaders about the rural property crimes in particular. And we had a caucus set up that went out and did a tour of the province and heard over and over again about how we need to address some of these issues. And so there's \$1 million in this budget to get that going, but there's still more work there to be done. So what we have said and some of the decisions we have made . . . And, you know, some will obviously disagree with this. We're certainly hearing that, is if the money was available, would we continue to do those kinds of things?

Last year regional parks seemed to be the one that was a lightning rod, and this year some of these other things. You know, libraries is a classic example this year with respect to the funding that goes towards regional libraries in particular, but certainly the libraries in Saskatoon and Regina where we looked . . . Is it a core function of the provincial government to be providing that service, or is our core function to ensure that school libraries are fully financed as much as possible, where we have the responsibility for the K to 12 [kindergarten to grade 12] education system? And we have still provided what we believe to be a great deal of funding to the municipalities through revenue sharing and other types of support. And we still continue to support regional libraries to the tune of \$2.5 million dollars, I believe it is, in the budget.

So I'm just picking out certain examples there where as we've gone through this . . . And we continue to go through this and looking at individualized programs. Is it still a part of our core function? Is it still something that provincial government ought to be doing? Is there a private sector entity that could perhaps pick this up because it's not necessarily part of these core spending areas?

This was the lens we were putting different programs through as ministers and their officials were coming before treasury board and certainly the transformational change committee, which has now been re-established under the purview of Minister Harpauer with Minister Hargrave as the Vice-Chair and several other members that'll be responsible for that particular committee, with some additional staff or resources through officials to help them with this ongoing evaluation of these kinds of things. So that's it from the spending side of it with respect to how much revenue we have available to do all these things and still get back to balance in the course of three years.

Of course there's the other side of the ledger where if these are the demands that are being placed on government on the spending side, what resources do we have available to us to meet these demands? And you know, some would argue from a business perspective . . . You take a look at what you think your sales are going to be, if you're in that business, and what your revenues are going to be, which allows you to do your spending side.

I would argue in government it's almost the reverse because we typically spend more time on the expenditure side because we're making decisions to either cut programs or increase

spending in certain areas. Because if you stop spending in certain areas, you will shut down a hospital, or you will shut down a school, or you will shut down an environmental program, or whatever the case may be.

We also did a very extensive look at, you know, this reducing expenditures by 5 per cent across the board. Does that make sense anymore? Or does this program need to be eliminated completely, which frees up X number of dollars? And we can redirect so many of those over to health care and maybe save half of that, or whatever the number is. But we went both vertically and horizontally across programs to take a look at where we should be spending taxpayers' dollars. So it was a long, long exercise. It is not near complete. We will continue through this next iteration and through treasury board and working with caucus and cabinet on determining these particular things, but . . .

So then we went over and we had Arun's shop do a full-blown analysis on our tax system to provide advice to treasury board and cabinet and caucus on what the revenue side of the ledger could look like and should look like from a competitiveness and fairness and the different tenets that I put out in last year's budget speech with respect to our tax system. And Arun, maybe I'll just let you, if you're interested, explain the process we went through on that side.

Ms. Sproule: — Sure. Yes.

Mr. Srinivas: — Well I think the minister did a good job of explaining the context. I'll just add a little bit to that. So the review of the tax system that Finance undertook was essentially centred around some principles or objectives that we were seeking to . . . the lens, I guess, as you referred to it, that we were seeking to view a lot of the tax system and the various tax expenditures and tax bases through.

And so those objectives included opportunities to modernize and simplify the tax structure in order to improve revenue stability and growth potential into the future; as well as, within the context of revenue adequacy, the review was also guided by the need to balance the, as the minister noted, the sometimes competing principles of fairness in the distribution of taxes, as well as competitiveness with neighbouring jurisdictions to avoid excessive economic disruption, and finally efficiency to ensure that tax compliance costs are manageable for consumers, for businesses, and for governments as well. That's kind of the principles within which the review was conducted.

Ms. Sproule: — Thank you. In terms of the transformational change committee with Minister Harpauer and Minister Hargrave, is there any . . . did they obtain any public input or do they plan to go to the public for input on some of those decisions or recommendations in the future, do you know?

Hon. Mr. Doherty: — Again, that committee was just formed here recently by the Premier, and I can tell you that the initial committee we had originating from last year's budget that I chaired along with Minister Wyant and Minister Harpauer had met with different groups. If memory serves, I don't remember how many there were, but you might be familiar with the fact that coming out of those discussions was a #TransformSK, I think it was called, process that the Saskatchewan Chamber of

Commerce along with four other entities — APAS [Agricultural Producers Association of Saskatchewan] and construction association and the other two escape me. But they were out doing . . . I think they did some 60 town halls or 60 consultation meetings, and they're in the final stages of preparing their report. So this committee, now that it's up and running, is going to focus on particularly the big money areas, if you will, those major areas in government with respect to transformation.

We had well in excess of 150, 160 items come forward to the original committee from government proper, the ministry side, as well as the Crown side. And we even had a few suggestions come in from the general public that I received myself, on ideas particularly from people that worked in government and said, have you thought about this?

And so we had been following along on a number of those different initiatives. Some were normal business practices that you should look at if you're managing a certain area in a ministry, that should be part of your business practices. So we sent them back to the ministries and said that should be part of normal operations. Some of them were transformational. Obviously the tax shift, the new tax structure in the province, was a major transformational process that undertook a lot of debate in treasury board and within cabinet and within caucus. And where we landed on that, we did not look at it as a menu of items and say well, let's pick this one and this one and this one gets us to this figure kind of thing. We tried to follow the principles that Arun identified in where we ended up at the end of the day.

So will this committee undertake public consultations? I'm quite sure they will. I don't want to speak for the minister or the Chair of that committee. You ought to ask that question of Minister Harpauer. But I know that they're receiving some submissions. They're waiting for this report to come from Steve McLellan et al. sometime over the next month or two. But it would be a good question to ask Minister Harpauer.

Ms. Sproule: — Do you know who else is on the committee besides the two ministers?

Hon. Mr. Doherty: — I believe it's Minister Harpauer, Minister Hargrave, Mr. Kaeding, Minister Moe, Minister Duncan, and Minister Cheveldayoff.

Ms. Sproule: — Thank you. Now this approach, I guess, that you're using now, can you share why that wouldn't have been used, say, five years ago? I mean is this mainly being driven by financial . . .

Hon. Mr. Doherty: — Well I can't speak for why decisions were made five years ago. I mean, I think five years ago we were in a very different place with respect to the revenues that were available to us. I've said all along, and I don't say facetiously, I say quite seriously, I've been a member of treasury board since I was elected in 2011 and been Finance minister for a couple of years now. I have yet to have a meeting where anybody comes in and says, we're good. We don't need any more money. So you know, and for all good reasons.

So every time you meet with an organization or a stakeholder

group or ministry officials, when ministers come before us at a treasury board table, not unlike this, and make their presentations, it's typically for more money.

And you know, the Premier has said publicly, and I think I've said in several interviews in public utterances, did we overspend over the last 10 years? Yes, we probably did in some areas. No question about that. But I think where we overspent was in, as I say, the priority areas that, believing from forecast that oil was going to continue at a certain level — perhaps not as high as it was in potash, not as high as it was in 2009 — but was going to continue at a stable level, that there was probably no imperative to do the kind of work that we did this past year with respect to the tax base.

Keep in mind, this province was harmonized with the GST [goods and services tax] back in 1990, 1989-90. And then Premier Romanow de-harmonized, I think — based on a campaign promise, if I recall correctly — and de-harmonized, you know.

People have said to me, well why didn't you harmonize if you're going to do this kind of changes? And I explain . . . and I think Dr. Jack Mintz in his assessment of our budget said that this is the right move; they should have harmonized. The difficulty with harmonizing is that the entire tax shift goes to the consumer now because businesses get input tax credits.

So when we ran the model, and we ran the model along with different other analyses in our econometric modelling, indicated that harmonizing at this point in time would have been tax-revenue neutral at best, tax-revenue negative at worst because our resource revenues are down. So in order to meet the spending that we are committed to, we would not have had sufficient revenues without increasing the PST, you know, much higher than what we did to meet this kind of level of spending.

[20:15]

Now if resource revenues — which will be about 10 per cent of our total revenues forecasted for this coming fiscal year; were as high as 33, 34 per cent back in 2009; and had usually been in the 20 to 25 per cent range — you'll recall Peter MacKinnon in his report said when non-renewable resource revenues exceed 26 per cent of your revenues, that's when you ought to put money away in a heritage fund. Well we're at 10 per cent this year.

So if we had resource revenues at a point where, when you're shifting, making this major shift, the entire shift to the consumer on the consumption base and had other sources of revenue, perhaps it would have made sense to harmonize. But when you're down on all these different levels of revenue, and we're still taking \$900 million in additional revenues from the consumption tax base expansion, now just wasn't the time to harmonize.

So we offer up that explanation. People kind of go, okay, I get that. But you know, the most efficient way of a consumption tax base that we're told from economists — and certainly Finance would concur with this and advise us of this — is harmonize with the GST base with the exact same parameters because, as

Arun has said, it's the most efficient, easiest to comply with for businesses at whatever rate you're going to put the PST at. You know, different provinces have different rates that are harmonized with the GST, but we don't have sufficient revenues from our other sources at this point in time to be able to do that.

Ms. Sproule: — All right. Thank you. When we're talking about core government functions though and libraries, I know you indicated that your decision this year was based on, I think, who you felt had a responsibility for libraries. But when we know that municipal revenues are not up and yet these cuts are made from a provincial level, like is that not really saying that libraries are not core to who we are as people? Or what sort of discussion was there around libraries and being a core function of government?

Hon. Mr. Doherty: — There was again, you know, a very difficult decision. There was considerable discussion around this. No, I don't think we should read into that at all that we are saying that's not a core service. But is it a core service of the provincial government, or a core service of the municipal government who charges property taxes for, specifically, libraries on their property tax bills? Certainly here in Regina and Saskatoon — I'm assuming in rural areas; I'm not familiar with rural-based property taxes — I get a property assessment from them. I'm a homeowner here in the city of Regina.

So when we took a look at the level of revenues that we had been providing to municipalities in a variety of ways, not just revenue sharing but other sources of revenue, and determined that . . . Look, and I'm not trying to play politics with this. We looked at the availability of resources to these municipalities, the availability of resources to some of these libraries with respect to reserves or monies they had available to them, and we're trying to whittle down a \$1.3 billion deficit.

Now some would say, well it's three and a half million dollars, Kevin, that you've took away from regional libraries, but three and a half million here, and three and a half . . . I mean, you know the old saying: a penny here, a dime there, a nickel there; pretty soon you're up towards a buck, so to speak. And that's the approach that we had to take in the sense of, we need to keep what we have responsibility for in the K to 12 system as functional as possible with growing enrolments — not near the records that we used to see, as far as student enrolments were concerned — with new schools coming on. And many of our MLAs [Member of the Legislative Assembly] saying, look . . . I had one tell me in his community they've got two libraries that are two blocks from each other in a town of about 300 people, with a school down the road with a library in it.

And so is there not a way for some type of consolidation or even regionalization aspect? Is there not some type of way for cooperation there? And it wasn't a function I was trying to force that by pulling money out. We were just simply trying to realize if we are spending \$6 million annually on regional libraries, and reduce that by 3.5 million, does it contribute to lowering the deficit, or can we take that 3.5 million and allocate it somewhere else. That's where we ended up.

And you know, fair enough, I accept the criticism. I accept that people say libraries are absolutely critically important. We

agree with that, which is why we fund the education system that we have responsibility for to the tune of over \$2 billion. And can we find ways to find cooperation with those other entities?

Ms. Sproule: — Thank you, Mr. Minister. I just want to move on now to debt charges. I know we talked about it last year a little bit, and particularly with Mr. Paton, about the way they're reported. And I noticed in Public Accounts '15-16, we actually have a nice summary now with all three types of debt charges in one location. We still don't see it in the budget document though. And to find vote 177 in the back of the Estimates and then go into the main budget document to find the GRF [General Revenue Fund] debt, if you want to call it that, and then the SaskBuilds debt, is there any intention to make it easier to find in the budget document?

Hon. Mr. Doherty: — Are you looking at page 71?

Ms. Sproule: — Let me look at page 71. No, I was looking at page 49, is what I was looking where it says "debt charges — general debt." So you're saying 71 is a better place to look.

Hon. Mr. Doherty: — Well if you're asking for overall debt in the General Revenue Fund or SaskBuilds plan or what have you, it's . . .

Ms. Sproule: — Yes. No, I'm talking about debt charges, so our interest rates. So that is on page 49. But vote 177 is in the back of the Estimates. And it's just a convenience thing for people like me who can't find . . . Every year I spend time trying to figure this out. But I noticed on Public Accounts, there's been a nice change made where all three are now located on one page, like page 24 of Public Accounts volume 1. So it's just an ease of facility for people like me to find out where we're at. Is there any discussion on having them in one place?

Ms. Macza: — I would note that vote 12 is the debt charges associated with the General Revenue Fund, which is required under *The Appropriation Act* to appropriate, so that's why it's highlighted in vote 12.

Hon. Mr. Doherty: — Page 68.

Ms. Sproule: — Of the budget? Or the Estimates?

Hon. Mr. Doherty: — Estimates book.

Ms. Sproule: — And then vote 177 is at the back, right?

Ms. Macza: — Yes.

Ms. Sproule: — Yes, I guess when I'm talking more about the budget document. When you say debt charges, general debt, there's a footnote that says that there are also the . . . Because they're netted out for the Crowns, that it's a different way of reporting. But interest is interest is interest — it's being paid. And I'm just wondering, like in Public Accounts it's now all in one place. But I'm just wondering is there any ability to have the total debt charges for the year in one place?

Hon. Mr. Doherty: — The deputy minister just said, you know, it's a good suggestion. We'll take that under advisement and try to create a table for the budget documents that will do

exactly what you're asking for.

Ms. Sproule: — I would appreciate that. For people like me, it just saves the searching. On the debt charges on page 49 for this year, it's 380.9 is your estimate for the debt charges. Now does that include debt charges for SaskBuilds?

Hon. Mr. Doherty: — Yes.

Ms. Sproule: — Can we get a breakdown of that figure for the estimates?

Hon. Mr. Doherty: — We are looking for it.

Ms. Macza: — I'm sorry, we don't have that information with us. We'll have to commit to getting it to you.

Ms. Sproule: — All right, thank you for that undertaking, and I'll just look forward to receiving it.

Again, it would be helpful when we look on, you know the pages previous: 47, we see the public debt broken down into the three categories, and it just would be helpful to understand the debt charges as they're associated with those public entities so we know where they're at.

On page 24 of the volume 1 Public Accounts '15-16, there is the "Debt charges — 10 year trend." And there I notice that we do have a breakdown in terms of pension interest expense. Now I don't think you show that in the budget either because I think that's after-the-fact calculation. Is that correct?

Hon. Mr. Doherty: — You're right. It's part of the pension adjustment at year-end.

Ms. Sproule: — Okay. And then we have the government business enterprise debt charges. Now there, last year in 2016 they were 584 million. When I look at vote 177 for this year, it's 376 million. Are those two different numbers? Why is it \$584 million for 2016 and then dropping to 376 million for '17? Or am I missing something?

[20:30]

Ms. Macza: — There's two parts to the answer. So part of it is that there's different entities and GBEs [government business enterprise] as opposed to Crown corporations. And the other part is that part of the interest charges you're seeing on page 24 of the Public Accounts is attributable to power purchase agreements, particularly in SaskPower.

Ms. Sproule: — All right, so when I'm looking, where would those figures show up in the Estimates then or in the budget, the other business enterprises and then the power purchase agreements debt?

Ms. Macza: — So the power purchase agreement are capital leases, and there's imputed interest associated with that. So they're not debt charges as would be on a bond, which is what is in vote 12 and in vote 177.

Ms. Sproule: — So it is a debt charge but not the same kind of debt charge? I see some heads nodding.

Ms. Macza: — Correct.

Ms. Sproule: — Again, clarity for lay people would maybe help. I don't know because like when I see "Debt charges — 10 year trend," and then I look at the two figures that are in the budget and in the Estimates, it makes it hard to sort of get your head around. So you will provide me though with the breakdown for the SaskBuilds portion of that?

And then I guess I have just one more question. This may be more for Mr. Paton as well. Since 2006 and '07 . . . This is on page 24, just under that 10-year trend chart. It says, "Since 2006-07, the amount of general public debt . . ." Oh, debt. I was thinking debt charges there. So has declined by one . . . okay. I was thinking debt charges had declined, and it wasn't making sense. Scratch that. All right. I'm going to move on.

And now I just want to talk a little bit about our discussion last year around *The Growth and Financial Security Act*. Some of the things that were said then was that you were going to come back with a new Act last fall, and we've talked about that a little bit, and that you would be doing some consultations. Can you update the committee as to where those consultations are at?

Hon. Mr. Doherty: — So the consultation that was undertaken last fall over the course of a couple of months with a variety of different people or organizations including the CEO [chief executive officer] of the CPA Saskatchewan [Chartered Professional Accountants of Saskatchewan]; the former director of accounting with PSAB, which is the Public Sector Accounting Board; all, well not all, but federal-provincial-territorial deputy ministers of Finance; the Provincial Auditor; a professor emeritus of accounting from University of Saskatchewan; a director of public sector accounting at CPA Canada [Chartered Professional Accountants of Canada]. I'm not sure what the IAASB [International Auditing and Assurance Standards Board] board is, but I'm assuming it's some type of accounting standards board, international. Federal-provincial-territorial comptrollers general, which is what Mr. Paton is, is the Provincial Comptroller. I mentioned the Provincial Auditor. Another business faculty member here at the University of Regina, Professor Rennie.

And so in any event, those consultations were undertaken with respect to what does a fiscal accountability framework look like, what should it look like for a province under summary financial statements.

What I can tell you is that we have gone through various discussions and iterations on what should be the metrics put forward in a fiscal accountability framework piece of legislation. We're just not there yet. It is very difficult to determine the metrics as to what would determine whether a province, regardless of whoever the government is of political stripe, is the province in good financial condition or not good financial condition?

And we are having some discussion and debate here and looking at what other provinces are doing. As I said to you, I think in the House, that most provinces that have balanced budget laws either ignore them or have suspended them. When

you ignore, you just don't follow them or have cancelled them like we have done here in the province of Saskatchewan for the very fact that they . . . When you're dealing with the variations and the volatility associated with a summary financial budget and you put in place a balanced budget law that requires you to, whatever the metric would be, but to balance your budget on an annual basis, if that's what you come up with, I think it leads to poor public policy decision making. Because as politicians, if you're forced to achieve a balanced budget because of a law, I think you would make very poor decisions.

Now do you achieve balance over the course of a period of time? And what that period of time is, is what we're discussing and debating. What is the overall accumulated surplus deficit of the province over a number of years, and what is that number of years that it should look like? And what about debt-to-GDP, which is what the federal government is talking about at length these days with respect to their deficit targets, as overall debt as a percentage of debt-to-GDP is the range they want to keep it in. As the economy grows, your GDP grows. You keep your debt level at a sustainable level, which is what the credit-rating agencies take a look at as well with respect to the fiscal health of a province.

So it's still my commitment to put together a framework to introduce in the House. I want to ensure that we aren't putting something in there that is arbitrary or would lead to poor public policy decision making by any cabinet or government, based on trying to hit a specific target as opposed to a range. And what are those various metrics with respect to giving you those ranges? And not just one thing, like to say that your revenues exceed your expenditures on any given year because it would lead you to do things on tax policy, I think, that is not good public policy for tax policy; or on the flip side, on the expenditure side, to reduce expenditures dramatically to hit a specific number as opposed to what should a province with our size of GDP shoot for with respect to our overall debt level. What's an acceptable surplus? Are you taxing too much if you have too high of surpluses on an ongoing basis? What's an acceptable deficit level? All of these different things are factoring into trying to put together a fiscal accountability framework, as opposed to just saying a balanced budget law.

Ms. Sproule: — Thank you very much. So, if I understand correctly, you are still contemplating some form of legislation. Do you have any idea what kind of time frame you're looking at or is it still off in the future?

Hon. Mr. Doherty: — I don't. To be perfectly honest with you, Ms. Sproule, we were so focused on this budget and that, that that kind of got put on the back burner here for a bit, and we will turn our attention to it again. Now whether it's . . . I suspect it will not be introduced this spring, but probably shooting for the fall of this year.

Ms. Sproule: — Thank you. I'm just going to change gears here a little bit. And I just want to review the research and development tax credit, and just try to get some understanding about some of the recent changes.

Now in the 2014-15 budget estimates, the research and development tax credit was a projected cost of \$15 million. That was vote 18, under the Finance estimates. 2015-16, it was

a nil line item under vote 18. And then it didn't appear at all in the '16-17 estimates.

So, Mr. Minister, your predecessor said on April 22, 2015, and I'll give this quote for the record, the 2015-16 expense budget for the Finance ministry is "... 357.3 million, a decrease of 12.8 million overall, or 3.5 per cent from the previous year."

And then he goes on to say:

The conversion of the tax credit [effective April 1st, 2015] from refundable to non-refundable will remove \$15 million in expense from the Finance budget. This savings is partially offset by a \$6 million increase in expected non-refundable claims, for a net savings to government of \$9 million related to this program. The tax credit rate reduction from 15 per cent to 10 per cent [and that was another budget promise] will result in a further \$9 million savings to government, meaning then that the total savings to government from these changes is \$18 million.

So that's '15-16, which is two years ago.

In '17-18, we're now having the R & D [research and development] tax credit reinstated as \$5 million line item, under vote 18. And in your news release, you said:

A new refundable 10 per cent R&D Tax Credit is being introduced in respect of the first \$1 million in annual qualifying expenditures incurred in Saskatchewan by an eligible small business.

So I guess the first question I have for you there is, why in these tough times would you reintroduce a refundable tax credit?

Hon. Mr. Doherty: — Because it speaks exactly to the questions you had in question period today with respect to diversifying our economy.

We heard over and over again from small- to medium-sized innovation companies that we were just frankly losing them to other jurisdictions because they don't have cash flow initially, in their start-up phase, to benefit from the non-refundable tax credit. You have to derive a certain amount of taxable corporate income to benefit from a non-refundable tax credit. So I heard directly from small start-ups up at Innovation Place in Saskatoon. I know the Premier heard this over and over again in his various tours around the province, that we were losing these little small start-ups, small- and medium-sized start-ups to other provincial jurisdictions that offered those kinds of incentives.

And so it goes hand in glove with our patent box incentive tax credit in trying to spur on innovation in the province, and not just innovation in the natural sectors with respect to agriculture and mining or oil and gas, but different, other types of clusters at both Innovation Place up in Saskatoon or Research Park here at the University of Regina, which is where the genesis of a lot of these little, small start-ups begin with.

But there are other start-ups that have nothing to do with the universities and are on their own. And we've seen some success stories here in the province from those small start-ups. So this was just simply yet another tool in trying to spur economic

activity in our province, keep these start-ups here in the province of Saskatchewan by benefiting from some cash in their pockets in their initial phase. And when they hopefully become successful and they start to drive that corporate income, they will pay corporate income tax into this province and benefit from the non-refundable as well as the refundable.

So in those comments you made about my predecessor a couple of years ago, a refundable tax credit is a direct expense for the Ministry of Finance. A non-refundable tax credit is a loss of revenue for the province of Saskatchewan. Am I saying that right, Arun? Because I always have to make sure I get that correct in my own mind.

So that's the reason why that was included. It's not a large amount of money, but we're told by some start-ups that this would be the difference between them being here or moving to another jurisdiction.

Ms. Sproule: — I'm just wondering if you could give us any example that you know of of businesses that we have lost because of the lack of this refundable credit.

Hon. Mr. Doherty: — I don't know the name of the company, but I know of one specific individual who talked with the Premier directly, who was trying to get funding. He set up appointments for physicians, if I recall this correctly. He set up some type of app to make appointments with physicians and he was looking for some, and I stand to be corrected on this if ... The Premier was telling me this story, but if this is not the exact business model, then I apologize. But I think this is what he explained to him, that he was trying to receive some funding and he could not achieve sufficient cash flow to get him to the next phase of this particular app because he had no program to access here in the province of Saskatchewan.

He met a couple of doctors from New York on some type of trip who told him to come down to this particular facility in New York because that's exactly the kind of thing they were looking for, and they had incentives in the state of New York to provide him with the necessary cash flow to develop it. He developed it. It became successful. It is still successful. I don't know the name of it offhand. He still wants to come back to Saskatchewan because this is where he's from, but he's running a thriving business in the state of New York and he's branching out to other states in the US.

I came across an accountant in Saskatoon when I was up there speaking on an engagement, who does the books for a lot of these small start-ups, who came to me after the speech and said, look, I am losing clients left, right, and centre in my practice because they can't access this kind of cash flow early in their start-up phase without a refundable tax credit — which we had axed before and have subsequently brought it back. So do I have a list of companies available for you here today? No. I admit to you it's anecdotal based on the feedback I've received and the Premier's received and the Minister of the Economy, for that matter, has received.

Ms. Sproule: — Okay then. Maybe could you share how Finance reached that \$5 million estimate then for this year?

[20:45]

Mr. Srinivas: — Okay, Arun Srinivas again. We arrived at the estimate based on assessment information that we had for research and development tax credit claims prior to 2015. So for the 2014 taxation year based on assessments for . . . sorry, for the 2013 taxation year and 2014 taxation year, we had an estimate of the number of corporations that were claiming the refundable tax credit, at that time, that were Canadian-controlled private corporations. And we had an estimate based on those assessments. We knew the amounts that they were claiming, and so on the basis of that data we estimated the \$5 million . . . or that the cost of new credit would be \$5 million if we were to offer a 10 per cent credit with a maximum or a cap on the credit of \$100,000 per company.

Ms. Sproule: — Ten per cent in '13 and '14 as well?

Mr. Srinivas: — No, at that time it was 15 per cent.

Ms. Sproule: — Okay. So when it was cancelled then, what was the cost, say in '13 and '14, to the ministry when it was cancelled? Would it have been 5 million each year then as well?

Mr. Srinivas: — At that time it would have been more, because there was . . . the credit was at 15 per cent and there was no . . . well the cap was at, I believe, a million dollars, although not sure. So the tax credit rate and the cap were different at that time. So I don't have the exact figure here with me.

Ms. Sproule: — All right. Did you do a cost-benefit analysis to reinstate this credit?

Mr. Srinivas: — So I think, as the minister had described, with the consultations and submissions that were received by government — particularly with the innovation sector, most strongly with the R & D sector in Saskatoon — it became clear that for smaller start-up, smaller innovation companies, smaller R & D companies and innovation start-ups, that a non-refundable credit was not providing assistance to them. They were already not in a taxable position in order to apply a non-refundable tax credit against taxes payable. And the non-refundable tax credit that was still being offered was providing benefits to medium and larger corporations and really not focused on the kinds of businesses that there was a desire to support.

Hon. Mr. Doherty: — I think the difficulty with it is that you don't know what you don't know, in the sense of how many companies have left because they could not access start-up funding here in the province of Saskatchewan, other than through anecdote, where people have said, you know, I would have stayed in Saskatchewan but Alberta offered this, or such-and-such a place offered this, i.e. the example of the young fellow who went to New York. So it's difficult to quantify what you've lost, you know, unless you're doing a census of . . .

What I've asked Arun here was the difference between the number of applications we received when we had the refundable tax credit in place versus the non-refundable. And as he said, the small companies dropped off dramatically because they just couldn't access . . . they didn't have sufficient income to benefit from a non-refundable tax credit. So we were seeing the larger innovation companies access that plan, and that's not

what we . . . I mean it's good for the economy as well, because they continue to innovate. Where we're really trying to drive this is with that small- and medium-size enterprise.

Ms. Sproule: — I'm going to ask this in the least . . . non-political way I can. But what are the parallels with the film employment tax credit, which I believe was refundable and then there were decisions to make it non-refundable? So we've seen what's happened to the film industry here as a result of that, so I guess in terms of your core evaluations when you're saying, well R & D is important, film industry maybe not so much so. Was that part of your discussions at all, or is this just a different sphere?

Hon. Mr. Doherty: — Well what we have said is the creative sector could access these refundable tax credits or these tax credit regimes as well. We specifically included the creative sector in these tax incentives with this.

On the film tax credit, not to rehash an old political debate here about that, but you know, keep in mind that 40 per cent of the procurement of goods and services on any particular production was procured outside the province of Saskatchewan. It was services or goods procured outside the province of Saskatchewan that paid no tax here in the province. Secondly, these were entities that were not staying in the province. Some did, I will grant that, but that's where we've tried to make up for that through Creative Saskatchewan with respect to a grant system on that particular sector.

You know, it's an age-old debate. Are you trying to pick winners and losers? The creative sector is still eligible to apply for these particular types of tax credits if they can meet the qualifying parameters for accessing them. At the same time, we still have Creative Saskatchewan in place that, last time I talked to the minister about that and the board Chair, they were quite pleased with the way that system was working. We had increased the amount of monies available for movie productions or film productions through Creative Saskatchewan.

And that's a hands-off, third party entity, if you will, that makes those kinds of decisions. We, as politicians, don't sit around and talk about what film or project should receive funding. It's completely hands off, and well it should be. So we didn't sit down and say, you know, let's rehash the film tax credit debate on this thing and take a look at it. We wanted to ensure that the creative sector could access these as well.

Ms. Sproule: — Okay. So maybe just share with us a little bit in terms of what types of businesses you think will benefit. Now we have your example of developing an app for doctors. And God knows, my doctor won't even use email, so I'm hoping it'll bring him into that, if it's going to work. So what other types of businesses do you think are you expecting to access this refundable credit? And I guess while I'm at it then, did you have any reports done by consultants on this or did you hire any outside assistance to gather this intel?

Hon. Mr. Doherty: — The answer is no on the outside consultants. So I'm looking at a list, but I can't share it with you because it's confidential, as tax filers and taxpayers. But I can tell you on this list there's some 45 different companies of all different sizes and everything from, as you could well imagine,

biosciences and foods in the ag sector, to IT-type [information technology] companies, to transportation-type companies, to chemical companies, to . . . I think you get the idea there, you know. Things that you would imagine in the IT sector or in the biosciences, particularly with the ag sector in Saskatoon, with the College of Agriculture, Innovation Place up there. And whether it's in seed varieties or chemical side or fertilizer side, if I could tell you the names you would recognize them. Arun tells me I can't.

Ms. Sproule: — No, fair enough. Better do what Arun says, that's right. No, that gives me a good idea of the types of companies you're anticipating will access it, and I guess next year we'll have a discussion about how that's gone.

Just moving into some general questions now, have you contacted any outside consultants at all as a ministry for policy or strategies?

Hon. Mr. Doherty: — So we have a list of a variety of consultants or outside agencies that assisted the Ministry of Finance, a total of 26 over the course of this last fiscal year for a total of \$422,000 — everything from print companies that print the budget, to marketing companies that assist with the development of the marketing packages for the budget, to cash services, and individuals, I'm assuming, with expertise in specific areas.

Ms. Sproule: — I'm just looking at the goods and services list on Public Accounts. It's not that long of a list. So would a lot of those be under \$50,000 then?

Hon. Mr. Doherty: — Oh yes. The vast majority of them are under. I think the highest is 129,000, Phoenix Advertising for the creative services, preparation of budget. And then there's quite a few of them that are well under . . . Well there's only two that are over 50,000 of the 26.

Ms. Sproule: — Okay, thank you. In terms of efficiency measures, do you have any efficiency measures planned for '17-18? And what efficiency measures would you have implemented in '16-17?

Ms. Isman: — Clare Isman, deputy minister of Finance. In terms of some of the initiatives we undertook in '16-17, we did a review of supplier maintenance contracts in terms of payment processing and eliminating duplication of processing payments between the various branches within Finance and our external customers.

We did a review of revenue users to reduce the time it takes to actually create and close out user software accounts for our employees. We did a review of revolving fund payments to eliminate duplication in efforts in the processes of those revolving funds.

We reviewed processes and developed a solution with regard to the old Saskatchewan savings bond program in terms of making it more effective and efficient in terms of monitoring what was there. We looked at modernizing the documentation and the processing of dormant monies that we received from the Ministry of Justice. We reviewed processes to document and develop a custom software solution to track our issuance of debt

in a more efficient way. And we also documented and examined the processes for custom software solution to assist in refunds for First Nations and tobacco retailers.

For '17-18 we actually haven't yet done our strategic planning process in terms of the numbers of initiatives what we might undertake in the upcoming year.

Ms. Sproule: — Thank you. Next question is about your forecasting for WTI [West Texas Intermediate] oil price and the Canadian exchange rate. What experts have been consulted? Who do you consult, I guess last year and this year, in terms of determining your basis for the forecast?

Hon. Mr. Doherty: — I can tell you that on a fiscal basis we forecast WTI at \$56.25. On a calendar year basis, \$55 in 2017, \$60 in 2018, but there's three months of rollover in a fiscal year into 2018. On the fiscal year basis for the value of the Canadian dollar at 74.95 cents, I'll let the deputy minister address who we consult with on that.

[21:00]

Ms. Isman: — Thank you. Sorry about that. I just had to find the right pieces of paper. With regard to the Canadian dollar, and this would've been some of the detail that we referenced in terms of the technical briefing. There's three major companies that we look at which is IHS Global Insight, The Conference Board of Canada, and C4SE, which is the Centre for Spatial Economics. As well as six of the banks, including TD [Toronto Dominion Bank], RBC [Royal Bank of Canada], BMO [Bank of Montreal], CIBC [Canadian Imperial Bank of Commerce], Scotiabank, and Laurentian Bank. So that's what we use in terms of the forecast on the dollars.

With regard to WTI, that information actually comes through the Ministry of the Economy, and they consult with a number of external forecasts. And I'm not sure that I can tell you specifically who these companies are, but it's AJM, BMO Financial Group, FirstEnergy Capital, Energy Information Administration, GLJ Associates Ltd., the NYMEX [New York Mercantile Exchange] futures, Peters & Co. Ltd., McDaniel & Associates, Scotiabank, Sproule Associates Ltd., and TD Bank Financial Group. So that's the group of forecasters that they use in terms of then providing us with the forecasted.

Ms. Sproule: — Thank you very much.

Hon. Mr. Doherty: — I would note that the Government of Alberta, I think theirs is at \$55 WTI. And I think the feds came in at 54.25. Alberta was 55; feds were 54.

The Chair: — The committee will just take a five-minute break, and then we will resume with questions and discussion.

[The committee recessed for a period of time.]

The Chair: — All right, committee will resume. Questions.

Ms. Sproule: — All right, thank you for the break, Madam Chair. I'm just going to ask you, in terms of the PST expansion on construction and repairs to property, what sort of reaction are you getting from the oil and gas sector on that? I guess, how

will it impact them?

Hon. Mr. Doherty: — I have not had any conversations specifically myself with the oil and gas sector. We have reached out to several different companies in the oil and gas sector to ensure that they understand specifically what the changes may entail for their organizations.

I can tell you that we have met with 30 different organizations. There are meetings set up with the 30 different organizations primarily in the construction industry, and I can go through the list if you would like me to: Canadian Construction Association, Saskatchewan Construction Association, Moose Jaw Construction Association, Prince Albert, Regina, Saskatchewan Heavy Construction Association, Saskatoon Construction Association, the Association of Consulting Engineering Companies, Electrical Contractors Association, General Contractors Association, Glass Dealers Association, Lloydminster Construction Association, Mechanical Contractors, Merit Contractors, Saskatchewan Association of Architects, the Saskatchewan Construction Safety Association, the Saskatchewan Masonry Institute, Concrete Saskatchewan, the Saskatchewan Roofing Contractors Association, Saskatchewan Wall & Ceiling Bureau Inc., the Canadian Institute of Steel Construction of Saskatchewan, Saskatchewan Apprenticeship and Trade Certification, Regina & Region Homebuilders Association, Saskatoon & Region Home Builders Association, various building material suppliers, Saskatchewan Automobile Dealers Association, the Canadian Life Health Insurance Association, Insurance Brokers Association of Saskatchewan, Association of Saskatchewan Realtors, and the Ministry of Highways is on here.

And there's planned consultations with the Canadian Association of Oilwell Drilling Contractors, Petroleum Services Association of Canada, Western Convenience Stores Association, and then others as identified or requested. We've also had, since the day before budget and then since budget day, 11,348 telephone calls as of April 3rd into our ministry, 1,550 emails, and 1,000 new business registrations to date since April 4th. In other words, those, I'm assuming, who would have to collect PST now who did not have to collect PST. As well, I know that the deputy minister has reached out to a couple of different oil companies specifically to meet with their tax people to address issues surrounding the changes to the PST.

Ms. Sproule: — Can you share with the committee when you anticipate you will be meeting, I think you said, with the oil well drilling companies and petroleum producers?

Hon. Mr. Doherty: — I am advised by the assistant deputy minister that they will start this week and go for the next couple of weeks.

Ms. Sproule: — All right, thank you. Just moving over right now to the grants-in-lieu or payments-in-lieu or whatever that is. I've seen a contract with the city of Yorkton in terms of SaskPower back in I think it was 1959, and that was to take over the natural gas transportation and distribution systems. The contract is a short one and it basically says, it starts now and it goes forever. And I think the changes . . . the city is of the view that the changes that were made in the budget would violate the contract terms.

So I guess, number one, is this a permanent change in the budget or is it just temporary? Is it just for this year? And I'll start there. Is this permanent or it just for this year?

Hon. Mr. Doherty: — I'm not trying to duck your question, Ms. Sproule, but it really is Minister Harpauer's file with respect to responsibility for this.

What I will tell you is that the meeting I was involved in with the mayor of Regina; the mayor of Saskatoon; the president of SUMA [Saskatchewan Urban Municipalities Association], Dr. Barnhart; and Mayor Maloney from Yorkton who represents the cities, the city caucus I think of SUMA. The discussion in that room took place. And Minister Harpauer led it as lead minister — Minister Hargrave and Minister Wyant were in the meeting as well — indicated, and I think she subsequently put it . . . and I haven't got the news release here. I don't know if one of my staff has the news release that was issued last Friday, I believe, where there was a bit of a change in the grants-in-lieu reductions to a number of different municipalities— not Saskatoon or Regina though — where I think she specifically said in that news release that this was a one-year change with discussions to come with respect to . . . I'm going off the top of my head. I don't have the news release here so I'm just, I'm paraphrasing so I stand to be corrected on it, but that there would be discussions in this coming year about all the different types of payments that go to the municipal sector here in the province of Saskatchewan.

So I'll just find it here specifically just to make sure it's . . . and I'm quoting here from the news release:

Harpauer said the grants-in-lieu reduction is a one-year measure as part of the government's three year plan to return to balance and that the government will be meeting SUMA and SARM to discuss a complete revamping of the various streams of funding municipalities receive from the province.

So this particular reduction is, as the minister indicated in her news release, is a one-year measure.

What I said as Minister of Finance in those meetings is we have a number plugged in that's in the \$36 million range as part of our three-year plan in each successive year to get back to balance. And so the mayors had asked in that meeting that . . . I found a little strange some of their reactions; again, it's not my file. But all three of those mayors . . . not including Dr. Barnhart as the president of SUMA. But all three of those mayors said look, if this is a one-year decision, that's a different conversation that we can have. We have some ideas to get your \$36 million. We would ask for the opportunity to come back to you with some options. I've not seen those options yet nor am I aware of a request for another meeting.

Perhaps Minister Harpauer has been notified but it was clearly stipulated in that news release that this was a one-year measure. And Minister Harpauer clearly articulated in that meeting that we have to sit down and have discussions on the entire funding envelope for the municipal sector moving forward.

[21:15]

Ms. Sproule: — Obviously I could direct these questions to her then in the estimates as we move into it. But the contracts, if I understand it, was a payment from the Crowns to the municipalities for the opportunity to have those services there. If I understand correctly, instead of the money flowing from the Crowns to the municipalities, are those Crowns now required to pay that amount to the provincial GRF?

Hon. Mr. Doherty: — No. If they aren't paying that out, they retain it as part of operating earnings which contributes to the bottom line of the summary financial statement. It's not necessarily a cash payment to the GRF; it just simply shows up in their operating earnings.

Ms. Sproule: — Less expenses.

Hon. Mr. Doherty: — Exactly . . . [inaudible interjection] . . . I've been corrected. It is money that they're going to transfer to the GRF.

Ms. Sproule: — That's what I thought I read somewhere. So in that sense, what would be the policy reason for basically taking that from municipalities for the services the municipalities were providing? I mean, those were contractual arrangements. What was the thinking then that it would just then be clawed back from the Crowns and put into the GRF?

Hon. Mr. Doherty: — Again, these are questions that are better directed to Minister Harpauer and Minister Hargrave as Minister Responsible for CIC [Crown Investments Corporation of Saskatchewan], who are responsible for the file. From a Finance perspective, is that when we are looking across all sectors to contribute towards the eradication of the \$1.288 billion deficit over the course of three years, what we had heard as a government over and over again was to keep municipal revenue sharing whole, as per the formula.

Now we didn't change the municipal revenue-sharing formula in this budget. Where we were looking for was where was there an opportunity — knowing what the historical record is of this government in providing all kinds of different funding sources to the municipal sector, not only operating dollars but clearly in infrastructure dollars, capital dollars, like billions of dollars over the course of the last 10 years in infrastructure funding to these communities — where was there an opportunity to provide less than 3 per cent from the municipal sector to help achieve, on that particular line item, to help achieve the eradication of the deficit? And that's where we came to that conclusion on that.

With respect to the particulars of a contract, I've not seen the contract. I'm not familiar with the contract. Minister Harpauer would have to answer that question.

Ms. Sproule: — I guess I understand your thinking or your theory around keeping the municipal sharing whole. But we're talking then just cancelling the Crown's obligation to them under that arrangement. But why would you not leave those revenues in the Crown as you had thought? And instead, why are we now shifting . . . like what's the policy reason for shifting it into the GRF? And I don't know if Finance had . . . you said maybe Mr. Hargrave would be a better place to ask that question. That's a completely different issue. Having the

Crowns not pay it to the municipalities is one thing, but then continuing on and saying, Crowns, you are going to continue paying it, but it comes to the GRF.

Hon. Mr. Doherty: — It's no more complicated than the need of cash to pay for programs and operations of the General Revenue Fund or the operations of government.

Ms. Sproule: — But as we know, SaskPower is already well above the 75 per cent debt ratio, so they're really not in a position to be able to do that. So how will that impact them?

Hon. Mr. Doherty: — Yes, there's a tremendous amount of complexity to the history of these contracts for what services were provided. I'm advised that this was always just a flow through, through the Crowns to those municipalities. It was not in lieu of services or property taxes. They still pay their property taxes or grants-in-lieu of what their property tax would be to those municipalities. There's still \$35 million in the budget for grants-in-lieu on both the executive side of government and the Crowns paying out to municipalities.

There was a total of \$71 million. Actually, it would be more than that with the bit of the rollback last Friday. There was a total of 71 million in total in grants-in-lieu. We clawed back 36 million in the budget and then subsequently reduced that by about 3 million . . . last Friday, Clare? So there would be \$38 million still in the budget as flow through to the municipalities as grants-in-lieu.

Ms. Sproule: — Yes, I understand that. I think there's a few semantical problems with how these programs were labelled. There are different arrangements, and I think we're slowly uncovering now there's a whole story here that goes back decades. But I think what I'm saying is, it's one thing for the flow through to go to the RMs [rural municipality] for whatever reason, if it's payment in lieu of taxes for legitimate property occupation I guess by Crowns, or these gas arrangements it sounds like. And I understand that's why SaskTel wasn't targeted in this particular endeavour. It's just the SaskEnergy, SaskPower side of things.

But I know that there are RMs as well that are receiving these payments-in-lieu. Are those all what you would call official payments in lieu of taxes, where there is property within the RMs where there are payments being made in lieu of tax? Or are RMs being exempted for some other reason?

Hon. Mr. Doherty: — I'm looking for a list of the . . . I know I brought it with me, but of the various cities that are impacted by this and their level of reserves that they have available to them.

But what I would say to this, as far as the policy is concerned, Ms. Sproule, you're really going to have to ask Minister Harpauer, who has a much greater understanding of those contracts, the history of those contracts. The, as you put it, you know, the nomenclature around what they were intended for has evolved over the years and there are . . . As she explained to me in a verbal briefing, there are RMs and municipalities that are incorporated that receive these grants-in-lieu as a municipal surcharge. And you could have an RM, two RMs side by side — one has farms that pay the municipal surcharge and the other doesn't, and there's no rhyme nor reason to it because there's

no facilities of those Crowns in those RMs. And yet customers are being charged for it, and it's flowing through back to a municipality that may not be a rural municipality. It could be an urban municipality next door, like a Humboldt or a Yorkton or something like that.

So I don't want to go too far down the path. I'm not trying to avoid your question. It's a good question. But Minister Harpauer has a far greater understanding, and her officials, of the history of this than we do here in Finance.

Ms. Sproule: — Well thank you for that. And we're just starting out down the estimates road, so we'll have time to do that as we go along.

I'm just going to shift over now to P3s. And again, I know SaskBuilds is tasked with the responsibility for managing them, but I think there are some Finance issues that we can maybe tease out here tonight.

I guess, first of all, I just want a good understanding of where the liability or debt related to P3s [public-private partnership] are recorded in your budget of '17-18, so if you could direct me to the page. I'm specifically looking for the debt related to P3s.

Mr. Paton: — Terry Paton speaking. This is one item that you won't see specifically in the budget, because we don't have a balance sheet that shows the assets and liabilities included in the budget.

What I can direct you to is on the Public Accounts, if you turn to page 43. On page 43 you'll see a line that's called obligations under long-term financing arrangements, and you'll see at the end of last year the amount of the debt that was carried for these P3s was \$429 million, an increase from \$37 million the previous year. So you don't see a forecast as to where that's going in the budget for the current year, but you can see how we are accounting for those numbers.

Ms. Sproule: — Can you explain for the committee why we don't see forecasts on that? You may have just done that. I note that on page 141 of the Estimates there is a line, government, Saskatchewan Builds capital plan on the schedule of debt. Would that be the best place to locate that? Because right now for 2018, you're estimating \$2.8 billion.

Ms. Isman: — Clare Isman. That's what we were just looking at. And so the specific question with regard to the borrowings as it relates to P3s, we don't have the breakdown under the SaskBuilds capital plan of the differentiation between the P3s and the rest of the capital plan. That's what we were just trying to see, if we actually had the breakdown.

[21:30]

Ms. Sproule: — The capital plan is the total of everything on the list, but not all are P3s.

Ms. Isman: — Correct.

Ms. Sproule: — Were you able to locate that? Or is that something you just want to undertake to provide at a later time?

Ms. Isman: — We can see if we can actually get the breakdown. We actually don't have those numbers in our materials that are here, but we can check and see if we can actually break it out.

Ms. Sproule: — I would certainly be willing to have you provide that at a later date, if that's all right. Okay.

Hon. Mr. Doherty: — Okay.

Ms. Sproule: — I was going to ask, on page 43 of the summary financial statements in Public Accounts volume 1, we note that in 2015, the obligations under long-term financing arrangements. Now that's more than P3s as well then, or is that specifically P3s?

Mr. Paton: — I believe all of that is specifically P3s, and if you look at page 74 of the Public Accounts, you'll see the details that that is broken down into.

Ms. Sproule: — So currently, or in 2016, your past . . . It had leaped — this is just the loan portion — had leaped from 37 million to 429 million. Do you have a figure in the estimates for 2017? Or is that something we can get?

Mr. Paton: — I don't have the 2017 number at this time. Again, that's something that we might be able to get for you later on.

Ms. Sproule: — Okay. In terms of what SaskBuilds is managing that isn't a P3 . . . Is there anything that they're doing that isn't a P3?

Hon. Mr. Doherty: — It is a good question for SaskBuilds and the minister, Minister Wyant. You know, they are responsible for the integrated capital plan. Finance is responsible for getting them the money, as to how we get them the money, depending on what the costs of the projects are. And so they're responsible for liaising with the individual ministries. So if it's the new joint-use schools, they liaise with the Ministry of Education to oversee those particular contracts on a P3. If it's . . . obviously the bypass, it's with the Ministry of Highways. Our responsibility is providing the financing on an ongoing basis for those contracts.

Ms. Sproule: — Fair enough. And again, we will be able to ask Minister Wyant that.

I do want to ask one more P3 question though, and this is from a value-for-money report in the Swift Current long-term care facility. The stated value of that, the final cost is stated at \$108 million basically. But the report says that the Cypress Health Region will make average monthly cash payments of \$776,000 over the 30-year contract. So their monthly payment is 776,000. That's \$9.312 million a year. But over 30 years, it comes out at \$279 million.

Now the value of the building is 108 million, but the payments will be 279 million. So is that the total cost of the long-term care facility after it's paid off, is 279 million? Is that what you're writing it off as?

Mr. Paton: — I'm not familiar with that specific project, but

maybe we can just talk about P3s in general. The numbers that we record in the financial statements relates to the actual amount of debt that we would owe on any one of these projects. The payments that come out of the General Revenue Fund, or the Ministry of Health as it may be, relates to three things. It'll relate to the principal repayment of that debt. It'll relate to the interest that is accumulated on that debt as we go throughout the 30 years. And in many cases it could also relate to various service requirements in terms of maintenance and so on. So the larger number that you're talking about probably has all three components in it.

Ms. Sproule: — I think one of the difficulties we're facing is teasing out which is which. So is there any way we can get that actual amount broken down into the three components that you've identified for all of the P3s?

Mr. Paton: — I think the first thing I'll do . . . The deputy minister's going to speak to some of the more current operations as it relates to the P3s. But again on schedule 9 on page 74, there's a key part of that schedule at the bottom of the page that will show the obligations that we've currently got for the \$429 million that we've booked so far. And you'll see at the bottom of the page the obligation payments, and you can see how they are amortised over a number of years into the future. They've got a total amount of \$429 million. Construction of the assets in the future, that's another \$2 billion. And then we've got operation, maintenance, and lifecycle rehabilitation of 1.1. So the total payments that we're making out into the future on all of these projects is \$3.6 billion. And I don't have that on a project-by-project basis, but perhaps the deputy can give you a little bit of information about the current year's operation.

Ms. Isman: — Thanks, Terry. So I think one of the things that I might note is simply that the fact that the utilization of P3s for some of our capital projects and the reporting that we're doing under it, so I think schedule 9 and the financial statements start to show some of that picture.

If you look at the Ministry of Education for example, so on page 48 of the Estimates . . . And this is where your earlier comment about how we start to report and roll data and information up will, I think, start to come together as we gain more experience, but this is the first year.

As a result of the joint-use schools project you'll see under the K to 12 education, the P3 joint-use schools maintenance and interest charges, which then needs to be appropriated in the current year for the Ministry of Education, is there as 9.7 million. So on each of these projects within the ministry that has responsibility for it, as the money needs to be appropriated either for the capital project or then in turn as we progress for maintenance and interest, you'll start to see it then in the estimates.

Ms. Sproule: — Okay, my head is starting to hurt, but thank you for that. I guess what's confusing now for me in schedule 9 is we see the 2016 obligation for the Swift Current long-term care facility at 119 million and that's different than the 108 million . . .

Mr. Paton: — I think you're looking at two different years. The numbers that we have here on 2016 are March 31st, 2016

and I imagine the other number is probably March 31st, 2017, I'm anticipating.

Ms. Sproule: — Okay, it's just that it's higher in 2016 than what it would be . . .

Mr. Paton: — But there could have been payments made under that already.

Ms. Sproule: — Okay. I'll have to think about that, but certainly we can pose those questions further to Minister Wyant when SaskBuilds is in place. I think for the public though — and maybe I'm not a good example — but I think for the public it's important to have this information in a usable, understandable way that could be presented.

And I understand and I thank you for explaining that you're rolling it out as it comes into existence as well, but I think it would be helpful to have a better understanding of all these obligations and how they break down, particularly capital, interest and . . . the three categories: capital, interest, and then the ongoing obligations. Okay, I'm going to move on.

Hon. Mr. Doherty: — Every time I think I start to understand it, Ms. Sproule, the accountants change the rules on me and my deputy minister comes in and says no, that was last month's rules. Oh.

Ms. Sproule: — I sympathize.

Hon. Mr. Doherty: — They're worse than lawyers, if you can imagine.

Ms. Sproule: — Now we're getting personal. And actually I do want to get into somewhat of a delicate question for you, Mr. Minister, and it is in terms of a gentleman named Reg Howard. Now he's now listed as SaskBuilds' director of procurement modernization. So he's working for SaskBuilds and I'm not sure what kind of job that is. But I don't know if you know when he was hired, but I understand he's one of your business partners. So the question then is, what are your interactions and how do you manage the conflict of interest that could arise between the two of you?

Hon. Mr. Doherty: — Well you're correct. He is a business partner of mine with respect to a couple of condo investments here in the province with two other partners. I fully disclosed my ownership interests in the conflict of interest disclosure form like any other MLA does and discussed those with the Conflict of Interest Commissioner. I am very, very mindful of recusing myself of any discussions in cabinet or at treasury board that might involve any business interests that I might have, and I think that the cabinet secretary and the treasury board secretary would affirm to that, that I am very mindful of that.

With respect to Mr. Howard's employ with the Government of Saskatchewan, I have very little to do with him. I can't think of . . . and I don't even remember when he was hired; I had nothing to do with his hiring. I can't think of any interaction I've had with him other than he phoned me up one night with a very benign question about some entity here in province — was I familiar with them? — and I don't recall the entity and I was

not familiar with them. So he doesn't work in my ministry, and he has never attended a SaskBuilds board meeting to my knowledge, and I sit on the SaskBuilds board.

So you know, it's a large province but it's a small province in that sense. And I can assure you that if an occasion arose where I felt I might be in a conflict, I would recuse myself from any discussions.

Ms. Sproule: — Thank you very much for your answer. I'm just going to move on now. You mention in your opening comments about the commission for collecting PST for small businesses. We know it's an onerous task. And I was at a restaurant on the weekend where they were actually figuring out the PST on a calculator because they hadn't yet had the time to make the adjustments. And so we know it's an onerous task, and I've certainly talked to other business people who are very concerned about that.

Nine to ten million was the payment, and I believe that would have included the . . . was it the . . . liquor consumption, yes, tax revenues as well. You mentioned in your opening comments that because it's so computerized now it's really quite simple, and so is that your full justification for removing this payment? Because I know it's a lot of work and it's a lot of hassle.

Hon. Mr. Doherty: — I don't think I used the term it's quite simple now. I said I think we're evolving towards that, that when fully implemented this system will modernize the collection system in the province. And others can speak to the revenue or RAMP [revenue administration modernization project] project, as they call it, much better than I can.

But a couple of things I will note on the elimination of the commissions for the collection of PST or liquor consumption tax. We're one of the last provinces, if not the last province as I understand it, to do it. British Columbia is the only province left that . . . Is that what that says? Yes, they're not harmonized. But all harmonized provinces do not pay commissions, and GST does not pay a commission for the collection of the GST.

So when we looked at . . . Again we're modernizing our revenue collection system. With the computer systems in place now . . . And you're right — some restaurants, it will take them time, and they perhaps haven't got as sophisticated a system as some other restaurants do. It will take some time. And we have been . . . I have asked officials to be as patient as possible in the transition process here for these businesses. We're not trying to be overly onerous on them at all with respect to the collection of the PST as we make this transition. So we're mindful of working with them. And as I alluded to the number of calls we've received or questions we get, we try to respond as quickly as possible in helping them with their system adjustments.

And then the other reality was when we were asked to find additional expenditure reductions in the Ministry of Finance to meet our target, the \$9 million was one of the ones that we identified. I think it averaged \$248 across businesses with the amount of, on average, the amount of commission being paid out if I recall correctly . . . 362, is that correct? Sorry, I stand corrected: \$362 across businesses.

Now there's a variety of businesses in there anywhere from those that would receive anywhere between 1 to \$100 in commission to those that would be receiving, very large businesses, \$10,000. And you know, the simple answer for that is that we identified \$9 million in savings, at the same time the amount of money we're investing on behalf of taxpayers in modernizing our revenue collection system to make that ease of transition for businesses across the province.

Ms. Sproule: — All right. One of the questions that was raised was when they use point-of-sale terminals for collecting their bill, including the PST, they're actually charged a fee on the total amount. So they're paying the credit card companies a fee for the total amount, which includes the PST that they're collecting. Is there any discussion on at least returning the revenue or the expense that it's causing them?

[21:45]

Hon. Mr. Doherty: — So I'm advised that the credit card companies set their rules with respect to what they charge for, and any retail business in the province that would have been collecting PST and GST before the changes on March 22nd would have had those same kind of charges by the credit card companies. And those retailers need to make the decision which credit card companies, based on their rules, they want to do business with.

Ms. Sproule: — Okay. I have limited time remaining and I think I'll delve into the credit union issue now if that's okay. I just want to do a little bit of context on this one because we know in the '14-15 budget, on page 11, this was the statement:

Government has also chosen to maintain the current provincial tax provisions for credit unions, including the special income tax reduction and the exemption from paying the provincial capital tax, recognizing the restraints credit unions face related to raising capital as well as their important place in the economy of our province.

And when *The Income Tax Amendment Act, 2014* was brought in, the minister of Finance at that time — this was April 8th, 2014 — he said:

As part of the development of the budget, Mr. Speaker, we were able to carefully assess the implications of the federal tax change on both the provincial tax system and on Saskatchewan credit unions.

And I'll just stop there for a second. Of course, that was the federal tax exemption or . . . I guess it's an exemption of sorts. It's this tax reduction for credit unions. And you know, our legislation was coupled to the federal legislation. So in 2014 the minister introduced a bill to separate that. And this is what he said in the House in his second reading speech. He said . . . I'll continue the quote:

We were also able to consider the importance of Saskatchewan's credit unions to the provincial economy through the dominant role they play in financing the growth of Saskatchewan's small and medium-sized businesses.

In Saskatchewan, there are 55 credit unions operating 297 branches in 264 communities. Credit unions are the only financial institution in 162 communities in Saskatchewan.

And I'll just stop there. When you were talking about the small and medium-sized businesses that are asking for the R & D tax benefits, I was thinking of the credit unions and the role they play for small and medium-sized businesses. I think you're fully aware of, like the media releases that the credit unions have put out and the impact it's going to have on them. But just for the record, I received a note from the credit union system that says that this phase-out of the small-business tax rate for credit unions is going to cost the credit union system over \$11 million per year by 2019:

Credit unions used that capital to support lending opportunities for small and medium businesses, agricultural producers and consumers. The capital also supports community impact investments with local businesses, community projects, and programs.

So we know the government over the last few years has held to the notion of protecting that benefit because of this unique role that credit unions play, not only in the fabric of our communities, but also for small to medium-sized businesses.

So I think, if possible, if you could share with the committee how these changes are going to happen? I was asking you this in the break. Like is it changes to *The Income Tax Act* again? Is that going to be an amendment there? Or is it under the corporate capital tax amendment Act? I'm not really clear where the changes are going to occur.

Hon. Mr. Doherty: — I'll answer your last question first. It is under *The Income Tax Act* that we'll be . . . It's not before the House yet, but we'll be bringing it forward at an appropriate time here in the next short while when we complete it. Credit unions are exempt from the corporate capital tax, I think I indicated to you in the break. I listened to your second reading speech about the corporate capital tax changes on financial institutions, and just to be clear that credit unions are exempt from that CCT [corporation capital tax].

With respect to the changes to the credit unions, I would just say this, is that all of what you said by — I'm assuming that was Minister Krawetz that you were quoting in the House — all of what he said still remains true today in the sense of their value to our communities and particularly rural Saskatchewan.

But here's the other component I would say has evolved since even as short as three years ago — I think you were quoting from 2014 with Minister Krawetz — is that these credit unions are becoming big businesses. There is consolidation going on in that industry on an ongoing basis where credit unions are merging and becoming significant financial institutions here in the province of Saskatchewan.

Now that being said, will there be an impact on the credit unions? There's no question there will be an impact on the credit unions. I've not seen the release you just referred to with respect to their estimate to \$11 million or what have you. I would defer to officials on that because that's not the estimate we have built in to our forecast. We have over the next four

years: 3.3 million in 2017-18, 4.7 million in 2018-19, 6.6 million in 2019-20, and 8 million in 2020-21.

We did change the corporate capital tax on financial institutions, which primarily hits the big six banks, but it hits all banks in that sector. I think there's some 55 or something . . .

A Member: — 41.

Hon. Mr. Doherty: — 41. I was told at one point in time that that impacts with respects to financial institutions with the exception of credit unions. So again, as we made the shift on our tax policy, as I've said many times in the House — removing exemptions, moving to a more consumption-based tax revenue system, with a higher PST — we took a look at some of these other areas that had been receiving some, I think I used the language "special exemption" in the budget, or "special tax treatment." And the feds did this a year ago over a five-year period . . . [inaudible interjection] . . . four years ago, but they did it over a five-year period. And we're introducing ours now over a four-year period to give them some time to adjust here with respect to the provision that will be applied to them now.

Ms. Sproule: — I'm not sure the 11 million was in their press release. It's just in a briefing that I just received tonight, and I think they're quickly pulling together these numbers. I don't know. So if it . . .

Hon. Mr. Doherty: — I'm sorry to interrupt. I am meeting with the credit unions. I've got meetings scheduled over the next couple of weeks. I don't remember the exact dates. But a couple of individual credit unions as well as the Credit Union Central has asked for a meeting. So we will be meeting with them.

Ms. Sproule: — So I'm sure they'll be able to provide you those figures and their calculations. I guess, as you know, the role they play in Saskatchewan is significantly different than the larger banks. And I understand we'll be discussing Bill 58 here this evening yet. But the vital function, I guess . . . And I would refer back to my own home town in Lafleche, and you heard that in my speech, you know, is that the role the credit union plays there, when it comes to supporting medium- and small-sized businesses, will provide the diversity that I know you are hoping to achieve. So this hit will affect small and medium-sized businesses in Saskatchewan clearly. So I don't know. It seems to go contrary to what you were talking about with the R & D refundable tax credit.

Hon. Mr. Doherty: — I don't disagree with you. I have acknowledged that there will be a financial implication for these credit unions. What we've tried to do is maintain, understanding the development and growth of some of these organizations as they consolidate and merge and become pretty significant businesses who continue to enjoy a small-business tax rate when the small-business tax rate was designed for small businesses. I would just make the suggestion that some of these ones that you're referring to are fairly large corporate institutions now that do provide a vital service, and they will continue to provide a vital service.

But even when they had been in to visit previous Finance

ministers, and they certainly came in and visited me last year. We did not meet with them prior to this budget that I recall offhand, but they didn't ask for a meeting, to my recollection, until after the budget. But we met with them, I've met with them a couple of times now as Finance minister, where they made the case that precisely all the points that you just outlined, and then shortly thereafter we would see two or three other branches close in certain communities because they were making business decisions.

So you know, I think it's fair to say that they will continue to operate as businesses. That's what's in their best interest as a business and for their shareholders, if you will, their members. But at the same time, they continue to evolve into significant financial institutions in this province.

You know, I've tried to, we as a government have tried to be fair and equitable across all the different sectors in trying to achieve that \$900 million in additional revenues we need to backfill the loss of one-time revenues from the federal government and deal with the deficit over a three-year period. You know, the amount of monies we're talking about here — whether it's 11 million or 8 million four years out — I think we need to keep that in context of the overall picture here with respect to the amount of money that these institutions deal with on an annual basis.

Ms. Sproule: — Thank you for that. I have a couple of minutes remaining, and I just wanted to touch base with you. We know your government's position on the federal government's decision to impose a carbon tax on provinces. We know that's a consumption tax. We know that you intend to challenge that, and perhaps in the courts. I'm just wondering if in fact you are unsuccessful in any challenges, and it is imposed as the Prime Minister has threatened to do, are there any sort of thoughts in terms of how that particular consumption tax . . . Are you preparing for that as a Finance ministry, for the if and whens, if your challenge to the federal government is not successful?

Hon. Mr. Doherty: — Well here's the difficulty with that. It's a federally imposed tax that they've not given us any ground rules with respect to how it might be imposed, how it might be collected, what it's going to apply to. So they have announced the fact they want to implement this January 1, 2018, starting with \$10 a tonne. What's the regulations around it? Like we have had no conversations with the federal government as to the intricacies of how they'd go about, or planning on going about doing this. It's their tax.

Our Premier has been clear, as you rightly point out, that we are not accepting this. He did not sign on to the plan. I suspect if you looked at the province of Manitoba, to my understanding, has not signed on. There's going to be an election in BC. They've already got a carbon tax out there. There's going to be an election in Ontario by next May. I believe that, you know, there's a chance that the government may change their . . . I don't know, but there's a chance, and certainly one of parties that has the opportunity of forming government there, if the polls are to be believed, has said that they are not going to have the carbon tax in their province.

So I think there's becoming a significant problem with the federal government . . . Or sorry, they're going to opt out of the

cap-and-trade system in the province of Ontario. As I understand it, the Environment minister tells me what their policy position is. So there seems to be a brokered model being set up here in the country that the feds have indicated that they are going to roll out January 1, 2018. It's not dissimilar to the marijuana legislation with respect to the dispensation of marijuana and how is that going to be compensated for or taxed or collected.

So you know, we have staked our position. The federal government has said that they're going to continue along the path for January 1, 2018 without giving us any idea of how they're going to roll that tax out, which may be only applicable to the province of Saskatchewan. If Manitoba takes a different route and Ontario stays in a cap-and-trade system, it may be only the province of Saskatchewan that they're going to federally impose a tax on. So you know, I just can't answer for them.

Ms. Sproule: — Right. I guess if it's in this fiscal year though and it starts January 1, there will be revenues coming into the province. So are you having any contingency plans for dealing with those revenues?

Hon. Mr. Doherty: — What I think the Attorney General has been directed to do by the Premier and cabinet was prepare a court case, or you know, what is the legal advice with respect to opposing that in the courts if it comes to fruition on January 1.

Ms. Sproule: — I guess one last piece is, is the same for Cameco. We know there's a lawsuit that they're undergoing regarding taxation revenues. Is there any line item in your budget for if Cameco is unsuccessful? I think significant . . . maybe even \$2 billion will flow to the general coffers of this province. Is that included at all in any of your forecasts?

[22:00]

Mr. Srinivas: — All right. So under our tax collection agreement with the federal government, we are paid income tax revenues on the basis of the assessments that Canada Revenue Agency levies. So in the case of this particular company, Canada Revenue Agency has levied assessments in respect of multiple taxation years. And on the basis of those assessments, the federal government has already paid those revenues to Saskatchewan. Cameco, or the company, has opted to dispute those assessments, and that's now before the courts and will continue. And it's our understanding that the courts will be hearing the dispute later this year. Or sorry, that a ruling on the dispute, or at least on the taxation years that were first objected to, will be heard later this year.

Hon. Mr. Doherty: — So we only book what CRA [Canada Revenue Agency] has provided us as far as an assessment is concerned. We don't provide a contingent liability in there, should the court case go either way.

Ms. Sproule: — Okay. So you'll only deal with it after the court case, so it'd be a windfall if Cameco were to lose. Well, a windfall for the GRF.

Hon. Mr. Doherty: — I don't know about a windfall . . . So it actually goes the other way. We received the money as an

assessment. They're disputing that assessment in court. So if Cameco should win the court case, we might have to pay some money back to CRA.

Ms. Sproule: — Because you've already received it.

Hon. Mr. Doherty: — Correct.

Ms. Sproule: — So that would be a negative impact on your bottom line. Okay, so you just . . . you can't book it at all right now?

Hon. Mr. Doherty: — We book it based on the assessment from CRA. That's what they provided to the province.

Ms. Sproule: — But as far as you know, you're expecting a ruling in this fiscal year is what you're hoping or hearing?

Mr. Srinivas: — Yes, that's our understanding.

Ms. Sproule: — And who knows where it will end up. Okay.

I just was reminded by the Chair that I did have a couple extra minutes here, and I did want to ask a question about the labour-sponsored venture capital tax credit rate. Now in the budget you announced that it would be reduced from 20 to 15 per cent, and I believe the Minister of the Economy announced last Friday that it's actually . . . you've changed that now to seventeen and a half per cent. Can you share with the committee the difference . . . I forget how much. Will it stay at 16 million? I think it's 16 million right now. What's the difference of that change going to be on the estimates?

Hon. Mr. Doherty: — Subsequent to the budget . . . Because we don't go out and foreshadow these things. There's only two companies in the province that are involved with labour-sponsored venture capital funds. We don't foreshadow to them, for obvious reasons, what we are contemplating in the budget.

When the budget was announced — and we've not changed any of the legislation with respect to that — the two companies, to my understanding, reached out to the Minister of the Economy who's responsible for this particular tax credit and said, we understand what the province is trying to achieve, and it has no impact on this fiscal year. There's nothing in the budget for this fiscal year, because it takes place, the tax credits would follow in 2017, for the 2017 taxation year. It actually impacts in 2018. So a small, minor amount in the last three months of the 2018, 2017-18 fiscal year.

So my understanding is that it's basically revenue neutral in the out years to the tune of about \$200,000 or so. The companies came to the Minister of the Economy and said, look, from an equity perspective, we think we can achieve this with you if we do this. And so we reduced the amount, the overall cap to the amount that participants can subscribe to, and reduced the tax credit from 20 per cent to 17.5 per cent, and still achieve what you're trying to achieve from a savings perspective over the course of the next medium term.

So the minister brought it back to cabinet and said, look, this seems reasonable to me as the minister. I know what the

Minister of Finance announced in the budget based on what cabinet had decided, but can we change that? And so he brought an order in council forward to cabinet and had that changed, which is why he introduced the legislation, I think today if I recall, or yesterday or whatever, with those changes.

Ms. Sproule: — So you're saying as far as the bottom line for the books, it's . . .

Hon. Mr. Doherty: — It's pretty much a wash.

Ms. Sproule: — Yes. Well then, Madam Chair, I believe my time . . .

The Chair: — Two minutes.

Ms. Sproule: — Two minutes? Oh, well I better look at my list. Just a couple of questions I guess on travel expenses, and I know that there was some in Finance. I think I'm talking about Public Accounts for yourself, Mr. Minister, and Madam Chair as well. Can you share with the committee what those travel expenses were for? If I may, the specific amounts were minister's travel, \$4,629, and then I believe the secretary's travel of \$2,864 in Public Accounts on page 94.

Hon. Mr. Doherty: — Are you talking about last year, Ms. Sproule?

Ms. Sproule: — That's the most recent I have, yes, '15-16.

Hon. Mr. Doherty: — I can tell you off the top of my head, the amount of travel. I don't have the particulars in front of me which comprises the \$4,629 for my travel, but I can tell you that I made, I believe, two out-of-province travel excursions last year.

One would have been in the month of June for the federal-provincial-territorial Finance ministers meeting in Vancouver where CPP [Canada Pension Plan], the changes to the Canada Pension Plan were discussed and changed and agreed to at that meeting. The second out-of-province travel would have been to . . . my first trip, to Toronto to meet with the banking syndicate — I went with officials to meet with our banking syndicate, the ones that actually go out and borrow the money on behalf of the province — were the two out-of-province travel excursions that I had that I recall off the top of my head.

The rest of the travel had been in-province travel that I would have done for meetings in other locations in the province or the post-budget tour, those kinds of things. And I don't know how that compares relative to other Finance ministers, but I don't think it's overly onerous with respect to the amount.

With respect to the Chair of this committee, Ms. Young is a member of treasury board, and members of treasury board have the option of expensing to their MLA accounts for travel to and from treasury board meetings. And we meet a lot. Ms. Young clearly had the longest distance, which would have used up a lot of her MLA travel for treasury board purposes. So she billed the Ministry of Finance for her travel costs back and forth to Lloydminster for treasury board meetings.

Ms. Sproule: — All right. Thank you very much, Mr. Minister, officials, and Madam Chair. I just want to express my appreciation for all the hard work of the officials and the minister, and for being here tonight and providing those answers for the committee. And I look forward to follow-ups in the future.

The Chair: — Thank you. As this committee now has completed their time for this evening, we will adjourn consideration of the Ministry of Finance. We'll have a brief recess here to continue on if you need to change any officials or anything. No?

Hon. Mr. Doherty: — If I might, I think we're going into consideration of the two bills now.

The Chair: — Correct.

Hon. Mr. Doherty: — And what's the time allocated for this, and is there a . . .

The Chair: — About a half an hour.

Hon. Mr. Doherty: — Okay. So I just want to, on behalf of the Ministry of Finance officials, thank them for the consideration and advice in answering the questions of the hon. member, for the Ministry of Finance estimates and a variety of other questions. And I appreciate good questions, thoughtful questions, and we will return back with the information we promised you on those issues. And I turn it back to you, Madam Chair.

Bill No. 57 — *The Tobacco Tax Amendment Act, 2017*

Clause 1

The Chair: — All right. Continuing on, we will now be considering Bill No. 57, *The Tobacco Tax Amendment Act, 2017*. And we will now begin consideration of clause 1, short title. Minister Doherty, if you would like to begin with any opening remarks in regards to it.

Hon. Mr. Doherty: — No, I don't think so. I think both these bills are pretty self-explanatory with respect to changes in the budget that was announced on March 22nd. One deals with the tobacco tax here in the province, and the other one deals with the corporate capital tax. So I think I'll just leave it at that and allow time for questions.

The Chair: — Okay. Do we have any questions from committee members? Yes, Ms. Sproule.

Ms. Sproule: — Thank you, Madam Chair. Mr. Minister, I don't have a lot of questions on this bill, and I think the only one that I'm interested in right now . . . well, a couple. First of all is how you came to the 2-cent rate increase. What sort of considerations were brought in? Why wasn't it 5 cents? Why wasn't it 1 cent? And then my second question is, what's wrong with the word "snuff"?

Hon. Mr. Doherty: — Thank you for the questions. And snuff, snooze, I think my grandfather used to . . . Copenhagen, I think it was. Oh, he gave me some as a young lad and I can still taste

it to this day . . . But your first question, why 2 cents a cigarette? It is driven primarily because of competitiveness with neighbouring jurisdictions. Otherwise we contribute to the underground economy and black market, for lack of a better term. So we monitor closely what the province of Alberta does and the province of Manitoba does, and we try to find a balance between those two jurisdictions.

At the same time, we will take as much tax revenue as we possibly can, but we also know that there's the law of diminishing return with respect to, if you go too high, you actually lose revenue because it creates the underground economy, and now you have enforcement officials policing those kinds of smuggling issues from neighbouring jurisdictions, that we'd rather have them out there looking for other types of infractions.

So it is a fine balance in seeing what other provinces are doing. Alberta came down with us just before, and they're still a bit cheaper than us, 2 cents. But Manitoba is two and a half cents more expensive than us, so we're right in the middle there, and that's how we arrived at that. With respect to snuff, I'll let Brent, the assistant deputy minister, address that.

Mr. Hebert: — The changes to the legislation are just to modernize the Act in terms of the products that are in the market. So we've created a separate category for smokeless tobacco, and that sort of falls in line with some of the other territories and jurisdictions that have done the same. The tax rate, or the tax increase, still applies to it, but the categories now in the legislation better reflect what's in the market for tobacco products.

Ms. Sproule: — All right, and just one further question that came out of our earlier discussion in terms of marijuana. If it comes into effect and we're selling marijuana in Saskatchewan, have you done preliminary assessments on what sort of taxation you will apply on marijuana products?

Hon. Mr. Doherty: — Okay, thank you for the question. I am advised that there is a federal-provincial-territorial working group of finance officials from those respective jurisdictions looking at the potential taxation of marijuana. Assistant deputy minister Hebert tells me that in May senior officials are meeting with Health Canada. They're delivering a presentation as to what the potential distribution channels might look like from their perspective, which will drive how the taxation, the implementation of tax policy, and the collection of tax would be driven by the distribution channels. So we'll wait after May to see what comes out of the federal discussions.

[22:15]

Ms. Sproule: — Okay. I guess I'll have to next year add that to my list of the forecast for taxation. All right, I have no further questions, Madam Chair.

The Chair: — Thank you. Seeing that there's no further questions, we will vote off this bill then. Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 5 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Tobacco Tax Amendment Act, 2017*. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. I would ask a member to move that we report Bill No. 57, the tobacco amendment Act, 2017 without amendment. I recognize Mr. Steele. Mr. Steele moves. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Thank you, Minister, on that one.

**Bill No. 58 — *The Corporation Capital Tax
Amendment Act, 2017***

Clause 1

The Chair: — We will now be considering Bill No. 58, *The Corporation Capital Tax Amendment Act, 2017*. And we will now begin consideration of clause 1, short title. Minister Doherty, do you have any comments?

Hon. Mr. Doherty: — Just what I said earlier, I think the bill is pretty straightforward. I'll just yield the time to the hon. member for questions.

The Chair: — Questions?

Ms. Sproule: — Yes, Madam Chair.

The Chair: — Ms. Sproule.

Ms. Sproule: — It may be straightforward, but I don't understand it. So I'm just wondering if you could explain the formula that is being repealed and substituted in section 3 of the Act; as far as that goes, section 4(2) as well.

Mr. Hebert: — Brent Hebert. Sorry, I didn't say my name before. So yes, it is a little confusing. What it's referring to is the actual rate and the tax payable. So you take the total paid-up capital and you apply the rate to work out your tax payable, and then you deduct from that amount the allocation or the tax-paid-up capital that's allocated outside the province. You multiply that by the rate, and you subtract the two to get the Saskatchewan portion of the capital tax.

Ms. Sproule: — Okay. Thank you for putting that on the record. And I guess the question which might be the most germane for the layperson is, what kind of money are we talking about here? So I know you shared those amounts before earlier in estimates, but what kind of savings will this bring to the GRF?

Hon. Mr. Doherty: — Yes, when fully implemented here in this fiscal year, we forecast about \$13 million.

Ms. Sproule: — All right. I really don't have any further questions. I don't know, Minister, if you had more comments, but that's the extent of my questions.

Hon. Mr. Doherty: — I was just going to ask Brent if he wanted to explain paid-up capital, if that would be helpful.

Ms. Sproule: — That would be helpful. That would be helpful.

Mr. Hebert: — Paid-up capital includes capital stock, retained earnings, contributed surplus, other surpluses, deferred income taxes, long-term debt, and reserves.

Hon. Mr. Doherty: — So for those financial institutions that we talked about — the 41 with their presence here in Saskatchewan — with all those different components, and then you have to look at what their broader balance sheet with all those different components look like across Canada. That's why you have to invoke that formula to determine what it means here for the province of Saskatchewan.

Ms. Sproule: — Thank you very much. I have no further questions.

The Chair: — Thank you. Seeing no further questions, we will vote off on Bill 58. Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 5 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan enacts as follows: *The Corporation Capital Tax Amendment Act, 2017*. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. I would ask a member to move that we report Bill No. 58, *The Corporation Capital Tax Amendment Act, 2017* without amendment. I recognize Mr. Dennis, who moves . . .

Mr. Dennis: — I so move.

The Chair: — Okay, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Thank you, Minister. Do you have any final comments this evening?

Hon. Mr. Doherty: — I just want to thank you, Madam Chair, committee members, and obviously my opposition critic for great questions and a good dialogue this evening, and officials for giving lots of easy-to-understand explanations — for the

most part, Brent — to some very difficult technical questions.
So thank you very much.

The Chair: — I'll ask a member to make a motion now to adjourn. Mr. Bradshaw has moved adjournment. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This meeting is adjourned until the call of the Chair. Thank you, everyone.

[The committee adjourned at 22:21.]