



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 18:38.]

The Chair: — Good evening, everyone. It's now the hour of 6:38 so we'll begin. I'm Herb Cox, Chair of the Crown and Central Agencies Committee. And with us this evening we have Steven Bonk, Glen Hart, Nancy Heppner, Everett Hindley, and Lisa Lambert. And substituting in for Cathy Sproule is Trent Wotherspoon. Welcome, everyone.

This evening this committee will be considering the estimates for the Ministry of Finance and Bill No. 171, *The Income Tax Amendment Act, 2019*, as well as the committee resolutions for the 2019-2020 estimates. And today we are considering vote 195, Advances to Revolving Funds; vote 175, Debt Redemption; vote 18, Finance; vote 12, Finance — Debt Servicing; vote 177, Interest on Gross Debt — Crown Enterprise Share; vote 151, Municipal Financing Corporation of Saskatchewan; and 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, subvote (FI01). Minister Harpauer, please introduce your officials and make any opening comments you may have.

Hon. Ms. Harpauer: — Thank you, Mr. Chair, and welcome to all the committee members. I have a number of officials with me from the ministry. And to my left is Rupen Pandya, the deputy minister of Finance. I also have Dave Wild, the associate deputy minister of Public Employees Benefits Agency. I have Karen Lautsch, the assistant deputy minister of corporate services; Terry Paton, the Provincial Comptroller. I have Brent Hebert, the assistant deputy minister of revenue division; Arun Srinivas, the assistant deputy minister of taxation and intergovernmental affairs; Joanne Brockman, the executive director of economic and fiscal policy. I have Jason Pirlot, the executive director of the treasury board branch; Jeff Welke, the executive director of communications branch; Jim Fallows, the director of the treasury management branch; Raymond Pilon, the acting executive director, office of planning, performance and improvement; and Melanie Oberg, the acting director of the financial services branch.

The Ministry of Finance's estimates, vote 18, appear on pages 61 to 65 of the Estimates book. The 2019-20 operating expense budget for the Ministry of Finance is 53.7 million. The total expense budget for the Finance ministry — includes 303.6 million for pensions and benefits — is 357.3 million, an increase of 4.9 million or 1.4 per cent from the '18-19 budget.

Notable changes in the Finance ministry's expense budget compared to last year include: increased expense of about 4.8 million for pensions and benefits to address changes in actuary evaluations and program rates; an increased investment of nearly 2.3 million to upgrade MIDAS [multi-informational database application system], the main financial system that processes government payments; and for the replacement of the

public sector budgeting module.

In addition, continued implementation of the audit strategy will require 6 FTEs [full-time equivalent] at a cost of about 600,000 for salaries and operations, and will also generate an estimated 1 million in additional revenue. Another notable change from last year is the reduction in capital funding of nearly 7.6 million due to completion of the revenue system replacement project. This five-year, \$35.5 million initiative replaced a system that was more than 35 years old. The new system includes a client portal and fully administers and tracks various tax categories. This includes supporting the collection and administration of education property tax, the farm fuel program, as well as supports for other corporate and miscellaneous taxes. The new system means better service and support, and access to a more intuitive system for taxpayers, farmers, and businesses.

Annual operational highlights for the Ministry of Finance includes approval of financial statements for 131 government agencies, which are to be tabled within 120 days of the fiscal year-end of each agency. The tabling deadline is now met by 98 per cent of those agencies, reflecting steady progress achieved over the past 12 years, compared to a low of 76 per cent in 2006-07.

Each year the Finance ministry produces about 275,000 payments to suppliers, grant recipients, employees, and for government programs and supports — about 10,000 financial system users. The Ministry of Finance also provides services to more than 100,000 business clients annually through tax revenue refund and incentive programs. Each year the ministry effectively forecasts and manages the government's cash and debt requirements; produces budget reviews, estimates, and quarterly fiscal reports; and publishes ministry, agency, and treasury board Crown plans and annual reports, all within their respective deadlines.

Throughout the year the ministry also provides advice to the subcommittee on public sector bargaining for 38 collective bargaining agreements, as well as the agreement with the Saskatchewan Medical Association. In addition, advice is provided to government on compensation matters for out-of-scope employment. Throughout the year the ministry also collects taxation revenue for the government and ensures compliance with tax programs using risk-based audit and enforcement activities.

In addition, PEBA, the Public Employees Benefits Agency within the Ministry of Finance administers a dozen pension plans for more than 95,000 members and more than 900 employers, as well as 35 benefit plans for more than 89,000 account members.

Mr. Chair, that's a quick overview of the tremendous work that the people at the Ministry of Finance undertake throughout the year. They work hard to serve their clients, whether inside or outside of the government, through the various branches and divisions at the ministry and through PEBA. Saskatchewan people are well served by the men and women who work in the Ministry of Finance. I would like to take this opportunity to personally thank all of them for their efforts, their expertise, and their very hard work. And with that, I will happily take any questions.

[18:45]

The Chair: — Thank you, Minister. I would just like to remind officials that the first time you speak, would you please identify yourself for *Hansard*, please. Do any members have any questions? Seeing none . . . I recognize Mr. Wotherspoon.

Mr. Wotherspoon: — Thanks, Mr. Chair. I almost caused an earlier night here. We could have all gone and watched hockey or something. Thanks to the minister for her time, of course, here tonight, and all committee members. And thank you so much to all the officials with the Ministry of Finance that are here tonight and all those others that are such good servants and stewards of our resources and our province. I really, you know, echo the minister's comments. We really do have an exceptional public service and certainly that's the case in the Ministry of Finance, so thanks to everybody.

Just to maybe like a few kind of standard questions around things like FTEs. Where are we at exactly on FTEs? You might have addressed this. Where are the changes and what are the impacts?

Mr. Pandya: — Thank you very much for the question, member. My name is Rupen Pandya. I'm the deputy minister of Finance. So you'll know as part of the technical briefings for the '19-20 budget and the '18-19 budget, we had indicated that we are moving away from a discussion of budgeted FTEs, and the more appropriate measure would be salary and compensation dollars across ministries. I appreciate that it might take us a bit of time to get there in terms of, you know, moving away from something that has been standard, so obviously we're prepared to answer your question in a direct way as well.

So in terms of the '19-20 budget, the budgeted FTEs for the Ministry of Finance are 359.4 FTEs. That's up 10 FTEs from 349.4 FTEs in the '18-19 budget.

Mr. Wotherspoon: — Thanks for that information. So the 10 additional people, where are they allocated and what's the reason for the adjustment?

Mr. Pandya: — So six of the FTEs relate to the audit strategy that the minister referred to as part of her opening comments. So they're expected to recover an incremental revenue of about a million dollars in '19-20, and that'll ramp up as the auditors develop more experience going forward. And this is a multi-year audit strategy, and you would have heard about it in committee again in the prior two years as Finance has been before this committee.

The remaining four FTEs will provide resources to support budget consolidation and create a more efficient process for budget development as part of summary budget consolidation within the treasury board branch specifically.

Mr. Wotherspoon: — Thanks for that information. And mind I haven't been the Finance critic for a couple years so I haven't been in these committees for a couple. I do track the committees and I've reviewed the notes from years prior. The audit strategy, the group there that's going out, can the minister speak to what the aim is there and how that work is coming together?

Mr. Pandya: — So thank you again for the question. So the

ministry's mandate is to protect and preserve the government's tax revenue base and maintain a level playing field for businesses operating in Saskatchewan and promote compliance with tax legislation. The ministry uses a risk-based approach to identify compliance risk and direct audit resources. So compliance risk has increased significantly since the '17-18 budget. The PST [provincial sales tax] base expansion to construction services, restaurant meals, insurance has increased the number of monthly tax filers by approximately 19,000. And the amount of revenue collected annually has increased by approximately a billion dollars.

So many of the businesses impacted by these changes are from outside of Saskatchewan or operated by individuals who are not familiar with the application of the sales tax to business transactions, which increases the likelihood of errors. So the audit strategy was put in place to ensure that we are maintaining the integrity of the revenue base with respect to PST and other taxes.

So as I noted previously, this is a multi-year strategy. In the previous budget we had brought on FTEs as well to support the audit strategy, noting that those six FTEs who had been brought on to support increased audit would generate some \$1.5 million in revenue. Based on our real experience with ramping up auditors, if you will — there's training, onboarding, etc. so there's some lost time, if you will — we have now revised that revenue estimate to 1 million as part of the '19-20 budget strategy.

Mr. Wotherspoon: — Describe the 1 million and how do you assess whether or not you've captured that 1 million?

Mr. Pandya: — So certainly and I can maybe have the ADM [assistant deputy minister] of revenue come in and provide greater detail. But I'll just share with you that each auditor as they go out, they're assessing based on something called audit command language. It's a piece of data analytic software that looks at risk factors across new filers to identify files that we should subject to audit. Based on their audit, if they find taxes that have been misfiled or error, we calculate then the amount of revenue that they're bringing in. These would have been forgone taxes had we not used again a risk-based audit approach to identifying those filers.

After five years of training, each auditor is expected to bring in 850,000 annually. So the ramp-up that I talked about, the million to one point five, is just the initial year of ramp-up, and ultimately those auditors will bring in something in the neighbourhood of \$5 million over the next five years collectively.

Mr. Wotherspoon: — Thanks for that information. Certainly it's important that everybody's complying, obviously. Can you speak to the comment around the increase in the tax filers around the 2017 period? I think there was a correlation that was identified with the imposition of the PST onto construction at that point. So just speak to, was it 18,000 new tax filers? Just explain exactly what we're talking about.

Mr. Pandya: — I believe I said 19,000. And I'll have Assistant Deputy Minister Brent Hebert, who's the revenue ADM, come and join us.

Mr. Hebert: — Brent Hebert, assistant deputy minister, revenue division. So the additional 19,000 monthly filers would reflect businesses that were impacted by the base expansion, who maybe were already registered and were filing on a quarterly or annual basis, but because now that they're collecting taxes under the expanded PST, they become monthly filers because their tax collections are greater than what they were before.

Mr. Wotherspoon: — That makes sense. I wasn't quite picturing how there's 19,000 that maybe weren't reporting or something before. So of these 19,000 the vast majority of those companies would have been compliant with filing their taxes and reporting to the province before.

Mr. Hebert: — Yes, the majority were already licensed. It was just that they went to a more frequent filing frequency because they were collecting more tax for the province under the expanded base.

Mr. Wotherspoon: — I'm sure the ministry had a lot of . . . We'll set aside, we'll talk about the PST later on and some concerns there. Of course that was a significant change for a lot of small business across the province. I suspect the ministry would have been pretty busy following that 2017 period in working with small businesses that were, of course, wanting to comply but frustrated and not certain how to do so.

Hon. Ms. Harpauer: — If the question was, is the ministry busy? Yes.

Mr. Wotherspoon: — Because I know I heard from lots of folks at that time that were, you know . . . We'll set aside the debate on the PST or the concerns we've brought forward are well known on that front. But are you hearing from filers an understanding now of the system that's been brought forward? And have businesses been able to organize themselves to understand that system and to file? Or are you still getting lots of questions and concerns on that front?

Hon. Ms. Harpauer: — My office isn't, but so I'll defer to whether or not the ministry is. But I'm not.

Mr. Hebert: — Yes. Certainly when those changes were announced, we certainly had a lot of interest and phone calls from businesses to understand how to apply the new changes. I think initially in the months after the announcement, certainly we were very busy. I think the number of phone calls the ministry got increased from 60,000 in the year to like 150 or 160,000. So we had to redirect resources to help businesses understand those tax changes and implement them.

Part of that strategy was working with industry associations as well. So we reached out to a number of industry associations, met with them, identified what those changes were. We in fact consulted with them in our tax bulletins to make sure that the information that we were including in the tax bulletins were complete and identified the areas that businesses would find confusing.

And we continue to do that now, so that work didn't just end in '17-18. Every year when we're looking at bulletins to update them, we'll engage the industries, the industry organizations, and work with them on those bulletins to make sure that the

information that we have in our tax bulletins is clear and it's addressing some of those areas that businesses might be confused on.

Mr. Wotherspoon: — Thanks for the work and thanks for the information. Just since we're in this space where we've mentioned the PST and then we're talking about an audit and capturing dollars and making sure that companies are compliant and that taxes are paid, one of the things since the imposition of the PST that I've heard very commonly from most trade associations but also companies — and I'm thinking of kind of that construction sector specifically — is a real concern by companies that are good, strong, reporting companies that comply and pay their taxes, as everyone needs to, but a real concern around a shift where folks may have chosen not to follow the law and to sort of go underground, if you will, to do work and not file taxes. What sort of assessment have you done on this front . . .

Hon. Ms. Harpauer: — The black market?

Mr. Wotherspoon: — The black market if you will, yes.

Hon. Ms. Harpauer: — I also meet with the, you know, different companies in the industry, and the officials assure me that they will be working with different companies in the industry and encourage them, if they know of a growing black market per se, by all means . . . Basically we have no way of knowing the volume of the black market or where it's located without reporting.

You know, usually it's a tip that we get where the officials can pursue it so that, working with the industry of course, it'll be followed up on if they were to share any evidence of someone that has gone into the black market. We haven't seen a dramatic drop though in the different revenues coming in to support a large and growing black market.

Mr. Wotherspoon: — It's just an important concern. I think it's identified by those out there in the field, and so I think it's important to be attentive to. You suggested that there's some drop in filing or reporting on this front, or revenues on this front.

Hon. Ms. Harpauer: — No.

Mr. Wotherspoon: — Or you haven't seen a dramatic drop . . . [inaudible].

Hon. Ms. Harpauer: — Correct. It's the contrary of what you just said. They're not seeing a change.

Mr. Wotherspoon: — You're not seeing a change.

Hon. Ms. Harpauer: — Right.

Mr. Wotherspoon: — So not only dramatic . . . You're not seeing a dramatic drop, you're seeing it sort of maintaining?

Hon. Ms. Harpauer: — Correct.

Mr. Wotherspoon: — Okay. The four folks that are going to be focused on the budget development and some of the implications of the summary budget, can you describe a bit of what that task

is right now and what sort of changes are being considered or being implemented?

[19:00]

Mr. Pandya: — So certainly you'll be aware that in 2014-15, the Government of Saskatchewan moved to full summary budgeting, and as part of that transition what we are now doing is taking 131 different entities into the summary budget. And as we've journeyed down that path we want to ensure that we have, as part of the consolidation effort that occurs each year with these 131 entities — and you can imagine that it is a very involved process — that we want to make sure that we have the adequate resources to do that in a timely way so that we can ensure that the advice that we're providing to the treasury board and cabinet is sound, but also to ensure that we're doing it, you know, while minimizing any opportunity there is for potential error. And so those resources are essentially going into a new unit that is being structured within the treasury board branch with some of the existing resources to manage the summary budget.

Mr. Wotherspoon: — Thanks for the information. Certainly it's important work. I guess I'd like to get an understanding. Does that relate or impact things like the important quarterly reporting that occurs? So I'm thinking of the mid-year report — sorry, not the mid-year — the third quarter report. And there's been a bit of a change in practice by the government of late to incorporate that into the presentation at budget time, which becomes a lot of information at once. And rightfully at that time, the public's attention and stakeholders' is on the budget and the plan and the forecast for the year. So the third quarter financial report, which is, you know, an important public report, loses some of the place that it should occupy when it's bundled all together in the budget. So the reason it's been bundled with the budget itself, is that a shortage of some of these resources? And is there a desire or a plan to separate the timing and release the third quarter budget in a more timely way that allows stakeholders and the public to engage in an understanding of where we're at?

Hon. Ms. Harpauer: — The answer is no. The common practice is to have the third quarter with the budget. You're confused that that's the uncommon practice. In fact, that has been the common practice in our province. Last year was the exception where, because there was a delay in the budget due to both the government party and the official opposition having a leadership race, there was an agreement to delay session and likewise delay the budget. We felt that was too long to delay the third quarter and so that's why the third quarter was released last year separately, but normally they're released together.

Mr. Wotherspoon: — Okay so I . . . And maybe my memory's mixed up here on this front. Just to get confirmation then, if we're going back even in the time of your government, back to '07, was the third quarter not done and released often in February? Certainly earlier than the budget, you know. That's certainly my recollection on this front.

Hon. Ms. Harpauer: — So I had to get some better corporate mind than mine on what happened in '07. Apparently this practice began when we went to the summary financial statements and that it was just because they were consolidating the numbers together. Before when there was two sets of books, the third quarter was released on, I believe, the GRF [General

Revenue Fund]. Now there is no GRF budget.

Mr. Wotherspoon: — So I appreciate, and thanks for clarifying. I thought for a second I might need to go see the doc tomorrow because I remember being Finance critic for a lot of years and always sort of waiting and wondering when that day was because it gave an important sort of snapshot into where the province was at.

I guess the report is important and it's important that it's done on the summary, and I know that that's been an exercise that's required a lot of work. And thank you to all those that are involved in that. But now that we're there and now that you're working to improve that budget development, I think it's really prudent and important to recognize a quarterly report for what it is. It's a very important document to the people of the province — not unlike the mid-year, not unlike the first quarter report — and I would certainly implore the consideration of separating that space.

I think in fact the value of that report is diminished. And I know Finance is all about getting value for the public, but the value of that report is diminished when it's simply tagged into the budget process. So I guess I'm looking to see if there's some open-mindedness to look at separating that period of time and reporting in a more timely way and allowing the public to be engaged in an understanding of the state of affairs, financial affairs of our province.

Hon. Ms. Harpauer: — The likelihood is not great that we'll consider this. I'm not sure if it adds value to have that report two weeks before the budget, which also has that report. You know, the first quarter report is separate and apart, and the second quarter and the third quarter, I don't recall. And maybe we should both go and have this checked out. I don't recall a lot of coverage on that third quarter. It was anticipation of a budget.

Mr. Wotherspoon: — Yes, I would just really disagree. I think it's important, and I don't mean just for the opposition or anything like that. Certainly it's important in our role to the public, but very important for all to have an understanding of the state of our finances. And certainly Saskatchewan people are prudent and they're good stewards, and I do think it's important for businesses and individuals to get a sense of where the trends are in a budget year. And I think in fact it's very informative in going into a budget, so I would really urge . . .

And whether or not it was, you know, front page news or not, I certainly recall public conversations and media conversation around the third quarter when it was separate before. And that's only part of it. I think it's really about just relating the information to the people of the province, you know, the information that's important to them and that they deserve. And it does allow some understanding as you're going into a budget.

Hon. Ms. Harpauer: — Thank you. I didn't hear a question in that, rather I heard an opinion. So I think I gave you my answer. At this point in time, I mean I suppose we could take that into account. I have not been asked for it by anyone in the public. I haven't received an email, a phone call, or a letter saying, oh gee, I sure would've liked that third quarter two weeks before that budget. That would've been nice. However, I'll be very mindful should I start to receive that type of correspondence. And we'll

keep your suggestion in mind.

Mr. Wotherspoon: — I'll send my email after the committee here. I wouldn't be dismissive of it. It is an important report. There's a lot of value that's put into it. And the whole point of it, if we're going put it in, is to have it there for the public. And it's not something that the government should ever be afraid of, it's about being straight with folks and being transparent and being accountable.

And I won't get into a big debate here tonight, but I hear a high level of . . . [inaudible interjection] . . . No. A high level of concern with government's record when it comes to what a budget looks like on budget day and what's being pitched and what's being told and what's being sold and what's being advertised and what the end result is.

And that third-quarter budget is the closest snapshot to what the actuals are going to be or it should be, and so I think it's an important part of public accountability. People, you know, do care about the ballooning debt. They do care about things like, I think of a few years back when just before budget in the late year the government went in and took another 120 million, I believe, from SaskPower. These are things that the public cares about. So I think it's just something that aids public engagement and accountability. But we'll leave it there because there's lots of other ground to cover.

Just a question around secondment. Are there staff being seconded to Executive Council at this point?

Hon. Ms. Harpauer: — No.

Mr. Wotherspoon: — With respect to work that's being contracted out, are there any changes this year around what you're doing sort of internally, and what you'll be contracting out?

Hon. Ms. Harpauer: — No.

Mr. Wotherspoon: — Any lawsuits or litigation ongoing for the ministry right now?

Hon. Ms. Harpauer: — For the ministry itself?

Mr. Wotherspoon: — Sure, for the Ministry of Finance or something that you would then . . . there's a potential liability on any lawsuit to government.

Hon. Ms. Harpauer: — No.

Mr. Wotherspoon: — Thanks for that information as well. That's good news. If we look into, maybe we can take a little bit of a snapshot into the liabilities of the province. I would like to get a sense of pension liabilities and where we're at and forecasts and, sort of, where things look, where they're going over the course of the next decade, if you will.

Mr. Wild: — Dave Wild, associate deputy minister responsible for PEBA. I can answer only in part your question. PEBA administers certain plans of the Government of Saskatchewan, but not all plans of the Government of Saskatchewan. So the biggest plan, or the biggest liability associated with the plans that

we administer is with respect to what everyone calls the old plan, the public service superannuation plan, the plan that was closed to new members in 1977.

The current cash flow out of that plan — it is a totally unfunded plan; it's a pay-as-you-go plan — the current cash flow is approximately \$123 million, and that's tailing off. There are very few active members. We're down to less than 50 active members, so very few people coming on to pension payroll, and people coming off of pension payroll as they debase. So that 123 million will track down on pretty much a straight-line trend over the next 10 years. It goes down around 4, \$5 million per year has been the history.

There are other defined benefit plans associated with the Public Employees Benefits Agency, but they're much, much smaller, far less material than the public service superannuation. So the MLAs [Member of the Legislative Assembly] have an old pension plan, a defined benefit pension plan with certain liabilities, the judges as well. But very small relative to the public service superannuation.

So the plan that I really cannot speak to, because it falls under the Ministry of Education, is the teachers' superannuation plan. Significant liabilities associated with that plan, but I don't have those numbers. Sorry.

[19:15]

Mr. Wotherspoon: — Thanks for that information. And just to clarify, the MLAs don't have that plan anymore, so it was . . . I don't know exactly when that change was made. I think in the '90s, but . . . [inaudible interjection] . . . Sorry?

Hon. Ms. Harpauer: — I think . . . [inaudible] . . . is the last one in that plan.

Mr. Wild: — We still have a former MLAs who are receiving pension and so there are liabilities associated with that portion of it.

Hon. Ms. Harpauer: — They're older than you and I.

Mr. Wotherspoon: — I just want to make sure the public knows at home that we've got defined contribution. We put in a portion, the public puts in a portion, and the market is what it is. So about four and a half million reduced each year annually, pretty much a straight line. So a decade from now we'll have reduced that annual spend by about \$45 million or so. And it just sort of continues on that trajectory then?

Mr. Wild: — That would be our anticipation. You know, it really is a function of, you know, how long-lived the retirees are.

Mr. Wotherspoon: — Well we're talking about people's lives, so all those pensioners out there, we wish them good health as well. But thanks for the numbers from the actuaries that are here. Now what about the pension liabilities itself, or the pension debt, if you will. Where are we at and what are the forces there?

Mr. Paton: — Yes, Terry Paton, Provincial Comptroller. I've got a few comments I'll make, just first of all on the overall expense line that we're talking about. Dave provided some detail

on one particular plan, but I can give you information on all of the plans as opposed to just one specific one.

On an accrual basis — so that's not the cash payments that we're making — the expense is actually growing over the next few years. So we're forecasting for '19-20 an expense of approximately 357 million. Subsequent years it's in the range of 565, 598, and 607.

Now those are forecast, but they're very subjective to some of the things that are happening in the industry. Actuarial gains and losses have a huge impact, and that's one of the reasons why for the '19-20, we've got a fairly big, I'll say reduction, in the expense but it's because of the realized gains and losses that have happened in that period. So we had things that happened in prior years that affect the current year. So a big aspect there is the actuarial gains and losses.

These numbers are also very sensitive to interest rates. So as interest rates fluctuate, and they do, the impact is significant even for a 0.1 per cent or a 0.2 per cent change in the interest rates. Significant impact on the expense line.

When I'm looking at the liability for out-years, we're anticipating that for the current year, the liability should be dropping by approximately \$449 million. That's for all the plans combined. It'll drop by 248 million in the next year, followed by 219 and 209 million. Now that's because our cash payments that are required under our plans are exceeding that accrual expense that I've already explained to you.

Mr. Wotherspoon: — Okay. No, I appreciate that information. Can you just speak to what 1 per cent change in interest rate, what the fiscal impact is?

Mr. Paton: — It's not a straight calculation. Based on our current liability balance, I think a 0.1 per cent change in the interest rate is approximately \$69 million.

Mr. Wotherspoon: — And the increases, those are significant increases over the next number of years, kind of I think three years that you had laid out there. But just break down again what the actual fiscal impact is on us each of those years, as far as from a budgetary perspective. You made the comment about commitments, I think meeting some of the requirements that were there. So I guess when you're talking about \$565 million next year, what are we talking about? And then 598 after that.

Mr. Paton: — Yes, just to clarify, these are the same numbers that we reported in the public accounts, including the sensitivity and so on. Like all of these numbers are consistent, and we're now doing that on a budget basis. The big change that's taking place, even though you say it's increasing significantly in the out years, as I said, the impact on the expense for the current year is 357 million. That jumps to 565 or 566 in the subsequent year. That's the big increase. You've got a \$200 million increase that year, and that's a result of in the current year, the gains and losses that we're benefiting from.

So it's almost bringing us back to a normal state. From next year at 566, it goes up to 598 and 607. So there's modest increases, but the big increase is just between the current year and the next budget year, and that's because of the gains and losses that we're

not getting the benefit of after. Now as interest rates change and actuarial changes, we always see some impact when evaluations are done.

Mr. Wotherspoon: — Thank you. Thank you very much for that information. And our total pension liabilities, what's the trajectory there?

Mr. Paton: — As I said, it's dropping. It's dropping by \$449 million in the current budget year. It'll drop by an additional 248 in the one year out, 219 in the second year out, and 209 in the third year out. That's because, as I said, the cash payments are exceeding those expenses that we talked about.

Mr. Wotherspoon: — And right now pension liabilities were . . . What's our total, 7 billion? Closer to about 8 billion?

Mr. Paton: — 6.87.

Mr. Wotherspoon: — 6.87. Okay, thanks for that. When we're looking at the fiscal impact of the state of pensions, pension liabilities in the province, right now there's an impact next year that you've spoken to and that's reported. As far as the trajectory or the trend in the next decade, what's the trajectory beyond these next few years? And what are some of the forces?

Mr. Paton: — In general based on the current liability and the current assumptions, it's actually fairly flat, the expense.

Mr. Wotherspoon: — Perfect. Thanks for that information. Looking at some of the other liabilities of government, I'm just wanting to make sure we're fully capturing those liabilities. Can you walk us through kind of where we're at on sort of the P3- [public-private partnership] type liabilities and where those are at for the public?

Mr. Paton: — I think the best place to start this discussion is actually with the Public Accounts documents, and as you know, we don't have the current ones out yet that would be reflecting the most current numbers for the P3 liabilities. But if you have a copy of last year's Public Accounts, the last public ones, on page 68 is where most of the disclosure for that liability takes place. And you can see that at the end of 2018, last year, the liability that we had recorded in the Public Accounts was the \$1.7 billion. That's the top right-hand side of the page.

If you go down a little bit further, about halfway down there's an area that talks about contractual obligations. And you'll see there where the \$1.7 billion is again disclosed as future payments that we have to make. The 395 million is what's going to happen in subsequent years, including 2018-19 and out years. So that number will eventually be added onto the liability for the P3 obligations.

Mr. Wotherspoon: — Thanks for this information. I have that page in front of me here and I was just tracking, and I missed the walk-through on the one piece. I have the 1.7 billion. Just explain again what will be occurring in the out years here.

Mr. Paton: — In the out years, if you look about halfway down the page there's the contractual obligations, and it lists out . . . There's three columns there for the current year: the obligation, the future construction costs, and then future operation and

maintenance. And the future construction costs is the capital amount that's going to be built in '18-19 and subsequent years. So it's the \$395 million that will be added to the 1.7 billion as that construction takes place.

Mr. Wotherspoon: — Thanks for that information. And these dollars . . . It's my understanding these liabilities were all wrapped in when we're looking at the total debt of the province. It's fully accounted for there.

Mr. Paton: — These numbers, the \$1.7 billion is recorded right in the Public Accounts today.

Mr. Wotherspoon: — And as far as the maintenance components of the P3s, and correct me if I'm wrong, I think the Regina bypass itself, I think there's an obligation of \$12 million to kind of . . . I think it's defined for maintenance. And it's my understanding that the contract itself then has inflation built in automatically each year of 2 per cent on that 12 million, over the duration of 30 years.

Mr. Paton: — I can't speak to the details of the contracts, but what I can tell you is that the . . . Again on the same page, if you go down to the very bottom of the page it lists the amount of those maintenance and life-cycle rehabilitation costs. And you can see them by project, so the top project is the Regina bypass, and there's an amount of \$726 million in respect of those future costs.

Mr. Wotherspoon: — Okay. Right now I think if we could pull open one of the other estimates. We're here for Finance but the dollars flow from here. Correct me if I'm wrong, there's \$12 million that is paid for maintenance and operating to the Regina bypass in the fiscal year ahead of us. Is that correct? And then that goes up by 2 per cent every year. Is that correct?

Mr. Paton: — Unfortunately I don't have it by year for the Regina bypass or any of the projects. I just have the total.

Mr. Wotherspoon: — Okay.

Mr. Paton: — But I can tell you that the total — again going to that middle column that we were referring to — the total maintenance and rehabilitation costs for all of the P3 projects for '18-19 is 11.9 million. And it was forecast to be 16.9 million for all the projects.

Mr. Wotherspoon: — Okay.

Hon. Ms. Harpauer: — The details of any particular agreement would be with the ministry that is, you know, managing that agreement. So for that kind of detail, you would have to ask those questions to the Minister of Highways. If it's the long-term care facility or the Saskatchewan Hospital, you would have to ask that of the Minister of Health, because we're only going to have the consolidated cost.

Mr. Wotherspoon: — And maybe you can't answer this piece here, but it's my understanding the bypass has a 2 per cent inflation built in over that 30-year period on that cost. Is that standard to sort of all the P3s that are entered into? Or would each of those P3s be unique?

Hon. Ms. Harpauer: — I'm assuming you've got that information or indication from the Minister of Highways.

Mr. Wotherspoon: — Yes.

Hon. Ms. Harpauer: — Yes, see the Minister of Highways has to answer that.

Mr. Wotherspoon: — Fair enough. I just, you know, of course 2 per cent on these values may not seem like much, but over a 30-year contract it becomes significant. And I'll leave it there. So there's a budgetary impact in out-years when you have all of that coming forward in a cumulative way.

Hon. Ms. Harpauer: — That's fair enough, but when our economy was extremely hot, if you may, the cumulative additional cost for delaying projects was 10 per cent, which is significantly more than the 2.

Mr. Wotherspoon: — Yes. Certainly the minister would know that there's much greater value we can derive in capital projects and construction right now than what was, you know, what was occurring during the government and some of the projects that we won't get into, but we really paid through the nose on a few of them at a time now where we could get . . . where those dollars go further. And that's straight out of the, you know, the construction industry and others.

[19:30]

But we'll just leave that point right now because I want to move along and get just a sense of . . . Of course we know the debt is growing in a significant way in the province, but let's get a sense of what's happening around debt servicing costs. So if we can have a breakdown. There's some reporting. You know, some of it gets reported in one place, some of it for the Crowns in another place. Making sure we fully understand sort of the debt servicing component of the P3s as well. I know there's some . . . Just if you can guide me to where those numbers are and what's going on there.

A Member: — So remember I . . .

Hon. Ms. Harpauer: — [Inaudible] . . . because we're not just going to walk away from comments that you make. I mean that is . . . Perhaps you'd like to drop those comments and then just move on. But there was a value-for-dollar assessment on the P3 projects that was extensively done through SaskBuilds, and that value-for-dollar assessment was made public. And so you cannot just come and say, well we were going to question the value of whether or not there was savings by going through a P3 model and, by the way, I'm just going to move on to the next question.

The value-for-dollar assessment was done. At that time we went traditional build for a school at the same time because there wasn't a value . . . or we didn't find that there was value for the dollar on that particular project. Each project will be assessed as one-off, depending on the project. Some will be more prudent to go on a P3 model, others will be more prudent to go on a traditional build, and we have done both. The one thing we have consistently done is to address infrastructure funding and infrastructure renewal and brand new replacement here in the province, which has been neglected for quite some time.

So with that, the debt charges in this budget is 694.4 million, and the question becomes whether or not it is a manageable debt because of the service charges. And I would like to point out that we have maintained our AAA credit rating. We hope to do so still with this budget. That is something that we have never achieved is that high level. We're the second-highest credit rating when ratings of the three top credit rating agencies are combined.

But I think there's a number of indicators as to whether or not the debt servicing charges are manageable. And I just want to point out in 2006-07, the debt charges were 783 million, which is more than they are today. And when you take the debt as a percentage of GDP [gross domestic product], it used to be under the previous NDP [New Democratic Party] government 21.4, and now it's 14.8, which is considerably less than it used to be.

For the interest payments, as I just pointed out, they're less than they used to be under the NDP. And when you take the interest payments as the percentage of total spending, it used to be 8.4 per cent was to pay interest. Now it's 5 per cent, which is less than it used to be. The interest payments as a percentage of GDP used to be 1.7 per cent. Now it's 1 per cent, which is less than it used to be. The interest payments per capita used to be \$789 under the NDP administration and now it's 593, which is less. So are we managing debt? Yes. Do the credit agencies believe that to be true? The answer is yes. Any other questions on debt?

Mr. Wotherspoon: — Sounds like you're not a big fan of the NDP.

Hon. Ms. Harpauer: — Not overly.

Mr. Wotherspoon: — I think what we're best to try to do the whole . . . We'll have lots of time for political debates out there and, you know, NDP this, Sask Party that. And there's a lot to be shared. I mean, we do have an alarming growth in debt, record debt through the roof under your government. I'm not aiming to inflame a big debate here. This is something people know, they're concerned about. They want to know kind of what those forces are on this front.

And, you know, things like debt-to-GDP is an important measure of one's ability to afford that debt. And I think the trajectory of a tripling of that rate over just a short few years under this government has folks concerned. I guess my question to the minister is, is she comfortable with that trajectory on both the debt and then the debt-to-GDP, the alarming growth that we're seeing under her government? Is she comfortable with that continuation?

Hon. Ms. Harpauer: — The debt-to-GDP, as I pointed out earlier, used to be 21.4 per cent under the NDP, and now it's 14.8. I am far more comfortable with the 14.8 than, I believe, the 21.4. It is also the third-lowest debt-to-GDP in the country. That makes me feel pretty comfortable. It's virtually tied with British Columbia, so very close to second place as far as being low debt-to-GDP.

So am I comfortable with that? Yes. In this budget I am very pleased that we did not add to the operating debt. We refer to the operating debt as the credit card debt because it doesn't have the income stream that supports it. So we had, when the resource revenues were very high, we wrote down the credit card debt or

the operating debt quite substantively. And thankfully we did that because of course when resource revenues fell, not just one year but for consecutive years, in order to operate and not doing damaging cuts to services that citizens of Saskatchewan expect, we had to draw down again on that debt. We're still 10 per cent less than we used to be in 2008, but that is the debt that is the most concerning. And as I said, it's still less than it used to be.

The other two types of debt, and I'm glad to have this opportunity to explain debt, are what we call supported debt. So there is the capital plan through executive government, which is between 40 and 50 new schools that we built; there has been the bridge in Saskatoon. We contributed to the Mosaic Stadium here in Regina. There has been a new hospital built in Moose Jaw. There's been the new hospital completed, the Saskatchewan Hospital in North Battleford — state-of-the-art hospital — that's expanded considerably services for mental health. We are looking at the completion hopefully this year of the children's hospital. The list of infrastructure projects go on and on along with substantive dollars that's been invested in partnership with our municipalities for literally hundreds of municipal projects.

In those capital plans there is, and you will see that on page 16 of the budget document that explains how that borrowing is supported. And I'll read it into the record:

A key principal of Government's capital financing plan is the repayment of capital debt upon maturity. At least two per cent of the value of these borrowings is set aside and invested each year to ensure sufficient cash is available to repay capital debt as it comes due, so that it isn't passed on to future generations. Government has \$2.4 billion in sinking funds available to address debt as it matures.

The third debt is also supported debt and that's the debt taken on by our Crown corporations. And they measured their debt by using debt/equity ratios measured against the industry standards for the industry that they're involved in.

The Crown corporations, of course, have revenue streams and that is their customers. And they have acquired debt for two reasons, on probably a little bit greater rate. One reason is unfortunate. It's replacing aging infrastructure and, you know, we could debate whether or not that aging infrastructure was neglected for too long and so perhaps that bill is higher than it needed to be, but that's a debate.

But the really exciting reason why they've taken on debt is because we've grown. Our province has grown substantively. And so in order to have growth, not only in residents, but also in industry and businesses, they need connections to the utilities. And so those connections, rather than passing the cost on to existing customers, is being financed. And they're paid for of course through the rates that the Crown corporations are able to charge their customers. And so they have a business plan, as businesses do, and they have a plan on how that debt will be repaid through the rates that they can charge.

The other thing to keep in mind, and I know that yourself and many members have, you know, done a lot of fear mongering on the horrific increase to the debt without ever also accompanying it in context of today's GDP. And, you know, it's okay if you want to take a moment in time and never move past it. I think we

lived through 16 years of that. We picked a moment in time and never really progressed past it. But in fact we have, and our GDP is much stronger than it was ever before. So that's why that debt-to-GDP number is so significant. And that's why, when you ask am I comfortable where it is, I would love for it to be lower and hope to have the correct policies in place to facilitate and encourage further growth in our GDP. But I definitely, if I compare it to where it was, we're in better shape and the credit rating agencies agree with us.

Mr. Wotherspoon: — I'm not going to try to get drawn in too much. There's sort of this partisan space. You're the Finance minister, and I mean the budget documents speak for themselves. And you know, we know what the record was of the previous government before, and that terrible mess and that debt that was so insurmountable back in 1991, and all that hard work. And Saskatchewan people are common sense and they were involved in all that work as well.

But just if we're looking more, you know, let's stay in more relevant to where folks are at right now. I mean, the debt-to-GDP has, you know, pretty much tripled in a very short period of time. And I'd point from 2009 where it was 5.2 per cent, where now it's 14.8 so it's pretty much 15. That's pretty much a tripling of the debt-to-GDP.

I'd go as well to the public debt numbers and you go to, I guess you go to '09 where you were \$7.9 billion and now we're at 24, you know, going onto \$23 billion by the end of this year, projections up to 24 and 26. That's a tripling of that debt. But let's not overly simplify what's going on, but the statements, I think, need to be made.

The question was around debt servicing costs and there's the one page that the budget details the \$694 million a year, so I appreciate that. That was my question. The secondary piece to that is what's the full debt servicing costs for the Crowns' debt? And certainly we know it's growing as well.

Hon. Ms. Harpauer: — You're going to have to ask that in Crown Investments Corporation.

Mr. Wotherspoon: — No, no.

Hon. Ms. Harpauer: — No? Do you have that? Okay.

Mr. Fallows: — I'm Jim Fallows, the director of treasury management branch. In order to get a perspective on the debt of the Crown corporations, I'd refer you to vote 177. So in the '19-20 budget, it shows \$420 million.

Mr. Wotherspoon: — Thank you for that information. And what other debt servicing are we subjected to that may be . . . Is there anything else reported in a different spot? I guess maybe it's the P3 obligations. I know some of that might be built into the numbers there, but how could you speak to best estimates on that front, or real numbers?

[19:45]

Mr. Pandya: — So I'll draw your attention to page 18 of the Estimates document. And on page 18 of the Estimates document, you have a schedule of appropriation by type. If you take a look

at debt charges under the schedule of appropriation by type, you'll have the debt charges associated with P3s with the relevant ministries, and then that will combine with the financing debt services charges on the bottom of that table, for the total of the 523,412.

So I just want to remind you, member, that the estimates is just one entity of the 131 entities that makes up the summary entity, which is the provincial budget document. And so I think it's on page 51. I think it's page 51 of the provincial budget document, the summary budget that lays out the debt charges in total at 694.4. And I believe the minister earlier indicated that P3 debt charges are included in this number.

Mr. Wotherspoon: — Thank you for that. I'm just clarifying here, so I appreciate . . . So we have the 694 and then you have the 420, so 1.114 billion. Now the inclusion of the P3 debt charges there — so I'm on that chart — are you sure that that's included on the debt charges number on page 51? Because if I'm reading that, I see the finance debt servicing charges of 494,700,000, and that's consistent there on page 51. The pension liabilities is broken out and reported. Then there's another "Other General Debt" at 7.9. But I don't see the 36 million that I think is the tally of the P3 debt charges in that other total. So I don't see the 523 captured there.

Mr. Pandya: — So, member, just to correct you and to correct the *Hansard*, the total debt charges for the province are 694.4 million. So they're not, I believe you referenced a billion or something like that, so they're not that. They are this.

The 494.7 is in fact the GRF debt, as I noted, and that toggles over, if you will, from the Estimates document, page 18. You're correct; the pension liability is also accurate. Again the debt presentation on page 51 of the summary budget is a consolidation of 131 entities, so the other general debt, at 7.9, will include both takes and puts, if you will. So the 36 million that I identified as part of again the GRF entity, which is one of the entities that goes into the summary budget, is included as part of the offset that arrives at the 7.9. And we can walk you through the detail in terms of how that's arrived at.

So just to be clear, the debt charges, general debt, is 694.4 million period. It includes all of the entities under the summary budget, the 131 including all the entities in the GRF. And so I can have the Provincial Comptroller walk you through for the other general debt category, the 36 million that is identified as part of P3 financing costs, and then the other takes and puts that arrive at the 7.9, if that would be helpful.

Mr. Wotherspoon: — I think I'm okay there. Just want to make sure. And then the Crown debt charges are separate, and that was identified at \$420 million. Right. So that's simply where the billion dollar number, where I arrived at that. You have the debt charges that I appreciate that we've walked through and clarified where they've come from, and then there's the additional 420 million out of the Crown corporations on top of that 694. And of course if that's Crown debt then that is different.

Just as far as the debt charges themselves, what forces are we dealing with on this front and are there forecasts for the year ahead for debt charges?

Hon. Ms. Harpauer: — So in the budget document, page 48, we project out to 2023.

Mr. Wotherspoon: — Yes, but the debt charges themselves. I'm looking at the debt charges component. Obviously interest rates play a big role here and depending on what your contracts and terms are, so what are we looking at in the next . . . What are some of the forecasts for the next five years as it relates to debt charges? It's broken out of course, the pension liabilities, the general debt, the P3 debt, the Crowns as well.

Mr. Fallows: — I would say, really, the future debt charges would be just primarily a function of future interest rates on new debt as it's acquired. And it's also affected by interest rates on maturing debt that's rolling off. And that's really the primary driver.

Mr. Wotherspoon: — Sure. So that's sort of where I'm trying to get to because I don't know when some of that debt is maturing and, you know, we have had some changes in interest rate. There's been, we've had different conditions now again in the last few months. So I know it's a mug's game to predict these things. But I know the Ministry of Finance does that, because it's important work. So what are some of the forces here and what are, you know, what are the forecasts with your operating assumptions at this point?

Hon. Ms. Harpauer: — So if you turn to page no. 51, it says:

Debt Charges

In addition to interest payments, debt charges include other costs related to general gross debt, such as the amortization of premiums, discounts, and commissions. Debt charges also include interest that is accrued on pension liabilities.

The 2019-20 debt charges assume interest rates of 2.0 per cent for short-term borrowing transactions and 3.5 per cent for long-term borrowings. An interest rate of 3.1 per cent is assumed for pension liabilities. A one [percent] . . . point increase in interest rates for a full year from levels assumed in the Budget would increase debt charges in 2019-20 by approximately \$55.3 million.

Mr. Wotherspoon: — Great. And I read that and I appreciate it. The question is, what's the trend again, or what are the impacts in the out years? Because of course you have debt that's maturing and you're then securing a different rate, different terms, and you'll be doing all those assessments, or your team will, as to what volume of debt that you're renegotiating and what new debt you're adding.

So this is good information for the current year and the assumptions. What are we looking at when we're talking sort of the next 5 to 10 years?

Hon. Ms. Harpauer: — Well it's pretty hard to project 10 years for interest rates. But I can say that the Bank of Canada alluded to increase in interest rates and has completely backed away from it because they were projecting that the economy of Canada was going to do much better than what it has. And in fact the Canadian economy is slipping backwards. So that has been on hold now and those interest rates have not been increased.

And so, you know, when it's that volatile, it's hard to predict other than the rates where you have, and as I said, a 1 per cent difference is already calculated at the 55 million. But I'm sure this makes you and the people of Saskatchewan appreciate how important it is to have that strong debt-to-equity ratio and thusly the AAA credit rating, because the AAA credit rating gives us the benefit of lower interest rates.

Mr. Wotherspoon: — Certainly I track the markets closely and I'm aware, you know, interest rates, bond market, and the statements from the Bank of Canada. But I suspect your officials are factoring some of those considerations. But set that aside. They'll be also . . . They'll be definitely factoring in the maturity of whatever volume of debt at different times and where it gets booked at when it comes due. Could we get here a little bit around what kind of forecasts we're dealing with on that front?

Mr. Fallows: — I can speak to the next three years. So those would be the last three years covered by the forecast on page 49, so '21, '22, and '23. In aggregate over those three years, the debt that matures is approximately \$2.5 billion, so slightly more than 10 per cent of the province's debt will mature in those out years, those three out years.

Mr. Wotherspoon: — And then what's the environment? How will the environment different or the rates differ from what it was booked at before? Of course again it's hard to predict these things. But what are you expecting as far as fiscal impacts relating to debt servicing charges by way of interest rates for that debt that's matured? Are we able to get into a better spot with that debt? It's going to depend on, of course, when it was, when the contracts were entered into. Or is it going the other way because there's some other adjustments as well?

Mr. Fallows: — Generally I would say for the out years, that 2.5 billion, generally the rates on that debt would be slightly higher than what the rates are right now. So there would be a small saving when it comes time to refinance that debt.

Mr. Wotherspoon: — Thank you for that information. It's really appreciated. Moving along a little bit to . . . I don't have a full understanding. I think I may, but I know the minister will be able to enlighten me around the dollars — what is it? — the dividend from CIC [Crown Investments Corporation of Saskatchewan] that was utilized this year. And I guess those were dollars . . . Just explain what was done, why it was done, and what the impacts are.

Hon. Ms. Harpauer: — Okay. The officials are going to find the exact entry of where it shows up in there. In the document it will display a \$100 million equity payment from the Crown Investments Corporation. However equity payment or dividends, CIC payments to the GRF can come in either-or form, but they make absolutely no difference to the financial situation. It was something quite frankly that was easy to manipulate when we did two sets of books and had been utilized in the past.

And I know you don't like to hear about the past NDP government. I know you hate it. But in fact, that was utilized a lot to basically balance the books, was because . . . And you've spent some time on the debt and the debt repayment in the Crown corporations. Well that was always separate and never taken into consideration prior. And now all of this is considered under

summary financial statements. So the equity payment is a cash flow issue, but changes the balance of the budget not 1 cent.

Mr. Wotherspoon: — In this case these were dollars . . . This is SaskPower that's involved in this, is that correct?

Hon. Ms. Harpauer: — Not entirely, but Power is one of the Crown corporations.

Mr. Wotherspoon: — I know. I thought these dollars . . . because these equity repayments represent the investment, an investment made when a Crown may have started up or an investment that was made. So can we just clarify with officials, this hundred million, if it's specific to SaskPower?

Hon. Ms. Harpauer: — I believe those questions were asked by Cathy Sproule in the Crown Investments Corporation.

[20:00]

Mr. Wotherspoon: — Yes, I know. I'm just seeking more clarity. I know she had certainly sought some clarity; we didn't really get it there. So just following up on that line of questions.

Hon. Ms. Harpauer: — So it's going to be the same answer because I'm going to read it right out of *Hansard*.

Mr. Wotherspoon: — It can be checked with officials, I think, because we've got the Finance officials here tonight, which is . . . It's a pleasure to have them serve and to be here.

Hon. Ms. Harpauer: — So using the answers that Crown Investments Corporation gave, they reference:

. . . table on page 162 [I'm assuming of the Crown Investments annual report] refers to equity advances from CIC to subsidiary Crown corporations. So the subsidiary Crown corporations received investment when they would have been first established to finance their operations, sort of in the same fashion that the equity advances from the General Revenue Fund to CIC provides financing to CIC. Those advances would in turn have been flowed through to subsidiary Crown corporations to fund their initial investments in their respective assets.

So there is a relationship . . . [that is] not necessarily a one-to-one relationship. There would be equity repayments from CIC back to the General Revenue Fund from time to time, based on funds available at CIC.

So the funding for the \$100 million equity repayment would come from a combination of sources. CIC performed a careful analysis of any opportunities to provide a greater return back to the General Revenue Fund. So they looked at cash that's held within CIC and there was a determination made that the wind-down of the assets and the CIC Asset Management Inc. portfolio, that some funds held for some contingent liabilities could be returned back to the shareholder.

A similar analysis was done across the Crown sector. SaskPower had very strong results last year. Its debt ratio had been dropping for the last couple of years. It is projected

to continue to improve. And so there was a determination made that there was some ability for SaskPower to start making modest payments back to CIC. Similar analyses were done across the [entire] Crown sector.

So it is something that is done from time to time. Over the last number of years, for example, there have been an equity repayment of 143 million in 2013, 120 million in 2010. Going back, in 2002 CIC sold some shares in the Cameco Corporation, and that was used to fund an equity repayment to the General Revenue Fund.

And that is as good as the answer's going to get.

Mr. Wotherspoon: — Within that answer there, so just to quote a portion of it there. It says and so there was, "a determination made that there some ability for SaskPower to start making modest payments." So this equity repayment, these are dollars that could've been placed within SaskPower as well. These are dollars of . . . This represents SaskPower's interest. Is that correct?

Hon. Ms. Harpauer: — No.

Mr. Wotherspoon: — No.

Hon. Ms. Harpauer: — SaskPower was only one of the entities that composed or that makes that up in what I just read to you.

Mr. Wotherspoon: — Okay, so speak to the comment around SaskPower making modest payments back. Of course they haven't been making, it had been the policy — except for when government wanted to change it later in the year — but it had been a policy that SaskPower needed the dollars and wouldn't be paying a dividend. So what's the plan on that front this year and going forward?

Hon. Ms. Harpauer: — So yes, it was a policy, except for one year where there was an exception made in the entire time that we've been government. As the president of the Crown Investments Corporation said in what I just read to you that this was a very strong year and that a determination was made. But these are questions that need to be directed to either the Minister of SaskPower or the Minister of Crown Investments Corporation. They make their determination on their fiscal ability in order to make an equity payment or not. It makes absolutely, utterly no difference to the budget. It is a cash flow situation, but it doesn't change the bottom line any longer when you go to summary financial statements.

Mr. Wotherspoon: — The dividend itself, if that Crown retained those dollars, it would improve the bottom line of that Crown corporation.

Hon. Ms. Harpauer: — You need to discuss that with that Crown and under the annual reports of that Crown, because Finance doesn't manage the Crown corporations or their fiscal . . . The Crown corporations through Crown Investments Corporation report their financial situation to Finance, and Finance incorporates those numbers into our summary financial statements. Finance does not manage the Crowns.

Mr. Wotherspoon: — You said Finance plays a role in setting

the dividend rate. That's not something chosen by the individual Crowns.

Hon. Ms. Harpauer: — Dividend is irrelevant to our summary financial statements. I understand that at one point in time when there was two sets of books, if you were short in the General Revenue Fund, you could move money over as a dividend from the Crowns and then that would shore up your revenues. That is no longer the case. So there can be a cash exchange that doesn't change the bottom line of the books.

Mr. Wotherspoon: — So I understand that. I know there's been . . . In fact I've heard some urging that, you know, this would be, because of these changes, it really makes no sense to continue with dividends, I've heard from some. I don't know. But that's not where . . . What I'd like to get an understanding though is, a dividend still matters to a Crown corporation, correct? If a Crown is paying a dividend, those are dollars that they're not retaining and investing back into their operation.

Hon. Ms. Harpauer: — Correct. So is the social benefit of having Crown corporations to help support programming and services to the Saskatchewan people. And I guess if you're suggesting that it shouldn't be, that's a great debate to have.

Mr. Wotherspoon: — I'm not making that suggestion. I'm bringing forward a conversation around some of the budgetary situation that we face. But to be more clear, taking a dividend from a Crown corporation takes dollars from that Crown. So in this case, these dollars, this 100 million seems to be associated with SaskPower.

Hon. Ms. Harpauer: — According to what I just read to you, which is a direct quote from the president of Crown Investments Corporation . . . I'm not, I cannot change his words. I have to use his words. But it is not entirely from SaskPower.

Mr. Wotherspoon: — But again, just to clarify again, the dividend that's being set for the Crowns is not set by the individual Crowns as I think was just suggested here. That's set.

Hon. Ms. Harpauer: — Each Crown has a benchmark of what they pay to their shareholders. It varies from Crown to Crown and there may be special circumstances, as we felt there was for SaskPower, in order to do a catch-up on neglected infrastructure. Each Crown measures their Crown equity ratio against what they call industry standards, so against that of other companies that are in the same type of industry or service. They like to keep their debt/equity ratio within that amount. And then the Crown Investments Corporation determines that each Crown has a factor that they use to determine what they're going to share with the shareholders, which is the people of the province, which then is paid to the General Revenue Fund.

So it varies from year to year depending on the bottom line of that Crown for that year. So if a Crown Corporation has a particularly strong year, that cash payment will be higher than in a year where they have a lower profitable year.

Mr. Wotherspoon: — I guess just to the point that, you know, on the budgetary balance it really may not make much of a difference now, but certainly within the Crowns the debt-to-capital ratios, or their debt ratios, matter.

And so SaskPower itself, you've spoken of an improvement in it. I know the numbers I have most recently, I know they were back, you know, when the government when . . . In '07 I think it was 59.7 per cent in SaskPower, and now it's kind of been right on that 75 per cent, 74.9 I believe in '17-18. And I think the target that the minister's referencing is for 60 to 75 per cent, so I'm just wanting to get an understanding.

What I read here is that there's a statement that SaskPower is in a position to start putting, you know, forego dollars or put dividends out when we know that this is a Crown that seems to be on the high end of its debt ratios, a dramatic increase in the last number of years. And it's a very important Crown that needs to be, of course, renewing and expanding infrastructure across the province. So just checking in on the statement around . . . It says that it's now in a position to have a modest repayment. What's projected on that front?

Hon. Ms. Harpauer: — These have to go to SaskPower.

The Chair: — Mr. Wotherspoon, I think you're getting into SaskPower questions here of a minister who's not responsible. She's read back to you what the minister who is responsible said and the president. So can we move on to more questions directly related to Finance, please.

Mr. Wotherspoon: — Well they all connect, but I'll certainly take the advice of the Chair. I mean, as summary finances and a dollar, it all connects and there's an impact. And certainly people see through . . . You know, they care about our Crowns. They want to make sure they're in a viable position. They want to make sure that they have the investments being made that are important to them and they appreciate the affordable services within them. And certainly anyone with a SaskPower bill will, you know, care about these questions, but I'll take the advice of the Chair on this front.

I wouldn't mind getting a bit of a sense on . . . Obviously we need export pipeline capacity for our economy and to get fair value for our resource and to make sure our bottom line is as healthy as it can be. Can you walk us through what's happening on that differential right now? And just talking about . . . And I know this year there's been a lot of volatility on this front, and of course we lose out as a province economically and fiscally. And I just would like to get a sense of where that discount is and what its fiscal impact is throughout this year. I know it was really in bad shape in the fall. Things have tightened up a bit, but we're still not getting fair value for our resource.

Hon. Ms. Harpauer: — So in the budget we're budgeting a forecast average of \$59.75 US [United States] a barrel West Texas Intermediate, and we're factoring in a differential of 24.8 per cent of the West Texas Intermediate. For every \$1 change in a barrel of oil, it affects our budget by \$15,000,000.

[20:15]

Mr. Wotherspoon: — So I got that and I appreciate it. But to the differential where, you know, our heavy oil of course, we really are not getting anything close to WTI [West Texas Intermediate]. So speaking of, you know, Western Canada Select, WCS, which is very important to us, just where the differential is at. And it speaks to the importance obviously of getting our resource to

market, getting fair value for it, certainly the importance of pipelines. But just getting a sense of what those fiscal impacts are.

Hon. Ms. Harpauer: — For every \$1 difference in the price of the barrel of oil is \$15 million. So that's the impact for every \$1. It's been trading higher than that, so we're actually ahead a little bit right now but, I mean, we don't know where that's going to go. Energy and Resources track it.

Mr. Wotherspoon: — I wouldn't mind pressing just a bit, because it's not that simple, hey? The \$15 is correct that that's the measure or the impact on oil, and we have the number for the Canadian dollar. But what we've had this year is the incredible volatility of course, and a very wide gap between WTI and WCS. And this is the whole case around why we need to make sure we can get our resource to market, fair value for it, close that gap.

And so my question isn't about WTI prices. I understand that and it's easy to track. The question is around the cost and the impact to the differential. Obviously we want that differential to close so we can get, you know, fair value for our resource and improve our fiscal position.

Hon. Ms. Harpauer: — You are well aware that all of this analysis is done in Energy and Resources. And if you aren't, you should be.

But I am so excited to hear your compassion for this, and maybe you should talk to your leader who has been not greatly supportive of pipelines. And it would be really encouraging if not only he would speak for favour of pipelines with the same passion that you do, publicly . . . That would be really awesome. Because everything you've said is absolutely true. The importance of pipelines is crucial for a very important industry within our province. The differential is horrible and it affects not just Saskatchewan but it affects our country. We agree with all of that. That's why there has been no dispute as to the position of this government in support for this industry. For the analysis of where oil is as an ongoing basis, we take advisement from Energy and Resources. They do the constant analysis of it.

Mr. Wotherspoon: — I just find it hard to believe that the Ministry of Finance, I mean, this is . . . At the crux of this argument that we're making to Canada and that we're making to, you know, as a province is that we need to close this gap, certainly for the economic benefits that would be derived, but certainly for the fiscal benefits. And this is the Finance estimates. I'm not trying to be too . . .

A Member: — Obtuse?

Mr. Wotherspoon: — Well, listen. I'm actually pretty disappointed. It maybe explains why we're struggling or why this province has struggled to make the case for pipelines, if it can't be articulated what the fiscal benefit for the people of this province is. And that is a benefit that flows nationally as well, so I would just urge . . . I just expect a lot more.

We've got a wealth of knowledge in this room. This has been a volatile file this year. The gap is still a challenge on this front and it's far from done. I would really like to get an understanding of what that gap . . . I've received this information before from

Finance, and I find it strange at a time where this is such an important discussion to the finances of Saskatchewan, to our province, and to our country, that we can't use the knowledge and expertise of those in this room.

The Chair: — Mr. Wotherspoon, I think the minister has answered twice that she does not have that information. So I will ask it once more and then we'll please move on: do you have that information or is that prepared by another ministry?

Hon. Ms. Harpauer: — It is prepared and passed to me by Energy and Resources, but quite frankly all of that information . . . The member may be trying to allude that this government does not track this just because the Finance officials don't, which is ridiculous. It is tracked within our government. We recognize the importance of this. It is insulting to my officials that he's alluding that they should be tracking it. Energy and Resources track this. We can get the information from them tonight, but he should know who does that work, and that is Energy and Resources. It is being done within our government on a regular basis, and there can be no question of the importance of this file.

The Chair: — Thank you for that, Madam Minister, and I believe you have stated twice that there is a \$15 million difference on a barrel of oil each, dollar-wise. That's explanation enough, I believe. So please move on, Mr. Wotherspoon.

Mr. Wotherspoon: — But the impact, the fiscal . . .

The Chair: — Without argument.

Mr. Wotherspoon: — The fiscal . . .

Hon. Ms. Harpauer: — [Inaudible] . . . Energy and Resources numbers, because obviously . . . so 3.57 billion to the industry, 250 million in lost revenues — numbers given to us tonight by Energy and Resources.

Mr. Wotherspoon: — Thanks for that information. It's such important information. And I know as we've watched it this year, this is something that we all want to be united on and work together on. I know this was, the gap was very wide in the fall. And if that would've persisted, I think the statement by government at the time is that would've been a \$500 million impact reduction for the province. That was the statement made by the government in the fall.

So we are talking about the finances, and I'm trying to be very reasonable in here. We've got good . . . and I know our Finance officials are like the most talented around, and in this room . . . and understanding that it might be prepared in Energy and Resources, but that information flowing back and forth is incredibly important to the Ministry of Finance. Because that's ultimately determining what we're receiving in energy, in dollars, each and every year.

So \$250 million is the estimate right now, and I appreciate that. And it was 500 million in the fall if that wider gap had persisted, but it certainly speaks to the importance of pipeline capacity and closing the gap in fairness for our price for our resource. I won't press things much further here, but this is a very important file for the Ministry of Finance and for the province of Saskatchewan.

Moving along, so I don't get the Chair on me or anything in here. I'll move along.

The matter for fairness for the province, when it comes to equalization, is an incredibly important one. And I just would like to get a sense of where this ministry is at, or where the government's at on this front and what actions have been taken to get an improved and a fair deal for the province.

Hon. Ms. Harpauer: — It has been raised by our province as well as others at the federal-provincial-territorial meetings, to deaf ears, quite frankly, by our federal government, as well as there has been correspondence exchanged. It was very disappointing when the federal government did a five-year renewal in essence without taking any suggestions from the consultation and, in fact, the consultation was almost non-existent. I guess not surprising, but disappointing. Since that time there has been correspondence exchanged from myself as the Minister of Finance to Minister Morneau making suggestions of how he truly needs to reconsider different factors within the equalization formula, however his response has been that they will not reconsider it.

Our Premier brought forward a suggestion of something different, a different way of calculating the formula called the 50/50 model which would see 50 per cent of the funds allocated to the equalization payment being paid under the same flawed formula as it is right now, and 50 per cent paid out on per capita. That would see some benefit for Saskatchewan should the federal government have entertained that. They did not do so. Right now, fair to say going into a federal election, it wouldn't matter what federal government was in place. I don't think there would be any chance of a federal government negotiating it right now at this point in an election cycle.

Mr. Wotherspoon: — Thanks for the responses. And certainly this is a really important area of work. And wherever possible, I think our case is strengthened if we're able to be as united as we can out of Saskatchewan and in this Assembly, and certainly that will be our aim. We're certainly consistent and dedicated to this file.

Just as far as the letters to federal Finance Minister Bill Morneau that were referenced by the minister, are you able to table those letters?

Hon. Ms. Harpauer: — Yes.

Mr. Wotherspoon: — Thank you very much. Could you describe the level of engagement with other provinces on this front in working to make the case?

Hon. Ms. Harpauer: — So the argument of course, with the situation that we're facing right now, basically the most impacted provinces were Alberta, Saskatchewan, and Newfoundland and Labrador. So my discussion with Minister Ceci at the time in Alberta absolutely was on board and had also put forward his argument for the sake of Alberta at the same federal-provincial-territorial meetings where I attended and put forward Saskatchewan's case. So you'll be very pleased to know that you had myself working with an NDP Finance minister and we had quite good conversations on this particular front.

The Newfoundland minister — and you'll have to forgive me not remembering his name right at this moment — although in agreement, was somewhat silent on wanting a change to the equalization. The rationale of course, and I understand why, is because they were also in negotiations with the federal government to renew the Atlantic Accord. And the Atlantic Accord is very important in Newfoundland-Labrador, and he didn't want to jeopardize those conversations whatsoever.

That agreement has been renewed. I have not spoken with that minister since. They've been able to renew the Atlantic Accord. But he basically told me that he would love to get more on board with us, but it was far more harmful to Newfoundland-Labrador to lose that deal and so he wasn't going to jeopardize that in any manner. Having said that, now I guess the conversation may change because I think they've called their own election, so they're now in an election.

So there has been conversations with our Premier, with Premier Ford since that election has taken place on changes to equalization. I wasn't privy to those conversations. I just know that they've taken place and I'm looking forward to future conversations with the new Premier of Alberta as well.

Mr. Wotherspoon: — Thanks for that.

The Chair: — Committee, we've had an extremely enjoyable two hours here and we have another two hours to look forward to. I'm just wondering if it would be prudent to take a 10-minute break and be back at 8:38 and everybody can do a little refresh. Can you hold your thought, Mr. Wotherspoon, until then?

Mr. Wotherspoon: — I'll probably forget it, but that sounds . . .

The Chair: — Write it down. Okay, let's take a 10-minute break, everyone.

[The committee recessed for a period of time.]

The Chair: — Welcome back, everyone. It is now the hour of 8:41, so we will resume work of this committee. Mr. Wotherspoon, you may continue.

Mr. Wotherspoon: — Thanks so much. Thanks for tabling the letters sent to . . . I see two of them, actually maybe a third one here as well. Thanks for tabling the letters to the Finance minister, Bill Morneau, as well as one of the responses here, as well as talking a little bit about, you know, working to establish some allies in this conversation and making the case for Saskatchewan.

You're making the case on this 50/50 proposal. I know there have been discussions in the past around the treatment for hydro revenues and the impact on those provinces, and then of course, sort of the long-standing case that had been taken to the courts was excluding non-renewable resources. I guess just a question is, how did you arrive at this 50/50 plan, and was that done with other ally provinces as well?

Hon. Ms. Harpauer: — Before I answer that question, the deputy minister just wants to clarify the year of the numbers that Energy and Resources forwarded to us.

Mr. Pandya: — Thanks. So just as a clarification, we had shared 2018 fiscal impacts and potential cost to industry. So for the current market conditions, the fiscal impacts are 125 million and it's 1.8 billion in terms of cost to industry; so almost half of what they were in '18. Thank you.

Hon. Ms. Harpauer: — Now for your question. How did we arrive at that? Basically just through a think tank of what we could suggest that would be relatively simple. Math that we felt was not acknowledging that we still believe that the calculations used in the formula . . . And don't get me wrong; the formula was extremely complicated, as you well know. But if the federal government was fixated that that was the right formula, would they consider any alternative, using a very, very, obviously very simple formula that would benefit all provinces that were indeed experiencing pressure from the downturn in the oil and gas industry.

So the math of the 50/50 formula obviously is extremely simple. It simply divides the pot in half and calculates one half under the existing formula — of which we recognize, we believe is flawed — and then the second half is simply the blunt instrument of dividing the funds by population.

[20:45]

And I spent some time last fall studying the history of equalization, and has it ever been changed? And has it ever been reviewed by federal governments? And the fact is, it has. And there has been adjustments made throughout the years of the formula being in place where resource revenues were calculated in at 100 per cent, down to 50 per cent. I believe right now they're at 50 per cent to less. So that has been adjusted up and down.

So that makes it even more disappointing that, considering what's happening in the oil industry, that this particular federal government will not entertain even looking at it or even considering looking at it when obviously it is heavily, you know, there are provinces that are heavily impacted by a downturn in the oil industry, and yet the potential revenue from the oil industry is being factored in.

The way it is structured incentivizes provinces not to develop their resources. When you look at it and you look at the bulk of the entire fund going to Quebec, there is a good incentive for Quebec, quite frankly, to have a public policy not to develop their resources. Why would they?

Mr. Wotherspoon: — Thank you. Thank you for the comments. The 50/50, so it was thrown together. Was there any working with other provinces on that front to establish that proposal?

Hon. Ms. Harpauer: — Not to establish it, no.

Mr. Wotherspoon: — Yes, I would suspect this is a proposal to work to try to advance an improved position for the province but that there would be flexibility on Saskatchewan's end to work with allies to find a proposal that ultimately gets the best deal. There's some other ways to go at this.

Hon. Ms. Harpauer: — Well as I had said earlier, you know, I had conversations with the Finance minister from Alberta prior to our jointly going to a federal-provincial-territorial table. I had

conversations with him in advance, as well as conversations while I was in Ottawa. And you know, we'll further those conversations each and every time.

I also spoke with Manitoba. Of course Manitoba was probably not very keen on the 50/50 plan because they would see a reduction. We however do see where, you know, maybe hydro isn't accounted for as it should be, and that perhaps is not something that Manitoba would be on board with. So therein lies the difficulty with having the formula changed, is because each province — and I understand that — is going to protect their position, whether or not in the big picture of the nation it's deemed fair to another province or not.

Mr. Wotherspoon: — The correspondence here, I appreciate it. Has there been a back-and-forth or have officials been working with federal officials on this front at all? Has the federal government engaged with us on this front?

Hon. Ms. Harpauer: — Somewhat limited prior to the federal government, then unilaterally just renewing the agreement. And they pretty much did and said thanks for coming out to the party.

Mr. Wotherspoon: — Have we corresponded? I think the letter here, the latest one, would be: there's one from the Premier on June 20th, 2018; one from you earlier in the year; and then one again in July; one from the federal Finance minister in April. Has there been anything since the July letter to the federal government by way of either just correspondence or letters or meetings?

Hon. Ms. Harpauer: — No. In December there was a federal-provincial-territorial meeting that I was unable to attend. My officials attended on my behalf.

The Chair: — While we have just a bit of a break here — sorry, Madam Minister — I'd just like to table document CCA 71-28, Ministry of Finance: Correspondence regarding equalization formula. We're tabled.

Hon. Ms. Harpauer: — No, that would have been the last correspondence, and I was unable to attend the last federal-provincial-territorial meeting. However, I can't speak to what the Premier, the work the Premier's done. I don't know the number of times he would have raised it on his front.

Mr. Wotherspoon: — What's the next juncture here? When's the next opportunity to make this case, either with allies or with the federal government?

Hon. Ms. Harpauer: — I think probably as soon as, you know, Alberta gets more established and get their feet under them, we'll be reaching out there. And I'm going to be meeting with the Finance minister in Toronto from Ontario on Friday.

Mr. Wotherspoon: — Any indication of how Ontario will enter into this conversation?

Hon. Ms. Harpauer: — There was a limited interest in the 50/50 formula. I don't know right now. We'll find out more at the end of the week.

Mr. Wotherspoon: — It's an important file. You did reference

the federal election as well. Do you plan to try to get an understanding of where the respective parties are, federally, on this matter?

Hon. Ms. Harpauer: — No, I didn't reach out to the other parties, federally. I didn't have an opportunity to meet either of the other federal leaders. In fact, I haven't met them. But the disappointment in the federal-provincial-territorial meeting, which I have never experienced before, is quite frankly, there was more opportunity for washroom breaks than there was to have a dialogue with the federal minister.

And I can't express that enough. There was so little time allocated for the provinces to bring forward their issues or concerns, or subjects where they were hoping to have a round table discussion was limited to approximately three minutes per province. As you can well imagine, we had breaks more often, or longer than three minutes. So the federal government has given the provinces very little opportunity to actually meaningfully discuss any issues that may be of concern to them.

Mr. Wotherspoon: — It's certainly a concern. It's such an important file. And it's a space that we need to be as effective as we can be as a province. Just back to where the respective parties are going into this election, this seems to be an important place for us to question and to canvas where folks are at. Do you see an opportunity, or do you see value in seeking that clarity from the respective party leaders?

Hon. Ms. Harpauer: — Possibly, and I think there will be a number of opportunities to perhaps have those conversations with those leaders. I don't know if I will on my level, but I'm sure they will on certain levels be able to have the conversations. I think potentially, looking at the polling, there is only one possible alternative to the government we have now, so perhaps all leaders may have a position.

But I find it interesting that you are now seeking a united front and a common voice. And when we sought some support perhaps for the 50/50 plan, all we got from your party, your leader, yourself, was crickets.

Mr. Wotherspoon: — Crickets. We don't need to get into this. Let's take this case in a united way. You know, I guess I've been in this Assembly watching your government drop a court case and roll over for Stephen Harper on this front after a promise was made of \$800 million a year.

The Chair: — All right. Both of you, let's get back to questions and answers regarding Finance. I've heard about enough political jargon back and forth, so be sort of warned.

Mr. Wotherspoon: — So there was a court case, of course, that was brought forward. At one point that was a united legislature on that front with that case and it was, I think, estimated around \$800 million by way of fiscal impact. Extrapolate that over a decade and we're talking about pretty serious dollars.

So I guess my statement is simply that I've always stood as being determined and ready to act in the interests of our province on this front and remain ready. As far as any crickets, I didn't . . . I'm ready to be part of whatever presentation that you need to make a united expression.

I know we offered the other day in this Assembly to sign a letter to the respective leaders from the leadership, from the Premier and the Leader of the Opposition. It doesn't need to be a joint letter. The Premier suggested he didn't want to sign it at that point. We've sent that letter. I do think it would be worthwhile for pressure from your government as well to clarify those positions and wherever opportunity we have to clarify those positions. I guess there's, you know, there's a couple members as well that are running for the Conservatives, I guess, that are in your caucus. They might have understanding of those positions as well.

But it's an important file. Count us ready to work on this front. And thank you to officials and others that will have been working on it.

I wouldn't mind moving on to the PST and getting a better understanding of what kind of information you're collecting on this front. And there were the changes in 2017 with the massive increase to the collection of the PST. I think it doubled the take in essence of a billion-dollar tax hike for the people of the province. And we're hearing about quite a few negative impacts and a lot of hurt economically and also at the household level on this front. So I'm wondering, how are you assessing the impacts of the imposition of the PST onto, well we'll use maybe construction labour to start?

Hon. Ms. Harpauer: — Okay, so you know, we'd never denied that there . . . It doesn't matter what the tax is, there's an impact. And as you well know, the impact to the GDP was displayed in the 2017-18 budget on page 8. We have met continuously with industry since we have made the changes. But I think there are some facts that we need to consider and that need to be put on record.

With the PST on construction, it is not a 6 per cent increase. There was already PST on a portion of construction prior to the change. It was an expansion on not just materials, but also onto labour. So that makes approximately, on average, a 3 per cent difference, not a full 6 per cent difference.

Another thing to know for the record is that most provinces have PST on construction and their PST is higher than 6 per cent. Another thing that I think we should note, committee members should be aware, is that the slowdown in construction began before the expansion of PST; it didn't just start with the expansion of PST. And the greatest slowdown in construction has been experienced in Alberta and they have no PST.

So I think all of those factors point to the fact that there are other and more significant factors that are contributing to the slowdown in construction. And there's two conversations when we talk about construction, and one is residential and one is non-residential construction.

[21:00]

So we'll begin with the residential construction. And it's affected obviously by the economy. A lot of the jobs that are lost due to the slowdown in the oil patch are of income levels that . . . They are the home buyers. These are high income jobs.

The industry, when you meet with them and in the home building

industry, recognize that they overbuilt. They over played a very hot market, and they overbuilt, and so there is a glut in supply. Ultimately they will point out to the changes to the CMHC [Canada Mortgage and Housing Corporation] rules and specifically the stress test that has probably been the most damaging factor to their industry because it eliminates approximately 20 per cent of the buyers out of the market. And that is being felt right across the country. And I can read probably 100 articles into the record that I'm hoping that the member is also reading, so that he recognizes that there's a lot of rhetoric and perhaps political advantage to say it's the PST that's the huge factor, when in fact there are other factors that are far more significant to the slowdown.

The slowdown in the housing market is being experienced right across Canada. Right across Canada the industry is lobbying the federal government to please change the stress test and other things that they have done with the CMHC rules. And probably the most telling factor that the PST is not the significant factor that's slowed down the housing market is the fact that used housing is not selling either. And the used market does not have PST. So both the new-build market and the used market has slowed down. The used market does not have PST. Housing market, the biggest slowdown's been Alberta and it has no PST.

Again for the non-residential construction, there's also the other factors that come into play beyond the PST. We understand PST does have some impact. But so does the economy and so does the slowdown of government investments. The drop in the resource revenue has affected construction activity and the slowdown in government investment has affected activity in construction. Many major projects in Saskatchewan have been completed or are in the process of being completed, with a peak in construction being through the years of 2012-2015.

Let's just take a look at those years. We built a bridge in Saskatoon, a children's hospital in Saskatoon, the Saskatchewan Hospital in North Battleford. We built a hospital in Moose Jaw, 18 brand new schools. The Regina bypass was under construction; North Battleford, a modest power plant; Swift Current has a power plant under construction. Mosaic Stadium was under construction. Swift Current long-term care home was under construction. We had invested both in the Building Canada Fund and the Clean Water and Wastewater Fund, so there was hundreds of municipal projects that were under construction.

On the private side, there was two to three crushing plants — I believe three under construction, two in Yorkton, one at Clavet — canola crushing plants. BHP's been ongoing construction. A mine out in my area where I live, K+S mine was under construction. There was expansions at a couple other potash mines and the list goes on. That was incredible activity in construction.

But even though there's been a slowdown in activity, which as I pointed out before I began, before the expansion of the PST, there's still more jobs today in construction than there was in 2007 — 16,000 more jobs in construction.

So policies matter. The economy matters. When we look at the value-building permits, I know the members opposite have pointed out that that value has dropped, and that's true. But on average it's been 2.8 billion through our time in government. On

average before, it was 900 million. Even in this budget alone, we're investing an additional 2.7 billion in infrastructure, which is going to be very important to our construction industry. And throughout our time in government, we have invested \$30 billion in infrastructure.

So prior, I know, Mr. Wotherspoon, you have sounded alarm bells about borrowing, and I've explained how our capital plan borrowing works and how money is invested into the sinking funds to make future payments. What would your plan be? You have, you know, a non-borrowing policy and in fact, the last budget of the NDP bragged about 407 million being the largest investment ever, and I don't doubt it was. How do you explain how you would do things differently? Because you can't . . . [inaudible] . . . every capital project or you don't do them.

And the other thing I would love for you to explain to this committee and to the people of Saskatchewan is what the economic plan is and how you're going to attract that investment with your policies of increasing corporate taxes? Because in order to attract outside the private investors, you have to be tax competitive. And your leader has been very, very vocal on the fact that he would increase corporate taxes. Right now we are equal to all of Western Canada, but that's going to change. So can he explain what he would do differently?

Mr. Wotherspoon: — Thanks for the questions. You know, we can reverse the table and titles, but that's not my role, but maybe down the road. We've got a long ways to go, got to earn the trust, and maybe down the road I might be privileged to be responding on behalf of the people of the province.

By way of some of the wasted opportunity, I know certainly when you're spending, you know, public dollars, we really need to do a better job of getting value for those dollars. That's where it's a concern, of course, when projects have gone off the rails by way of costs, signing us onto massive overruns, and also when we're not maximizing value and ensuring a fair shot for those world-class Saskatchewan companies and making sure that there's a fair shot for Saskatchewan workers. Because again if we're shutting out those companies from even bidding on these projects, we're certainly not maximizing value for the taxpayer by way of the competitiveness that we can create and the bidding structure, but also in retaining those dollars within the province.

And I know for certain that the companies we've got in this province on the building side of the equation are up for the task. So we need to make sure procurement is structured in a fair way and really focused on maximizing value. And we've seen the relentless outsourcing, and we know what the costs of that are when dollars flow outside of the province for no good reason and actually signing us onto large overruns.

Certainly competitiveness between provinces is very important, and I noted the minister commented that some provinces have a PST on construction. I certainly know Alberta doesn't, and that's our neighbour next door. And there's complications, real complications for Saskatchewan businesses right now with the imposition of the PST.

Certainly you know, the mortgage stress test is something that, I think, fails to capture our regional interest, and I think it's important for us to make the case that there be consideration to a

regional difference on this front, respective of where we're coming from. And I hope the minister has made that case. I know I've spoken publicly on that front as well.

As to the stagnant housing market, this is concerning as well and the minister was recognizing that, you know, residential sales have plummeted, new builds have plummeted, that homes are sitting on the market. And what we see is a real challenge right now where we're losing on the interprovincial migration. We're losing a lot of people from Saskatchewan right now.

And I know many in the construction sector. I represent many. And of course no one's in a position to weather a period without income for very long. And families are working hard. Costs of living are high and then I watch how quick it goes. The job is lost. The hunt is on. The stress is real and then realities set in as far as having to find that livelihood for a family.

And I've watched over these last two years far too many constituents, and I've heard from many others across the province, having to put up a for sale sign, move their family, leave their spots. Sometimes the family gets separated as well. It's a hard thing for a lot of families. Sometimes the families break up through the process. But what you have when the house goes up for sale is again another vacant home, so certainly speaking to the minister's comments about what she calls used houses on the market. The loss of skilled tradespeople and the jobs of skilled tradespeople throughout the province and many other sectors as well is very problematic.

But back to the question I asked, because I didn't get an answer on it, was the PST has been imposed onto construction labour. My question is, how are you tracking the impacts on this front? Because we know that it's not as simplistic that you can just jack up a tax on one level and that there's no impact on the industry and that there's no industry in other revenue streams as well. Because what happens if we reduce our construction spend or if we see many thousands of people losing their jobs, there's other impacts for the province — lost revenues in income tax, lost revenues by way of the consumption spend or the retail activity and the impact on small businesses and the corporate tax that's paid back through them, through small businesses, and the other piece, of course, the property taxes that are there.

So there's a real cascading effect and when a government's, you know, contemplating changes on these fronts, I would expect that there is a metric that was applied to understand, if we hike it here, what are the impacts on the other front? So I'm just wondering, what I guess analysis was done at that point and what's being tracked at this point.

Hon. Ms. Harpauer: — So you had submitted a written question not that long ago, and an answer was given to you of the economic impact and you got a response. I'll read you your response that you received. The question that you sent was:

Mr. Wotherspoon asked the Minister of Finance the following question:

To the Minister of Finance, what are the findings of economic impact analysis conducted into the 2017-18 PST changes on, (a) the construction industry, (b) retail sales on children's clothes, (c) food and beverage industry, and (d)

insurance industry?

And the response that you received to the question that you've sent was this:

The impact of the PST measures in total on real GDP (gross domestic product) growth were reported on page 8 of the 2017-18 budget document [as I pointed out to you earlier] as minus 0.11 percentage points in 2017, minus 0.23 percentage points in 2018, minus 0.2 percentage points in 2019, minus 0.15 percentage points in 2020 and minus 0.14 percentage points for 2021. As the analysis was conducted on the entire suite of PST changes, the impacts cannot be disaggregated into components.

Mr. Wotherspoon: — It's too bad because certainly when we're chatting with respective stakeholders and associations and businesses and workers, they know the impact. So it's too bad that there's not an ability to assess those impacts.

Just back to the choice to reduce the GDP as described in 2017-18 with the amounts that have been described, so that was what was the analysis then. Is there an ability . . . Do you have tools within Finance to reconcile whether or not those projections were accurate or whether the impacts were different than what was projected?

Hon. Ms. Harpauer: — So let's just go back to what you said because that's very, very interesting because I'm meeting a lot with stakeholders. So I've met with the housing industry, both Regina and Saskatoon and the provincial, and with the construction industry.

[21:15]

And it is so interesting how somehow they can analyze the impacts specific only to PST changes — and not on the economy and not on federal government policy decisions — for you, and yet they can't do that for me, because I've asked.

Don't you find that a little odd that somehow they can break it down and say, this change in PST has affected my business this much and the federal policy this much and the economic downturn this much? And they can't do that for me. Because I've asked if they know, if they can do that, and they haven't done that for me. So it's kind of interesting to me that there's two different conversations and so it's unfortunate that they haven't shared that with me.

Now to your question. It's factored in of course because budgets are projections and so that is what we're basing our projections on. And so do we know if our projections are correct? We know they're correct if the revenues match pretty much what we've projected as we go forward and we report on the first quarter, second quarter, third quarter, and fourth quarter.

Mr. Wotherspoon: — But no reconciliation on each of those, of the different income streams, revenue streams to government or economic sectors?

Hon. Ms. Harpauer: — If we're off track, that's reconciled every quarter that we report.

Mr. Wotherspoon: — But you don't have tools or you're not tracking the impact of the PST measure specifically. And I know these are hard things to track. I know you've got brilliant folks working with you. Is there a tool in place or some sort of measurement in place?

Hon. Ms. Harpauer: — No.

Mr. Wotherspoon: — Okay. And as far as like exact breakouts, you know, industry group, businesses, workers that, you know, I'm meeting with simply are identifying the PST as a major problem, causing a major hurt within their industries and their businesses.

And you know, I think of Regina itself. You know, just a couple years ago we had 70 framing crews in Regina. We have five right now. You know, we have one company that had 30 workers, credible company, has two right now, and that's the principal owner and one other person. And just watching how hard it is for these owners who are losing friends and those that they feel a responsibility to provide a livelihood for, as well as those workers, is really hard. Certainly it's nothing like what they're going through. It's just a really challenging time in employment for many and in business for many.

I guess my question is, of course the folks like the Construction Association have been clear that this is something they want to see addressed and have the exemption in place again. What's the policy of the government? Where are you at in reconsidering as we approach the next budget year?

Hon. Ms. Harpauer: — Again before I answer the question I want to clarify, we're not denying the hurt that is in the housing industry at all — absolutely not denying. So we can compare compassionate story to compassionate story. We all are well aware of them. We all are probably intimately affected by them, ourselves and our families and our friends and our neighbours.

What we're saying is that there are a number of factors that have affected the housing industry. So in answer to your question, am I making decisions today for next year's budget before I pass this one? The answer is no.

Mr. Wotherspoon: — I just think, you know, there's lots of measures that could be taken to fire up the economy. This is a place where a bit of relief would go a distance. And it's a shame that we're passing this budget without being amended to provide some change on this front. The hurt's real and, you know, we should be doing all we can.

I want to get a bit of an understanding on some of the . . . We have a really challenging time right now as a province and arguably as a nation with respect to traditional allies, allies on many fronts and certainly economic. And there's a real impact on certainly our country and an impact on our province economically and then fiscally.

And so I think of the . . . I think the United States, you know, imposing steel tariffs. That comes at a cost to this province. I think of what we're dealing with with China right now, a matter that needs to be resolved, with canola and other agricultural commodities and products, a matter that needs to be resolved. I think of Italy and durum. I think of India and pulse fumigation.

I guess my offer, of course, is we'll work as united as we can on these fronts that need to be resolved. But the impacts are happening right now, and this is pretty unprecedented trade barriers that are being thrown up for our province. So we know there's an economic hit for our province. What are you tracking with respect to each of those matters and what are the impacts? We need to get these resolved, but what are the fiscal impacts for our province related to each of those respective trade barriers?

Hon. Ms. Harpauer: — So it's interesting. Again we'll go to your preamble because you like to throw a lot of stuff out there in your preamble and you said, you know, it's really unfortunate that we're not going to amend our budget before it's passed and address this. And so I've yet to hear a suggestion of what you would amend, or your party, and has been no suggestions. I know you've spoken quite vocally, and I have it on record, of how you absolutely believe in balanced budgets and you're absolutely committed to that, so that's good. On that we agree. We truly do agree.

So in a fact of, you know, resource revenues have not recovered yet and we don't foresee them recovering in the near future. In the very fact, and you know with the rest of your question that you have definitely identified fiscal challenges that we're going to face as a province on issues that are quite frankly very much out of our control: decisions made by the federal government, trade challenges with the like of China that I don't think provincially we brought on, and even in fairness to the national government I'm not even sure they brought this one on.

So I'm not sure. In general the public has received our budget relatively well. They recognize there's still work to be done. They recognize that there's still pressures in certain sectors. I've yet to hear one suggestion coming from the official opposition as to what they would amend while still staying in balance, and so I'm very interested in what that would be. But for each specific situation, I know you want so badly to get on record how compassionate you are and how engaged you are in the economy, which is great, because your leader hardly touches the topic whatsoever. So it's good to see that someone in your party is engaged in the economy and recognizes that all of these things have an impact.

Are we on a daily basis factoring that in? No. But each of our respective officials with the expertise in that area are, and they are reporting to us. So Energy and Resources is doing very diligent work along with the industry to analyze the impact of the lack of pipelines, the differential, the price of oil — all of that. Agriculture is very mindful in tracking the impact of the challenge that we're having in canola and now other commodities, and what that could mean should this challenge continue for the long term.

Agriculture also tracks, watches and predicts, projects what they expect or anticipate will happen in crop insurance. You know, we're definitely in . . . There's areas in the province that were looking for more moisture. And so they will report to Finance, definitely before we do a first quarter report. Those projections will be injected into that report if the projections have changed from what they've given us to date.

Environment will report if suddenly there has been fewer or more forest fires that have to be fought in any given year, and what

they anticipate. If it's a particular dry year in the North, they're going to project that those costs are going to be higher. That then will be shared with Finance, and Finance will then factor that into projections when we make the adjustments in the first quarter and the second quarter.

Do you understand how all the components of government works together? And then to expect the Finance officials and the Finance minister to have those answers in estimates on the Finance budget isn't possible unless I brought everybody into the room, and each of the different ministries then could share their expertise on all of the separate analyses that are being done in each of the separate ministries.

The projections that are to date are in this budget. Will they change? Yes. Yes, they will. And that quite shocks your leader, by the way, because he was on record of saying, he just can't figure it out because the numbers are going to change. Yes. Yes, they are. They're going to change.

Mr. Wotherspoon: — I'm quite well acquainted with those changes over the years as I've observed the budget and what was said on budget day and the reality. But these are important issues, and I'm not looking for, like, any sort of partisan stuff in this. Like honestly, for anyone who's watching, this is a challenging time for our province and our country right now, when we have the uncertainty that's provided to the workers and the businesses and the provinces with respect to these challenges. And for Saskatchewan, there's a confluence of challenges that are coming together on this front.

And so, you know, we want to be constructive and united, but it's incumbent on the government to be planning for the realities that they're facing.

You know, I know I had shared those different barriers that really do need to be resolved sort of as a list. But if we break out specifically, what is the impact that's been factored in with respect to India and the pulse fumigation? Now we've had this persist for a couple years and I certainly know, chatting with the businesses and producers in this province, there's a serious impact. That has an impact back to the province of Saskatchewan by way of employment, by way of revenues that flow back, and investment that is either being made or isn't being made. So I just wouldn't mind getting a sense of that one specifically. What sort of impact are we assessing that fiscal impact at?

Hon. Ms. Harpauer: — Revenues from the agriculture sector, we base the numbers that go into the budget by historical factors. As you said, that's been ongoing for more than one year. So we base our revenues for this budget based on the revenues from agriculture last year and projections from the Ministry of Agriculture, should they foresee any dramatic change.

I don't know what more you want. I don't think you understand the budget itself. You keep on alluding that . . . I think you're practising for Premier's estimates. You didn't win the leadership race. And Finance budget is in numbers. There is a lot of analysis, as I've already pointed out, done in the various ministries of government, and they are very good at what they do. And they work with the stakeholders in the industry that they are responsible for. Finance works with those ministries to get their projected numbers. We don't do the analysis.

[21:30]

Mr. Wotherspoon: — I fully understand how this works. The budget and the finances are the responsibility of this minister. The impacts are real by way of trade disputes that need to be resolved, that can't be left to stand. And we need to be united on it.

So I guess I mentioned a few of them. I didn't get an answer. I mentioned India. Of course there's the very serious matter, with a whole lot of risk around it, with China. Maybe focusing in on our partner to the south, the United States and the steel tariffs, those too have been in effect for some time. What's the impact on that front?

Hon. Ms. Harpauer: — Mr. Chair, I have explained . . .

Ms. Heppner: — Mr. Chair, I think the minister has been very clear on this. He's asking for out-year projections that aren't part of this budget, analysis that is done by other ministries. The minister has been incredibly patient in explaining that to him, probably about five times already. I would suggest that the member move on to something relevant to our discussion tonight. Or he can just wrap up and we can move on to the bill.

The Chair: — I can see that point. I think some of the questions that are being asked, in all fairness, are not able to be answered by this minister. It's information that filters in from the other ministries, and you understand there's 16, 17 other ministries, whatever. I think the comment made that some of these questions would come up in Premier's estimates when the Premier has access to all ministers sitting beside him. This minister does not.

So with due respect, Mr. Wotherspoon, I'd ask you to limit your questions. We're about to wrap up here in eight minutes if we can. Just limit those questions. We agreed to 10 minutes and we're going to get it. Limit your questions to Finance, please.

Mr. Wotherspoon: — I'll respect the ruling of the Chair. The interventions and the comments even about Finance . . . Finances in Saskatchewan are directly dependent on our trading agreements where an exporter . . . So when we're talking about pipelines, these things matter, when we're talking about the US . . . But I'm going to move on because in fact I think we took a 10-minute break. I'll leave it to you to see if we . . . I think the three hours that are planned here.

I'm interested in the assessment. We've got this federally imposed carbon price that isn't supported by Saskatchewan. And it's being challenged in an important case through the courts, but it's a reality in the fiscal year, you know, as it is right now. And a budget's only as strong as its foundation, and it needs to be based in reality. I'm just trying to get a sense, and maybe I heard this wrong, but I believe I read comments possibly from you, Madam Minister, or the Premier that the carbon price hadn't been factored into the planning into the current fiscal year.

Hon. Ms. Harpauer: — Thank you. So every budget has, within each and every ministry, allocations, some flexibility for change. And that may be collective bargaining. It may be the price of fuel, the price of heating if we have a really cold winter or a mild winter.

So where the carbon tax is being applied — and we wish the members opposite didn't support the carbon tax because we don't — where it'll affect government is going to be our fleet, which we've reduced significantly. So you know, under Central Services, we don't have the same size of fleet. So this is an increase to fuel costs. We've had increases to fuel costs before, but this will be an additional one, and there's flexibility within the budget.

The other will be in the energy costs of our government buildings. And again there's some flexibility built in. A large number of buildings, of course, are within our health care system and in our education system. The federal government has said that they will be exempt. We have yet to get those details from the federal government.

Mr. Wotherspoon: — Okay. So I mean for us, we've been clear. We have no interest in a federally imposed carbon price, and in fact will not be pushing forward with any plan towards an economy-wide carbon price. There's real impacts for Saskatchewan and agricultural producers and our rural population and real considerations around households, households that have been hit with — what is it? — almost \$800, I think now, increase in PST that they're paying in just a four-year period.

But setting that aside there's real costs, I would assume, if the carbon price is being imposed, as I believe it has been, around education and health, in the cost of heating — for an example, power — and it's alarming to me that that's not planned into this budget. I mean there's a lot of government buildings. There's fleets, education, health. Is it correct that that's not planned in? And I guess what is the cost, what is the impact of the federal carbon price as designed right now and as imposed onto those sectors?

Hon. Ms. Harpauer: — Well for the sake of this unified front that we're discovering, it'd be great if you would . . . [inaudible] . . . your kind of pride as well as join us in fighting the carbon tax. And let's find out the details. Supposedly they're exempt, so let's get the details on that.

Mr. Wotherspoon: — Sorry, what are exempt?

Hon. Ms. Harpauer: — Health care and education buildings.

Mr. Wotherspoon: — So what are the impacts of the federally imposed carbon price on this budget?

Hon. Ms. Harpauer: — As you pointed out, and I didn't dispute, we didn't budget an extra line item for that. And you know that; I've been public about that. I've done interviews on that. I've just explained to you that our fleet isn't large enough. We no longer have planes. So the fuel costs, we have flexibility built within the Central Services budget to deal with fluctuations in fuel costs. I think I've already said that.

I think I've already said that we build into the Central Services budget flexibility for heating costs to accommodate a really cold winter. I believe I've already said that. I believe that I've already explained that we're waiting to get clarification from the federal government as to how health and education are exempt because that's what they have stated. I'm not sure what you don't

understand.

Mr. Wotherspoon: — I won't comment. I don't know why you're so upset, but whatever. The foundation of a budget's important. It has to be planned for the reality. We've talked about the trade barriers that are in place. It doesn't seem that there's been planning or an accounting for what those are. We'll leave that.

Hon. Ms. Harpauer: — No, we're not.

Mr. Wotherspoon: — We will shift to . . . Madam Minister, if you feel that there's impacts that you've had, then I think it's incumbent on you to share it with the people of Saskatchewan and with the estimates committee for Finance.

But to the carbon price here, I just can't get my . . . Because I guess at the end of the day there's either no big deal with this imposition of this carbon price, and it's some marginal impact and it seems to be that the minister is suggesting that it can just be absorbed in razor-thin contingencies. I don't think that's the case.

I think that the carbon price has an impact. And so I'm trying to be fair here as well. I'm becoming increasingly alarmed with the lack of recognition or the lack of planning for a reality, and making sure our budget's on firm ground, you know. Even when there's claims of budgetary balance in these things on razor-thin margins, meanwhile adding all the debt. But on razor-thin margins, to not plan in or factor in for the cost of the carbon price in the current reality just seems strange.

There must be more planning. And even for us to be able to make the case around the impact of that federally imposed carbon price, it strengthens our case to be able to talk to the cost to the public sector, to the government. So maybe I'm asking the question the wrong way, but I'd sure appreciate some straight answers and some clarity on this front and an understanding of what the impacts are.

The Chair: — Mr. Wotherspoon, I think in my opinion that question has been answered in the best way that the minister could answer it. In that — what word do you want to use? — whether it's "contingencies" or whatever — in these ministries, she's said here and on the floor that we do not know what the federal government's going to do as far as education or health goes. We don't know those factors.

Seeing the hour of the evening, I'm going to ask you to ask one more question and then we're going to move to voting, please.

Mr. Wotherspoon: — There's a lot I wouldn't have minded getting to, but I guess the other sector . . . and when I was touching on the PST and I know you've had the chance to meet recently with the leadership of the restaurateurs and the hospitality association, Jim Bence. I've met with him as well. He's provided a really strong voice for small, local businesses across the province, bigger businesses as well. And you know, he really cites a real challenge for the small, rural restaurant, bar, hotel across the province. I think we've lost about 12 of late. And he's called me and he's certainly laid out action. I know he's met with you.

And I'm just looking for an update. I know the PST is a real challenge in this sector as well. And I'll just, you know, you might not listen to me, but the owner of the Duck Lake Bar is Lance Grosco and he's highlighting the fact that costs are rising in such a significant way; revenues are plummeting. He's struggling as are many others in his industry. And he said recently, it's harder to make a dollar now than it was 10, 15 years ago. And the consequence of this is that we're losing local businesses, local employers, important establishments within communities. So I just wouldn't mind hearing what measures you're looking at taking to support these important local businesses.

Hon. Ms. Harpauer: — So the small bars have had a decline now, I would say, for a couple of decades, for a number of reasons. Some is depopulation of rural Saskatchewan. Probably the biggest impact that's happened to your small-town bars is changes to drinking and driving rules. People in rural Saskatchewan don't have the luxury of taxis and alternative rides always, and so that's not available to them. So the decline of the usage of the small-town bar has been ongoing now for well over a decade, probably closer to two.

What we can do to help that bar owner is to have the lowest and very competitive corporate tax, if they are that large, or small business tax. We have a small business tax that is only 2 per cent, and we increased the income threshold that that bar could have before they pay tax any higher than that 2 per cent.

Also for that personal owner, we have the lowest personal income taxes in the country. If that owner is married and has children, he or she will have a huge impact with the personal income tax reductions that we've made since we've been government. We have reduced the basic income tax deduction from, well, \$7,000 for both the taxpayer and the spouse, which is about 14,500 additional dollars that that person can make that is provincial tax free, and \$3,351 extra that they can make for each and every child. It's significant and we've taken almost 112,000 Saskatchewan residents off the income tax roll entirely.

So that's how we're going to help that individual who has the small bar. We cannot fix the number of people that live in the area that he has his business. We can't populate that for him or her. So what we can do is make his tax burden as light as possible.

[21:45]

The Chair: — Seeing our agreed-upon time has expired, I would like to move to vote 18, Finance, central management and services, subvote (FI01) in the amount of \$7,158,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Treasury management, subvote (FI04) in the amount of 1,580,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Provincial Comptroller, subvote (FI03) in the amount of \$12,521,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Budget analysis, subvote (FI06) in the amount of \$6,564,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Revenue, subvote (FI05) in the amount of \$19,938,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Personnel policy secretariat, subvote (FI10) in the amount of \$506,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Research and development tax credit, subvote (FI12) in the amount of \$5,000,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Miscellaneous payments, subvote (FI08) in the amount of \$22,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Pensions and benefits, subvote (FI09) in the amount of \$169,526,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Non-appropriated expense adjustment, in the amount of \$2,633,000. Non-appropriated expense adjustments are non-cash adjustments presented for informational purposes only, and no amount is to be voted.

Finance, vote 18 for \$222,815,000. I will now ask a member to move the following resolution:

Resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2020, the following sums for Finance in the amount of \$222,815,000.

Mr. Bonk has so moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

**General Revenue Fund
Finance — Debt Servicing
Vote 12**

The Chair: — Vote 12, Finance — Debt Servicing. That's statutory. Debt servicing, subvote (FD01) in the amount of \$477,700,000. There is no vote as this is statutory.

Crown corporation debt servicing, subvote (FD02) in the amount of \$17,000,000. There is no vote as this is statutory.

Finance, debt servicing, vote 12 for \$494,700,000. There is no vote as this is statutory.

**General Revenue Fund
Advances to Revolving Funds
Vote 195**

The Chair: — Vote 195, Advances to Revolving Funds, statutory. Advances to Revolving Funds, vote 195 in the amount of zero dollars. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Municipal Financing Corporation of Saskatchewan
Vote 151**

The Chair: — Vote 151, Municipal Financing Corporation of Saskatchewan, statutory. Loans, subvote (MF01) in the amount of \$15,000,000. There is no vote as this is statutory.

**General Revenue Fund
Debt Redemption, Sinking Fund and Interest Payments
Debt Redemption
Vote 175**

The Chair: — Vote 175, Debt Redemption, statutory. Debt Redemption, vote 175, in the amount of \$203,325,000. There is no vote as this is statutory.

**General Revenue Fund
Debt Redemption, Sinking Fund and Interest Payments
Sinking Fund Payments — Government Share
Vote 176**

The Chair: — Vote 176, Sinking Fund Payments — Government Share, statutory. Sinking Fund Payments — Government Share, vote 176 in the amount of \$142,547. There is no vote as this is statutory.

**General Revenue Fund
Debt Redemption, Sinking Fund and Interest Payments
Interest on Gross Debt — Crown Enterprise Share
Vote 177**

The Chair: — Vote 177, Interest on Gross Debt — Crown Enterprise Share, statutory. Interest on Gross Debt — Crown Enterprise Share, vote 177 in the amount of zero dollars. There is no vote as this is statutory.

Bill No. 171 — *The Income Tax Amendment Act, 2019*

Clause 1

The Chair: — We will now move on to consider Bill No. 171, *The Income Tax Amendment Act, 2019*, clause 1, short title. Minister Harpauer, if you have any new officials you'd care to introduce and make your opening comments, please.

In the interest of time we're not going to take a recess. I decided.

Mr. Wotherspoon: — There's a bunch of folks that are leaving us here tonight. Thank you very much to them for their presence here tonight and all their work.

The Chair: — I apologize, Mr. Wotherspoon. I should have given you the chance.

Hon. Ms. Harpauer: — Mr. Chair, I'm here today to discuss *The Income Tax Amendment Act, 2019*. This legislation implements the income tax initiatives announced on March 20th, 2019 as part of the 2019-20 budget. This bill would create new non-refundable tax credits for volunteer firefighters, volunteer emergency medical first responders, and volunteer search and rescue responders beginning with the 2020 taxation year. Individuals performing at least 200 hours of eligible volunteer services in a year, as certified by the organization managing the volunteer services, will be able to claim a \$3,000 tax credit amount. Eligible volunteer services consists of responding to and being on call for emergencies, attending required meetings, and participating in required training.

Mr. Chair, this legislation will introduce the new tax provisions required to provide for these three new tax credits. This legislation also updates the provincial age and pension credits to properly align with recent legislative changes made to the parallel federal age and pension credits. The updates were requested by the Canada Revenue Agency to ensure administrative consistency between the federal and provincial credits.

Mr. Chair, I'd like to thank you for the opportunity to present these legislative changes today and would be pleased to answer questions.

The Chair: — Thank you, Madam Minister. I'll just again remind officials to please state your name for *Hansard* when you first speak. Are there any questions from the members? I recognize Mr. Wotherspoon.

Mr. Wotherspoon: — Yes, I certainly I'd want to just thank all those that serve across the province. Those involved in emergency response and in firefighting and in search and rescue are so vital to the peace of mind and security to so many across this province at a time where minutes matter or seconds matter. They provide an incredible response. And we've watched them respond to terrible tragedies. They're active day in and day out though across this province. And I think this measure is sort of the least we can do and a good measure for folks who give so much to their communities in our province.

I appreciate as well to the Finance minister . . . I know we'd written a while back to urge the inclusion of search and rescue and she may very well have been on top of the adjustment on that front as well. But we very much appreciated seeing the bill adjusted to include search and rescue of personnel as well. So I guess my only question is, are there any . . . This is a budget bill that needs to pass. We support the measures that are here. Are there any concerns being brought forward by any stakeholders with respect to this piece of legislation?

Hon. Ms. Harpauer: — Not directly to my office. There was one gentleman — I don't know who that is — that I heard on the radio that was concerned with the 200 hours. However the associations are saying that that should not be a problem. And we are basically mirroring the federal qualifications. So it makes it simpler, cleaner that way.

Mr. Wotherspoon: — Well it's, as I say, you know, we can assess its impact into the future. But it's an important recognition to very good people, sort of the bedrock of our communities

across Saskatchewan. So thanks for bringing it forward.

Hon. Ms. Harpauer: — You're welcome.

The Chair: — Seeing no further questions, I would just move clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 7 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, 2019*.

I would ask a member to move that we report Bill No. 171, *The Income Tax Amendment Act, 2019* without amendment. Ms. Heppner has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business with the officials this evening. Minister, do you have any closing comments you care to make?

Hon. Ms. Harpauer: — Thank you, Mr. Chair. I want to thank the committee members for their time spent in the committee tonight, as well as Mr. Wotherspoon, and also my officials, who do a great job to deliver the budget on behalf of the people of Saskatchewan. And I want to thank them for the work that they do.

The Chair: — Thank you, Madam Minister. I recognize Mr. Wotherspoon.

Mr. Wotherspoon: — And certainly thanks to you, Mr. Chair, and to the minister for the time tonight, importantly to those at the front table as officials and those in the back and those that were in here tonight. We're so well served by the exceptional skills and leadership in our public service. So thank you for all you do here tonight and importantly all those all across our province that are involved in that important work along with you. So thank you so very much.

The Chair: — Thank you, Mr. Wotherspoon. And I would add my voice to those thanks as well. We will excuse the minister and your officials, and we now will proceed to vote off some estimates.

**General Revenue Fund
Central Services
Vote 13**

The Chair: — Okay, we'll resume. Vote 13, Central Services, central management and services, subvote (CS01) in the amount of \$50,000. There is no vote as this is statutory.

Property management, subvote (CS02) in the amount of \$3,546,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Transportation and other services, subvote (CS05) in the amount of \$481,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Project management, subvote (CS03) in the amount of zero dollars, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Information technology, subvote (CS11) in the amount of \$14,697,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Major capital asset acquisitions, subvote (CS07) in the amount of \$20,117,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Provincial Capital Commission and Provincial Archives of Saskatchewan, subvote (CS13) in the amount of \$11,481,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Non-appropriated expense adjustment in the amount of \$790,000. Non-appropriated expense adjustments are non-cash adjustments presented for informational purposes only. No amount is to be voted.

Central Services, vote 13 in the amount of \$50,322,000. I will now ask a member to move the following resolution:

Resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2020, the following sums for Central Services in the amount of \$50,322,000.

Mr. Hindley moved. Agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

**General Revenue Fund
Public Service Commission
Vote 33**

The Chair: — Vote 33, Public Service Commission. Central management and services, subvote (PS01) in the amount of \$5,043,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Human resource service centre, subvote (PS06) in the amount of \$12,376,000, is that agreed?

[22:00]

Some Hon. Members: — Agreed.

The Chair: — Carried. Employee relations and strategic human resource services, subvote (PS04) in the amount of \$7,948,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Human resource consulting services, subvote (PS03) in the amount of \$8,676,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Non-appropriated expense adjustment in the amount of \$305,000. Non-appropriated expense adjustments are non-cash adjustments presented for informational purposes only. No amount is to be voted.

Public Service Commission, vote 33 for \$34,043,000. I will now ask a member to move the following resolution:

Resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2020, the following sums for Public Service Commission in the amount of \$34,043,000.

Would someone move? Ms. Heppner has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Gaming Corporation
Vote 139**

The Chair: — Vote 139, Saskatchewan Gaming Corporation, statutory. Loans, subvote (GC01) in the amount of \$5,000,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Opportunities Corporation
Vote 154**

The Chair: — Vote 154, Saskatchewan Opportunities Corporation, statutory. Loans, subvote (SO01) in the amount of \$19,500,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Power Corporation
Vote 152**

The Chair: — Vote 152, Saskatchewan Power Corporation, statutory. Loans, subvote (PW01) in the amount of \$449,100,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Telecommunications Holding Corporation
Vote 153**

The Chair: — Vote 153, Saskatchewan Telecommunications Holding Corporation, statutory. Loans, subvote (ST01) in the

amount of \$100,000,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Water Corporation
Vote 140**

The Chair: — Vote 140, Saskatchewan Water Corporation, statutory. Loans, subvote (SW01) in the amount of 18,500,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
SaskEnergy Incorporated
Vote 150**

The Chair: — Vote 150, Saskatchewan Energy Incorporated, statutory. Loans, subvote (SE01) in the amount of \$251,100,000. There is no vote as this is statutory.

Committee members, you have before you a draft of the seventh report of the Standing Committee on Crown and Central Agencies. We require a member to move the following motion:

That the seventh report of the Standing Committee on Crown and Central Agencies be adopted and presented to the Assembly.

I think Ms. Lambert moved that. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. That concludes the business for this evening. I would ask a member to move a motion of adjournment. Mr. Bonk has moved a motion to adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Then it's carried, and this committee stands adjourned to the call of the Chair. Just a reminder, Wednesday, May 15th at 10 o'clock. Thank you, committee members, and thank you to Mr. Wotherspoon. Thanks to Stacey as always for the great job. It's been a long evening, a long day.

[The committee adjourned at 22:03.]