



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Herb Cox, Chair
The Battlefords

Ms. Cathy Sproule, Deputy Chair
Saskatoon Nutana

Mr. Steven Bonk
Moosomin

Mr. Glen Hart
Last Mountain-Touchwood

Ms. Nancy Heppner
Martensville-Warman

Mr. Everett Hindley
Swift Current

Ms. Lisa Lambert
Saskatoon Churchill-Wildwood

[The committee met at 15:00.]

The Chair: — Good afternoon, everyone. It being the hour of 3 o'clock now, we will begin. We'd just like to introduce the committee that's here with us today. We have Mr. Bonk, Mr. Hart, Ms. Heppner, Mr. Hindley, and Ms. Sproule.

This afternoon the committee will be considering the estimates for the Ministry of Finance and Bill No. 127, *The Income Tax Amendment Act, 2018* and Bill No. 128, *The Provincial Sales Tax Amendment Act, 2018*. And today we are also 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 151, Municipal Financing Corporation of Saskatchewan; vote 176, sinking fund payments — government share.

**General Revenue Fund
Finance
Vote 18**

Subvote (FI01)

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

Hon. Ms. Harpauer: — Thank you, Mr. Chair, and welcome to the committee members. With me today I have Rupen Pandya, the deputy minister of Finance; Denise Macza, the associate deputy minister of treasury board and treasury management; Dave Wild, the associate deputy minister of Public Employees Benefits Agency; Karen Allen, the assistant deputy minister of corporate services; Terry Paton, the Provincial Comptroller. I have Eric Johnson, the executive director of tax and intergovernmental relations; Arun Srinivas, the assistant deputy minister, taxation and intergovernmental affairs; Deanna Bergbusch, the assistant deputy minister of office of planning, performance, and improvement; Joanne Brockman, the executive director of economy and fiscal policy; Jeff Welke, the executive director of communications; and Stacey Ferguson, my chief of staff. I also have Brent Hebert, the assistant deputy minister of revenue.

The Ministry of Finance estimates, vote 18, are found on page 61 and 65 of the Estimates book. The 2018-19 operating expense budget for the Ministry of Finance is 53.6 million, which is an increase of 2.2 million. Total expense budget for the Ministry of Finance — includes 298.8 million for pensions and benefits — is 352.5 million, which is a decrease of 2.2 million or 0.6 per cent from the 2017-18 budget.

Mr. Chair, the Finance budget includes one-time spending of 1 million to enhance administration and client services related to PST [provincial sales tax]-related changes that have occurred over the past two budget cycles. There is also 600,000 in this budget for six auditors to enhance tax compliance. The budget also includes a 1.1 million increase for amortization, 2.1 million in total, to reflect the completion of various information technology modules.

The budget also includes the following decreases: 4.4 million lower annual payments to retirees based on recent valuations and staffing efficiencies across government, and 424,000 net for general administrative and operating efficiencies. This includes a 300,000 or approximately 1 per cent salary reduction that will be achieved through attrition.

The 2018-19 budget includes 7.6 million in capital, a 4.7 million decrease from the previous budget for the final year of the revenue system replacement project, which is a five-year, \$35.5 million initiative. This investment is being made to replace the current system which had an intended lifecycle of 10 to 15 years and it's now more than 35 years old.

The new tax administration and compliance system uses software designed to fully administer and track various tax categories. In January of 2018, the second component of the new system went live; a great milestone for those involved with the project. The aspect of the system that supports the collection and administration of education property tax on insurance premiums and the farm fuel program is now up and running.

The first component of the new system went live in 2016, supporting collection and administration of tobacco and fuel taxes. The project will be fully complete later in the fiscal 2018-19, with a planned final release, including a client portal and administration and support for corporate and miscellaneous taxes.

Most importantly, the new system will mean better service support and access to a more intuitive system for taxpayers, farmers, and businesses. Some of Finance's other operational highlights include: the Public Employees Benefits Agency, or PEBA, which administers 23 benefit plans for over 89,000 members' accounts and 12 pension plans for more than 95,000 members.

Last year PEBA paid over 350 million in pensions to over 15,000 pensioners. And PEBA staff made 129 presentations to over 2,500 pension members and conducted approximately 1,900 individual retirement planning consultations last year. The agency monitors 54 investment managers, who have invested 12.7 billion in pensions and benefit assets in over 100 investment mandates.

Finance administers tax revenue, tax incentive, and tax refund programs to approximately 62,000 businesses and 32,000 farmers annually. The ministry promotes compliance to tax programs through a 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. Finance staff effectively forecast and manage the government's cash and debt requirements. Staff at the ministry oversee the publication of ministry operational plans and annual reports.

And that's just a small snapshot of the work undertaken every

day from the people at the Ministry of Finance. They work hard to serve their clients, whether they're inside or outside of government, through the various branches and divisions of the ministry. People of Saskatchewan, I believe, are well served by those who work in the Ministry of Finance. So personally, I would like to thank them all for the work that they do. And thank you, Mr. Chair, and I'd be happy to take any questions.

The Chair: — Thank you, Minister Harpauer. I'd just like to remind officials, please state your name the first time that you speak, if you would, please. Do any members have questions? I recognize Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair, and Madam Minister for those opening comments. And I, too, would like to thank you and your officials for the hard work that's done, particularly as you highlighted in the IT [information technology] renewal, which is a huge, huge undertaking. And of course PEBA. I always feel like I don't have enough questions for PEBA, but I know you're working hard and certainly appreciate the work that's done there, and all the important work, of course, that the officials are doing. So thank you for that.

Again I'll be a bit rambly in how I approach my questions. There's no particular order, so I'll just start at the beginning of the pile. On April 18th, Madam Minister, I wrote a letter about undertakings made during last year's estimates, and I haven't yet received a copy. Now I don't know if that reply came back or who it was sent to.

Hon. Ms. Harpauer: — I'm told that it's sent out, but I can hand you the copy.

Ms. Sproule: — Yes, if you could table it with the committee. I won't be able to, obviously, ask questions on that material today, but I can certainly reserve a . . . write you a letter, I guess, afterwards.

Hon. Ms. Harpauer: — Yes. It's right here, so we can give it to you.

Ms. Sproule: — Okay. Thank you for that. I just, I want to make sure we don't lose sight of that. Some of the questions I will ask today will probably relate to some of that as well, so all right.

As I have in the last couple of years, I'd like to start with getting some of the revenue data for the budget estimates. I have a list here, as I did last year — Mr. Srinivas, you'll remember this — so I can ask the Clerk to distribute. I made extra copies, so even for my fellow committee members if you want to follow along, just to give me those forecasts. I don't know if you have enough there, but I have more. If you have the unaudited numbers for the last fiscal year . . . I know we're a couple weeks ahead of, or behind the schedule this year. I don't know if those are available yet or not or . . . No. Okay.

So disregard the first part of the question, and if you could provide for the committee the budget estimates in the many categories that are listed on that sheet.

Mr. Srinivas: — All right. Thank you, Chair. I'm Arun

Srinivas. I'm the assistant deputy minister of the taxation and intergovernmental affairs branch at the Ministry of Finance, and I will try to go through these numbers for you bit by bit.

So you've asked for both the 2017-18 actuals and the 2018-19 budget estimates for various components of the revenue forecasts. I don't have the 2017-18 actuals yet. I have the Q3 [third quarter] values if you would be interested in those, or I can just give you the 2018-19 budgets.

Ms. Sproule: — No, the Q3 values would be helpful as well.

Mr. Srinivas: — Q3? All right.

Ms. Sproule: — Thank you, yes.

Mr. Srinivas: — Okay. So the first component you've asked about is corporate income tax revenue. So total corporate income tax revenue, the 2017-18 Q3 figure is \$590.2 million, and the 2018-19 budget estimate is \$621.1 million.

You've asked for the corporation taxable income reduction for the small-business tax rate. So the small-business reduction is estimated to be worth, in the 2017-18 Q3 estimate, at \$545.1 million, and in the 2018-19 budget estimate at \$431.5 million.

You've asked for corporation taxable income allocated for the purposes of the M & P [manufacturing and processing] profits tax reduction and the investment tax credit for manufacture and processing. The manufacturing and processing profits tax reduction is worth an estimated \$50 million in the 2017-18 Q3 forecast, and is also estimated at \$15 million for the 2018-19 budget estimate.

Ms. Sproule: — Is that 50 or 15?

Mr. Srinivas: — Fifteen — one, five.

Ms. Sproule: — Thank you.

Mr. Srinivas: — Okay. And for the . . . Sorry, the investment tax credit for manufacturing and processing, the 2017-18 Q3 forecast is \$36 million, and the 2018-19 budget estimate is also estimated at \$36 million.

Finally you've asked for the corporation income tax prior year adjustments. For the 2017-18 Q3 forecast, the prior year adjustment is estimated to be \$237.9 million, and the 2018-19 budget estimate, it is estimated to be \$150.6 million.

[15:15]

Moving on, you've asked about components of the fuel tax revenue estimate. Revenue from gasoline in the 2017-18 Q3 forecast is estimated to be \$283.6 million, and for the 2018-19 budget it is estimated at \$289 million.

Ms. Sproule: — Sorry. For the remainder of the fuel I have the Q3, so you can just give me the forecast for this budget.

Mr. Srinivas: — For this budget?

Ms. Sproule: — Yes.

Mr. Srinivas: — Okay. For diesel fuel, the 2018-19 budget estimate is \$224.2 million. Locomotive fuel is estimated at \$44.6 million. Propane and aviation fuel is estimated at \$10.2 million combined. The gasoline competition assistance program is estimated at zero. The First Nations fuel tax refund program is estimated at \$17.2 million. And commercial refunds are estimated at \$4.7 million.

For individual income tax . . . Sorry. You've asked for taxable income allocated to Saskatchewan. I don't have taxable income. I have tax revenue.

Ms. Sproule: — If you could provide the revenue then. Thank you.

Mr. Srinivas: — Okay. So for the 2017-18 Q3 forecast, total personal income tax revenue is estimated at \$2,311.8 million. And for the 2018-19 budget estimate, it is \$2,441.2 million. You've asked for the value of several of the tax incentives. The graduate retention program, for the 2017-18 revised forecast, the estimate is \$68.1 million. And for the 2018-19 budget, the estimate is \$72.3 million.

For the labour-sponsored venture capital tax credit program, the 2017-18 Q3 forecast is \$16 million, and the 2018-19 budget estimate is \$12 million.

The foreign tax credit for the 2017-18 Q3 forecast is \$4.2 million, and for the 2018-19 budget is \$3.0 million.

The political contributions tax credit is estimated at \$2 million for the 2017-18 Q3 forecast and at \$0.8 million for the 2018-19 budget.

The mineral exploration tax credit is estimated at \$0.1 million for the 2017-18 forecast and \$0.5 million for the 2018-19 budget.

The employee's tool tax credit is estimated at \$1.1 million for the 2017-18 Q3 forecast and zero for the 2018-19 budget.

And you've asked for the total of all incentives. So the total of all of those for the 2017-18 Q3 forecast is \$77.7 million and for the 2018-19 budget, \$88.4 million.

The prior year adjustment for personal income tax, in the 2017-18 Q3 forecast the prior year adjustment is estimated at \$241.5 million, and in the 2018-19 budget it is estimated at zero.

You've asked about property taxation revenue. Education property tax revenue for the 2017-18 Q3 forecast is a total of \$743 million and for the 2018-19 budget, \$751 million. GTH [Global Transportation Hub] property tax revenue for the 2017-18 Q3 forecast is estimated at \$1.9 million and for the 2018-19 budget at \$2.1 million. And for the Northern Municipal Trust Account, revenue is estimated at \$5.7 million for the 2017-18 Q3 and \$6.2 million for the 2018-19 budget.

You've asked about provincial sales tax revenue. Total PST revenue for the 2017-18 Q3 is estimated at 1.9295 billion, and for the 2018-19 budget total PST revenue is estimated at \$2.155 billion. The low income tax credit is estimated at 2017-18 Q3 at

\$115.6 million and for the 2018-19 budget at \$126 million.

You've also asked about liquor consumption tax revenue. I would note that liquor consumption tax revenue is not recorded as part of provincial sales tax revenue. It's recorded as part of other tax revenue. But I can give you those numbers as well. Liquor consumption tax revenue for both the 2017-18 Q3 forecast and the 2018-19 budget is estimated at \$95.3 million.

Your next category is tobacco tax revenue. Revenue from cigarettes for both the 2017-18 Q3 forecast and the 2018-19 budget is estimated at \$282.3 million. Cut tobacco revenue is estimated, again in both cases, at \$27.6 million. And revenue from cigars, again in both cases, is estimated at \$8.6 million. And then rebates for First Nations in both cases is estimated at \$58.2 million. So the total tax revenue from tobacco tax, in both cases, is estimated at \$260.3 million.

Within the other tax revenue categories, you've asked about corporation capital tax revenue, revenue from financial institutions for both the 2017-18 Q3 forecast and for the 2018-19 budget. Revenue from financial institutions is estimated at \$73.7 million. Revenue from Crown corporations is estimated at \$76.2 million for the 2017-18 Q3 forecast and at \$81.3 million for the 2018-19 budget.

Revenue from the insurance premiums tax is estimated at \$143.3 million in the 2017-18 Q3 forecast and \$151.4 million in the 2018-19 budget.

Revenue from the fire insurance tax is estimated at \$8.2 million for the 2017-18 Q3 forecast and at \$8.6 million for the 2018-19 budget.

Revenue from motor vehicle insurance premiums tax for the 2017-18 Q3 forecast is estimated at \$12.4 million and for the '18-19 budget at \$13.1 million.

Revenue from mineral rights tax is estimated at \$9.5 million for the 2017-18 Q3 forecast and at \$8.5 million for the 2018-19 budget.

So the total of all those amounts including liquor consumption tax — total other tax revenue then — is \$418.5 million for the 2017-18 Q3 forecast and \$431.9 million for the 2018-19 budget.

The next category you've asked about is the resource surcharge. Resource surcharge revenue attributable to the oil and natural gas industry is estimated to be \$122.7 million in the 2017-18 Q3 forecast and \$149.2 million in the 2018-19 budget.

Resource surcharge revenue from the potash industry is forecast at \$113 million in the 2017-18 Q3 forecast and \$124.3 million in the 2018-19 budget. Resource surcharge revenue from other resource industries is estimated at \$61.8 million in the 2017-18 Q3 forecast and \$43.8 million in the 2018-19 budget.

Okay, the next category you've asked about is motor vehicle registration fees. The categories that you've asked for are slightly different than the categories I have. What I have is vehicle registrations, driver's licences, and miscellaneous. And so I think, yes well, registration fees, if by that you mean vehicle registrations, then I can give you those.

Vehicle registration fees for the 2017-18 Q3 forecast totalled \$176.8 million and for the 2018-19 budget totalled \$179.8 million. Driver's licence registration fees for the 2017-18 Q3 forecast totalled \$17 million and for the 2018-19 budget totalled \$17.3 million. And other miscellaneous motor vehicle fees totalled \$13 million for the 2017-18 Q3 forecast and \$13.2 million for the 2018-19 budget.

Ms. Sproule: — Thank you. For the next category, for the Canada Health Transfer and Canada Social Transfer, I don't need those numbers. I already have those.

Mr. Srinivas: — Okay.

Ms. Sproule: — Thank you.

Mr. Srinivas: — Okay. You'd asked about environmental container handling charges, and I just need to see if I can . . .

[15:30]

Ms. Sproule: — Sorry. In the previous category, in the transfers from federal government, I only have the first two. Oh, is that all they have on your list? Okay, my chart is different than the list. Environmental container handling charge then, please.

Mr. Srinivas: — Okay, if I can just find those. For the 2017-18 Q3 forecast, the environmental container handling charge from metal containers was \$13.6 million — this is the 2017-18 Q3 forecast — for plastic bottles it was \$10.7 million, and for glass and tetra it was \$2.7 million, for a total of \$27 million. I don't have the breakdown by container type for the 2018-19 budget, but I have the total value which is estimated to be \$37.2 million.

Ms. Sproule: — Thank you. For the last question, revenues from the federal government, I'm wondering if I could ask for some specific ones, particularly the Ministry of Ag Growing Forward 2, or I forget the new name of it . . . assistance program or CAP [Canadian Agricultural Partnership]. I forget. What's the . . . Canada agricultural program? Anyways, the CAP.

Mr. Srinivas: — Sorry. If I could just clarify, you're asking about federal cost-sharing agreements?

Ms. Sproule: — The federal portion, yes. Transfers from the federal government.

Mr. Srinivas: — Okay. For federal cost-sharing agreements.

Ms. Sproule: — Yes. Okay.

Mr. Srinivas: — And you've asked specifically in the Ministry of Agriculture?

Ms. Sproule: — Growing Forward 2 was the previous name. I don't know if the new program's in place yet or not, CAP. It's one or the other.

Mr. Srinivas: — Yes. I have it still as Growing Forward 2. For both the 2017-18 Q3 forecast and the 2018-19 budget, the estimate is \$40.2 million.

Ms. Sproule: — Thank you. How about the labour market development fund?

Mr. Srinivas: — They exist across several ministries so I can . . . Within the Ministry of Advanced Education there's a Labour Market Development Agreement as well as the labour market agreement for persons with disabilities. In the 2017-18 Q3 forecast the Labour Market Development Agreement funding was 3.355 million.

Ms. Sproule: — I'm going to stop you there for a minute. I know last year you gave it as the global number, and it might be easier if I just ask you to table that at a later time rather than go through the individuals. Thank you.

The final couple I have here is the Gas Tax Fund. Is that a global number? I think you referred to it last year as the gas tax transfer.

Mr. Srinivas: — Yes, the Gas Tax Fund transfer. In the 2017-18 Q3 forecast the estimate is \$59.104 million, and for the 2018-19 budget the estimate is \$61.919 million.

Ms. Sproule: — Thank you. And you also didn't have anything for wildfire assistance or PDAP [provincial disaster assistance program], but is there any monies this year from the federal government for those two programs, or categories, I guess?

Mr. Srinivas: — We're just checking on the disaster . . . It turns out I do have the aggregate numbers for the labour market development agreements. In the 2017-18 Q3 forecast the estimate is \$44.4 million, and in the 2018-19 budget the estimate is \$47.2 million.

And then for disaster financial assistance, in the 2017-18 Q3 forecast, we have an estimate of \$1.9 million, and for wildfire assistance, we have an estimate of zero. And in the 2018-19 budget, we have not booked any revenue that will . . . We'll see how things go this year.

Ms. Sproule: — Thank you very much for that. That was a lot of work, and I appreciate it. Moving on then, I have an article online from RBC [Royal Bank of Canada] evaluating the budget, and there is also one from CIBC [Canadian Imperial Bank of Commerce]. And I just wanted to ask a few questions about that. And I don't know if . . . I have an extra copy, if the minister wants, that you could look at what I'm referring to, if I could table that. I only have one extra copy of this one. Sorry.

I'll start with the RBC one, Madam Minister. In the highlights on the fourth paragraph, it describes:

Annual expenditure growth . . . is kept at only 1.3% . . . This restraint occurs despite the government indicating a solid increase in key expenditure . . . of health, social services and education with the main offset being ongoing restraint in public sector compensation. However the limited detail provided as to how these savings will be achieved presents a major risk to a return to balance next fiscal year.

I just wonder if you have any comments on that concern that RBC has highlighted.

Hon. Ms. Harpauer: — I understand that there wasn't details in the actual budget estimates. We have set a goal across executive government and our Crown corporations to have a \$70 million compensation reduction: 35 million this year and 35 million next year.

The respective Crowns and ministries have the year to work through that, so that's where RBC is saying the detail in itself is not there. We're not saying that, you know, it'll be a reduction in employees or anything else. We're asking for the ministries to look for efficiency measures and, you know, to look at attrition, to look at vacancy management, to look at overtime management, sick time, etc.

Each one will have a unique plan as to how they'll achieve the goal. So in that case, you know, RBC's correct. It's not a detailed plan that's laid out in the initial budget documents because the different management within each of the ministries and the respective Crowns will have the year to lay out their plan.

Ms. Sproule: — In order to achieve that \$35 million reduction this year, have you given any specific instructions to the ministries or to the Crowns? If they are each coming up with a unique plan, where's your confidence that that will add up to \$35 million?

Hon. Ms. Harpauer: — We have targets that we've given them. However, there will be definitely some realization that there will be more room in some ministries or Crowns than others. So some may achieve more than their targets. Some may not be able to reach their targets. We'll be revisiting it throughout the year. Treasury board will take a look at where it's at and possibly listen to any challenges or any successes that are being achieved. And it'll be ongoing conversations throughout the year.

Ms. Sproule: — Thank you. Do you think you could share with committee what those targets are for each ministry or Crown?

Hon. Ms. Harpauer: — It's been ... [inaudible] ... math of one point ... So we're looking at, in essence, 15 million in executive government, 20 million in the Crown corporations. About the only direction we've given is that we can't affect the front-line services and it is, just for quick calculations, about 1 per cent of salaries as they exist now. However we're not looking for a salary reduction in order to achieve it.

Ms. Sproule: — Thank you. Moving further down on the pages, the overview, the second paragraph talks about the public sector pension liability of 404 million spread over '17-18 and '18-19. And it goes on to say that the "... savings seems to have resulted more from how the liability was calculated rather than any policy actions."

I did want to have a discussion ... This isn't the pension accrual adjustment. That's a different topic. But in terms of that comment, how is that considered to be a saving if it's just based on a calculation?

Hon. Ms. Harpauer: — It's the way that public accounting requires us to report on a summary financial basis, so that you will find a number of the calculations that are in the summary

financial statements are calculations such as SGI [Saskatchewan Government Insurance] investment fund, etc.

Ms. Sproule: — Okay, I'll leave it at that. Thank you. On the next page at the very top, it refers to the \$300 million contingency fund that was in last year's budget. And I think it seems that that was pretty much wiped out by the inability to achieve \$250 million in public sector wages, wage cuts. So the comment at the top of the page says that without this contingency fund, the quote is, "This does leave the province more vulnerable to any potential negative shock." Is there an explanation for why a contingency fund wasn't included in this year's budget?

Hon. Ms. Harpauer: — So last year was the unique budget in having a contingency fund, and obviously last budget was also the greatest amount of changes that we had ever introduced since we've been government. I don't ever recall, and I've been here for a while, of having a contingency fund before in a budget. And there's no doubt with each and every budget you are using the indicators that you have available to you at the time when you draft a budget, but there's always a lot of risk built into budgets.

Because of the extreme risk that we had in the last budget, it was their decision then to include a contingency. We felt that this budget, although there's always risk in a budget, it didn't have an unusual risk.

[15:45]

Ms. Sproule: — Thank you. Okay, I think that's it for the RBC one. Now I'd just like to quickly look at the CIBC document called *Provincial Budget Briefs*. And for Hansard, the previous document I'm referring to is the *RBC Economic Research, Saskatchewan Budget 2018*, dated April 11th, 2018. And now I'm going to turn to the next document which is the *CIBC Provincial Budget Briefs*, dated April 10th, 2018.

One of the things they highlight in the first paragraph at the very end, is they refer to something called pre-funding for the 2019-2020 fiscal year, which isn't typical for the province. I'm just wondering if you could point out to the committee where that pre-funding shows up in your budget documents and why you're choosing to do something that's atypical this year?

Hon. Ms. Harpauer: — That's in the very first paragraph you're referencing, like in the box?

Ms. Sproule: — Yes, the last sentence inside the box. Yes, the very last phrase.

Hon. Ms. Harpauer: — Yes, we made a decision to pre-borrow for the capital plan. We have a multi-year capital plan that is always in our budget document. By all indications, very strongly, interest rates are going to go up. So we pre-borrowed \$600 million, knowing what our capital plan is going to require in the following years, and we chose to then invest it so it'll be generating interest until we need it.

Ms. Sproule: — Can you share with the committee what the interest rate for the borrowing is on that 600 million?

Hon. Ms. Harpauer: — Yes, we haven't done it yet.

Ms. Sproule: — Is that something that you can provide to the committee once that's established, or I could ask next year?

Hon. Ms. Harpauer: — Our forecast for long term is three and a half per cent, but I can't guarantee that's what we'll get.

Ms. Sproule: — And for the investment level, what's the forecast for that, the return?

Hon. Ms. Harpauer: — We are forecasting 2.6 per cent.

Ms. Sproule: — Thank you. I'm just curious why . . . I mean, interest rates have been low for some time, and it seems like an interesting concept. Is this something that the government has considered before and hasn't done, or is it just a new idea?

Hon. Ms. Harpauer: — So it's in the forecast, like, our plan of what we intend to do. We haven't done it. And we'll be watching interest rates and all of the forecasters. If suddenly there is indication that interest rates are not going to rise, we probably won't do it.

Ms. Sproule: — There is more discussion, and I should have referred to this right away, on page 3 at the second-last paragraph, which says:

Saskatchewan as a practice does not do any pre-funding in the capital markets, so this year's budget is a departure from the norm and is being done in order to secure long-term borrowing for capital projects in the current low [rate] interest . . . environment.

Which is what you just shared with us, Madam Minister. They go on to say:

Saskatchewan's borrowing plans entail domestic bond issuance only. The Province's last international transaction was in 2006 in Swiss Francs.

So is that correct to say that you would only be looking at domestic bond issuances for this borrowing?

Ms. Macza: — Denise Macza, Ministry of Finance. In regard to that, yes that is the last time we borrowed in international markets. Our plan is to execute our borrowing program within the domestic market. We have a policy that we don't borrow in international markets unless we meet or beat our domestic costs. At this point we don't forecast that, but at any point in time we're always looking for opportunities. And if the opportunity presents itself, we'll make the decision on whether to take it.

Ms. Sproule: — Thank you. It just occurred to me too, as you go forward with these plans, the difference between the interest rate for borrowing is higher by around point nine per cent, depending on where it lands, than the return on investment. That will then mean it will cost us more in the year of borrowing. Is that correct?

Hon. Ms. Harpauer: — Should we . . . Yes. So again we're going to be watching very closely, and we haven't borrowed. I

think we estimated the cost would be a little over \$4 million. But we feel, depending on the interest rates, we would save more than that in the long term.

Ms. Sproule: — I missed the discussion of that in the budget document, and I'm just wondering if you could refer us to where that . . . Is that in the budget document itself or in estimates. I'm just wondering where CIBC would have gathered that information.

Hon. Ms. Harpauer: — If you go to page 49. So it goes:

The 2018-19 borrowing requirements include \$600.0 million of borrowing that pertains to capital expenditures of 2019-20. Borrowing these funds in advance ensures that they are available when needed and capitalizes on the current environment of historically low interest rates.

Ms. Sproule: — Thank you for sharing that. I missed that one, so thank you. And just moving on to the next page with the CIBC, there's a bit of a discussion in the middle of the page about the Moody's rating, that you continue to have the AAA rating on the province. But CIBC is saying at the middle of the paragraph, and I'll read this:

We are somewhat cautious on Moody's, however, as it continues to maintain its highest rating of Aaa on the province, and Saskatchewan's debt levels continue to creep higher. Moody's explicitly states that it expects the debt burden will not exceed 80 per cent of revenues over the next 2-3 years for which we believe will be a delicate balancing act for the province as debt moves higher and revenue growth is restrained by a slower pace of economic growth ahead.

Well I can read the next sentence:

For 2017/18, Moody's projects a debt-burden ratio of 77.5%, which has little headroom relative to the 80% bar.

And then it goes on, of course, to talk about how this is well within the band for the province's current debt anchor score. This excludes the three major Crowns. What would you say to the CIBC in terms of their concern that this is a delicate balancing act?

Hon. Ms. Harpauer: — I think all budgets are just that. And you know, we're very, very mindful of the debt. I know that yourself and a number of members have said that the debt has tripled since 2008, which isn't true. If you look at page 47, you will find that it went from \$10.5 billion in 2008. And we're projecting, should we need to do the borrowing that's in the plan, it will go to 20, which isn't triple.

But we also are in a different economy, so the debt as a percentage of the GDP [gross domestic product] you will find on page 14, which is 26.1 per cent. That's the third lowest in Canada. Only Alberta is considerably lower, and BC [British Columbia] is pretty much tied. The next lowest is Prince Edward Island at 34 per cent, and it goes as high as 74.6 per cent of course in Newfoundland.

I also want to point out that, again on page 48, the operating

debt is the most concerning to us because it doesn't have a . . . you know, it's not self-supporting such as Crown debt. And the operating debt as a percentage in the GDP was, in 2008 was 13 per cent. And in this budget it's being lowered to 7.5 per cent. We could talk about net debt, and I notice the CIBC report that you shared with us talks about net debt as well. The net debt as a percentage of the GDP, you'll find on page 51, is 15 per cent, which is the second lowest in Canada.

So do we think that this is going to be easy? No. We still have a deficit position. Our resource revenue is still down. But are we, in comparison to other provinces within Canada, in really bad shape? The answer is no. When you look at the GDP in 2008 compared to the GDP now, we're actually quite on par as debt as percentage of GDP. So we're not sliding backwards, but we are very mindful that we can't just start spending foolishly by any means because we have to be mindful of this.

Ms. Sproule: — Thank you. If I could turn to CIC [Crown Investments Corporation of Saskatchewan] dividends, I'm just wondering if you have actuals for '17-18 yet, for what the CIC dividends are? I don't know when they're determined, but if you could share those, or if they're in the budget document, you could refer them.

Mr. Pandya: — Rupen Pandya, deputy minister of Finance. So at Q3 the CIC dividend was forecast at \$180 million. And we'll report out in Public Accounts on what the final dividend will be. It'll be consistent.

Ms. Sproule: — And do you budget for CIC dividends? Is there an amount in the budget?

Hon. Ms. Harpauer: — Because we're in summary financial statements, any losses or profits, all of it, is in our bottom line.

Ms. Sproule: — I'm just wondering for cash flow purposes and things like that though, do you have an estimate for what you will be receiving for those dividends?

Hon. Ms. Harpauer: — That's the dividends that the deputy minister referenced. But do we . . .

Ms. Sproule: — [Inaudible] . . . Q3 forecast.

Hon. Ms. Harpauer: — We don't budget that. That is definitely cash flow that'll help meet expenditures as the year goes on, but in the budget you will see, you know, profit or loss within the Crowns is what you're going to see in a budget. Because it's just moving money.

Ms. Sproule: — I understand that. Yes, I understand that within the consolidated world it's all government money, right?

Hon. Ms. Harpauer: — Right.

Ms. Sproule: — Okay. I just wondered if you had sort of a target for what you were hoping to receive in terms of dividends or if you have to wait and see how the Crowns go.

Hon. Ms. Harpauer: — Yes.

Ms. Sproule: — Okay. Thank you.

Mr. Pandya, I can't remember if it was you or Ms. Macza. I think you, when we had the press or the advance embargoed discussion, you mentioned something about forecasts, when you refer to forecasts and when you refer to budgets. And I wonder if you could share that again for the record because I can't remember exactly what you said about that. And I don't know if that's something you want to talk about today but you explained when you used the term "forecast," for example, the federal transfers, you were talking about the forecast for '17-18 and then for the expense you were using the term "budget," and there was a difference in terms of the use of those words. And I just want to refresh my memory.

[16:00]

Mr. Pandya: — Thank you for the question. So I think I'd shared during the technical briefings on the budget that the standard comparator for revenue and debt is to the most recent forecast since it provides an evaluation of new projections, the most recent information available about performance and results. So that's the standard convention, well certainly across Canada but I would argue probably likely around the world. Don't quote me on the around the world part. And the standard comparator for expense is the previous year's budget, since it provides an evaluation of the maximum spending approved by the legislature last year. So that's why we follow that convention.

Ms. Sproule: — Thank you for that. And that is very useful. I just want to clean up one other little piece. We met earlier in March I think to talk about one bill. I just want to find the tab. One moment. I'm going to have to come back to that. I know, Ms. Macza, I had asked you to provide some information on a tax bill and you were going to get back to me on that. Do you recall? It was in March. It was a bill that needed to be in place by the end of March. I'll find it. It's in this big binder somewhere so I'll come across it eventually. I'm sorry about that.

I'm going to turn now to the committee or estimates from 2016-17 last April, and there's a number of follow-ups in terms of comments that were made that I wonder if we could just go through. April 5th, 2017 was the last time we met for estimates for Finance for this vote. And I'm just going to go through . . . There's some of these questions you may have already touched on, but I just, I'll go in chronological order here and ask them.

So the first was the \$500 million for research and development tax credit was announced in the budget last year. I think that was a real number. I was going to ask about that number, but I think that's a real number. I thought it was a projected number, so never mind that.

Mr. Srinivas, on the same time when I asked you for all the actuals, you had said you would send them along at a later date and I'm not sure if we ever got those from you for '15-16 actuals.

And I've sort of got a pledge to myself to do a better follow-up myself for these undertakings, and I've been working with the Chair and the Clerk to make sure I do a better job of going back and looking. I had been asking a series of written questions on these numbers, so I think I may have got them through the

written questions process.

Hon. Ms. Harpauer: — Which years?

Ms. Sproule: — It was '15-16 because that wasn't finished yet. And I know it only comes later so . . .

Mr. Srinivas: — Sorry. Just to clarify, you are asking for the similar components that we . . . revenue components that we went through earlier, the actuals for '15-16 and for '16-17?

Ms. Sproule: — Well if I could ask for both now, yes, I would do that once they're available, once the public accounts is official.

Mr. Srinivas: — Yes. Well for '15-16 and for '16-17, the actuals are complete and available. For '17-18 the actuals won't be available until the public accounts are complete. I could provide you with the 2015-16 and 2016-17 actual components now if you would like.

Ms. Sproule: — The '16-17 was what I was asking for last year, and that's now available, so yes.

Mr. Srinivas: — Yes. Last year at this time we would have had the 2016-17 Q3 estimates.

Ms. Sproule: — Q3s, yes.

Mr. Srinivas: — And we now have the 2016-17 actuals.

Ms. Sproule: — If you can provide them, I don't need them to go through the whole list right now, but if that's something you could provide in writing, if that would be possible. And if I can ask at this time when this year's, the '17-18s, become final, if that would be possible as well.

Mr. Srinivas: — Yes.

Ms. Sproule: — Thank you. Okay. Just trying to get all that data in one place. We've got the environmental container charges from your most recent letter, so I thank you for that. That was on page 274.

Okay, the next discussion I want to talk about was on page 278 of the Estimates. And we were talking about the accrual adjustment and forecasting methodology for the sinking funds. And I think Mr. Paton was the person. This was referring to the year before, but anyways let me see if I can . . . I had asked you at the time if you were making any changes in terms of the accrual estimates for the surcharges. Mr. Srinivas, you indicated that there were no changes to the forecasting methodology at that point in time and "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."

So could you give us an update in the committee in terms of that forecasting methodology and the accrual testing that you're doing?

Mr. Srinivas: — All right. Thank you. Yes, so we have over the course of this past year, as I described last year, continued

to work towards testing the reliability of various methodologies in estimating an appropriate accrual adjustment. That work through the year has resulted in really demonstrating to us the volatility in those estimates, and as a result our conclusion is that we're not able to reliably or accurately estimate an appropriate accrual adjustment. And so I think our conclusion will be that we will not make an accrual adjustment and instead continue to make an adjustment at year-end when the public accounts numbers are completed.

Ms. Sproule: — Thank you. I believe this was at the request of the auditor that she was asking you to be more specific or try to be more specific in your estimates. But has that discussion been had with the auditor then?

Mr. Srinivas: — Not yet, but we will have that discussion with the auditor. And certainly we would be prepared to speak to it in more detail at Public Accounts Committee.

Ms. Sproule: — Thank you. Going on to page 279, I was asking the previous Finance minister about the transformational change program that was introduced two years ago. And, Madam Minister, he actually referred to you because you were the Chair of the transformational change committee.

So I don't know which hat to ask you this question under, but I'm just wondering if you could give the committee an update on the transformational change committee: is it still meeting regularly, what sort of changes are being looked at, or where it's at.

Hon. Ms. Harpauer: — It's not. Under the new Premier we have a priorities and . . . I'm going to give it the wrong name.

Mr. Pandya: — Planning. Planning and priorities.

Hon. Ms. Harpauer: — It's planning and priorities committee, which in the first 100 days of the new Premier has not met yet. But you know, initiatives that was sort of worked on under the previous transformational change of course was the amalgamation, or going to one health authority, was one of the initiatives. The changes that we made to housekeeping within government-owned buildings was another initiative. I'm trying to think of all of the initiatives that came out of that committee where savings were found.

We've still got working committees, you know, looking at procurement, and can that be done better. That's still ongoing. A review of IT and how our IT systems can be more efficient, not necessarily as a huge money saving. Of course, as Finance minister I'm hoping there's money to be saved there. But we need more ability to share data on the common client in order to serve the client better. So that's another initiative that the transformational change committee was looking at, and that's ongoing although not under a formal transformational change committee.

I'm trying to just, you know, from memory go through the initiatives that we had looked at. There was a number of submissions that were made to the transformational change committee that we basically just sent to the respective ministry or Crown. Like we reviewed it, thought there was merit to it, so it was a vetting committee as well.

An initiative that has worked quite well is the common dig for SaskPower and SaskEnergy. Instead of two lines, working together, if there's going to be a development, and doing one dig rather than two. That wasn't . . . It was just vetted as a suggestion coming to that committee.

So that's the type of work that the transformational change committee did. I'd say probably the initiatives that are ongoing, and may be for some time, is kind of in working groups rather than a formal committee. As procurement and information technology, can we do better?

Ms. Sproule: — Thank you. I'm just wondering if you would share a little bit about the planning and priorities committee and how many members sit on it and what's . . . You say it hasn't met yet, but it's going to meet. Do you know how many members sit on it and what its mandate is?

Hon. Ms. Harpauer: — No, I don't have that information here. I'm sorry. It's the Chair of our other committees, each Chair. So we have an operations committee, we have an economy committee, and a human services committee. And I could be giving them the wrong names. So those three Chairs. I know I sit on that committee, but I . . . Yes. Sorry.

Ms. Sproule: — So it would be fair to say that this is the transformation out of the transformational change? Like that's sort of . . . The wording is . . . [inaudible] . . . but the same idea is being looked at.

Hon. Ms. Harpauer: — Yes.

Ms. Sproule: — And efficiencies is what we're always looking for.

Hon. Ms. Harpauer: — Yes, and I should say the Premier chairs that priorities committee.

Ms. Sproule: — Who does?

Hon. Ms. Harpauer: — The Premier.

Ms. Sproule: — The Premier chairs it.

Hon. Ms. Harpauer: — The Premier chairs it, which, you know, is why we probably will start meeting after session and . . .

Ms. Sproule: — It's not like we're busy during session.

Hon. Ms. Harpauer: — Mmm hmm.

Ms. Sproule: — I don't think the sarcasm would come through in *Hansard*, would it? I'm just looking at the next page now, on 380, and I have it flagged. Oh, there. It was just more talk, I guess, about the transformational change committee.

I was asking about sort of the policy framework or any structures that you may have used to do the analysis. Like was it a policy analysis or was it more like the submissions that you received and just looked at them and thought, this has some merit, and passed it on?

Hon. Ms. Harpauer: — Both, depending on what the submission was. So some would be an idea and then you'd do a cost analysis. So in that case we would ask for Finance to look at it as well as the officials for the respective ministry. Some of it was policy, such as I mentioned for the Crown corporation initiative — and I should have kept a list and brought it, you know, of different initiatives that we looked at — so it's a little bit of both.

And we went to who we needed, the expertise we needed. And it could have been already there within a ministry. It could be bringing two or three together to take a look at the initiative that would be involved and that it would affect.

[16:15]

Ms. Sproule: — Just one final thing. The minister said on page 280 . . . I was asking these questions and he said:

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.

So as you know the chamber of commerce, along with APAS [Agricultural Producers Association of Saskatchewan] and some other groups, did submit that one document. Did you do any other public consultations for that committee?

Hon. Ms. Harpauer: — We did not.

Ms. Sproule: — All right. Thank you very much. We then got into the discussion on debt charges and I know that's included in the materials that I received today. And were those tabled with the committee? This response, the letter response? Yes. I'll table it now just so it's in the public record as well.

The Chair: — I can table it now if you wish.

Ms. Sproule: — Yes, please, Mr. Chair.

The Chair: — I would like to table a document CCA 51-28, Ministry of Finance: Responses to questions raised at the April 5th, 2017 meeting.

Ms. Sproule: — Thank you very much, Mr. Chair. The discussion we were having last year was around the reporting of debt charges in the budget document, and what I had discussed with the minister . . . I just want to make sure which page it's on. It is here. Is it 40? I have to find the page that the debt charges are described. On page 50 of this year's budget document.

And it was difficult to reconcile for me the way they're reported in Public Accounts vis-à-vis the way they're reported in the document. And we'd had a discussion with the minister about maybe reporting them differently. And the quote, I had said, "... I'm just wondering is there any ability to have the total debt charges for the year in one place?" in the budget document.

And the minister said:

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.

So I'm just wondering if that was followed up at all with the previous minister or whether, Minister, you've had any discussion with officials about that?

Hon. Ms. Harpauer: — I haven't, but I'll let the officials comment if there's been. We've had a, you know, change in deputy minister and minister so I'm not sure that anything's followed up on that.

So if you turn to page 66, you'll see debt charges. That's consolidated debt charges, under expense.

Ms. Sproule: — Okay. So that's the amount, 654.6 million.

Hon. Ms. Harpauer: — Correct.

Ms. Sproule: — And that's also reported on page 50, and it's broken down there into three categories, on page 50.

Hon. Ms. Harpauer: — Correct.

Ms. Sproule: — I think the discussion last year was particularly the debt charges for SaskBuilds, if that could be broken out, because it's broken out in the Public Accounts reporting. So if I may, Madam Minister, I will just ask if you could reconsider that again for reporting in next year's budget because it's something that would help people, like lay people like me, to understand.

Ms. Macza: — In terms of the debt charges with regard to . . . You had a question with regard to the P3 [public-private partnership] projects. If you go to page 18 of the Estimates, there is a column there on page 18 that lays out debt charges. So you can see the column with regard to central services for 6.9, education for 8.6 — those are largely related to the P3 costs that are being incurred in each of the ministries, the interest costs related to the P3 projects that are in the ministries.

And then at the bottom is the 425.6 million, which is our vote 12 costs. So those would be the interest costs on debentures that we pay each year. And within that 425.6 million would be the borrowing that we do to pay for the Saskatchewan Builds capital plan. And that information we provided to you broke down that 425 between funding for the capital plan and funding for General Revenue Fund.

Ms. Sproule: — Yes. And if you look again at page 50 in the budget document, that number is there — 425.6 for the GRF [General Revenue Fund] debt charges estimated for this year. Is that the same . . . It's the same number, so is . . . I'm assuming that . . .

Ms. Macza: — Yes.

Ms. Sproule: — Yes, okay. But we don't have a breakdown of the capital plan. And I guess that's what I was looking for last

year. Because we don't know what the bypass debt charges are and we don't know what the North Battleford hospital debt charges are so far.

Ms. Macza: — That's what I pointed to on page 18.

Ms. Sproule: — Central services and education?

Ms. Macza: — Right.

Ms. Sproule: — Does that include the debt charges for the bypass?

Ms. Macza: — Yes, the financing associated with those P3 projects, that is that value. So 8.6 is associated with the schools.

Ms. Sproule: — Yes.

Ms. Macza: — Out of that 6.9, 5.1 is SHNB [Saskatchewan Hospital North Battleford] for those projects.

Ms. Sproule: — And then only 1.7 for the bypass then?

Ms. Macza: — The bypass right now, we're not expensing any debt charges quite yet.

Ms. Sproule: — And why is that? The money has been borrowed?

Ms. Macza: — Well the project isn't sufficiently complete that we're making those payments yet.

Ms. Sproule: — All right. Thank you. Okay. I think what we had talked about . . . And I'm sorry I can't explain it well. On Public Accounts, all three are now located on one page, like page 24, Public Accounts. I don't know what the page number is for this year, so I have to find it.

Debt charges are on page 30 of last year's '16-17. So in that chart, you have all four. You have the interest on P3 obligations; you have pension interest expense; you have debt charges on the public debt; and then GBE [government business enterprises] 87-89 debt charges. And then there is further explanations throughout Public Accounts, of course. But this kind of summary encapsulates the debt charges in a way I think that's very helpful.

And our discussion last year was that the way they're reflected on page 50 of the Public Accounts isn't providing as much information. And that was the question, is whether or not that could be presented maybe more fulsomely in the budget document.

So I'm going to leave it for . . . I know, Madam Minister, as you pointed out, you have a new deputy and this is a new discussion, so I'll reinvigorate the discussion today and then we can check back next year to see how it goes, if that's all right.

And I think it's fair to say that for the average person that would be very difficult to find if they had to go to the appropriation page and if . . . I think it's fair to say that, so it would be helpful for people to understand the breakdown of these debts and the interest rates.

Next topic was the fiscal accountability framework piece of legislation, Madam Minister. Last year your predecessor had said, and I'll quote him on page 283: "So it's still my commitment to put together a framework to introduce in the House." And he went on to say later on that page he's probably shooting for the fall of this year, which would have been last fall.

So is this something that you've discussed with your officials and the cabinet, and is this still on track? Or is it something that we might not see or see?

Hon. Ms. Harpauer: — So the answer is yes and no, and then yes. So *The Growth and Financial Security Act*, for those that are listening because this is so interesting, was introduced in 2008. And it was based on a general revenue funding accounting. And it was repealed in 2016 because in 2014-15 the government discontinued reporting on a General Revenue Fund basis and only reports on a summary basis. And I know you have a number of quotes from my predecessor saying that, you know, there's volatility in summary basis and it's hard to know what to measure.

So he did also mention that a provincial scan would be done to see what other provinces were doing, and we found that most provinces have attempted to have some sort of balanced budget legislation but, like Saskatchewan, most of the Acts have been either repealed, suspended, or they're in violation of their Act.

So then the officials brought forward a number of variables that we could measure, you know, and perhaps report on, except that we already do in Public Accounts. And so there is a lot of volatility in the summary basis of budgeting. And I had a discussion with the new operations committee on whether there would be any value to an Act that had flexibility built into it, and we chose at this point in time not to move forward.

Ms. Sproule: — Thank you very much for that update, Madam Minister. We had also moved on . . . I'll move on now to another topic, and this was the discussion of refundable tax credits, or non-refundable tax credits, and we had a discussion with the previous minister about companies that were looking for . . . I better get this right. He's looking at a list, a confidential list. There's 45 different companies — this is at the top of page 286 now — different companies like biosciences, foods and the ag sector, IT-type companies, transportation-type companies, chemicals, and things that you would imagine in the IT sector and biosciences, particularly with the ag sector in Saskatoon. And I said to him, we'll have a discussion next year about how that's gone, and I think what we were talking about was the various tax incentives.

And I know we're going to be talking about some bills later on, but if you could just sort of provide the committee an overview of the thinking behind these tax credits, and we can get into the meat and potatoes of the bills at 6 o'clock. But what the strategy is, what the policy is, the public policy thinking about introducing these types of tax credits.

Hon. Ms. Harpauer: — I can't speak to you about what the previous minister was looking at. I can only speak to you what we moved forward in this budget since I've been minister. And actually I haven't been involved in the consultation or meeting

with the sector at all.

The one bill of course will be under Advanced Education minister, Ms. Tina Beaudry-Mellor, and the other bill will be under the Economy, or Trade and Export minister, Minister Harrison. They're the ones that have done all the leg work and meeting with the sector. They also are the ones that have done the review of what interest there is in those particular areas to make investment in Saskatchewan and some indication of what other provinces are doing. So what is it going to take to make Saskatchewan competitive?

And then that's kind of where my ministry and myself come into the conversation because they've then approached me at that point of saying, can we do a tax credit at that level; how can we make it easy for the potential investors, etc. So I'm actually in the very tail end of the conversation and only on the tax end of it rather than the . . . I haven't met with the sectors at all.

Ms. Sproule: — I guess I wonder then if every minister came to you with tax incentives for their particular area, is there sort of an over . . . Would you look at them all individually, I assume, and then is there, you know, is there a limit on how many tax incentives in a year, or is it sort of playing it by ear and seeing what comes forward from your colleagues?

Hon. Ms. Harpauer: — It's viewed case by case. Within the Ministry of Finance we have analysts, so they would take a look at it and kind of do the sober second thought of what's come forward and review it and say, yes, there is some merit, that there's a potential investment here and this is how it could be structured, or there may be some challenges with it.

[16:30]

But again they probably wouldn't have the in-depth conversations with the different players in that particular area of this, you know, the stakeholders. It's not something that you . . . At least I haven't, but I haven't had this role for a long time but have been in government for a long time. It's not something that you're going to have tens or twenties of proposals coming forward.

Ms. Sproule: — Thank you very much. Moving on then, at the top of page 288, we had a discussion. And this is something I know you're familiar with, was the grants-in-lieu changes that were made last year in your previous role in Intergovernmental Relations. And the question I have for the Minister of Finance is, how much revenue was derived in the GRF from the Crowns? Because I think there was a choice in the last budget. And you can explain this better. I'm not sure I understand it. But Crowns could be asked to either provide it to the GRF or to the municipalities. Is that correct?

Hon. Ms. Harpauer: — I'm sorry. Reword that question.

Ms. Sproule: — I'll try again. I'll try again. Last year when the changes were made to the grants in lieu of taxes program, there was an option. I don't know if it's an option or not, but SaskPower, for example . . . When I was in committee the other day, I said, how much of the money did you collect for grants-in-lieu? How much did it go to the GRF? And it was

several million dollars. And that's new money to the GRF, if I understand correctly . . . [inaudible interjection] . . . Right. And so how much was collected last year, and then how much did you budget for this year, for the GILT, or the grants in lieu of taxes?

Hon. Ms. Harpauer: — So correct. So grants-in-lieu that we're talking about is not grants-in-lieu from executive government and most of the Crown corporations, right? Because executive government and the Crown corporations pay grants-in-lieu based on assessment for property tax. SaskEnergy paid grants-in-lieu based on property tax for some property but not all the property. And any grants-in-lieu that was paid based on assessment to replace property tax remained with the municipality.

There was these two Crowns, SaskEnergy and SaskPower, that had grants-in-lieu that had nothing to do with property tax. As you mentioned, one was SaskEnergy, one was SaskPower, and last year's budget decision was that the money went to the General Revenue Fund. In the case of SaskEnergy, the amount was actually collected from the residents in 108 — could be 109; I could be out one number — of over 300 urban municipalities. And a lot of the corporate knowledge of how and why this came about is lost unfortunately because it was so old. So that monies was collected from the residents, went to the municipality prior to last budget, and in last budget was redirected to the General Revenue Fund. The amount of that . . . I'm looking to my officials to see if they've got it. Okay. So they're going to work on that.

The grants-in-lieu in SaskPower was never collected from the residents . . . [inaudible interjection] . . . Correct. There is a SaskPower surcharge and that remains going to the municipalities. Nothing changed there. The grants-in-lieu was taken off the bottom line of SaskPower and paid to the cities. So I'll get that number for you.

So in this budget, the SaskPower surcharge, which goes up each and every year just because, you know, the population's been growing and SaskPower rates have gone up, so that amount still remains, the SaskPower surcharge. The residents of the respective communities do pay it and it goes to the municipalities. And so nothing has changed there.

The grants-in-lieu in SaskPower has now just been discontinued, but SaskPower needs to pay grants in lieu of property tax based on assessment, the same as executive government and all of the other Crown corporations. So the municipalities that has non-linear property are going to benefit then from property tax for the actual physical presence of buildings within that municipality. So that portion is replaced.

The grants-in-lieu in SaskEnergy is basically — and it is collected from the residents of the respective communities — is being redirected back to the communities. So the residents paid grants-in-lieu in SaskEnergy of 109 communities. That was forfeited to the General Revenue Fund for one year, and we expanded it and made that program available to all urban communities.

And the other thing we changed in the grants-in-lieu for SaskEnergy was prior . . . And again the corporate knowledge is

gone as to why. It was 3 per cent in some communities and 5 per cent in other communities, and they thought it was because it was a radius. But when I actually threw the communities up on a map, there was no radiuses to be logically figured out.

So we're making it available for all communities to participate. And they have a time period, and I'm sorry that that knowledge is with the Government Relations minister as to what that time period is for the municipalities to make that decision.

So before I give you those numbers, I have to correct something I said earlier because Executive Council just said that priorities and planning did meet. However, I was in Humboldt with the tragedy at the time, so they obviously met without me and didn't even brief me on what they talked about.

So combined Power and Energy last year, 35 million was directed, approximately, to the General Revenue Fund. And so this year it's just SaskPower and it is about 26 million, which I mean, technically again because of the consolidated way, it's a bottom line. It's not collected separate and apart on anyone's bills.

Ms. Sproule: — Right. Thank you. In terms of the SaskEnergy one, I'll ask a question but this may very well be for the Minister of Intergovernmental Affairs. If the option is not taken up by the municipality to collect that SaskEnergy 5 per cent, would it then go to the GRF or it just doesn't get collected?

Hon. Ms. Harpauer: — It won't be collected.

Ms. Sproule: — All right. Thank you. That's probably the most clear explanation I've heard on that whole issue, so thank you for that. It's very complicated.

On the next page we had another discussion about P3 debt, on page 289. And I was asking for a breakdown, but I think on page 289 was the information you provided and is now tabled.

Hon. Ms. Harpauer: — Yes.

Ms. Sproule: — Thank you for that. I had asked for, further down the page . . . Sorry, I have to go back. Second column, page 289, the obligations under long-term financing arrangements in public accounts, which is one schedule, I think schedule 9. I had asked if it was P3s or not, and it had leaped quite a bit. So in the middle of the page, Mr. Paton had said he didn't have the 2017 number at the time, and I believe that's now provided in the response. Is that correct?

A Member: — That's correct.

Ms. Sproule: — Okay. In the second bullet, public accounts does record the liabilities balance sheet. 1.187 billion was recorded as obligations to record the liability related to P3s. Okay. Got it on record. Thank you very much.

Page 292, we had a discussion on the credit unions and the impact of some of the changes on the credit unions. The previous minister indicated he would be meeting with them to discuss those impacts shortly after estimates. I'm just wondering, Madam Minister, if you've had an opportunity to meet with the credit unions and if there have been any changes

since last estimates in terms of the expectations and the impact of the changes on the credit unions.

Hon. Ms. Harpauer: — I have had a meeting. It was on a number of topics. And I also meet with my credit union board members locally. They didn't give me any impact numbers though.

Ms. Sproule: — Okay. There was a discrepancy last year I think in terms of what had been booked by Finance officials and what the credit union was saying, but that must have been . . .

Hon. Ms. Harpauer: — It didn't come up in our meeting.

Ms. Sproule: — Okay. I know your deputy minister, I don't know if you have something to add to that. Was there a discussion or no? Okay.

Hon. Ms. Harpauer: — So I'm going to have one official just comment what, you know, what transpired that I wasn't part of.

Ms. Sproule: — Yes, thank you.

Mr. Srinivas: — I think the discrepancy that you're referring to is our estimate last year of the impact of the change to the corporate taxation of credit unions that was introduced in last year's budget. And we had estimated a figure of . . .

Ms. Sproule: — You gave me the four years: 3.3 million in '17-18, 4.7 million in '18-19, 6.6 million in '19-20, and 8 million in '20-21.

Mr. Srinivas: — That's correct. So once fully phased in, an impact of about \$8 million. And I believe the credit union sector themselves were estimating something in the order of \$11 million. The difference was we took an average of what the impact would have been, or the savings to credit unions would have been over the previous four years. And I think the credit unions were looking at the previous single year. And so the previous single year was an exceptionally strong year for the credit unions. And so, you know, that was the source of the discrepancy in the number, is just an estimation.

Ms. Sproule: — Thank you for that update. On page 294 we talked about the impact of the Cameco court case, and the minister indicated it would be a negative impact if that court case was successful because you've been holding those taxes for all these years. I understand that a decision is imminent, and Cameco has indicated that. So I'm just wondering what would be the negative impact on your finances if that court case, if CRA, Canada Revenue Agency, is successful in its legal arguments.

Hon. Ms. Harpauer: — So I'm being advised it's tax file information for one corporation, so it's confidential. But however, we can have an update for you on — I'm hoping it's not imminent — on where this is at right now.

Mr. Srinivas: — Thank you. Arun Srinivas again. Yes, so the matter is still in the hands of the courts. A ruling hasn't been provided yet. As the minister indicated, you know, we can't talk about specific figures because we're speaking to the specific information of a particular taxpayer. But even if we were to

attempt to talk about specific figures, that too would depend on the court's actual ruling because the court could rule entirely in CRA's favour or entirely in Cameco's favour or the court could rule somewhere in between. And so what the impact on the taxation liability of the taxpayer is, coming out of this dispute, will entirely depend on the details of the ruling.

Ms. Sproule: — Fair enough. I do think there is some public information about the total amount of tax in dispute, and I believe it's over a billion dollars. Is that something that you've seen in the public reporting?

[16:45]

Mr. Srinivas: — The media reporting has provided figures ranging anywhere from a billion dollars to \$2 billion. But you know, that's media speculation.

Ms. Sproule: — All right. Well there's no point for me to speculate, so I will move on. Thankfully, I guess, that's the end of my follow-up from last year's estimates.

And I did find the *Hansard* for the bill in March. We were looking at *The Municipal Financing Corporation Amendment Act*, and it was on page 442. I think, Ms. Macza, you have the *Hansard* with you. I'd asked the question about the changes in section 28, and Ms. Macza, you said, "I'll have to get back to you with the answer to that." So I'm just wondering if you've had an opportunity to do that yet.

Ms. Macza: — Sorry, I didn't bring the answer for you. I'll get it for you.

Ms. Sproule: — Great. And if you can, if you would table it with the Clerk, then we will have it on the public record. All right. Thank you for that.

Just looking at the actual estimates now, and a few quick questions on that. On page 61 is vote 18. And just looking at the change in revenue for this year's estimates, they're down \$4 million. I'm just wondering if you could provide the committee with an explanation of that drop in revenue estimates.

Mr. Pandya: — Rupen Pandya, deputy minister of Finance. So I can maybe walk you through the principal pieces of the reduction, and I'll give you both the takes and the puts, if you will. So there's a 600,000 increase for additional audit capacity within our revenue division. The increase in expense for new auditors that we're bringing on through that expenditure will generate some 1.5 million in revenue that would otherwise not be collected.

There's an additional million to enhance administration and client service for the PST base expansion that has occurred over the '17-18 budget cycle. There's some 22,000 in IT billing reallocation that's offset by 135,000 salary reduction as part of the government-wide attrition strategy. So we're identifying an allocation within the Ministry of Finance for the reduction. And this is coupled with some 40,000 reduction in printing costs associated with mandated electronic filing, tax filing. This is due to the RAMP [revenue assisted modernization project] system modules coming online, if you will. And a \$4.646 million reduction in planned spending on the final year of the

RAMP, revenue assisted modernization project. So that's a reduction, if you will, in terms of IT cost.

Ms. Sproule: — Thank you for that. I'm just going forward to the pension and benefits vote, and I'm just wondering . . . Pension liability is obviously a huge concern for the province, but there was kudos in the CIBC document I referred to earlier about the fact that we have probably the best place in Canada in terms of our defined contribution plans and our defined benefit plans. And I'm just wondering, in terms of the allocations, on page 64 of the Estimates, which ones of those plans that are mentioned there are contribution plans? Some of them are indicated as employer's contribution portion, but I know public employees pension plan is a contribution plan. The judges' superannuation plan, is that defined benefits, or defined contribution?

Mr. Wild: — Dave Wild, associate deputy minister. If we run through the list, the public service superannuation plan is a defined benefit plan, closed for many, many years. Members of the Legislative Assembly, a combination. There is an old defined benefit component of it. It's been closed for a long time, but current MLAs [Member of the Legislative Assembly] obviously are part of the public employees pension plan. Judges' superannuation plan is a defined benefit plan. Public employees pension plan is the largest defined contribution plan in Canada. That covers it.

Ms. Sproule: — Just on the public employees pension plan, are there any people on an old contribution plan, or is that done?

Mr. Wild: — The old public service superannuation plan is almost done. I think there's 50 or 60, still, contributors to it. They are mostly labour service employees who haven't been able to accrue the full year of service. They work seasonally. That's it. It's virtually done though.

Ms. Sproule: — Okay. And I think that's all the plans that are listed there. I know you indicated in your opening comments that there are several pension plans. They're not all listed here then. Is that correct? And I guess why wouldn't they show up in this list?

Mr. Wild: — PEBA is assigned responsibilities under order in council for a number of programs. The ones that show up in the lists are where the Government of Saskatchewan has a contribution and expense going towards the plan. So for example, the second-largest pension plan we administer is the municipal employees' pension plan. It's funded by school divisions, RMs [rural municipality], cities, towns, villages, so not directly by the Government of Saskatchewan.

Ms. Sproule: — And for the public service superannuation plan, how many beneficiaries are still collecting under that closed plan?

Mr. Wild: — By beneficiaries, you mean retirees?

Ms. Sproule: — Yes.

Mr. Wild: — The number at March 31st, 2018 had 55 active members, as I mentioned, five inactive employees, and 5,030 retirees.

Ms. Sproule: — Thank you very much. I got some pension questions in. That's a goal.

Mr. Wild: — Thank you.

Ms. Sproule: — I'm going to move on now to another set of questions. Again this will be fairly random. I apologize for that.

The individual income tax. So in last year's budget there was a two-stage announcement: a half-point reduction on July 1st, 2017, and then a second half-point reduction on July 1st, 2019. This budget temporarily suspends the rate reduction plan. So the question I have first is, which phase of the tax cut are you suspending? Is it the 2017 phase or the 2019 phase?

Hon. Ms. Harpauer: — We suspended the 2019 phase, so we followed through with the initial half-point reduction, which then means that Saskatchewan residents, tax filers, would save an additional \$121 million in income tax. So now since we've started to reduce the income tax, that's an annual savings of a total of 606 million of annual income tax savings. However we paused the further half-point reduction that would have been in this budget.

Ms. Sproule: — Okay. Just so I understand this then, if the cut is happening in July of 2019, it isn't a cut in this budget then, right?

Hon. Ms. Harpauer: — It's not a cut at all. We just didn't do a further reduction.

Ms. Sproule: — Or reduction. Okay. The next question I have is on page 70 in regards to the forecasted individual income tax revenue, especially in the last year, 2017-18 budget versus forecast. So the individual income tax was budgeted for 2.5 billion, 2,540, and the forecast is 2.3118 billion. So if you could share with the committee why the forecast is so much lower than the budget?

Hon. Ms. Harpauer: — I really would like to do that because this to me is a very good demonstration of how policy matters, and it matters a great deal. And so this over-calculation of personal income tax incurred right across Canada, and so the officials in the various provinces were trying to analyze and question why. And in essence, the biggest reason was that the timing of it was at the same time that the federal government introduced the 33 per cent tax bracket. And the idea behind taxing the rich — you'll have more money and they should pay more — actually backfired right across the entire nation because in fact, two things: they restructured to change their taxes that they would have to pay, or they disappeared.

And so that's why I think we need to be extremely mindful of the perception that if we just tax the rich more, we'll have more money and we'll be able to pay for things going forward, because in fact that is not the case.

It came as a surprise for sure for Saskatchewan. I know there was an article . . . I don't have it with me. Ontario was short where they had overestimated \$2 billion. So it had various impacts on different provinces, but it's well documented that it did affect every province in this same manner.

Ms. Sproule: — Okay. I'm not sure I understand and I just want to make sure I understand. So this is a miscalculation of \$200 million. You're saying it happened across Canada. And this is attributable to tax policies?

Hon. Ms. Harpauer: — Correct. So we use previous years to then project . . . Using previous years we project what the next year will be. This was the same time as this tax bracket was introduced and in essence some taxpayers disappeared.

Ms. Sproule: — So the loss of this \$200 million is because people moved out of Saskatchewan.

Hon. Ms. Harpauer: — Some.

Ms. Sproule: — Or to the States I assume, if it was across Canada.

Hon. Ms. Harpauer: — Or they may have restructured their corporation.

Ms. Sproule: — Okay. I'm going to move on then. Page 10 in the budget document. I'll see if I can find the quote. Oh yes, near the bottom of page 10 in the first half: "Saskatchewan's 12 per cent corporate income tax rate continues to be among the lowest in the country . . ."

And then I have a factoid here that the corporate income tax has dropped 33 per cent over three years. But in the same time we have April numbers from Stats Canada showing 1,800 job decline year over year. Losses in April were concentrated in the private sector, which saw a 1 per cent decline. Among the hardest hit areas were retail and wholesale trade. Information, culture, and recreation is down 7 per cent. And professional and technical services are down 20 per cent.

So if you compare 2015 numbers with 2018 numbers, we've lost 7,700 jobs but only 1,000 of those are in the oil patch. And this was Doug Elliott in the *Leader-Post* recently. Now we see an employment increase of 2 per cent in Alberta, point nine per cent in BC and Manitoba, and 1.87 per cent nationally.

So the question is: where is your evidence that this low corporate tax rate is working to the best interests of all people in Saskatchewan, and what's the rationale?

[17:00]

Hon. Ms. Harpauer: — There is a lot of indication that and a lot of . . . You know, it depends which reports you want to read and whatnot. There is a lot of indication that we're going to have an economic growth again in Saskatchewan and, you know, of course you're going by forecasters and economists and whatnot.

Talking to industries, which I've done a lot of over the years, tax-competitive matters. They will point-blank say they will look before they invest in a province or in a jurisdiction. Tax levels matter. And so what they look at is personal income tax because it's important for their workers. They look at corporate income tax, depending on the size of the company. They look at small-business tax for the smaller businesses. The small-business tax threshold, the property tax, all of those

things is what they're going to take into consideration before they invest dollars in an economy or in a jurisdiction.

So does that mean that there won't be downturns in the economy in general? No. But it could be a whole lot worse if we weren't even remotely competitive. Alberta has also had a downturn and, you know, they're recovering. If you do percentage, it looks better than Saskatchewan because of course they went a lot lower than Saskatchewan. So you know, on a percentage basis it looks better but in fact our economy didn't go as low as theirs.

So is there cyclical times within an economy depending on, in our case, commodities? Yes. I think one thing that I can assure you, I've been told that if you're not competitive, we won't get that investment. That's why we need to be very, very concerned, quite frankly, in Canada with the changes that are happening in the United States because I think we are going to see, as a nation, hesitation of investing in Canada because we're not tax competitive.

I've read a number of forecasters' and economists' viewpoints on that. I've met with the stakeholders in the oil sector. For sure, they're looking at far more investment now in the United States because of the tax environment, because of the pipeline issue. So yes, is it . . . How do you forecast what you may have or may not have if you don't have it? You basically do have to rely on economists, but you have to listen to the sector as well. And that's who's going to invest or not invest in your province. And they will say you need to be tax competitive.

Ms. Sproule: — Okay, thank you. I'm going to move to page 70 now in the budget. And it's a similar type of question on corporate taxation, and maybe it's the same answer. Again the corporate income tax revenue is much lower than budgeted in '17-18 and a much more modest estimate this year. Is that the same reasoning?

Hon. Ms. Harpauer: — No, it's not the same reasoning as a tax change. That is the commodity, the prices and sales being down in resource revenues.

Ms. Sproule: — Do you have any figures in terms of what percentage of this decline is attributed to oil and gas? Or are there other sectors that have been hit as well? Or is it 100 per cent oil and gas?

Hon. Ms. Harpauer: — No.

Ms. Sproule: — No.

Hon. Ms. Harpauer: — A large part is potash.

Ms. Sproule: — Thank you. Page 47. We talked about this earlier, the public debt. Just want to get on the record some information about that. In terms of the other debt of government service organizations, it has grown from point three two billion dollars to \$6.7 billion since 2010. Why has it grown so rapidly? I don't know even know what the . . . It's more than tripled. I mean it's from point three to 6.7, whatever that is in math. So why has it grown so rapidly in the last few years? It's doubled since 2016, and then it's going to triple by 2020.

Hon. Ms. Harpauer: — So if I can, that is the capital plan. But I also wanted to add that, comparing apples to apples, and it goes back to comments that the debt has tripled since 2008 which simply isn't true. The other thing that we need to know is in 2008 school board debt was not included, and now school board debt is included in our statements. So that's an additional debt that we have in our statements that was not included in 2008.

The other thing that's interesting is our Municipal Financing Corporation in 2008 was lending only \$25.8 million because there wasn't a lot of infrastructure projects that were happening at that time. Municipalities are now borrowing up to \$207.7 million. Now you know, there has been some very sizable infrastructure programs in partnership with the federal government, and the municipalities have been able to participate in those projects. And that has increased that area of debt as well.

Ms. Sproule: — Thank you. I think when we talk about the tripling of the debt, that's from 2009 until 2020.

Hon. Ms. Harpauer: — Well actually I've read a lot of *Hansard*, and every one says 2008.

Ms. Sproule: — Is that right?

Hon. Ms. Harpauer: — Yes, every speech, every comment. It's been in questions.

Ms. Sproule: — I would have to check because I know I've always thought from 2009 it's tripling. In terms of reporting again public debt, if you look at Public Accounts from 2016-17, on page 33 there's the public debt, and they break it down into two. There's the public debt and then government business enterprise specific debt. So it's a two-layer cake, essentially.

In your budget document, it's a three-layer cake where the other debt of government service organizations is carved out. Can you explain to the committee why you use a different method of reporting debt than the auditor does or that you do in the public accounts.

Hon. Ms. Harpauer: — So we made a decision that we want the operating debt because we think it's significant to note the operating debt separate. And actually it speaks to what you had talked about earlier, how you would like the breakdown to be more, not less. And so the Provincial Auditor and public sector accounting doesn't require that, but I think it is important information that I hope to continue to include in the budget document.

Ms. Sproule: — I don't know if I understand this correctly. But in prior years it was reported as two amounts, obviously, the public debt being GRF, and other debt. Because when schools were built and hospitals were built and highways were built, they were financed in the year of the construction, and so it was included as part of the public debt. And the change to the three layers really shows a different representation of GRF operating versus GRF other debt. And I think in this case I would agree more with the auditor in terms of the two layers because this is the debt that the government has incurred. And whether it's other debt or GRF operating debt, it's still debt of the

government, or public debt.

So in this case I would think the two layers is probably more accurate than the three layers in terms of reporting because then people can understand what the public debt is and that the capital plan debt is definitely part of the public debt. So I guess this is a disagreement that we have in terms of how this is reported. And there's probably not much of a question there.

Hon. Ms. Harpauer: — No. And then we will totally agree to disagree on it because the amount's still there. Like when you look at the projected, where it would be, it's \$20 billion. Because we put bars underneath to explain the breakdown of the 20 billion doesn't change it. So we're absolutely going to disagree if we think we should now erase that out.

Ms. Sproule: — I think what I've seen though is particularly a former premier talk a lot about the GRF operating debt specifically without talking about the capital plan debt at the same time. So he's only talking about a portion of public debt when he talks about the GRF operating debt, and spoke a lot about that as it going down. But at the same time he never mentioned that the other debt was actually exploding. So I guess it's just in terms of how you look at it.

Hon. Ms. Harpauer: — Yes. And quite frankly again, as debt-to-GDP, you say exploding but so is the economy debt because as a percentage of debt-to-GDP, we're still third-lowest in Canada and marginally higher than we were a decade ago. And in that decade a lot of infrastructure has been built. So exploding, really? You have to put it in context of the economy of the day.

Ms. Sproule: — Thank you. Just speaking of some of those metrics, one of the metrics I think that is in the RBC reporting is the net debt per capita. And I think you've reported it in your budget vis-à-vis other provinces. But I think if you take a look at net debt per capita for this province alone, and if you look at it since 1981, it's actually higher now I think than it was, well for many years, but it's . . . I'm sorry. I've got to find the right page. It's \$10,000

Hon. Ms. Harpauer: — It's \$10,116, the third-lowest in Canada. It's on page 51.

Ms. Sproule: — Yes, of the budget. I'm just looking at the RBC economics tables, and I want to make sure I get the right page. Here it is, net debt. Per capita, the net debt is highest in '17-18 than it's ever been in, well, since 1981. That's as far back as it goes. So relative to other provinces, maybe not a big concern but for the people of Saskatchewan, it's the highest it's ever been. So does that raise any concerns for you that our net debt per capita is the highest it's ever been?

Hon. Ms. Harpauer: — The concern is how much of that is the operating debt and we've spoken to that at length. And you even mentioned a number of times that government members talk about it, which is lower than it was a decade ago.

Our Crown corporation debt is up considerably and it is a self-supporting debt. And they are constantly measuring their debt levels and comparing it to industry standards. If you have growth in your province, such as we had, and you have to put in

more power and energy and whatnot, hook-ups, the money has to come from somewhere. They are borrowing for infrastructure. They have growth challenges plus aging infrastructure challenges.

So is that debt? Yes it is. It's public debt. Is it self . . . Does it pay for itself? Yes, it does. The same with . . . We have a mechanism, which you had mentioned earlier, of using sinking funds to help support future payments on the capital plan so there is a plan to manage that debt.

So I think we do need to understand the debt and it's easy for you to go and publicly do fearmongering, but I think the public also needs to understand this debt. They need to put it in context of our economic situation. I can't speak to 1981 and what that debt was and if it was just operating debt or if there was actually, you know, a plan for that debt. I can't speak to that.

But I can to the debt we have now and as you said, per capita, we're the second lowest in the entire country. Are we mindful of the operating debt? Absolutely, which is why it is so important to stay on track to get back to balance. Because as long as we have a deficit, we're going to have to borrow to meet our programming. And there's a lot of pressure to spend, spend more and expand programming but it's, quite frankly, if you're concerned about the debt, you can't spend your way into prosperity.

[17:15]

Ms. Sproule: — Well I can certainly agree with you on the Crowns and the work that they're doing there to manage, I think. I met with SaskPower yesterday and had a good two hours with them in committee. So we do have agreement on that point.

Page 70 in the budget document, I just want to talk a little bit about the Auto Fund. The revenue estimates were over double. Let me look at that. Auto Fund, it was only estimated at 65.3 and the forecast is 142.6; in this year's budget, \$118 million. So can you talk to the committee a little bit about how that happened?

Hon. Ms. Harpauer: — No. That would have to be asked in an SGI.

Ms. Sproule: — All right. In terms of total revenue then, it did go down from budget to forecast, but this year for '18-19 you are forecasting a little bit higher. Is this based on forecasts? I guess based on forecasts. But maybe you could explain to the committee how that is that revenues, although they went down between the budget and the forecast, that you're now expecting them to go up?

Mr. Pandya: — Thank you. It's Rupen Pandya again. So total revenue is forecast to be 14.24 billion in this budget, and it's up 300 million or 2.2 per cent from '17-18 third quarter forecast. This increase is due to higher tax revenue, non-renewable resource revenue, and federal transfers, and it's offset by decreases in net income from GBEs and other owned sources.

Ms. Sproule: — Thank you. Just want to talk a little bit about controlling compensation costs. On page 10 you'd talked about

that. The quote is:

Controlling compensation costs, the largest single . . . [government] of Government's expense, is key . . . Employers and unions understand the fiscal environment and continue to bargain in good faith. Through the bargaining process, fair and equitable agreements will be achieved.

Now in the meantime, in November of 2017 the IBEW [International Brotherhood of Electrical Workers] rejected the government contract offer. Also in November we heard that teachers . . . The collective bargaining was compromised with the teachers and they rejected a pay cut of 3.67. Just last month in April the SGEU [Saskatchewan Government and General Employees' Union] rejected the government contract offer. So I guess the question is, how through the bargaining process do you expect to achieve the reductions that you're anticipating in this year, which was \$35 million?

Hon. Ms. Harpauer: — We're not looking for that at all at the bargaining process, as mentioned where I described the methodology behind this, through attrition and vacancy manage and efficiencies within. So we're not looking for that at all through the bargaining process.

Ms. Sproule: — And the pay cut, 3.5 per cent pay cut, is not on the table anymore?

Hon. Ms. Harpauer: — No, that was taken off in Q2 of last year when I then brought the contingency into the budget to balance the not achieving the three and a half per cent.

Ms. Sproule: — Thank you, Madam Minister. Moving on to PST, the PST exemption for life, health, and agriculture insurance, I think it was reinstated on February 26th of this year. Now it's made retroactive, I believe, to August 1st, 2017. Is that correct?

Hon. Ms. Harpauer: — That's correct.

Ms. Sproule: — How many different insurance providers do you know are impacted by this change?

Mr. Hebert: — Brent Hebert, assistant deputy minister, revenue division. So in terms of insurance providers, I guess, and brokers that were impacted by the retroactive exemption of life, health, accident, and crop insurance, there's been a number in Saskatchewan. We've reached out and consulted with a number of the industry associations, so the Canadian Life and Health Insurance Association, the Canadian Association of Financial Institutions, the Insurance Brokers' Association of Saskatchewan, the Insurance Bureau of Canada, and some key ones in Saskatchewan as well, other larger ones.

So those folks represent the brokers, insurance companies that sell insurance policies into Saskatchewan. So our consultations with respect to those refunds and credits have largely been done through those industry associations. And we've worked with those associations to implement that retroactive exemption.

Ms. Sproule: — Yes, what I'm trying to get at in the next set of questions is the impact of this retroactivity on the industry and

on your ministry in terms of the costs of implementing it. And so I guess the next question is, what is the process for reimbursing those who paid this PST from August to February?

Mr. Hebert: — So through consultations with those industry associations and their members, we worked hard with them to figure out the most efficient and effective way to get the refunds out to policyholders, and we determined that credits and refunds processed through their members would be the most efficient way to get the refund or the credit back to their policyholders.

So it's the industry insurance companies that are working with their clients to provide those credits back to them, based on the PST that they had paid on those products.

Ms. Sproule: — Basically, somebody would have to go through client by client and figure out the cost and the refund and then issue a cheque. Is that how it's happening?

Mr. Hebert: — Yes, they offered that solution. The alternative was to have all of their policyholders coming to them on an individual basis requesting refunds which would be too much of an impact for them. Certainly that would have been more of an impact than the solution that we've agreed to with them right now.

Ms. Sproule: — Do you have any sense of the cost that insurance companies are experiencing to process the changes?

Mr. Hebert: — So we don't have an idea of what those costs are, but through that work with them, this was the most efficient manner and the lowest cost manner that they could get the refunds out to their clients.

Ms. Sproule: — Yes, I understand that but I think it still is going to incur costs for the companies. Will there be any compensation being provided to them for the extra work they have to do?

Mr. Hebert: — No, there's no compensation.

Ms. Sproule: — What's the timeline for repayment?

Mr. Hebert: — So in consultations with these folks, the majority of the refunds or credits on a number of the policies, or many of the policies, will be within a month or two months, especially when they're putting credits on their accounts and they're making monthly or frequent payments on their insurance contracts. So the majority of the credits and the refunds will be processed within a month or two based on their premiums that they're paying.

Ms. Sproule: — Do you have any sense how many files we're talking about?

Mr. Hebert: — No.

Ms. Sproule: — No. All right, thank you. In terms of the ministry itself, what work does the Finance ministry need to undertake to reinstate this tax exemption?

Mr. Hebert: — So we've already completed those consultations and the work that we did was within our current

capacity. There is no additional work or additional people needed to perform the activity.

Ms. Sproule: — So do you have people specially assigned to it at this point in time or is it just on the corner of their desk?

Mr. Hebert: — It's just part of our normal operations. So the folks that normally do our refunds and provide tax information and work with clients in other areas for refunds and credits have taken on this work as well.

Ms. Sproule: — We know that the direct costs, I think, are \$65 million in forgone revenue. Do you have any sense of indirect costs at all?

Mr. Hebert: — No, not for us. No.

Ms. Sproule: — Okay. One more question on this. Have you done any analysis on how this tax change will impact households of different levels of incomes? So for example, what's the impact on low-income households versus high-income households?

Hon. Ms. Harpauer: — [Inaudible] ... just continuing or accepting that it should be a positive impact on all households because it's a rebate, and it won't be applied going forward. So all households that carried health or medical insurance or life insurance would be positively impacted by no longer having to pay PST and having the PST that they previously paid rebated.

Ms. Sproule: — All right. I understand that. I'm just wondering what level of insurance, I guess, that would ... Like high-income households would have a higher level of insurance, then they get a higher rebate — right? — because they're more insured. But would you have any information in relation to that?

Hon. Ms. Harpauer: — I really am not understanding this. We're rebating any PST. So if they prior had a high level of insurance and they were paying an additional 6 per cent, they had their 6 per cent reimbursed and don't have to pay 6 per cent going forward. Their choice on what level of insurance they want to get after that is, like, their choice.

Ms. Sproule: — I understand that. What I'm saying is it's likely different between low-income households and high-income. The level of insurance would be different based on income.

Hon. Ms. Harpauer: — Correct. But how does this make a difference to that?

Ms. Sproule: — It's the total rebate would be higher.

Hon. Ms. Harpauer: — If they spent the money, yes. Whoever spent more money on insurance will get a higher rebate than those that spent less money on insurance. We don't have the policies. The insurance companies do.

Ms. Sproule: — Thank you for that. I'm going to spend a little time on pension accrual adjustment now because I noticed there's a significant change in this year's approach. And just to get it on the record, in last year's budget on page 36 there was a

statement that said, “Because of the volatile, long-term and non-cash nature of the pension accrual adjustment, it is reported separately so as to not influence annual spending and taxation policies.”

And as you will know, the auditor in particular in her report in 2016, page 232, volume 1 indicated that there was a recommendation that the adjustment to account for pension costs on accrual basis should be included. And then in 2016, we had Mr. Paton explaining that he supported last year’s version of it. He said:

The way the budget is presented currently, I think it gives a fairly clear picture of the cost of operating government on a more current basis. So the numbers that you see prior to the pension liability are the numbers that are going to be I guess closer to the amounts that we’re actually paying out in the coming year, whereas the pension liabilities are estimates of costs well into the future, in many cases 30 years.

So that was the choice for not following the auditor’s recommendations. And yet there was a turnaround in Q3. And I know, Minister, you were disappointed we didn’t raise it when Q3 was released, but I am raising it now. And just wonder if you could sort of provide the committee, when it’s more favourable to the bottom line, why you made the choice to make that change in Q3 of this year.

Hon. Ms. Harpauer: — Actually if that was the reason, we would’ve done it a couple years ago because it didn’t really make a difference to the bottom line. Where it made a significant difference to the bottom line of course was our first budget using summary financial statements was in 2014-15. And we — as in government members, opposition members, the public, the media — were quite used to decades of budgeting displayed on a General Revenue Fund basis.

And there was some challenges and there was some frustration with the Finance minister. I remember talking to him about it. He tried to explain because, you know, generally people wanted to compare the way we were always able to compare numbers before. And it is displayed quite considerably different in summary financial statements than in with the General Revenue Fund, and there was some confusion.

At that time the pension adjustment — and I’m going back from memory — I believe it would have created somewhere around an \$800 million shortfall. It was quite extreme. So the decision was made at that time that it was not calculated in. It would be displayed and it would be explained. It would be an easy number to add in and out because it would be on the same page and explained, but it wouldn’t actually be the number that would be referenced, and then try to explain.

[17:30]

Now I know the opposition at that time didn’t agree with this, and nor did the Provincial Auditor, or the Provincial Auditor expressed concerns, and you have said that. Public Accounts always included the pension adjustment, and so I do also remember Public Accounts coming out and then basically the story was, this is a shortfall. This is a deficit.

And I know yourself, you’ve talked about years of deficits because you, yourself, you add it in. So for 2015-16 and 2016-17, the pension adjustment remained as a separate line even though it really, truly wouldn’t have altered the budget a whole lot. So I can’t speak to the previous ministers. It quite frankly should have transitioned earlier. I think last budget had its own challenges, and maybe, you know, with transitioning, wasn’t thought of. I felt that Q3, it didn’t significantly make a difference, and we did the side by sides, demonstrating what it looked like and why. And there was an explanation, and it was . . . both calculations were done.

I guess, you know, you’re going to say that the deficit’s worse than what we’re saying. The good thing on my part, and I say this with a big grin, is that when Public Accounts comes out, it’s on my side now. And it’s going to display exactly how our budget is, because Public Accounts is going to be the same. It’s also the same method used in other jurisdictions.

So the question is, if you’re going to completely transition to summary financial statements, if not now, when? And that’s kind of the rationale: new minister, new deputy minister, only a few years in to this transitioning into summary financial statements.

Is it a risk in all the volatility that was mentioned by the previous minister and the officials? Absolutely, you know, it is. There’s a number of risks when you go to summary financial budgeting. Crop insurance is one that keeps me awake at night, and we’re hoping for rain. We had a snowfall that I was really happy with before we completed this budget, and now I’m worried about it again. Like, there is a lot of volatility in summary financial budgeting.

Ms. Sproule: — Thank you, Madam Minister, for that explanation. Do you think on a go-forward basis though that you will retain this process and not change back?

Hon. Ms. Harpauer: — That is my intent. Now I’ve had a number of portfolios, so I always say I can’t keep a job. But that would be my intention, yes.

Ms. Sproule: — Thank you for that. Just moving on now to the consolidated offset balance concentration arrangements that you have with various government entities. I think there are dozens of entities that use the GRF as their bank account. And I did some questions a few weeks ago in terms of how these arrangements are being used.

And I just want to share with the committee members and yourselves, what I did is a kind of a three-year snapshot from 2005, 2008, 2011, 2014, and 2017. So the amount of deposits held on March 31, 2005 was \$981 million. That’s what the GRF held. In 2008, March 31st, it was 385.4 million. It went down quite a bit. In March 31st, 2011, it’s bumped up to 403 million. But then in 2014 we see quite a large increase in the use of these to 1.3432 million. And then in 2017 it’s now at 1.8554 . . . sorry, billion dollars.

So it’s doubled, basically, since 2005 in terms of the amount of deposits. And perhaps I’ll ask you to explain what these are used for, but if I understand correctly, they’re basically like cash flow. This is within the consolidated statements, and so

this is money that's there.

I'm just wondering, Madam Minister, is there any concern with the doubling of the amounts that are held, and does that put you in any precarious positions in terms of cash flow?

Hon. Ms. Harpauer: — So just, you know, a little bit of explanation. The consolidated offset balance concentration arrangements have been in place since the early 1990s and are widely used, practised in treasury management. So the consolidated offset balance concentration arrangement facilitates effective cash management, as you mentioned, by allowing the GRF to use these monies to reduce the need to issue promissory notes to finance temporary cash shortages. So the consolidated off-sheet balance concentration arrangement is used continuously as part of government's daily treasury management practices, and it reduces the province's debt and interest expense by aggregating the cash balances of government's entities to minimize external borrowings.

You noted where it took a leap, and of course I'm going to make note. 2015-16, so the following year where this would have started happening was when we had our first \$840 million shortfall from what was the average of our resource revenues. So on average between 2010 to 2013, on average our resource revenue was 2.6 billion, and it fell to 1.761 in 2015-16. It was 1.3 in 2016-17; 1.4 in 2017-18. And then this year we're projecting in this budget, 1.4.

So this is where, you know, we've said time and time again, it's that 1.2 on average shortfall in resource revenue. And yet we haven't made . . . We didn't immediately move to \$1.2 billion reductions in the operating of government. And so, yes, you know, we are managing our internal cash within. You're correct. And so it is a cash tool. But it goes back to we need to be aware that we need to get back to balance so that we don't have this deficit where we have more cash going out than coming in.

Ms. Sproule: — I'd like to get some understanding of how these entities are called upon to use the GRF as their bank, I guess. Is this something that, you call upon them? Or do they voluntarily do it? Do they put all of their cash in the GRF or just some of it? Some of these I'm assuming are very, very small, of the many that use it. But what's the process? Does the government call on these entities to make the deposits or do the entities voluntarily do that?

Hon. Ms. Harpauer: — So I'm being advised that basically they're encouraged to. And I would think — it wasn't something that we did this year at all with our budget that we have this year, so I'm speaking for previous ministers and previous decisions — I think it was a matter of who had cash at the time and whether or not they were in a situation where they felt there was a risk to bank their cash.

Ms. Sproule: — For 2017, March 31st, there was 1.8 billion. Could you give a breakdown to the committee of which entities represented, I would say, the larger amounts? Certainly not a breakdown of all of them.

Hon. Ms. Harpauer: — The majority was Crop Insurance.

Ms. Sproule: — How much did Crop Insurance place in the GRF in that year?

Ms. Macza: — The Saskatchewan Crop Insurance Corporation had 1.35 billion on deposit, followed by the Crop Reinsurance Fund at 165.8 million. So this was as of March 31st, 2017.

Ms. Sproule: — Thank you. What about the Auto Fund or any SGI entities? There was no deposits? And do you have those numbers from March 31st, 2018 yet?

Ms. Macza: — Not yet.

Ms. Sproule: — Not yet. What about third quarter?

Ms. Macza: — No. We don't do those statements at third quarter.

Ms. Sproule: — Could I ask you to provide that number once it is available to the committee through the Clerk? Thank you. Just for the record, I'll indicate the officials nodded yes. Sorry. I just want to do a better job of this.

So in terms of Crop Insurance, if I assume that type of level of deposit is . . . Are they still using COBs [calculation of benefits] for their deposit? Like, has that continued for the last fiscal year?

Ms. Macza: — Yes.

Ms. Sproule: — So that's pretty much . . . Okay. I guess my concern then is they're getting point five per cent, or they did at March 31st, 2017, they were getting point five per cent interest on that. If . . . And I talked to the auditor about this, and she said like you did, Madam Minister, this is normal practice for governments, but it's the amount that's growing that's the concern. And she said what happens is if, for example — and God forbid — there is a crop failure, then they will call this cash. And will you be able to borrow on the open market at the same rate of interest? Is that something that's available?

Hon. Ms. Harpauer: — It really depends because we wouldn't know what it was at that time or if this . . . Yes, we have no way of answering that.

Ms. Sproule: — And so you don't know how that would work. Would you be able to secure \$1.5 billion on the open market? Would that be possible if and when it's needed?

Hon. Ms. Harpauer: — Yes.

Ms. Sproule: — So the main benefit, you're saying then, is just the flexibility internally through the consolidated financial statements to have access to these funds, rather than going to the open market to borrow it.

I guess the question I have then, is why Crop Insurance . . . The Auto Fund has a significant amount of cash on hand as well, and I believe workmen's compensation does too. So why would a government agency choose to use this rather than others? If Crop Insurance has, looks like probably 70 per cent of the money that's currently being held, why is Crop Insurance interested in this arrangement and other entities are not?

Hon. Ms. Harpauer: — I know I've never been that minister, so I can't speak to Crop Insurance. I know SGI has like a board and they have their own investment policies. I suppose they could be directed to, but we never have. And actually they're doing very well in their investments.

Ms. Sproule: — I believe they are. And I guess, would it be a concern to you if Crop Insurance wrote to you tomorrow and said, we're taking it all out? Would that be a problem for you? And what would you do if that was the request? What would you have to do?

Hon. Ms. Harpauer: — Well if we didn't have another entity we could access, you know — it could be maybe, possibly the Auto Fund — if there is absolutely no other avenue, we'd have to borrow it.

Ms. Sproule: — In terms of treasury board, what would treasury board's involvement in these decisions be? Or are they involved at all in the consolidated offset balance concentration arrangements?

Hon. Ms. Harpauer: — They're informed. They're informed about the possibility.

Ms. Sproule: — So they would be informed by your officials and yourself at treasury board meetings. Okay. All right. I'm just going to take a moment here to review, make sure I've covered everything. I've got a couple more areas.

Okay, I'm just looking at Public Accounts from last year, '16-17. It's the most recent version that we have, and just wanted to ask a few questions about some of the items that are in there.

[17:45]

And first of all I guess just in terms of ministers' travel, I see that there's allowances for the Legislative Secretary. Do you currently have a Legislative Secretary, backbench . . .

Hon. Ms. Harpauer: — I think I do.

Ms. Sproule: — Yes? Hugh Nerlien? Or . . .

Hon. Ms. Harpauer: — Yes, Hugh Nerlien. Yes.

Ms. Sproule: — Yes. I guess maybe my question is, what is his function and role, and how do you anticipate that he will be participating in the Ministry of Finance?

Hon. Ms. Harpauer: — To be honest with you, since I've become minister his role has been more in the area of public sector bargaining and discussions in that area, in the labour side, the compensation side. He's done a lot of work reading contracts and meeting in that area. I think you're going to see some . . . potentially you may see some changes.

Ms. Sproule: — I know I'd asked in another committee and there were no written reports to the minister at that time, but is that something you would anticipate here or is it more informal?

Hon. Ms. Harpauer: — [Inaudible] . . . they're not tasked. Like it would be going forward once we're through this session, this first budget, if I should have a Legislative Secretary, I see that as a sounding board. I mean there's a number of stakeholders that you meet with. Hopefully they'd be able to participate in those meetings. That becomes a sounding board, you know, of those ideas or concepts or whatever. There may be functions that you're unable to attend but now you can have someone there, so they'd be able to do that for you. I'm not the teacher or the . . . No, I don't anticipate a written report on any issue.

Ms. Sproule: — Thank you for that. I'm going to turn finally to the plan for 2018-19 for the Ministry of Finance. I don't know if you have a copy of it with you here today. I just wanted to talk a little bit about your operational plan, and in particular my first question would be the work that you do with SaskBuilds. So in terms of the operational plan, on page 3 you have the goal and the strategy. And one of the key actions I'd like to talk about is the second one where it says we will "Continue to work with SaskBuilds, ministries and others on innovative financing, design and delivery of the Saskatchewan Builds Capital Plan." And if you could just walk the committee through what your ministry's involvement is in that context.

Mr. Pandya: — Thanks. It's Rupen Pandya, deputy of Finance. So certainly we're working with SaskBuilds as they continue to deploy the projects that they've been currently asked to deliver using public-private partnerships. And so we are monitoring those projects in addition to SaskBuilds' oversight with the ministries.

Beyond that work, SaskBuilds is also involved in integrated capital planning across the public service. So they're responsible for taking a look at the capital planning process within each ministry and developing a series of best-practice templates, business cases, so that ministries are bringing forward detailed business plans and prioritized capital projects into the . . . So we can present that to the treasury board as part of their deliberations on an annual basis.

So maybe I'll stop there and see if there's a specific question?

Ms. Sproule: — If I recall, Mr. Pandya, you were previously with SaskBuilds? Is that correct? So you have a lot of good knowledge of what's going on there.

In terms of a relationship between Finance and SaskBuilds, again is it a supervisory relationship? Or is it simply providing advice when asked? Or do you have any oversight role vis-à-vis Sask Builds?

Mr. Pandya: — So certainly SaskBuilds, as a treasury board Crown corporation that acts as a central agency, with respect to capital is similar if you will to Finance in terms of its central agency function. I don't think we would exercise any oversight over SaskBuilds other than through the annual budget-making process where the treasury board deliberates the budget of the corporation along with other executive government entities.

Ms. Sproule: — The next bullet there under key actions is to:

Provide guidance and advice to government in the

development of strategy for public sector collective bargaining and assist ministries and public sector employers with the implementation of strategies to achieve collective agreements within parameters established by Cabinet.

Can you just talk a little bit about the role of the ministry in that context and indeed the process? So when do you get the parameters established by cabinet? And how do you work with the line ministries and the public sector employers to fulfill those parameters, I guess. Like how is that received?

Mr. Pandya: — So maybe I can take a start and see if it's sufficient. Within the Ministry of Finance we have the personnel policy secretariat, which is the primary policy arm that works with employers across the public sector to bring forward advice to the ministers, the Chair of the public sector bargaining committee. So there's a committee of elected MLAs that serves as the public sector bargaining committee.

The advice that the personnel policy secretariat brings forward into the committee, to the Chair, to the minister is based again on their detailed discussions with employers across the various public sector bargaining areas of responsibility. And ultimately the committee, if it accepts the personnel policy secretary's advice, would take that information into cabinet to endorse a mandate around a negotiation.

Ms. Sproule: — And in terms of these parameters that are established by cabinet, how is . . . Maybe, Madam Minister, you could speak more to that. What are those parameters? Is it sort of, you know, a negotiating best-case, worst-case scenario that is provided? Like does cabinet direct that?

Hon. Ms. Harpauer: — It is a negotiating strategy. And where Finance helps of course is so you can put it in context. It also helps with the budgeting process because you need to know what a 1 per cent, in this particular collective bargaining group, what that is going . . . what we need to add to any budgets potentially that's . . . You need some indication from our collective bargaining tables as to where the unions are, what their ask is, and whatever.

Each one, I'm finding, is unique and different. There are times . . . The last budget was very much out there where it was just one stark mandate. There have been other times where I know there's been a general mandate. Right now there isn't at this point in time. Both of the offers that was agreed upon at two different collective bargaining tables that you had mentioned earlier were totally different to what was taken to the memberships. Both were not ratified but they were not a one-size-fits-all mandate.

Ms. Sproule: — Just in terms of the budgeting process, and you say 1 per cent can make a large difference, how do you build that flexibility into your budget? Or is it you just sort of make . . . I know it wouldn't be even an estimate but probably looking at previous years' salaries, I guess.

Hon. Ms. Harpauer: — I'm going to speak from past experience because I sat on treasury board. You would have perhaps in one ministry the table open and so you sort of, you know, is it going to be 1 or 1.5 per cent. That would be built in

the budget.

The challenge is if the budget is heavily weighted to one particular bargaining table because when you build it in, it's kind of easy to figure out that that's what government's budgeted for. So you have to be careful with that. But in essence, when a bargaining table settles, we have to have our budgets in such a way that we're not going back and then bumping the budget up to meet every single collective bargaining table's band settlement.

Ms. Sproule: — Do you know how many are open right now that you're dealing with?

Hon. Ms. Harpauer: — Almost everybody.

Ms. Sproule: — Almost everybody. All right. Lots of work cut out there. The next . . . I'm just interested in all of these, actually: "Assist ministries in ensuring the financial arrangements of federal-provincial agreements are appropriate and accounted for within the Government's fiscal plan." How many federal-provincial agreements on average would your ministry deal with?

Mr. Pandya: — I believe the number's in the annual report. And we can get you the exact number, but I believe it's between 20 and 40 intergovernmental agreements a year that we would review on behalf of government.

Ms. Sproule: — Do you know where the large majority of those . . . Is that agriculture would be the majority? Or I'm just guessing.

Hon. Ms. Harpauer: — No, from past experience. We have the infrastructure because we have Building Canada Fund; we had the Clean Water and Wastewater. There's a cannabis agreement, of course, that we have. There's a few in the agriculture. I think there's a policing agreement for the RCMP [Royal Canadian Mounted Police] contract. So, yes, there's quite a few.

Ms. Sproule: — The next bullet is about participating in ". . . discussions with federal, provincial and territorial governments on issues related to the major intergovernmental fiscal arrangements, including transfers in support of health care, post-secondary education and social programs." The numbers that you shared earlier in terms of the federal transfers are a very significant portion of this government's revenue.

And so maybe just a little bit on Finance's involvement in those tables, and how do you make progress, I guess, with all the other provinces and territories sitting there. And I know the Minister of Agriculture — that's the one I know the most about through the Growing Forward, because I was the critic for a few years — but it's very difficult when you're sitting at a table with all the other players. And I think we've seen, you know, the Minister of the Environment with the pan-Canadian framework as another example of difficulties. And so what is the Ministry of Finance's involvement in those discussions?

Mr. Pandya: — So maybe I can just provide you with an overview of how the involvement occurs. So, you know, the interaction with the other provinces, territories, and the federal

government on any of these federal-provincial-territorial issues would be . . . There would be tables replicated at the level of the minister, who would be the lead representative on behalf of Saskatchewan in those discussions. There'd be a deputy's table, assistant deputy's tables, all the way down to senior officials, who are working towards ensuring that ministers when they meet are, you know, confronted with substantive information regarding, let's just choose Canada Health Transfer as an example.

The minister responsible would be responsible for coordinating across the provincial civil service our policy position vis-à-vis whatever federal transfer we were in the process of negotiating. Typically at those meetings — just to give you colour if that's what you're asking for — there's, you know, typically sidebars and coalitions that are being sought with various jurisdictions to ensure that our position vis-à-vis the federal position is strong and that we can advocate provincial interests.

Ms. Sproule: — Right. So good negotiating, basically. The Premier recently has been talking again about equalization, and would your ministry be involved in any of the discussions going forward with the federal government on that issue?

Hon. Ms. Harpauer: — Yes, and in fact I'm trying to think of the month when I was . . .

A Member: — December.

Hon. Ms. Harpauer: — December, when I was in . . . when the Finance ministers met with Minister Morneau. It was not in depth, but it was briefly touched on already at that meeting.

Ms. Sproule: — I think, Mr. Chair, my time has come very close to being ended. I would just, I would like to make some final comments.

The Chair: — Please do.

Ms. Sproule: — Thank you. First and foremost, thank you very much, Madam Minister and officials, for all the useful information today, and I look forward to receiving the one . . . the information as it comes forward that you weren't able to provide. And just a final comment, Madam Minister, on your courage and bravery in the tragedy that your community has experienced, and really want to impress upon you our thanks for your service during that time.

Hon. Ms. Harpauer: — Thank you, and I too would like to thank all the officials and the committee members for . . . and the member opposite for the questions of information for the public, and thank you for that.

The Chair: — Thank you, Madam Minister, and we appreciate the questions and the answers as well. Seeing that there's no further questions, we will adjourn consideration of the estimates for the Ministry of Finance, including vote 195, advances to revolving funds; vote 175, debt reduction ; vote 18, Finance; vote 12, Finance — debt servicing; vote 177, interest on gross debt — Crown enterprise share; vote 151, Municipal Financing Corporation of Saskatchewan; vote 176, sinking fund payments — government share.

And I would just like to make notation that Eric Olauson has now joined us on the committee as a substitute for Ms. Lambert. Perhaps we'll take about a seven-minute break if we can, or a 10-minute break. Okay, if that's agreeable with all members of the committee for a 10-minute break. Being now 6 o'clock, we'll resume at 6:10.

[18:00]

[The committee recessed for a period of time.]

Bill No. 127 — *The Income Tax Amendment Act, 2018*

Clause 1

The Chair: — Being now the hour of 6:12, we will resume the committee. And we are now going to consider Bill No. 127, *The Income Tax Amendment Act, 2018*, clause 1, short title. Minister Harpauer, please introduce any new officials who may be here now and make your opening comments if you would, please.

Hon. Ms. Harpauer: — Thank you, Mr. Chair, and welcome to the committee members. I have no new officials with me. I have fewer officials with me though.

So we're here today to discuss *The Income Tax Amendment Act, 2018*. This legislation implements various income tax initiatives that were announced on April 10th, 2018 as part of the 2018-19 provincial budget. The 2018-19 budget introduced a number of revenue initiatives to support Saskatchewan's growth agenda and to remain on track to address continuing fiscal challenges facing the Government of Saskatchewan.

I am pleased to announce that this legislation will introduce the income tax provisions required to provide two new tax incentives that will grow and diversify our provincial economy, that being the Saskatchewan value-added agriculture incentive and the Saskatchewan technology start-up incentive.

The Saskatchewan value-added agriculture incentive will provide a non-refundable corporation income tax credit equal to 15 per cent of qualifying new capital expenditures. Eligible activities are defined in the new Saskatchewan value-added agriculture incentive Act as "the physical transformation or upgrading of any raw or primary agricultural product or any agricultural by-product or waste into a new upgraded product." Qualifying projects include new or existing value-added agriculture facilities making capital expenditures of at least 10 million related to new or expanded product capacity.

[18:15]

Potential applicants will apply to the Saskatchewan Ministry of Trade and Export Development, demonstrating how the proposed project will meet the qualifying criteria. Once we have demonstrated that construction has been completed and that operations have begun, they will be issued a certificate of eligibility by the Ministry of Trade and Export Development. This certificate will state the amount of the company's qualifying capital expenditures. *The Income Tax Act, 2000* is being amended to allow eligible corporations to use their eligibility certificates to claim a rebate of income taxes already paid from the Saskatchewan Ministry of Finance.

To further encourage business investments in early stage technology start-ups, Saskatchewan is introducing an incentive to increase the availability of patent and risk-tolerant seed capital. The Saskatchewan technology start-up incentive will address the capitalization challenges faced by technology start-ups. The STSI [Saskatchewan technology start-up incentive] will provide a non-refundable tax credit equal to 45 per cent of qualifying new investments made in eligible small businesses. This will support small Saskatchewan-based businesses that are early stage technology start-ups, developing new technologies or applying existing technologies in a new way to create proprietary new products, services, or processes.

The new Saskatchewan technology start-up Act will establish the eligibility criteria and certificate issuance processes for this new incentive similar to the processes being put in place for the Saskatchewan value-added agriculture incentive. The *Income Tax Act, 2000* is being amended to allow eligible investors to use their tax credit certificates to claim a rebate of income taxes already paid from the Ministry of Finance.

The 2017-18 budget announced the personal income tax rates would be reduced in two stages: an initial half-point reduction on July 1st, 2017; and a second half-point reduction on July 1st, 2019. The first stage of this reduction is providing a further 121 million in income tax savings to Saskatchewan residents in 2018. This legislation will temporarily suspend the tax rate reduction plan. Tax rates have now been reduced by a half-point and will remain at these levels for the time being. A number of other provisions throughout the Act that reference the tax rates are also being amended.

This legislation also maintains the existing provincial infirm dependant tax credit and the caregiver tax credit. In its 2017-18 budget, the federal government announced the consolidation of federal caregiver-related income tax credits into a single Canada caregiver credit. Saskatchewan will not mirror the federal change in order to ensure that dependants who are currently eligible to be claimed under these tax credits remain eligible.

In October 2017, the federal government announced an adjustment to the taxation of non-eligible dividends, generally those received from small business corporations, beginning in 2018. As a result of the linkage between the federal and provincial personal income tax systems, the federal change would automatically increase provincial income taxes on this type of dividend income. To offset this potential increase to provincial income taxes and to maintain the current level of provincial tax on non-eligible dividends, Saskatchewan is amending provincial legislation.

Lastly, on October 2017, our government introduced legislation to increase the small business income threshold from 500,000 to 600,000 effective January 1st, 2018. The Canada Revenue Agency has requested an additional technical amendment in order to provide taxpayers certainty that the 120 gross-up of the 500,000 federal threshold will be calculated correctly in accordance with the federal legislation and will be applied correctly in all circumstances.

I would like to thank the committee for the opportunity to present these legislation changes today, and I can now answer questions.

The Chair: — Thank you, Madam Chair. And since you have the same officials as this afternoon, I'm sure I don't need to ask them to state their name the first time they speak. Are there any members that have any questions? I recognize Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair, and Madam Minister. I don't have a lot of questions on this bill. It's highly technical and is bringing to fruition incentives that other ministries have talked about. Just a couple of questions maybe in terms of the budgeting process.

For the value-added agriculture incentive, what was the analysis from your ministry in terms of how much it's going to cost? I know it's in the budget somewhere, but if you could share that with the committee.

Hon. Ms. Harpauer: — For both of the new tax incentives, this is revenue that we don't have at this point in time, so it's not in the budget.

Ms. Sproule: — Not in the budget. Okay.

Hon. Ms. Harpauer: — Right. It's new growth, should this attract the investment.

Ms. Sproule: — And if the investment arrives, then it would show up in the public accounts as foregone tax, or is that how that will work?

Hon. Ms. Harpauer: — Yes, it would show up. I don't think necessarily it would show up in this first year, but in subsequent years, yes it would show as foregone tax.

Ms. Sproule: — Do you have any analysis in terms of how many companies may be interested in this tax credit, or is that a wait-and-see?

Hon. Ms. Harpauer: — Largely a wait-and-see, but a better analysis would be in the respective ministries that have met with the stakeholders and groups that have interest.

Ms. Sproule: — So you don't have any data right now in terms of what this may cost, in terms of tax revenues?

Hon. Ms. Harpauer: — Correct.

Ms. Sproule: — All right. I think, other than a whole lot of credit going to people who draft these kinds of clauses — they are incredibly dense in technical language, and I was toying with the idea of actually reading one into the record just to prove to people reading how complex these laws are — but I think I don't really have any further questions. Obviously this is bringing into fruition government policy under the budget, and we have had discussions in other areas in terms of these tax incentives in particular.

Maybe one last question. In terms of the tax credits for infirm dependant tax credit and caregiver tax credit, you've indicated they already exist, but the consolidation of these tax credits into a single tax credit federally, would that have meant that if you didn't make these changes, they would have fewer credits available to them?

Hon. Ms. Harpauer: — Yes, so with our tax credits we have, if not the highest, one of the highest tax credits for caregiver and disability tax credits. My understanding is if we consolidated ours, there would be a small sector that would fall off, that wouldn't have been eligible under the federal qualifications, and so we just chose not to change ours.

Ms. Sproule: — All right, then, Mr. Chair, I don't have any further questions on this bill.

The Chair: — Thank you, Ms. Sproule. Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 26 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Income Tax Amendment Act, 2018*.

I would ask a member to move that we report Bill No. 127, *The Income Tax Amendment Act, 2018* without amendment. Mr. Bonk has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Bill No. 128 — *The Provincial Sales Tax Amendment Act, 2018*

Clause 1

The Chair: — Okay. Moving right along, we will now consider Bill No. 128, *The Provincial Sales Tax Amendment Act*, clause 1, short title. Minister Harpauer, please introduce . . . Well again, no officials are new. Make your opening comments, please.

Hon. Ms. Harpauer: — Thank you, Mr. Chair. *The Provincial Sales Tax Act* is being amended to incorporate the PST initiatives announced in the April 10th, 2018 budget and other PST changes announced in December of 2017.

So the amendments include: restoration of the ability to deduct trade-ins on purchases of new and used light vehicles, recognizing that the PST exemption for light vehicles is eliminated; the addition of a tax exemption for naloxone and certain other non-prescription drugs for use in treating emergency life-threatening conditions, honouring the government's commitment announced in December of 2017; the addition of a tax exemption for prepared food and beverages sold by charitable or non-profit organizations at concessions, also honouring a government commitment announced in December 2017; the addition of a provision to allow PST on equipment to be applied based on the consumption or use of that equipment, as determined or calculated based on a prescribed formula.

In addition, the bill contains the following housekeeping items.

The current definition of the term "lease" is amended to clarify that a lease includes a supply of TPP [tangible personal property] along with an operator who provides oversight and direction only.

The definition of "vendor" is amended to provide additional clarity around retail sales into Saskatchewan by a non-resident business, by including retail sales of taxable services in the definition, in addition to retail sales of tangible personal property, or TPP.

An amendment was made to clarify that a contractor/builder is able to acquire engineering services tax exempt for the purpose of resale when such services are included in the retail selling price of the premises that is sold to a consumer at fair market value.

The provisions exempting feminine hygiene products and precious metals purchased as financial instruments are moved from the regulations to the Act, so that PST exemptions are listed and included in one place.

A new section is added to further clarify the processes around refunds for overpayment of tax: specifying when an action may commence and that refunds must be in an acceptable form, containing all required information; specifying the time period within which a refund must be dealt with and a response provided; specifying the period within which claims must be made; and authorizing the payment of interest.

The requirements for contractors in regard to security on real property service contracts are amended to further clarify the responsibilities of contractors and principals. The amendments ensure that contractors continue to provide security bonds and remain accountable for tax owed on their consumables and equipment by describing the circumstance where the tax on a real property construction contract can be recovered from either the principal or the contractor, and allowing the ministry the ability to provide clearance letters in instances where a security bond is not required.

The section of the Act authorizing the creation of regulations was also amended by updating the clause permitting the creation of regulations in regard to trade-ins on purchases of light vehicles to ensure all relevant sections are included; adding a clause permitting the creation of regulations in regard to the exemption being added for prepared food and beverages; and adding a clause to allow regulations to be made in regard to the types of persons, contracts, and conditions whereby principals must ensure that a contractor is properly licensed.

[18:30]

These changes strengthen and modernize the Act to sustain the province's revenue base in today's ever-changing business environment. Thank you, Mr. Chair, and I will entertain questions.

The Chair: — Thank you, Madam Minister. Are there any questions from the committee? I recognize Ms. Sproule.

Ms. Sproule: — Once again thank you, Mr. Chair, Madam Minister. It's a highly technical Act that's bringing into effect a number of government promises that we've visited at other tables. Just a clarification on a couple of clauses. Section 3 is being amended as you indicated. I had to look up TPP but that's tangible personal property so that took me a while but figured it out. This change isn't really related to the budget. Is that correct?

Mr. Hebert: — Brent Hebert, assistant deputy minister, revenue division. No, that's a housekeeping item.

Ms. Sproule: — Thank you. I think Madam Minister indicated that. Okay, in the section 5 amendments, that's clause 4 of the bill, my question there is, it seems to be singling out engineering and I'm just wondering if you could explain that a little bit more.

Mr. Hebert: — Sure. After the budget changes in '17-18 and the application of PST to real property services, one of the amendments that we had to make was to allow a contractor to buy engineering services exempt of tax because ultimately tax will be applied to the full contract. So we wanted to ensure . . . In policy we were doing it but we wanted to ensure that it was reflected in the legislation properly that they could buy those services exempt of tax.

Ms. Sproule: — All right. Thank you. So this is basically cleanup from last year.

Mr. Hebert: — It is, yes. Housekeeping.

Ms. Sproule: — All right. Thank you. And then the prepared food and beverages, I know that was introduced I think in the Throne Speech or . . . [inaudible interjection] . . . In December of 2017, so yes. So just to be clear, if they're selling potato chips or pop, they would still pay PST on that?

Hon. Ms. Harpauer: — So I can speak to this because I actually . . . This is what happened. I brought this forward because . . . your small-town rinks, right? And so they pay PST. They're not buying their product wholesale. They're going to Costco and they're buying their chips and their pop and whatever. So they pay PST. A lot of these small-town rinks don't have a till. It's a bunch of volunteers — because I used to be that volunteer — and you pull open a drawer and it's a cash drawer. And so they're saying, like really, we're going to have to sit there and calculate the PST on a little bag of five gummy worms and all this.

So that's the exemption that I wanted to put in place because they're not buying wholesale. They are buying from Costco or quite frankly often their local co-op store, and so they have paid what they need to pay. And in selling it through their concession, they're not making a lot off that, but the rink burger itself even. They don't have the mechanism. It's not their job. These are volunteers and quite often they have no till.

Ms. Sproule: — Yes. I'm thinking there's probably other charities and non-profits selling similar things, but maybe not at a concession. So would this be cutting some people off?

Hon. Ms. Harpauer: — It kind of covers a lot of it in the way

we've structured this. So it would also be . . . I'm trying to think of events, but we've all been in those small-town events where it's the same kind of thing. There's not necessarily a rink, but . . . [inaudible interjection] . . . So it's subject to the following criteria: the exemption does not extend to or include catering services or catered events; the concession is staffed and operated as a non-profit solely by volunteers and not publicly advertised; the food and beverages are not sold at an event where similar goods are sold by persons in the business of selling such goods.

So we did talk about trade shows where you may have both and then, you know, it's a little bit of a competitive issue there. The concession must pay PST to the supplier on purchase of taxable food and beverages such as snack food, candies. So they've already paid it when they bought it. And it can't be licensed concession and it can't sell alcohol.

Ms. Sproule: — It can't be licensed? It would have a food licence.

Hon. Ms. Harpauer: — Yes, would have a food inspection, right.

Ms. Sproule: — It'll be interesting to see how this evolves and what sort of applications will be used for it.

Hon. Ms. Harpauer: — I heard nothing after the original, like the initial approach by, like I said, the small-town rink. I mentioned it to another small town. They said, oh we just don't collect. So nobody knows.

Ms. Sproule: — Yes, it's a lot of paperwork and a lot of difficult accounting I think for non-profits that are selling burgers. So all right. Interesting. We'll look forward to seeing how that rolls out.

The refund and refund application changes, it's housekeeping as well? Yes. Okay. The same for section 29 being repealed and replaced. Is this also something that was missed last year and it's being fixed now?

Mr. Hebert: — It wasn't missed but it's more clarification around the real property services and its taxation and the ability for the government to hold non-resident contractors to account for PST when they do come into the province and do work here.

Ms. Sproule: — Thank you. Changes just to section 29, the principal's obligation to ensure a contractor has a valid licence. I just wonder if you could connect the dots for me here because I'm not sure how holding a valid licence would affect their payment of tax.

Mr. Hebert: — So the way section 29 is structured is if a non-resident contractor comes into the province, the principal who's doing business with them has to ensure that they are licensed and properly accounting for PST on their contracts. Through that process the principal . . . Either the contractor posts a bond as security or the principal can maintain a holdback equal to 6 per cent of the contract.

So what this section does is it does clarify that we expect that the principal will ensure that upfront the contractors,

non-resident contractors that they employ to perform contracts are properly licensed with Finance and properly licensed to collect and remit PST.

Ms. Sproule: — So the licence in question here is the PST licence. All right. Thank you.

Just one little wee thing on the explanatory notes that I'm not sure . . . On page 8 of the explanatory notes, for the changes to subsection 44(2), the regulation changes, there's a referral to a new clause (j.4). I can't find that but I'm thinking it might be (j.21). And it's a really small detail.

Mr. Hebert: — It's a typo and we'll fix that. I'm sorry. I apologize.

Ms. Sproule: — No worries. Makes the English teacher in me feel useful. Mr. Chair, that's the extent of my questions on this bill.

The Chair: — Thank you, Ms. Sproule. We'll now move to clause-by-clause consideration. Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 13 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Provincial Sales Tax Amendment Act, 2018*.

I would ask a member to move that we report Bill No. 128, *The Provincial Sales Tax Amendment Act, 2018* without amendment. Would someone move that? Ms. Heppner. All those in favour?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business this evening. Madam Minister, do you have any closing comments you would care to make or are you . . .

Hon. Ms. Harpauer: — Yes, thank you, Mr. Chair. And I want to thank the committee members and Ms. Sproule for her questions and the officials for all of their support for this committee.

The Chair: — Ms. Sproule, did you have any further comments?

Ms. Sproule: — Very brief. Thank you again to the minister and the officials and to yourself, Mr. Chair, the Clerk, Hansard, and the committee members. And it's been a slice.

The Chair: — Thank you, Ms. Sproule. I would just like to add my thanks to everyone here. A special thanks to Stacey for her preparation work and for keeping me on track. So I will ask a member to move a motion of adjournment. Mr. Olauson has

moved a motion to adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee stands adjourned until Tuesday, May 22nd, 2018, at 6:30. Thank you, everyone.

[The committee adjourned at 18:43.]