



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Saskatoon Willowgrove

Mr. Greg Lawrence
Moose Jaw Wakamow

Hon. Tim McLeod
Moose Jaw North

Mr. Doug Steele
Cypress Hills

[The committee met at 15:30.]

The Chair: — Well welcome everybody to the Standing Committee on Crown and Central Agencies. I am Fred Bradshaw, the Chair of the committee. With us we have Mr. Steven Bonk, Mr. Ken Cheveldayoff, Mr. Greg Lawrence, the Hon. Tim McLeod, and Mr. Doug Steele, and substituting for Mr. Doyle Vermette is Trent Wotherspoon.

**General Revenue Fund
Finance
Vote 18**

Subvote (FI01)

The Chair: — Today the committee would consider the estimates and supplementary estimates no. 2 for the Ministry of Finance and three bills. We'll begin with the consideration of vote 18, Finance, central management and services, subvote (FI01).

Minister Harpauer is here with her officials. As a reminder to officials, please state your name for the record before speaking and please do not touch the microphones. The Hansard operator will turn them on for you. Also for officials seated at the desk, please do not open the desks. Minister Harpauer, please introduce your officials and make your opening comments.

Hon. Ms. Harpauer: — Mr. Chair, committee members, Mr. Wotherspoon, thank you for the opportunity to discuss the Ministry of Finance budget. Joining me is our deputy minister of Finance, Max Hendricks, and a number of officials from our team at Finance. We have Karen Lautsch, the assistant deputy minister of corporate services and office planning, performance, and improvements. We have Nancy Perras, the assistant deputy minister of the revenue division. We have Scott Giroux, the acting assistant deputy minister of fiscal policy division. We have Brent Hebert, the assistant deputy minister of the treasury board branch; Chris Bayda, the provincial comptroller; Jeremy Phillips, the assistant deputy minister of public employees benefits agency; Rod Balkwill, the executive director, treasury management branch, budget and analyst division; Jeremy Karwandy, the executive director, economic and fiscal planning branch of the fiscal policy division; Melanie DeMarni is the executive director of corporate services division; and Ashley Anderson, my chief of staff.

The Ministry of Finance estimates, vote 18, appear on pages 53 to 57 of the Estimates book. The Ministry of Finance's expense budget is 400.4 million for 2023-24, an increase of 23.8 million or 6.3 per cent from 2022-23.

Our ministry's budget includes the following increases: 14.9 million for pensions and benefits; 7 million to complete the Saskatchewan affordability tax credit; 2.3 million to enhance the ministry's capacity to provide economic analysis, policy advice, and development of the fiscal policies that achieve government priorities; 2.1 million for the revenue management system; 550,000 for the expansion of the revenue tax enforcement teams, including five FTEs [full-time equivalent]; 200,000, a one-time increase for the real-time validation system to finish system upgrades.

Increases are partially offset by a \$3 million decrease in fuel charge program operations due to the program being paused, and a 196,000 reduction in accommodation and service costs. The ministry's budget includes 700,000 in government-owned capital to upgrade three information technology systems that are used to support treasury management services.

Mr. Chair, allow me to elaborate on some of the highlights of our ministry's budget. Saskatchewan is growing at its fastest pace in more than a century. There are more people, more jobs, and more opportunities than ever before in our province. The goal of the province's 2023-24 budget is to ensure that growth continues and that it's growth that works for everyone. The Ministry of Finance budget for this year supports strong fiscal management and accountability, helping government ensure valued services, programs, and capital investments are sustainable today and into the future.

The expense budget for the operations of the Ministry of Finance is 71.6 million, which is up 8.9 million from 2022-23. I'll touch on a few of the highlights. The ministry budget includes 7 million to complete the Saskatchewan affordability tax credit program, ensuring eligible Saskatchewan residents receive a one-time \$500 payment to help address inflationary pressures impacting the cost of living. The Canada Revenue Agency will be sending final data to the Ministry of Finance this quarter to ensure those who filed late and others who had complexity related to their tax returns receive the payment. This step is necessary to complete the program.

There is 2.3 million in the ministry budget to enhance the ministry's capacity to provide economic analysis and policy advice. This includes funding to undertake further research and analysis regarding the development of system design options for provincial administration of the corporate income tax, and 490,000 funding to support the expansion of the government's access to advanced economic modelling platforms to help inform decision making.

Our ministry's budget includes 2.1 million to continue to transition the revenue management system to a cloud-based service and complete upgrades to enhance client services. There is 700,000 in this budget to modernize treasury investment IT [information technology] systems which help our officials manage provincial financial investments. Our ministry budget helps to ensure a level playing field for tax-compliant businesses and to preserve tax revenues.

In this budget there is 550,000 for the expansion of the revenue tax enforcement team, five FTEs to address non-compliance in the underground economy and the growing prevalence of contraband tobacco. The ministry's budget also includes 200,000 to complete upgrades to the real-time validation system which validates and processes tax-exempt fuel and tobacco sales at the point of sale.

In addition to operations, the ministry is budgeting 328.8 million for employers' contributions to pensions and benefit plans for government employees, judges, and members of the Legislative Assembly. This represents a \$14.9 million increase from last year and is based on actuarial valuations and changes in compensation rates.

Mr. Chair, this is just a sample of the important work that the employees of the Ministry of Finance undertake each and every year with the focus on serving clients both inside and outside of government. And with that, I'm happy to take questions.

The Chair: — Well thank you, Minister, for those comments. And are there any questions? Mr. Wotherspoon.

Mr. Wotherspoon: — Well thank you, Mr. Chair, and thank you, committee members. Thank you, Minister. Thank you to all the officials that have joined us tonight and all those involved in the work that we'll be discussing here tonight.

Of course the Ministry of Finance connects to so many different sectors, so many different people, so many different ministries, so our discussion will be fairly broad and then sometimes quite specific and technical. At least that's the questions that I've prepared to bring in here.

Off the top, that was a year ago that we were seated here for estimates for the previous year's budget. And at that point I was identifying what certainly private sector forecasts and what the markets were telling us, was that it was evident that we were in a significant windfall situation, a significant surplus situation where it was clear the numbers that had been put into the budget weren't reflective of the economic reality that we were facing, this unforgivable war in Ukraine of course as one of the major contributing forces on that front.

It of course had the other impact, or other impacts, for so many; I mean most notably the horrible losses in Ukraine — the lives, the atrocities. But here in Saskatchewan it's had the impacts on revenues, but then also financial hardship and on cost of living for Saskatchewan people.

And when identifying last year that the budget was not accurate in reflecting the financial reality for the province and that revenues, for example, were going to be significantly higher for oil and potash, the response was, well, to dismiss that reality. Meanwhile people of course suffered through incredibly high cost of living, and services and things like our classrooms that people count on were shorted of the supports that they need.

Now fast forward through last year, of course the updates came and the position had to reflect reality, which was one of not deficit, as was projected by the minister, but of a massive surplus with windfall revenues over a billion dollars.

And we're now into another fiscal year where we have over a billion dollars of surplus. And surplus is a good position for a budget, but there also needs to be a reflection of the needs of the province. And when you look at the current situation and this past year what so many have faced, cost of living through the roof, and then the needs in classrooms that have suffered as a result of underfunding for a number of years, it just baffles so many that we would have a budget that's presented with over a billion dollars of windfall and not an adequate investment — a modest investment, a fractional investment comparative to that surplus, that windfall — to step up to those needs.

So I guess my question to the Finance minister, we'll look specifically at education. You know, how can the government bring about a budget with, you know, a surplus that they tout of

over a billion dollars but then leave our kids' classrooms, classrooms that are frankly at a breaking point, in a position where they're going to receive further cuts, further losses, as opposed to making sure they have the supports they need, and in fact bolstering and improving those supports.

Hon. Ms. Harpauer: — So as the member opposite is aware, the K to 12 [kindergarten to grade 12] education through the school divisions received a 2.5 per cent increase in this budget. It's interesting that each and every budget has given an increase to our school divisions.

We make the determination of what is allocated in budgets quite early, quite frankly, because it's a daunting task to go through all of the expenditures of government and put together a budget of this magnitude. We rely quite heavily on our stakeholders and private sector forecasters, etc., for what money will be needed, as well as the ministers and ministries and what, you know, what can be allocated. And we have to do so in a very measured way that's balanced. We have to balance the requests because there are a number of very good requests, quite frankly, but there is also a limited amount of dollars.

And we all have spoken at length a number of times to be cautious about overly relying on revenues that we know aren't stable year over year over year. The volatility of our resource revenues, which is definitely creating excess revenue right now, should you put that into operating costs, then when those prices or the volumes of sales fall, you have that shortfall, and you don't have any mechanism to fill the shortfall of revenue other than to raise taxes, which then slows down the economy, and you're in the cycle of declines. So I've expressed that a lot publicly with the people of Saskatchewan on the importance of not baking in one-time revenue.

With that, we built the budget on predictions from school divisions on what they predicted their enrolment will be, and it's proving to be a very low number. That's not a fault of the school divisions, quite frankly. There has been some uncertainty that we couldn't predict either as a government. We have brought in a number of Ukraine immigrants. We do not regret that, but there has been uncertainty of when another, you know, when we'll secure another planeload of immigrants or if there will be another planeload. So with that, it hasn't been predictable.

The second thing that I've heard from some school divisions is they had a hard time predicting students that had gone to online learning through the COVID years, when they would return back to the classroom. So you know, there's a little bit of uncertainty that school divisions had in their numbers.

So we based the budget on what school divisions had advised us. It is now appearing that that number is low. We've already announced that we will be, the Minister of Education will be meeting with school divisions and determining what the enrolment will be for the fall. And we have assured them that we will be there for them with funding so that they have time to hire the staff that they need for their fall enrolment, as it will be higher than what they had predicted earlier in the year.

[15:45]

I've heard some, the members opposite in particular more so than

school divisions, saying that the budget increase did not meet the cost of inflation, which has come down considerably. But I would like to point out this. About — and I'm averaging — about 50 per cent of school division budgets is teachers' salaries, and so that is not subjected to changes in inflation.

That is subjected to collective bargaining. And so there is an increase in this particular time in their collective bargaining agreement is 2 per cent. So the three and a half per cent . . . or two and a half per cent increase that they received for half of their budget, they only need two. So the remainder then moves over to their other cost pressures that they have, which means that it is more than a two and a half per cent lift.

I will never say that there isn't difficult decisions for school divisions. And I will never say that there isn't, as there is for the province, more asks — good asks, good needs — that they have to balance. And that is indeed what we have to do as a province. And that was how we determined the numbers that we have.

The other thing I want to point to for inflationary pressures when you look at the components of what's driving inflation right now, number one largely — and I watch each and every month — but there's two, but the number one is food, the cost of groceries. School divisions don't have to buy a lot of groceries. They don't have to buy a lot of kids' clothes. And they do have the pressure, inflationary, of fuel. And that was a lift that we gave them in the last budget and we based this budget on the price then. The price of fuel right now is a little lower than what we based this budget on.

So I am confident that our Minister of Education, meeting with the school divisions, will work through a number of issues. And you will hear more.

Mr. Wotherspoon: — It's just such a disconnect to see the bounty, the windfall revenues, the large, large billion-dollar-plus surplus, and then to be leaving our kids' classrooms in a position of shortfall and further cuts at a time that they are frankly at a breaking point in so many cases. And that per-student funding that's just plummeted, just plummeted in our ranking with other provinces.

So it's critical that we see an investment on this front. We're not talking about a luxury item here. We're talking about like the basics, education being that foundation for our future economically, financially for young people to live up to their potential and our province to live up to its. So it's absolutely critical that we see funding committed at a level that will allow school divisions to step up and support needs, support growing classrooms, support growing complexity, and make sure that learning is supported.

The minister references now that there's a recognition that the budget that was brought was inadequate on this front. I guess that's a positive first step. The second piece though is providing them the budgetary certainty they deserve, the allocation of dollars. Could the minister speak to what she referenced with the minister reaching out to school divisions? I know school divisions understand their budgets and their costs in an intricate way. I'm just astounded at the stewardship that they provide to this sector.

Can the minister speak to when we can expect the proper funding, the increase that school divisions are needing to fund their program, and recognizing that every lost day impacts school divisions that are making budgets, making staffing choices.

I know the turmoil right now in Regina Public and Regina Catholic and in divisions across this province. It impacts folks wondering whether or not they're going to be continuing to be able to serve as, you know, a guidance counsellor or what their role looks like or whether they'll be able to continue to support literacy. These are the hard realities that people are living as a result of this inadequate budget in a sector that's so strained.

So I just, to the minister: this is the budget. This is when we should have those dollars. Can we expect an announcement and a commitment to funds, an amendment to this budget before this session adjourns?

Hon. Ms. Harpauer: — I find it very interesting, Mr. Chair, that the opposition is absolutely advocating for not believing the school divisions when they give the student level projections, that we should second-guess them, which is something we hadn't done. Because what we're going to have the conversations, or the Minister of Education will have the conversations on what is the increase in enrolment that they hadn't anticipated when they gave us their initial projections. And again I stress, it was not at their fault. There's a lot of uncertainty at this point in time.

It's also interesting that the member keeps referencing windfall revenue knowing full well that it comes from the very volatile resource sector. And it's very telling that he advocates for spending it into year-over-year operating costs. He thinks that that should be done. So when those prices fall, I would love to know where he would suggest that we find the money to continue supporting the services in education, health care, and social safety nets that we have in the province. Because it is very easy to point to that money and just say spend it until it's gone, and then you have a year where you are uncertain. I think that is irresponsible.

I also believe that choosing to take our surplus — the billion-dollar surplus that we are projecting — and applying it to debt does two things. It saves future interest costs on . . . So that with the billion dollars that we wrote down on operating debt last budget and then a billion dollars in this budget, that is \$117 million of interest savings that can then be incorporated into health care, education, social safety nets, and spending within government for services for Saskatchewan citizens.

But second, it's extremely important to have a financial stability as a province to attract investment, because outside investors do look at the stability, the fiscal stability of a jurisdiction before they invest. Because if they have run their debt up too high, if they're having deficit after deficit budget, they then don't feel that is a secure place to invest their dollars because ultimately at some point there's going to have to be taxes raised in order to support the spending of government.

So with that, it's interesting that that's the position of the member opposite. He obviously has no concerns of the operating debt, so we won't have that discussion today. But no, you know, the details of when the meetings with school divisions will happen and the outcome and the timing of that is all to be asked of the

Minister of Education.

Mr. Wotherspoon: — Well that was the Minister of Finance. It's the budget. The budget for education is inadequate just as the budget's inadequate in providing any cost-of-living relief for folks.

And I thought what's really telling in this exchange is just the very different approach to the value placed on education, one that feels, as in the government feels that this is somehow a drag or an expense that, you know, somehow is, you know, too much for the province of Saskatchewan.

And then there's another view which is that education is the foundation of our future — economically, fiscally, socially. That's the view of the official opposition. I think the people of Saskatchewan who believe in adequate funding for education . . . And that's going to set up the economic success of this province. It's going to set up the labour force of tomorrow. It's going to set up the fiscal strength and sustainability and balance of budgets future.

And I think that that's proven out everywhere in the world. When you have, you know, a right wing government that doesn't value education, you know, do a number on the education that young people deserve, it has long-lasting consequences for, not just those young people who have been shorted, but for the jurisdiction as a whole. So there's a real different view.

As for blowing money and adding debt, I mean we know the record of the current government, you know. They've more than tripled debt, Mr. Chair, often through some of the best years. And blowing dollars on mismanaged projects that we don't need to get into too far here tonight because we've got too many questions.

You know, we see the debacle in some of the big spending on projects that have gone sideways in IT of late, AIMS [administrative information management system], Linkin, and others that . . . And when you're wasting dollars on mismanaged contracts and projects like that, those are dollars we're not using to invest in classrooms or to pay down debt or to offer cost-of-living relief. And I mean people in the province know very well the cost of mismanagement with other big projects, GTH [Global Transportation Hub], bypass, list goes on with this government, because they're paying the bill now, Mr. Chair.

I guess my question to the Finance minister, you know . . . So we'll continue to push for the investment in education. When it comes to cost of living, you've got a government, of course, that's sitting in windfall and people that are facing serious hardship by events that are the same events but different factors. How did the minister see fit not to provide any new cost-of-living relief in a budget with a billion-dollar-plus in surplus?

Hon. Ms. Harpauer: — Before I answer that question, I would just like to ask the member not to put words in my mouth. I have never said education was a drag or unnecessary and not important. When you are doing a finance budget, you have expense and you have revenue. It's a term to describe which is money out and money in. It is not giving priority or a descriptor, such as the member opposite just tried to do, of our sentiment. I don't believe that health expenditures, expenses are a drag or our

safety measures or our support programs or education. I don't believe any of them are a drag. But we have to balance with all of them.

As I have said a number of times, in this particular budget, there is over \$2 billion in affordability measures in our budget. That is the completion of the \$500 Sask affordability tax credit. And the \$500 Saskatchewan affordability tax credit of course means, for a family of four, substantively more dollars than that family would have received under the program that the NDP [New Democratic Party] had proposed of \$105 per person.

For seniors in this budget, of course we have the low personal income tax that was indexed in this particular budget but has been lowered over the years to be among the lowest in our nation. The seniors' income plan was increased in this budget to help with affordability for the low-income seniors. It's now \$360 per month, which is quadruple what it was when the NDP were government.

A program that was introduced by our government is also enhanced in this budget, and that's the personal care home benefit increase for seniors. We have money for the seniors' drug plan, and there's money in this budget to subsidize ambulance services for seniors and home care services. Actually it was last budget where we substantively increased the subsidy for seniors for ambulance services.

For families, they are beyond far the largest benefactor of our low personal income tax. A family of four in Saskatchewan, if you take taxes, utilities, and housing costs into consideration, Saskatchewan is the lowest province in which to live for expenses. The personal income tax reductions that we have made are substantive and benefited families greatly.

Introduced by our government and in this budget is the active families benefit to help with activities that the children are involved in. We have, and it was introduced by our government, dollars for the children's drug plan to help with those cost pressures for families. We're the only province in Canada that has the first-time homebuyers' tax credit. And of course there is — with, you know, federal dollars included — where we have brought the childcare expense down to \$10 per day for children six years and under to help with the cost for families.

[16:00]

For students, something that was introduced by our government and increased last budget, was the Sask Advantage Scholarship, which is available to all students in our province. And then we have the very well-received and appreciated graduate retention program for those first-time jobs that those students get when they graduate. It was introduced by our government, and it's not supported by the NDP critic.

For the most vulnerable is where we definitely made increases in this budget to help with affordability. We have the low-income tax credit. We have the Sask housing benefit. We have the disability tax credit, the caregiver tax credit, the Sask Aids to Independent Living program. But the increases were to SAID [Saskatchewan assured income for disability] as well as to SIS [Saskatchewan income support], which is our two income support programs.

That's in addition to measures of lowered education property tax over time. There was no increase to property taxes in this budget, but they were lowered over the time of our being in government. We have the second-lowest utility bundle in the country and we have targeted funding for a number of things including diabetic supplies specifically for children and individualized funding for those families that may have a child with autism.

So this adds up to well over \$2 billion of affordability measures in this budget, some of which were increased specifically in this budget. But all of them are contained year over year which is a lot of measures that weren't, many of them were not there prior to help with affordability. And I might say again that the suggestions by the official opposition of a cash injection is much lower than we actually did with the Sask affordability tax credit.

Mr. Wotherspoon: — Thanks, Mr. Chair. I think anyone watching would just be kind of tired with all of the lines and rhetoric as opposed to the recognition of the reality that they're facing. And folks are smart. You know, they know the fiscal position of the province and they know their financial position. And to continually have their government try to tell them that the reality that they know and know well is wrong, you know, I think it's at the government's peril to continue to try to suggest that's the case.

You know, with respect to the budget, I mean you've got a billion-dollar surplus, windfall revenues, billion dollars last year, a government that's cranked up costs for people on top of that, including last year, you know. This is on top of the biggest tax hike in Saskatchewan's history.

And now we come to this budget where folks are facing this hardship and not a single new measure to address cost of living, nothing to address the power hikes that are so hard for so many families and businesses across this province.

Nothing to roll back the PST [provincial sales tax] that was added last year or years previous including the one on construction labour that, you know, really hits the homeowner and certainly hits our economy in such a big way. Nothing to provide a bit of relief around the fuel tax, Mr. Speaker. Just no new relief. But you know, again it seems to me that we've got a government — you know, budgets are real priorities; they should reflect the priorities of your province — we've got a government that's just really fallen out of touch with those priorities and those realities.

And worse than that, they spend significant time and resources to try to convince people that the reality that they know is wrong. I can tell, you know, the people that are watching at home, that the reality you know of financial stress and hardship and worries is real, and we get it.

With respect to commodity assumptions, getting into a bit more maybe the technical questions on the budget, can you take me through the assumptions that are behind your price forecast for potash? And for instance, does the forecast assume the Ukraine war continues and that Russian potash is kept off the market?

Hon. Ms. Harpauer: — So while the officials prepare for answering the technical questions, I need to again ask the member opposite, please don't put words in my mouth. I never said the people are wrong. There are inflationary pressures. I did

mention the cost of groceries is much higher. I never once said that there isn't stress or that the people are wrong. So I caution him on him deciding what it is that I am saying.

But what I did stress was there are a number of affordability measures within our budget — there were increases that were targeted to those most vulnerable, low-income seniors and low-income individuals — and also that we need to take a balanced approach to how we spend our money to ensure that programs are sustainable into the future that people expect.

So I would like, before we answer the technical question, for him to explain how he can . . . explain just their press release, the NDP press release that was on budget day. I want to help him out because sometimes math is difficult. And it is easy, when you are not having to manage the dollars, to just spend more than what actually exists.

So on the press release, there was a list of what the NDP asks would be. One of them was a cost-of-living relief for cash-strapped families, and that's \$105 per resident which is \$395 less than what our Sask affordability tax credit was for individuals. For a family of four, they said \$420, which is \$580 less than what our rebate actually was, even though they still criticize it. But the cost of that is 125 million.

They ask that we scrap PST on construction labour. The cost of that is 465.5 million. They ask that we end pension clawbacks. So I have to do an estimate there. I didn't cost that out exactly but let's just estimate \$10 million.

They want to cut taxes and lower the power and energy bills. So a rollback on SaskPower's increase is 103.2 million. The rollback on SaskEnergy increases is 117.6 million. To cut taxes, specifically they ask for PST on restaurant meals and children's clothes, is 123 million. PST on entertainment is 20 million.

They wanted ambitious investments in health care beyond a 6.7 per cent increase that we had in the budget. So I just estimated. Maybe ambitious is to add an additional 100 million. I don't know what their estimate of ambitious would be. They asked for a jobs plan to grow the province, which I didn't put a price tag on because I don't even know what that plan would be in their mind.

Education funding that keeps pace with inflation. Now this is kind of interesting because I just said a lot of inflationary pressures do not affect school divisions. But let's just say that we do use the inflationary measures as a calculation. That's 79.4 million. Emergency funding to prevent tuition hikes, which the universities are not asking for, by the way, but let's just estimate that would be 10 million. Harm reduction measures, we'll estimate 5 million.

Then there has been asks by the NDP to pause the provincial fuel tax. So the provincial fuel tax, interesting, is \$15 on 100 litres of fuel. The federal tax on that same 100 litres of fuel is \$33.45. So I wish they would publicly, publicly ask their federal counterparts to reconsider those taxes. But for half a year, that would be \$254 million.

They want the SAID program basic benefit increased more than what we did. So let's just estimate that we increase it \$90 per

month, so that's 19.2 million. And they want universal birth control coverage, the BC [British Columbia] model, which is the only province that is doing that, which would be 25 million.

Do you know how much that adds up to, Mr. Chair? Because I want to help you out — \$1.528 billion. It would put us half a billion dollars into a deficit position, even on windfall revenue from resources.

What happens when those resource prices go down and you have now baked in \$1.5 billion? I have other NDP requests, a whole list of them, another 1.3 billion, but let's just say they weren't serious about that. What they have asked for numerous times on more than one occasion adds up to 1.528 billion. You have to work within your means.

Would you like to answer the technical questions?

Mr. Hendricks: — Yes, ma'am. So your question related to potash, and so in '23-'24 we're expecting the average realized price to be about US [United States] \$369 per KCl [potassium chloride] tonne, which is down from what we had in budget in '22-'23, which was \$407 US per KCl tonne and \$562 US in our third quarter forecast, respectively.

What we are seeing is that, despite the war in the Ukraine, potash is still flowing from some of the Belarusian mines and that sort of thing. And as well, because there is pretty high price sensitivity on potash, we're seeing the price and expecting it to decline throughout the year. Despite that we're expecting and we've budgeted for an increase of 2.6 million tonnes KCl in trade this year. So we're seeing an increase but a softening in prices from what we saw last year.

Mr. Wotherspoon: — Thank you very much for the response.

The Chair: — I just wanted to bring up here, basically what we're doing is we're working on this year's budget. Now both of you had a pretty good chance of going back at debating. Let's keep it down to what the actual finance is, if you wouldn't mind, please.

Mr. Wotherspoon: — Yeah, well certainly no problem here, Mr. Chair. We'll focus on the budget and its impact and its implications. I got a kick out of the minister. I thought she was auditioning for opposition again there, Mr. Speaker.

But the question though, you know, the question was with respect to some of the assumptions, and thank you for the response. And just to confirm, what's your assumption reflect by way of forecasting the war? Does it incorporate the war into the forecast? And then could you just speak — you touched on it at the end there; I appreciate it — to speak to the assumption regarding the growth in potash demand? I think you gave a number there regarding tonnage. Can you speak to the assumptions behind that?

Mr. Hendricks: — Yeah, so I said there was a 2.6 million tonne increase in sales that's projected relative to the '22-'23 budget. And so we're expecting that it will reach 25 million tonnes of KCl in '23-'24 total sales.

With respect to the war, it's so volatile it's really hard to predict.

You know, we're, obviously in our potash corporations, are marketing Saskatchewan as a reliable source of potash. And so you know, one of the things with potash is that it's much different than oil to actually predict what the sales will be and what the price will be, because a lot of that's through contracts and they're not openly published in daily commodity reports.

So we have to work with our partners in Energy and Resources to come up with reasonable forecasts, but I think it would be because it . . . You know, every year there's decisions made about potash. You can buy it or you can hold off. And so with prices so high, we anticipate that some countries, some of our trading partners, may hold off. And so we'll see a softening of prices.

Mr. Wotherspoon: — Thank you for the information there. And what about the price forecasts for agricultural commodities contained in the budget? Do those assumptions assume that Russia's invasion continues? And could you speak to some of the other underlying assumptions and factors in those forecasts?

[16:15]

Mr. Hendricks: — So our assumption for '23 and its calendar year is \$423 Canadian per tonne for wheat and \$865.70 Canadian per tonne for canola, which is only down very slightly from the '22 estimate which was 915 million for canola and 433 . . . or \$915 per tonne for canola and 415 Canadian per tonne for wheat. So our projection is that canola and wheat and many other commodities that our ag sector will produce, the prices will be fairly stable coming into this fiscal year.

Mr. Wotherspoon: — Thank you. I'd like to turn my attention now to the economic forecast contained in the budget. Can you, Minister, describe how your economic forecast was developed?

Mr. Hendricks: — So for 2023 calendar year, our forecast growth is 0.7 per cent. When I compare in contrast, that obviously one of the things that we do is we look at an average private sector forecast and then, you know, any additional information we have. So Saskatchewan is expected by private forecasters to rank number two in the country at one and a half per cent.

So by contrast our GDP [gross domestic product] growth is 0.7 per cent, which I just mentioned. So we're a little bit lower than private sector forecast, but you know, obviously there are a number of volatility factors, given our commodity sensitivities.

Mr. Wotherspoon: — Thank you, Minister. Can you please provide me the real GDP numbers for each of the 2018, 2019, 2020, 2021, 2022, as well as the forecast for 2023, 2024, and 2025 in millions of dollars from your ministry's bureau of statistics.

Mr. Hendricks: — We don't have it going back that far, but we can provide that subsequently. But what we do have is 2021, our actual was 5 per cent; '22, our estimate was three and a half per cent; '23, we're forecasting 0.7 per cent, as I said; and for '24, we see it increasing to 1.8 per cent; 2025, two and a half . . . 2.2 per cent, sorry; and 2026, 2 per cent; and then 2027, 1.9 per cent. We can get you those historicals.

Mr. Wotherspoon: — Thank you. Yeah, thank you for getting me the '18, '19, and '20. I'm sure the minister has them, or I guess I've got them. I think I can access the stuff that's published anyways. But I guess based on the GDP numbers from the ministry's bureau of statistics, how would you, as the minister, describe Saskatchewan's economic growth over the past five years, Minister?

Hon. Ms. Harpauer: — I don't think the past five years is a good benchmark. We had two years of suppression of economic growth due to COVID, and we had the largest impact of a drought in the history of the province.

Mr. Wotherspoon: — We'll leave the debating for now. I mean the reality just shows a very weak performance through that time and, you know, last in Canada. And you know, it's certainly not the kind of record that businesses and people and households are looking for.

With respect to your forecast, it shows that retail sales will grow in value by 2.3 per cent in 2023 while inflation will grow at 3.7 per cent. So in real inflation-adjusted dollars, does that mean that retail sales in real dollars are going to fall or more directly, that the volume of retail sales will fall over the year in 2023?

Mr. Hendricks: — Retail sales forecast for '23 is 2.3 per cent. And then that will, for 2024, go to 2.4 per cent. We'll see it start to rebound to 3.3 per cent in 2025, 3.1 per cent in '26-27, and then 2027 we're expecting 2.9 per cent. In 2022 we saw an increase of 7.5 per cent coming off the pandemic, and kind of a resurgence in spending.

Mr. Wotherspoon: — Thanks. And just to be clear, so this year the forecast shows 2.3 per cent as you've identified, and it also forecasts inflation at 3.7 per cent. So just to clarify my understanding here then in real inflation-adjusted dollars, does that mean that retail sales in real dollars are going to fall by way of volume? The amount of inflation is larger than the increase in sales.

Hon. Ms. Harpauer: — Again, it depends what it is. Inflation doesn't equally affect every commodity or every good or service. Like I think you're misinterpreting inflation, because there's certain factors that drive inflation — not everything — so not everything is affected equal.

Mr. Wotherspoon: — Any further response? It just points, I think, to a real, you know, another challenging economic reality. And certainly I understand inflation and have amazing, you know, public sector finance folks and private sector finance folks with their expertise that, you know, work with me in preparation on these matters. Anyways it's just a real, another challenging statistic, a reality if you will, economically.

Moving along to the job forecast. The job forecast is 5,300 new jobs in 2023 from your budget, and on an annual basis that's about 1 per cent increase in jobs. Would the minister describe that as a sizzling economy?

Hon. Ms. Harpauer: — A number of factors that we look at when we're talking about a strong economy is a balanced budget. It's how much you're able to reduce debt. It's the fact that we have the second-lowest debt-to-GDP in the nation. We're leading

the nation in GDP growth, as the deputy minister pointed out. We have the second-highest credit rating in the nation.

We recently have announced 80 large-scale projects from private sector investments that have come into this province, which is going to stimulate growth and create a lot of job opportunities and spinoff supports for our small businesses in a number of communities. It's a total of 32 billion in private investments that have been committed to our province that will go into construction and development in the next two to three years.

The fact that our wholesale trade has increased by 30 per cent in February of 2023 compared to February of 2022. Manufacturing sales has increased by 10.5 per cent in February of 2023 compared to February of 2022. Investment in building construction increased by 2.7 per cent in February of 2023 compared to February of 2022. Urban housing starts have increased 33.8 per cent in March of 2023 compared to March of 2022. Merchandise exports have increased by 9 per cent in March of 2023 compared to March of 2022.

I know that the member is trying to build a scenario that we're heading for a train wreck and our economy is not as strong as government members believe it to be. But I can go through, I'm more than happy to read, quote after quote after quote after quote from credit rating agencies, from our investment bankers — the TD Bank [Toronto-Dominion Bank], the RBC [Royal Bank of Canada] bank, the Nova Scotia bank, the CIBC [Canadian Imperial Bank of Commerce] — from The Conference Board of Canada as well that is saying Saskatchewan is doing well and is going to experience growth going forward.

So I understand that he wants to extrapolate numbers and do an analysis. And fair enough; that is his job. But I am going to rely on the experts quite frankly and their advice and their impression of how our province is doing.

[16:30]

Mr. Wotherspoon: — The facts are the facts, Minister, and the question was on jobs. The question was 5,300 new jobs. Of course we know the economic record — we touched on it — is, even with the incorporation of a higher number for this year, it's still second last in Canada by way of performance.

Now on the job side, it's 5,300 new jobs that are added in this budget forecast, 1 per cent increase in jobs. And if you think about it, there's currently, you know, 30,000 people in need of jobs in Saskatchewan when you look at EI [employment insurance] recipients and you look at many that are looking for opportunities on social assistance. And then you add on top of that the immigration numbers. And I don't know what the exact forecast is for this year, but let's say that we add 20,000 new residents — and this is so important to the future of Saskatchewan; we need to attract and then retain newcomers — but add 20,000 new residents, which is just a little bit less than what it was last year.

I guess the question is, how do you then reconcile the number of people that are looking for jobs right now in Saskatchewan, those that are coming here, which will . . . You know, that you're talking 40,000 or more by way of a number, but you're only adding 5,300 new jobs in this year by way of the forecast. Is the

minister not concerned with this jobs record being insufficient? And is it not a concern that this will worsen out-migration to not ensure that there's jobs for those that are looking for them and those that are choosing to build their life in Saskatchewan?

Hon. Ms. Harpauer: — As I mentioned in my previous answer, the growth in the economy and the commitment that we have seen from private sector investors — we're talking in forestry; we're talking in agriculture; we're talking in mining — that is going to create jobs. I hope our number is wrong. I hope our number is way lower than the job creation that will happen in this province. Time will tell. But it will be jobs driven by the investments that are coming to the province because they're confident that it is a good place to do business.

And we have what the world needs, which is food, fertilizer, and fuel. And we're seeing expansion in so many areas. In critical minerals, it's becoming the talk everywhere. Saskatchewan has 22 of those critical minerals, 22 or 23. I could be wrong on the 22. It could be 23. We've had phenomenal investment commitments. All of it will mean job creation and growth of the economy going forward.

Mr. Wotherspoon: — That's why those jobs are so critical. That's why, you know, economic growth matters so much.

I'd like to shift just a bit, the Saskatchewan revenue agency, a few questions on it. Your government used to have a bit of a focus on reducing government regulations or compliance costs overlap, duplication referred to as reducing red tape. And these are important initiatives. But in stark contrast to that, why then are you going to duplicate the federal corporate income tax system and create a new Saskatchewan agency called the Saskatchewan revenue agency?

And I guess my question would also be, I assume that your ministry developed a business case for this proposed agency and submitted that business case to cabinet as part of the decision process. I guess I'd verify if that's correct and certainly I'd request that the minister table the business case to the committee.

Hon. Ms. Harpauer: — First, the official opposition is not privy to cabinet confidential material. But no, I've spoken to this. We're looking at this. We're going to build a business case going forward. This is not new. I have told you, sir, quite frankly, that on more than one occasion in this House in question period.

I would just like to say that, you know, we already collect and administer and audit our PST within the province, our provincial sales tax. And we talked about this in the Throne Speech in 2022, although I think the member must have missed it and then noticed it when we introduced an Act, which is basically a very simple Act to give the framework in which we can work within.

Presently, as said, the corporate income tax is administered by the federal government through the Canada Revenue Agency, or CRA. Alberta administers their own corporate income tax, or CIT, and Quebec administers all of their taxes. The Canada Revenue Agency administers the CIT free of charge. However the CRA retains all the penalty and interest payments and we need to get permission from CRA to make any changes, such as tax incentives.

And in our province we have close to, if not, 27 tax incentives. And to give an example of what some of them are is, the Sask value-added agriculture incentive; we have a Sask chemical fertilizer incentive; we have the water flood development program; we have targeted mineral exploration incentives, which we increased one of those in this particular budget; we have a mineral processing tax incentive. And the list goes on. Every time that we want to have a tax incentive to attract investment to our province, to create jobs, to stimulate economic growth, we have to get permission from the CRA to make the change. They may or may not give permission to do so, and then we have to pay them in order to make those changes.

Where this came to light actually was a number of years ago when the federal government, under the then Finance minister Bill Morneau, made an announcement that they were going to make changes to the passive income. And he said at that time that provinces did not have to make the change if they chose not to.

So we had been contacted by a number of associations but also by individuals, asking that we do whatever to not make the change to passive income because it was going to be detrimental to their particular business. And I actually went . . . because I kept the material from there and a letter. The Coalition for Small Business Tax Fairness had 56 different organizations sign that letter asking us to not make the changes that the federal government was going to make to passive income.

Very compelling to understand because, you know, it's complicated to understand exactly all the nuances and the changes that were being made and how that's going to affect different businesses. But definitely for myself personally, I thought that it was very compelling that there were female professionals, doctors and veterinarians, who were saying the passive income that they would sort of build would then help them to keep their practice, their clinic working if they decided to have a baby and then take some time off for a mat leave. That is where they would have accumulated the money in order to keep the clinic — be it a veterinary clinic or a doctor's clinic — pay the bills and keep staff hired. And this was going to be very harmful for their ability to be able to do that.

So interesting the official opposition, at least — I guess sometimes they have members that do their own thing — the member from Elphinstone-Centre, she supported the changes that Bill Morneau was proposing at that time. And I have a quote, and I quote, "I support the wealthy paying their fair share in tax. Help counter the spin and help close tax loopholes." And that was, you know, directed towards the passive income changes. I don't know whether she understood that this would affect female professionals. I hope that she didn't because it's unfortunate that that's the position they took.

However we made a proposal to the Canada Revenue Agency saying, if you did the calculations in this manner, Saskatchewan would opt out if you would do these calculations for Saskatchewan. They said no. And so we came up with another proposal that would help with the situation and we sent that proposal to CRA and it was turned down yet again. So although Minister Morneau alluded that the provinces could do what they so chose to do, it wasn't indeed the case because CRA wouldn't agree to any changes that were made.

That's when we started the very, very high level . . . I asked my officials to talk to officials in Alberta and just say, okay, is this cost prohibitive? Is this problematic for your businesses? Is it cost prohibitive? Should we do our own? And then we don't go through this every time, having to design taxes structured in such a way that it is an advantage to our industries and our businesses.

And just very high-level feedback from Alberta was that, no, they actually, the cost of running their agency made, not tons of money, but they came out revenue ahead by collecting the penalty and the interest and not having to pay for changes. So it was very close to cost neutral, but they felt they had, you know, 10 million or so advantage to what they were doing. So that is when we decided to explore this a little bit farther.

The other challenge that we have with the CRA is that for the corporate income tax, they pay the province what they estimate that they're going to collect from the province in corporate income tax, and you don't actually know the actual number for two years. There has been significant errors, even in my time as the Finance minister. So not only are you struggling with the volatility of resource revenues, you also have the volatility of the CRA projections because they've been up to 200 million or more out. And then you have a budget that you've got this shortfall, unintended, because the CRA has not projected even close to what was collected.

So there's this two-year lag, and there is an advantage to knowing the state of the industries in the province or businesses in the province by having that data in real numbers, our PST as in real time. And I think that there would be an ability for the government to be more nimble, to address either incentives for interaction or incentives to help a struggling sector if we had sector-specific data in closer to real time. So that's an advantage to government and indirectly then an advantage to business.

Is there concerns from business? Yes, there is. We're consulting with the groups that represent businesses within our province. I know from being a business owner in the past where I was a farmer, when I did my income tax, depending on the farming practices that I would be doing in any given year, I would have to fill out a number of schedules along with my basic income tax return. And this would be very similar. There would be a number of schedules that would allow then for the tax to be administered provincially. So there would be an additional cost to business.

I approached two accounting firms that do business both in Alberta and Saskatchewan and asked them for clients in Alberta and clients in Saskatchewan, what would be the price point difference that they would see. Both accounting firms said it would be about 100 to \$200 more per year that the client with the exact same business would have to pay in Alberta than what they would pay in Saskatchewan.

With all of that, that's how we got to where we are. We are going to be doing an analysis. It's going to involve, obviously, an IT system should we pursue this. It's going to be in consultation with the business community. I have a very positive letter that I'll be happy to read into the record if the member opposite would like more questions.

There's a number of off-ramps from now until when this actually would be implemented but I think there is so many advantages to

be able to be more nimble with our industries in our province. And I, quite frankly I'll be honest. I don't trust future decisions by our federal government and how they will penalize our industries in our province.

[16:45]

Mr. Wotherspoon: — We'll probably have to spend . . . We have the bill tonight that we can follow up with this as well with significantly more substantive questions on this front. But what I didn't hear from the minister is . . . I heard her say that a business case will be developed moving forward. Is the minister telling me that a business case wasn't developed and submitted to cabinet by Finance on this project in advance of this legislation?

Hon. Ms. Harpauer: — I understand that the member opposite has never sat in cabinet. But the first decision point in cabinet is, do we pursue this direction on this initiative? And that is the first decision we . . . Some issues or some items we may bring to cabinet and saying here's what we're doing, and yea or nay. But often it is, we're looking for strategic direction, and that is what goes to cabinet. Do we even bother pursuing it? And that is the level that this particular initiative has gone to cabinet.

Mr. Wotherspoon: — Thanks, Mr. Speaker. I think it sort of describes maybe the culture of a government that's gone off the rails with many projects, describes that mismanagement, because what I'm hearing from the minister is no business case that's gone there if we have legislation in this Assembly.

You know, and again this has been panned widely by the business community in Saskatchewan. And it's something that, you know, from the Ontario experience, that added significant compliance costs for businesses and processes, right, which cost them money. So certainly the opposite of reducing red tape, you know, this is adding red tape and certainly adding costs for the people of Saskatchewan, the businesses of Saskatchewan, and the taxpayers of Saskatchewan as well.

You know, if the minister, you know, proceeds with the bill here tonight — and frankly I think it should be yanked, Mr. Speaker — but we'll go through some of the further questions at that time. I guess the one question would just be, what's the projected annual administration cost for the program? And what's the start-up cost that you as minister have estimated?

Hon. Ms. Harpauer: — Well that isn't in this budget, quite frankly, Mr. Chair, because we will be, again . . . conversations with Alberta. Is there some way to not have to reinvent the wheel as far as the IT requirement will be. So those discussions can be had. And so he's asking for detailed questions that is not in this budget. It's not included in this budget as we build that case and we continue to consult with the business community.

But I will read the letter in the record from the Greater Saskatoon Chamber of Commerce and it says this:

Dear Minister Harpauer,

Thank you for the opportunities we have had to share our thoughts on *The Saskatchewan Revenue Agency Act* aimed at establishing a treasury board Crown agency and modernizing tax collection in our province. Thanks also for

hearing the questions that are top of mind for business, including any regulatory burden or cost, public and private, that would come with serious implementation.

At this early stage of discussion and CRA's development, we are prepared to reserve judgment on the proposal until more details are known and a thorough cost-benefit analysis is conducted.

The freedom to introduce tax measures under a different definition of taxable income than the one used by the federal government could yield savings and advantages for businesses and their owners. For instance, how passive income is treated for women entrepreneurs or how capital gains might be taxed could ultimately deliver greater benefits for businesses and/or their owners than the added cost of administration effort required to trigger them.

The idea is worth exploring, and we would welcome opportunities to participate in discussions as the process unfolds in the years ahead.

Sincerely,

The CEO of Greater Saskatoon Chamber of Commerce.

I'm going to work with the chambers. I'm going to work with CFIB [Canadian Federation of Independent Business]. I'm going to work with the North Saskatoon Business Association. And let's see if it's worth exploring further.

Mr. Wotherspoon: — We can follow back on that.

The Chair: — Yeah, just hang on for a second. I think we're kind of moving away again. We should be working more on what the actual budget is and the points within the budget. So if you wouldn't mind, please you know, direct your questions towards what the budget is and what's in the budget. And let's try and keep it going that way.

Mr. Wotherspoon: — So this is the Ministry of Finance, who extends resources and work in this area, which is part of their budget. That's how the exercise is funded, and it's part of the initiative that's been developed, so it's very much within the Ministry of Finance and within the budget considerations here. I will reserve further questions because I'm cognizant of time. We may have the bill tonight as well, and we can ask questions at that point.

I found it really notable when Ontario walked away from this. They really identified the significant savings that this brought for businesses, and those have been realized, and that's the compliance costs. And I just think at this point in time to be bringing about additional regulatory burden and costs on businesses for no good reason when we could be negotiating and improving the changes that need to be brought about, it's a better path forward and of course adding costs to the budget into future years.

And if you look at the Ontario experience, in fact they identify that, you know, if you look at the cost savings and with inflation adjust those cost savings, it would be \$168 million of compliance savings for the growth in their economy as well as inflation as far as the adjustment there, savings for businesses. Looking at, you

know, factoring that into the size of the Saskatchewan economy and the number of businesses, you're talking, you know, \$16 million-plus very easily by way of compliance costs.

We can follow up more if the minister brings the bill further. But there are just so many things for us to focus on right now. Adding costs for taxpayers and adding costs for businesses and adding, you know, a regulatory burden just isn't the priority of this opposition. We feel it shouldn't be that of government as well.

I'd be interested in hearing from the minister — just shifting focus to federal transfers within this budget — and I'd ask the minister if they could provide a breakdown of additional funding that they're receiving from the federal government for health care this year and in each of the next five years due to the new funding agreement versus the old agreement.

Hon. Ms. Harpauer: — If I may, there is always uncertainty with agreements with the federal government, but this agreement provides Saskatchewan with a one-time \$61 million investment and adds 111 million annually to the 6.4 billion provincial health care budget under bilateral agreements. This funding will be used to accelerate or enhance measures under way to improve access for primary health care, surgeries, mental health, and addictions services.

Mr. Wotherspoon: — Thanks for that information. Looking at other . . . Obviously there's significant federal transfers in the budget. But if we look at the other federal funding that's available to provinces, could you describe other funding that Saskatchewan applied for or looked to access — those that they applied for as well as any federal tranches of funding that Saskatchewan didn't apply for, and then where, you know, where the province has succeeded and where it's fallen short or it's been shut out.

Hon. Ms. Harpauer: — If you turn to page 84, you will see that the Canada Health Transfer is listed there as 1.5049 billion, and then there is the Canada Social Transfer of 499.9 million. And the category that is going to take some time is the "other," which is 1.5498 billion.

So in Advanced Education . . . So these are cost-sharing agreements that we have with the federal government. There's the Canada student loan program administration. And other federal-provincial cost-sharing programs there's 1.8 billion . . . Oh, that's combined.

[17:00]

In Agriculture there's the Saskatchewan crop insurance administration. There's AgriStability. There's Canada agriculture partnership agreement.

In Corrections and Policing there's the youth justice services program. There's intensive rehabilitation, custody, and supervision. There's adult corrections funding. There's gang-violence reduction. There is the Saskatchewan firearms program, the drug-impaired driving training, and disaster finance assistance.

And in Education we get funding for minority-language education, second official-language instruction, early years

learning, and child care.

In Energy and Resources there was funding for the accelerated site-closure program. In Environment there is Cold Lake air weapons range agreement. There's funding for species at risk and the National Forest Inventory. I'm not sure what that entails.

In Municipal Affairs of course there is our infrastructure funding, the Canada Community-Building Fund, the New Building Canada Fund. In Health is the transfer. I think that covers it. So there's a number of areas where there is federal cost-sharing agreements in different programs. I do not have, nor would we have the information on what ministries applied for and did not get.

Oh, I'm sorry. I missed the second page. In Highways and Infrastructure there's the Building Canada Fund, the National Trade Corridors Fund, the Disaster Mitigation and Adaptation Fund. In Immigration and Career Training there's the Labour Market Development Agreement. There's the Workforce Development Agreement.

In Justice there is funding for legal aid, for child-centred family justice, for Aboriginal court worker program, for drug treatment court, for recalculation services, and for National Flagging System.

In Labour Relations there is funding for uranium mine inspections. In Parks, Culture and Sport there is the museums assistance program, and Parks Canada has funding. The francophone affairs branch is funded . . . some funding from the federal government. And there is special allowances for children in care through Social Services.

Mr. Wotherspoon: — Thank you. Thank you for that. Could the minister advise me whether the Government of Saskatchewan submitted a proposal to the federal government regarding a new funding proposal for equalization renewal?

Hon. Ms. Harpauer: — Yes.

Mr. Wotherspoon: — Can you share that proposal with us?

Hon. Ms. Harpauer: — Yes. I have it here, but you probably would like a copy, and I'll get that to you. Yes, we did. We do every time it comes up for renewal, and unfortunately it's ignored. Our proposal was supported by Alberta and Newfoundland-Labrador. But I'll get you a copy of the letter.

Mr. Wotherspoon: — Thank you very much. It's important that we make consistent presentation on this front. When was that presentation made?

Hon. Ms. Harpauer: — It was at the federal-provincial-territorial ministers' meeting in February. And so then we sent a letter right after. There was discussion around . . . table discussion there of potential proposals, which actually was more discussion than we had there the previous time that it was renewed where Minister Morneau never brought it up, never consulted, never said a word, and just put it in an omnibus budget. But nonetheless there's not very much that they changed.

Mr. Wotherspoon: — When did the federal government advise

you that they would simply be renewing the equalization agreement?

Hon. Ms. Harpauer: — They don't. They don't. They just slide it in.

Mr. Wotherspoon: — So when did you receive confirmation that . . . Because renewal . . . Of course the new agreement would be 2024, if I understand, through five years, 2029. And it's been confirmed just of late that the federal government's going to be proceeding without a new agreement. Is that consistent? And I guess when did you learn that from the federal government?

Hon. Ms. Harpauer: — It's in their budget. So when they introduce their budget.

Mr. Wotherspoon: — Could you speak to the merits of the proposal that was made? I mean there's important changes that could have brought . . . could bring fiscal fairness for Saskatchewan. Of course we've dealt with in the past the important component of how resource revenues are treated and additional pieces — how hydroelectric revenues are treated, which is problematic and lacks fairness; and then there's the fiscal capacity cap which, you know, it's removal would certainly benefit Saskatchewan as well as removing the three-year average that the feds have developed into this program. I believe that those changes were under the Harper government. That's secondary.

So could you speak to the components that we were calling for as a province, or that you were calling for on our behalf?

Hon. Ms. Harpauer: — In fairness, I didn't bring all of my notes on the details of equalization, but you identified areas that we are concerned about and have raised each and every time. The renewal saw no changes to the measurement of the natural resource fiscal capacity. The hydroelectricity is still a challenge of how it's recognized — or not recognized, I should say — and the fixed envelope aspect of the program. We're just going to keep advocating of course for those changes.

One thing I did point out at the meeting was, if you're not going to change anything, and you know, the program has a ceiling and a floor, and there actually is more money in the program than what the calculation asks for — or requires, I guess, is a better word — what they do is they then allocate that money to the provinces that already receive equalization.

So along with the changes that we routinely ask for, I asked that, for the excess money by the calculation of what creates the pool, and then the calculation of what you get from the pool and there's money left over in the pool. Why is it not divided among all the provinces? Because if the pool equalized your ability to deliver services, if you had the same level of a taxation, if the equalization was accomplished, then the excess money that was in the pool, because of the calculation that creates the pool, should then be disbursed equally among provinces. I suggested population which, you know, Saskatchewan's population in the big picture isn't high but at least it would be something. That was ignored as well.

Mr. Wotherspoon: — What would the fiscal impact for Saskatchewan have been had that change been adopted?

Hon. Ms. Harpauer: — I did the math at the time, and now I forget, but my officials are advising me it was about 200 million.

Mr. Wotherspoon: — And in that . . . And I'd appreciate if you'll be able to get that proposal our way, even . . .

Hon. Ms. Harpauer: — I can give you my copy right now if you like.

Mr. Wotherspoon: — That would be wonderful. Thank you very much. And just to clarify, just to clarify as well then, so the proposal that Saskatchewan brought forward, the position was also to remove the fiscal capacity cap as well as removing the three-year average? Were both those the positions of Saskatchewan or were those called for?

Hon. Ms. Harpauer: — Yes. Yes. And there actually was a review done a few years ago that is saying that it should be removed, and that's just been ignored.

Mr. Wotherspoon: — Yeah. Well look, Minister, we agree on some things here. My question to you: you talked about having the support of Alberta and Newfoundland in the proposal. Who else, what other provinces did you engage with in advance of the meetings, the federal meetings, federal-provincial meetings?

Hon. Ms. Harpauer: — We had very little advance time in this particular meeting, and the interesting thing, this is the first time that Minister Freeland has brought the ministers all together face to face. So we haven't met since Minister Morneau.

But the problem with equalization is that those that receive the money don't want to receive less. And so you get your handful of provinces be it, you know, be it . . . It is British Columbia, Saskatchewan, Alberta, and Newfoundland-Labrador that are not receiving it. And the rest don't want to support any changes, which is the majority of the provinces and the majority of the population, because of the size of the provinces. So that becomes a challenge to getting changes.

Having said that, a few years ago I worked very hard with the other provinces, all of the provinces, to have changes made to the fiscal stabilization, which would have helped the issue when we were at that time struggling with a pretty dramatic drop in the resource revenues in both potash and particularly oil. I had the support of all of the provinces to make those changes, and they made very little change. They did not make the changes even though it was a unanimous proposal from all the provinces for changes to the fiscal stabilization.

Mr. Wotherspoon: — Well it's a file of fairness for Saskatchewan, fiscal fairness for Saskatchewan. And it's one that we just have to, you know, really prioritize and stay focused and consistent and looking for those opportunities to build some allies in provinces outside of those that are already with us, in pushing for those changes.

I want to shift the focus a bit to debt and just understanding a bit better some of the debt position. The budget itself changed some of the formats in terms of presentation of the provincial debt. And just for consistency's sake, I'd like to make sure I'm able to, you know, to consider apples to apples moving forward.

I'd like to ask you to provide me with the net debt — that being gross debt less sinking funds — for each of GRF [General Revenue Fund] operating debt and GRF Saskatchewan capital and plan and other GSOs [government service organization] debt forecast for 2022-23, the budget numbers for '23-24, and the forecasts for '24-25, '25-26, and '26-27. Just breaking that apart.

Hon. Ms. Harpauer: — So the officials are working on the details of that. Yeah, it is being displayed differently in this budget as you well noted. I love the public sector accounting word because they keep changing accounting rules, and they changed this particular rule. Prior we always showed net debt, which was our debt minus sinking funds. They are saying that is not the way we could do it any longer, so we made that change.

In looking at other provinces, they do break it into the two charts, keeping in mind that we have more Crown corporations than other provinces. But nonetheless it is still broke into what I call supported debt and not-supported debt, but we're calling it gross self-supporting debt and taxpayer-supported debt, and so you have two charts. And so now the requirement is you kind of have to do the math and add them all together.

For the details and for the out years, which is all on pages 56, 57, and 58 of the budget document, all of that information is there for you. For this particular budget, the net debt — so with the gross debt minus the sinking funds — is 28.3 billion.

Mr. Wotherspoon: — And can you break it out for each of the GRF operating debt and the GRF Saskatchewan capital and plan and other GSOs debt?

Hon. Ms. Harpauer: — Okay, go to page 57. It's all broken out for you. From 2020 to 2027, it is broke out.

[17:15]

Mr. Wotherspoon: — So I've got that. Can you break out . . . I have that in front of me. That's what I had brought, of course, coming in here. The sinking funds, what do they apply to in the two proportions there, GRF operating and the Saskatchewan capital plan and other GSOs?

Hon. Ms. Harpauer: — Technically the capital plan, it applies to your borrowing period because of when they come due.

Mr. Wotherspoon: — Well wouldn't some be the sinking funds for the GRF borrowing program, and wouldn't some of the sinking funds be there for the capital plan borrowing based on terms?

Hon. Ms. Harpauer: — We keep track of what we're borrowing for, but all borrowing we invest in sinking funds.

Mr. Wotherspoon: — I'm sorry?

Hon. Ms. Harpauer: — All borrowing we invest in sinking funds.

Mr. Wotherspoon: — But the sinking funds, would it not be able to break out how much of the sinking fund is attributable to the GRF operating borrowing program and how much of the sinking fund would be attributable to the Saskatchewan capital

plan and other GSOs?

Hon. Ms. Harpauer: — They can do that break for you, but they don't have it here. And then if you go to page 58, you'll see the Crown corporation borrowing. Yeah.

Mr. Wotherspoon: — Yeah. No, that's the problem. I just was wanting to have broken out the two tranches of debt, if you will, there. And I appreciate the commitment to get the information and supply it back through the committee or to me as a member. I appreciate that very much.

Can you advise me on the interest rate assumptions in your '23-24 financing program with respect to 5-, 10-, and 20-year borrowings?

Mr. Hendricks: — Okay. Our assumption for five years is 4.2 per cent, zero to five years. Ten years will be 4.45 per cent. And I don't have a 20-year number, but I've got a 30-plus-year number and that's 4.6 per cent.

Mr. Wotherspoon: — Thanks for the information. Minister, can you please advise me on the amount of new borrowings versus the amount of refinancing of past borrowings coming due in the '23-24 fiscal year?

Mr. Chair, since this is fairly like technical information, all we care about is receiving it. Is it fair to ask officials or the minister to endeavour to work with officials to have that information provided back to us as a committee in the coming days?

Hon. Ms. Harpauer: — I have no problem with that. Just to clarify, you want to know in this fiscal year what needs to be refinanced, right?

Mr. Wotherspoon: — Yeah. If I can expand out my questions here and I think then if it can be supplied back, because I realize it's technical and you have to hunt for it and everything.

Hon. Ms. Harpauer: — Yeah, I've got to make sure that you're getting the right . . .

Mr. Wotherspoon: — So this would be my request: advise me of the amount on new borrowings versus the amount of refinancing of past borrowings coming due in the '23-24 fiscal year.

With respect to past borrowings, so part two, with respect to past borrowings that are coming due, can you please tell me the interest rate on each past borrowing that you will need to refinance?

And then part three, I would also ask you to provide me with a complete breakdown of all the individual borrowings that comprise total government debt and come due starting '23-24. I ask you to identify for each tranche of debt the source of the borrowing, the term of the debt, the due date, and who's responsible for the debt — executive government versus a self-supporting Crown — and the interest rate.

Knowing that that's a lot to hunt for and look for here, but I know it's the kind of information that Finance has. Is this reasonable to have the undertaking to provide that back to us as a committee?

Hon. Ms. Harpauer: — We'll get whatever isn't confidential. A lot of this I know is readily available, and we'll have to wait for *Hansard* in order to get . . . for the officials to get it right. We'll endeavour to do that.

Mr. Wotherspoon: — That's appreciated. Question to the minister: do you and this government believe that there are associated costs with climate change?

Hon. Ms. Harpauer: — Yes.

Mr. Wotherspoon: — The '23-24 budget provides for a positive prior-year adjustment for corporate income tax revenues. How much will the adjustment be? And what are the root causes of the adjustment?

Hon. Ms. Harpauer: — Can you repeat the years for me?

Mr. Wotherspoon: — This current budget, the '23-24 budget, provides for a positive prior-year adjustment for corporate income tax revenues. Just looking how much the adjustment will be. And what are the root causes for the adjustment?

Hon. Ms. Harpauer: — This speaks to what I spoke to earlier of how inaccurate CRA's numbers are. Thankfully this works in our favour to the positive. So this is an adjustment because CRA is saying, oops, we got it wrong and you actually will be . . . They collected more — assuming — in corporate income tax in previous years than what they had forecasted and paid us.

So in this case it worked to the positive for our budget, whereas in past years I've been a minister where it was devastating to our budget because we had to pay money back. So this is where . . . And I'm finding they're becoming more and more inaccurate.

Mr. Wotherspoon: — With respect to the paper, the *Direct Compliance Costs of Federal Climate Policies in Saskatchewan*, just to confirm, who prepared that report?

Hon. Ms. Harpauer: — A number of ministries worked on that report, including officials from Finance.

Mr. Wotherspoon: — And what was the methodology that Finance used to prepare the estimates of the direct compliance costs? I guess my question would be, were there any third-party reviews of the compliance cost estimates as well? And I would ask that if you're able to provide — because I recognize the time here and I want to be efficient — could you provide us any of the background materials that outline the details used in the calculation of the direct compliance cost estimates?

Hon. Ms. Harpauer: — You do realize that's in a previous budget, not this budget?

Mr. Wotherspoon: — Yes, but it's a document that's still relied upon I think by the province.

Hon. Ms. Harpauer: — So I'm being told that with just the best information available — and it's work by a number of ministries — is how they came up with the modelling.

Mr. Wotherspoon: — I guess maybe to the broader question, are you able to undertake providing some of the other

background material that I've asked for to us to provide some of those details around the calculations for direct compliance costs? Is that something that you can provide to the committee in the days ahead?

Hon. Ms. Harpauer: — The answer is no. There's too much commercially sensitive information that we gathered.

Mr. Wotherspoon: — Just to be clear, were they Finance officials that led that work? Were there any third-party validators, or were there other organizations or entities that you relied on for some of those assumptions?

Hon. Ms. Harpauer: — Finance did not. We can't speak to the other ministries that were a part of this exercise, keeping in mind like Energy and Resources, for example, work with industry all the time on different factoring of impacts of our policies or impacts of the federal policies.

Mr. Wotherspoon: — With respect to a file that I've followed over the years and have pushed and appreciated much of the work that's been taken on in the last couple years by Finance folks that know certainly in advance of that, lots of work as well, but that's the fair taxation with respect to e-commerce, out-of-province platforms.

And I'm interested, you know, there were actions undertaken in the last couple years to properly capture the taxes that were owed to the province of Saskatchewan from out-of-province e-commerce platforms. You know this was certainly a matter of fairness for Saskatchewan retailers and the Saskatchewan public. So I'm just interested in an update on, you know, what the . . . Maybe give us the last couple years of revenues that were collected, what was collected in the previous fiscal, and what's forecast this year.

Hon. Ms. Harpauer: — My officials are just gathering those numbers. And thank you for your support for this initiative by the way. Go ahead.

Mr. Hendricks: — Okay, so we've been focusing on a number of electronic distribution platforms including streaming services, digital marketplace, online retailers, that sort of thing. So in '19-20 our tax collections for those were \$55 million. In '21-22 — I'll maybe give that one — during the pandemic it increased to \$70 million. And '22-23 we've collected \$60 million.

In addition we're currently actively working with 169 different e-commerce providers to be registered in Saskatchewan, and we've licensed 116 new ones.

Mr. Wotherspoon: — Thank you for the work on this front. And I guess, maybe a bit more of a subjective piece on this, where do you feel we're at in capturing the dollars that the province is owed on this front?

[17:30]

Hon. Ms. Harpauer: — When we went down this path — and we were one of the first provinces to do so — it's tough to know, because of course this is all happening in homes often sitting on your couch while you're online shopping. So it's very tough to estimate how much is being purchased online. And we just keep

notifying sites, saying that, you know, any goods coming in to Saskatchewan is subjected to the tax. And companies, to their credit, have been coming into compliance.

Mr. Wotherspoon: — Well I urge your continued efforts on these fronts. It's important.

I'm interested in getting a better breakdown of the tax revenues that are being collected as a result of the increases of your government last year and the previous number of years, so being able to get a breakdown specifically of children's clothes, restaurant meals, snack foods, insurance, home renovation and construction labour, used vehicles, new tax on EVs [electric vehicle], as well as all the taxes that were added last year, and broken out for the different parts of the recreation sector where it was imposed last year.

The Chair: — No. We've reached our time for consideration of the estimates.

Mr. Wotherspoon: — Mr. Chair, could I just submit, is it reasonable to request? I suspect this is the stuff that they have available. I realize the time, so no debate there. Is this something that could be provided back to, through the committee?

Hon. Ms. Harpauer: — To a degree, because it is PST. So a business that sells a number of goods, I'm not sure it's broken down as to, okay, we're submitting this for this, that this for this, and this for this. So as much as we can, we'll provide you with information.

The Chair: — Okay, well thank you, and having reached our agreed-upon time for consideration of estimates today, we'll adjourn consideration of these estimates, and we'll recess for 15 minutes before we go into the bills.

Mr. Wotherspoon: — Just a real quick word of thanks to all those good folks flanking the minister. Thanks, Minister, for your time on the estimates. Thanks to all the good officials, the leaders that have joined us here tonight. I know many of you won't . . . some of you will be with us tonight for the bills, others won't.

And thanks to all those that are involved in this work day in, day out and from other parts that aren't in the legislature here tonight but that are such a full part of it. So thank you to all for their work.

Hon. Ms. Harpauer: — I too will thank the officials very much. They've worked long hours to put this document together, and I think it is good for Saskatchewan. So thank you, Chair and committee members.

Thank you to the member from the official opposition that's here for his thoughtful questions. And thank you.

The Chair: — Okay. Well thank you. Thank you, Minister. And now, like I said, we'll recess for 15 minutes. And, Minister, you owe me. Just thought I'd throw that out there.

[The committee recessed for a period of time.]

[17:45]

Bill No. 94 — *The Public Pension and Benefits Administration Corporation Act*

Clause 1

The Chair: — Well welcome back, everybody. And we'll now consider Bill No. 94, *The Public Pension and Benefits Administration Corporation Act*. We'll begin consideration with clause 1, short title. Minister Harpauer is here with her officials, and I think most officials know to state their name before they speak and don't touch the mikes. So Minister Harpauer, would you please make your opening comments and introduce your officials.

Hon. Ms. Harpauer: — Thank you, Mr. Chair. And to my left is my deputy minister, Max Hendricks, and the other officials will introduce themselves as they need to speak.

Mr. Chair, I'm here to discuss *The Public Pension and Benefits Administration Corporation Act* that was introduced in the fall 2022 session of the Legislative Assembly. The legislation is required for the creation of a new statutory, not-for-profit corporation to administer certain public pension and benefit plans.

The Public Employees Benefit Agency, or PEBA, currently administers 12 pension plans and 23 benefit plans serving over 100,000 plan members and 900 employers. The two largest plans administered by PEBA are the public employees pension plan, known as PEPP, and the municipal employees' pension plan, known as MEPP.

The governing bodies for MEPP and PEPP requested that PEBA administrative services be transitioned to a not-for-profit corporation at arm's length from government. In fall 2021, the board, commission, and PEBA launched a stakeholder consultation plan which has continued through 2023. They also undertook a third-party review that was conducted by Meyers Norris Penny and released in the spring of 2022.

There are no changes proposed to current pension legislation or regulations that PEBA administers. There is also no reduction in oversight and no changes to how investment decisions are made. The organization will still be subject to the Provincial Auditor in addition to provincial and federal pension regulators. Plan members will see no change in the level of service they receive and their day-to-day interactions with the new corporation.

PEPP's and MEPP's governing bodies will be solely responsible for the costs of the transition, so there will be no cost to Government of Saskatchewan for this initiative. As Government of Saskatchewan employees, PEBA's staff will be transitioned from the public sector to the not-for-profit corporation. In-scope employees will continue to be covered by the current SGEU [Saskatchewan Government and General Employees' Union] agreement until such time that a separate bargaining unit is established and a new agreement is struck.

A minister will be assigned responsibility for the administration of the statute in accordance with *The Executive Government Administration Act*. Reporting requirements for all plans will remain unchanged. An annual report for the corporation will be provided by the minister responsible for it. The new corporate

board will be governed by the Act. It will be regulated through a set of bylaws to be reviewed by the PEPP board and the MEPP commission and approved by the new corporation board once its authority is established.

Amendments to part IX of *The Financial Administration Act, 1993* will enable the designation of the plan's administration to the corporation. Finally there are a few amendments to this bill that we are proposing to pass today that will ensure a successful transition to a not-for-profit corporation.

And with that, I'd be pleased to answer questions.

The Chair: — Thank you, Minister. Are there any questions? Mr. Wotherspoon.

Mr. Wotherspoon: — Thank you. Thank you very much. Certainly the integrity of a pension plan is paramount, and the confidence that members can have in that plan. And certainly it's important that we look for every opportunity to strengthen that confidence and ensure the integrity of the plan. With respect to this change, this transition to being arm's length from government and to a not-for-profit entity, can the minister describe the timelines and the consultation?

Mr. Phillips: — Good evening, Jeremy Phillips, ADM [assistant deputy minister] for PEBA. With regard to timelines, we're on track to transition in January of 2024. The original announcement to members was made in the spring of last year. With respect to consultation, there were town halls held last spring and again this February, as well as some engagement with members at the end of 2022 as well.

Mr. Wotherspoon: — Thank you. And can you describe again the genesis of this? It's my understanding that this was driven by the membership, the leadership of PEBA largely: I think PEPP, the board, and MEPP, the council. Can you just talk a little bit about the early actors in that and the genesis of this change?

Hon. Ms. Harpauer: — This was a request that came to me from the board and the commission of the respective larger pension funds, which is of course PEPP and MEPP. And they wanted to have a model that was closer to what exists in other provinces and felt that the perception — if not necessarily the reality, but the perception — is that there was the potential for government interference the way that it was structured. And they felt that they would be able to attract financial experts easier if it was arm's length. And I will turn to Jeremy if there's other reasons.

Mr. Phillips: — I think, Minister, you captured it very well. The genesis for this project was the PEPP board and the MEPP commission. They are the two largest plans that PEBA administers; over 80 per cent of our budget comes from those two plans. And they saw what we call the Canadian model. The World Bank has reported on the Canadian model and the best practices around the country, and they asked PEBA to do some work. There was a third-party review, and then they approached the minister to proceed along these lines.

Mr. Wotherspoon: — Can you speak to the situation across Canada? It's my understanding that in most other provinces, that public pensions would be arm's length of government, so it would be consistent with this shift. Can you speak to I guess

outliers on that front, and you know, which jurisdictions haven't subscribed to that model?

Hon. Ms. Harpauer: — I was going to say there are no outliers, but I'm being informed PEI [Prince Edward Island] is the only outlier.

Mr. Wotherspoon: — Of course they would be.

Hon. Ms. Harpauer: — Right?

Mr. Wotherspoon: — What I'm interested in . . . Obviously, the consultation process in treating members in good faith through this consideration was critical and the information I have available to me, I want to commend those that were involved. You know, I think it was important that this wasn't an action of government. It was, you know, people; there's little more that people care about than their future savings, right? Their pension.

Can you illuminate some of those consultations? And then importantly, can you identify any concerns that were brought forward through this time and how they were addressed or resolved? And if they weren't resolved, that's important for us to know as well.

Mr. Phillips: — With respect to concerns that were raised, for the most part as we consulted with members, we heard that there was general support from many plan members for this initiative, to have the administrator be moved to be arm's length from the Government of Saskatchewan. There was general support for that from among many members.

There was also a segment that maybe didn't have a strong concern either way. I don't want to say they were agnostic, but they didn't have a strong concern either way. And then some members expressed questions and maybe even some concerns about cost and maybe also about transparency and about whether or not government was still going to, in their words, "back their pensions." Maybe if I could speak to each of those?

Mr. Wotherspoon: — Sure.

Mr. Phillips: — With respect to cost, we walked members at each of the . . .

Mr. Wotherspoon: — This is really good and helpful. Could you identify as well, if you're able — when you're able — to attribute who had the concerns? If it was, for example, a group of workers that were organized collectively? Yeah, just if you're able to give as much colour to it.

Mr. Phillips: — Sure, happy to do that. Let me start in reverse order then, because it's easier for me to identify who . . .

So with respect to that question about government backing: would the government still pay pensions? That concern primarily came from members of older plans, of closed DB [defined benefit] plans. And a handful of members were concerned that perhaps this move would mean the government was not still responsible for paying their pension. Those were fairly straightforward conversations because, of course, the government still has the obligation to pay those pensions.

With respect to transparency, there was no particular group that expressed that concern, just a concern that, how would the new corporation report? How would members understand what was happening at the corporation? And so those questions were addressed in the town halls. And I should say that the town halls were hosted by the Chairs of PEPP and of MEPP, along with either myself or one of our staff. And we surveyed members after the town halls, and generally they were satisfied with the answers that were provided.

And in terms of transparency, we assured plan members that annual reports would continue, that annual audits would continue, that the Provincial Auditor's role would stay the same, that the plans would still be subject to the regulation by the FCAA, the Financial and Consumer Affairs Authority, with respect to *The Pension Benefits Act*, and still subject to regulation to the CRA with respect to the *Income Tax Act*. And there's also a commitment in the bill that the corporation will table an annual report.

Mr. Wotherspoon: — And that annual report then, would that be tabled to this legislature? And would that be then subject for review, potentially, by the Public Accounts?

Mr. Phillips: — It will be tabled in the legislature. That's our understanding, according to the bill.

Mr. Wotherspoon: — Right. And then there was whatever respective committee, whether it's Public Accounts or whether it's the Crown corps, scrutiny will be able to occur at the parliamentary level in the same way that it has in the past. Is that correct?

Mr. Phillips: — The last category of concern that we heard from some members was around cost. And that category of question really is, what does this mean for me as a plan member?

And for MEPP members, which is a defined benefit plan, there is no cost to members. There is a slight increase in administrative cost as part of this initiative, but members in a DB plan don't bear those costs. And so MEPP members, by and large, are quite supportive, or as I said, not particularly interested in how their plan's administered.

PEPP, as you know, is that largest DC [defined contribution] plan in Canada, with 71,000 members and over \$11 billion in assets, and so PEPP members tend to pay very close attention to their investments and to their costs.

[18:00]

And so in those town halls, the Chair of the PEPP board explained the difference between investment costs and administrative costs. And of course administrative costs are a small portion of the costs that members pay. And so as we explained those costs to members, they generally seemed to be satisfied with this direction.

Mr. Wotherspoon: — And thank you for identifying these concerns as well. Could you speak to those costs then specifically? You know, you break out those costs right now, and how can members anticipate those changing?

Mr. Phillips: — Sure, be happy to. Investments costs typically make up the large portion of what PEPP members will pay, anywhere from three to five times the administrative costs. Right now PEPP members pay somewhere around 10 or 11 basis points in administration costs. And our projections right now expect that those administration costs should increase one to two basis points as a result of this change in the first year.

Mr. Wotherspoon: — So by way of per cent for annual costs, both on the investment and the administrative costs, what's the historical cost for PEPP members for example? And what do you anticipate moving forward?

Mr. Phillips: — At December 31st, 2022, the administrative expenses total, including investment costs, were forty-eight . . . Sorry, pardon me one second. My apologies. I'm just getting that number for you.

While I'm getting the actual number, I can tell you that the cost per member at December 31st, 2022, was approximately \$147 per plan member. And the PEPP plan uses something called CEM Benchmarking to benchmark its costs against other plans, and the peer average was \$291 per member in the most recent report.

Mr. Wotherspoon: — Thanks. And do you have what the cost would be by way of percentage?

Mr. Phillips: — As I mentioned, administrative costs right now are about 11 basis points, or .011 out of a member's return.

Mr. Wotherspoon: — I always think when we talk about PEPP or, you know, public pension that's administered so well — and frankly I think, you know, been a very strong performer — it really does demonstrate the value that so many working people have when they contribute. Because you know, of course, the expense ratios and costs that are there for so many that don't have access to a well-managed public pension like this that are just many, many times higher by way of expense ratios.

Are you looking for more information, or are you waiting for more questions? Yeah, I didn't know if there was a part of my question that wasn't . . .

Mr. Phillips: — I'm waiting for a bit more information.

Mr. Wotherspoon: — Okay.

Mr. Phillips: — But I can get that to you at a future time if that's okay.

Mr. Wotherspoon: — No, that's good. I just didn't know if it was falling back to me here.

With respect to the consultation, you would have engaged as well with the Saskatchewan Federation of Labour through this time and worked with some of their pension experts in their role representing many plan members and various different unions and groups collectively, the old SaskTel pension folks and others. Can you identify if there's a group of pensioners out there, a group of workers with respect to their pension that have expressed concern directly in an organized way to you or to this process?

Mr. Phillips: — Thank you for that question. We've engaged with our participating unions since the beginning of this process. As the member will know, both PEPP and MEPP are jointly trustee, so they have representation from both employers and employees. So our unions are well represented on both the MEPP commission and the PEPP board.

And subsequent to the initial announcement, we also began meeting with heads of those unions as well, and so we've had good discussions over the last year or more with those unions. And I also spoke at the Saskatchewan Federation of Labour Pensions and Benefits Conference in March. I spoke about PEPP and about MEPP and about this transition, and I answered a handful of questions. And it was received relatively well because I was invited back next year.

Mr. Wotherspoon: — And from your . . . Can you just speak to if there's any outstanding concerns from workers that haven't been able to be addressed or resolved?

Mr. Phillips: — To our knowledge there are no outstanding concerns that we've not addressed. And I also have the PEPP administration budget number for you. Apologies for the delay. In the most recent fiscal year it was 12.765 million.

Mr. Wotherspoon: — Thanks for that information as well. And just again to those that are working out there, those that are pensioners right now, the changes will not impact any of the features of their pension that they know today in anything that's been collectively agreed upon.

Mr. Phillips: — That is correct.

Mr. Wotherspoon: — Could you speak to some of the rationale for change? It's been identified obviously that this was motivated by the leadership of the pension, the plan members, the parties to the pensions. And I know a couple of the pieces that were identified is that the funding and the direction weren't aligned. Can you speak to that just a little bit?

Mr. Phillips: — Thank you for that question. Currently PEBA operates on a cost-recovery basis from the plans that it administers, and so its primary focus is administration of pension and benefit plans.

Mr. Wotherspoon: — And as far as making sure that there's been a discussion around making sure that there's a competitive wage environment to recruit and retain the, I would assume, investment professionals that you require, could you speak to that point? I understand that's also one of the rationale for change.

Mr. Phillips: — I think every organization is facing challenges around recruitment and retention, and PEBA is no different. PEBA competes for resources in the financial services sector, and so the board and the commission have seen over a number of years retention has been a challenge at times, especially in the investment area. And so that is one of the key indicators or the key motivations behind their interest in pursuing the model I just described before, that Canadian model.

Mr. Wotherspoon: — Thanks for that. And does this change anything for government in the way that it reports its liabilities related to pensions at all?

Hon. Ms. Harpauer: — No, it doesn't.

Mr. Wotherspoon: — I've heard as well that some of the motivation for change was to position the plan in a better way to potentially save money at times for members in the delivery of their service. Could you speak to that a little bit?

Mr. Phillips: — That is one of the interests that the trustees of both PEPP and MEPP have. They always operate in the best interests of plan members, so they're always looking to operate their plans most efficiently and effectively as possible. And one of the attributes of the Canadian model of pension administration is in-house investment management.

And so I think down the road the PEPP board and the MEPP commission could consider in-house investment management. And that could provide some savings on the investment side of the ledger.

Mr. Wotherspoon: — The head office for this entity will be right here in Regina, I understand. Is that correct?

Mr. Phillips: — That is correct.

Mr. Wotherspoon: — Can you speak to how this improves the risk posture?

Mr. Phillips: — I could speak to a couple of the risks that were outlined in the third-party review that was done. They outlined resource retention as an area that could be improved with this transition. They identified key person risk as another opportunity to see some improvement. And then governance and accountability was the third risk they identified that could be potentially improved through this new structure.

Mr. Wotherspoon: — Thank you for that. Now are we at a time as well where we can get a better understanding of the amendments that are before us, Minister? Is that appropriate?

Hon. Ms. Harpauer: — I think you ask questions when they bring them forward. But I did get . . . you got them in advance, correct?

Mr. Wotherspoon: — Yeah, just received them here today.

Hon. Ms. Harpauer: — Sure, sure.

Mr. Wotherspoon: — Yeah, I guess I'm just wondering the substance of those. Could you speak to the substance of those amendments, why they're being brought and, you know, who called for them, what issue they address?

Hon. Ms. Harpauer: — So the one amendment, the most substantive amendment, is to have the deputy minister of Finance as a non-voting board member. That may not remain permanent, but I think it quells some concerns of government totally having no idea of what's happening. And is quite frankly in a number of the other models, that there is a non-voting observation position.

Mr. Wotherspoon: — And was that amendment then brought by, sort of, government if you will, by cabinet, is that . . .

Hon. Ms. Harpauer: — Correct. And one is . . . I'm trying to

remember the three; there's three amendments. One is that it's an OC [order in council] instead of regulation because it would be the only regulation. I actually should have it in here. Just hang on. Give me two seconds. It's to delegate the new corporation via an order in council rather than prescribed in regulations because we don't need regulations for anything else. And that's still, order in council, an OC, is still public. And then the third is to correct an error in the draft.

Mr. Wotherspoon: — So the change, this would be announcing the board membership. It would be done by OC as opposed to by regulation, is that what I understood?

Hon. Ms. Harpauer: — Correct.

Mr. Wotherspoon: — And what's the practical impacts, the practical change there? Why was that done?

Hon. Ms. Harpauer: — Actually it's the way we do almost all of our boards. They're done through OCs.

Mr. Wotherspoon: — Who's making the determination of who those members will be? Does that give government a role in that?

Hon. Ms. Harpauer: — No. No, we won't.

Mr. Wotherspoon: — And where's that described, to ensure . . . Because the whole point of the change was to be arm's length of government. Where is it defined how the board is determined and ensuring that government doesn't have control of that?

[18:15]

Hon. Ms. Harpauer: — So I stand corrected. For this, it is just giving the authority for me to transfer it to a not-for-profit.

Mr. Hendricks: — Basically what it does is it gives her the authority to designate the plans that will be included under the administration of PEBA through order in council rather than regulations.

Hon. Ms. Harpauer: — So it's not the board.

Mr. Wotherspoon: — Not the board.

Hon. Ms. Harpauer: — Not the board. Because the board and the commission, they appoint their own members.

Mr. Wotherspoon: — And is the determination of which plans are part of this administration not all part of the legislation? I'm wondering why an OC is required or the minister's authority on it.

Ms. Lautsch: — Karen Lautsch, ADM of corporate services, Ministry of Finance. So what we're changing here is how the work is assigned from the Ministry of Finance to the corporation that's being newly established. The former draft had it being done by regulation, and the drafters have suggested doing it by order in council instead.

This is just a cleaner mechanism to allocate the current work that's done by PEBA to the new corporation when it stands up. So it's a listing via OC. There's no change in terms of the work

or any of the obligations associated with it. So it's just rather than drafting a reg, it's done by order in council instead.

Mr. Wotherspoon: — And I don't know how this works exactly, but these amendments or that amendment, is that supported by the leadership of the transition, right now the leadership of PEBA?

Hon. Ms. Harpauer: — They raised no objections to it, to any of the amendments.

Mr. Wotherspoon: — And now the insertion of the deputy minister to the board, that's something that the cabinet or you as minister felt should be addressed? Is that correct?

Hon. Ms. Harpauer: — That proposal came from the ministry as a suggestion, and cabinet supported that.

Mr. Wotherspoon: — You spoke . . . The point of this, as I understood, was to ensure an arm's-length not-for-profit entity from government for some of the reasons that have been described here. Do you see this as being consistent with some of the motivation for change?

Hon. Ms. Harpauer: — The board and commission have no concerns with having a non-voting position because as mentioned, there is some concerns that government still doesn't have a responsibility or a financial obligation to the pensions, which we do. And this may be, you know, not necessary, but I think it will quell some of those concerns.

Mr. Wotherspoon: — And are there other . . . We've touched on a couple of the amendments here. Are those two the substance of the changes? By way of the amendments, sorry.

Hon. Ms. Harpauer: — That's all of them. Like there's a clerical error, but the two is transferring the delegation by OC rather than regulation, and the deputy minister of Finance as a non-voting member of the board. That's it.

Mr. Wotherspoon: — And for some of those old pension plan members that are part of some of those legacy plans, if you will, that expressed some of the concern to you through this process, could you speak to the nature of their concerns? And can they be assured by way of the law that every obligation of let's say a Crown corporation that currently is, is maintained through this transition?

Mr. Phillips: — Be happy to speak to that. The pension legislation itself outlines the obligation to plan members. And so how that plan is administered is not material to the obligation of the government to pay. And that is essentially what we explained to members that called with that concern, that this was not changing in any way the obligation of the government to pay those pensions.

Mr. Wotherspoon: — I suspect you maybe had some of the same challenges I had as critic. We probably were receiving feedback from folks with respect to the other bill, 108, that has already been brought through the House by the Minister of Justice. So a couple times when I had some feedback, I had to sort whether it was this bill or that bill.

So you know, just making sure that we're doing justice to . . . You've had the thorough consultation. You've had concerns that have been addressed and resolved. Are there any other outstanding concerns from any plan members, any partners within PEBA, any pensioners currently?

Mr. Phillips: — No, there are no other outstanding concerns that we're aware of.

Hon. Ms. Harpauer: — And from my office I have had zero, actually zero communication on this whatsoever, concern or in favour or otherwise.

Mr. Wotherspoon: — Well I want to . . . We'll make sure that, you know, all the undertakings are fulfilled in this new entity.

And I do want to, you know, commend those that've been involved in consulting and building out the plan and addressing concerns. Because you know, like I said at the front end of this, that backstop, that security, you know, one's pension or their savings, there's little that people care more about.

So I appreciate the exchange here tonight and the work on this front. Thank you very much. I have no further questions at this time.

The Chair: — Well thank you. And seeing no more questions, we'll proceed to vote on the clauses. Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 4 inclusive agreed to.]

Clause 5

The Chair: — Clause 5. I recognize Mr. McLeod.

Hon. Mr. McLeod: — Thank you, Mr. Chair. I would like to propose an amendment to clause 5 of the printed bill as follows. I would move that we:

Amend [sub]clause (2)(a) of Clause 5 of the printed Bill by striking out [the word] "member".

The Chair: — Mr. McLeod has moved an amendment to clause 5. Do members agree with the amendment as read?

Some Hon. Members: — Agreed.

The Chair: — Carried. Is clause 5 as amended agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 5 as amended agreed to.]

[Clauses 6 to 8 inclusive agreed to.]

Clause 9

The Chair: — Clause 9. I recognize Mr. McLeod.

Hon. Mr. McLeod: — Thank you, Mr. Chair. I would move that we:

Amend Clause 9 of the printed Bill in [sub]clause (a) by striking out [the word] “by” after [the phrase] “set out in the”.

The Chair: — Mr. McLeod has moved an amendment to clause 9. Do members agree with the amendment as read?

Some Hon. Members: — Agreed.

The Chair: — Carried. Is clause 9 as amended agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 9 as amended agreed to.]

[Clauses 10 to 15 inclusive agreed to.]

Clause 16

The Chair: — Clause 16. I recognize Mr. McLeod.

Hon. Mr. McLeod: — Thank you, Mr. Chair. I move to:

Amend Clause 16 of the printed Bill by striking out [sub]clause (a) [in its entirety] and substituting the following:

“(a) invest any part of the capital or operating moneys of the corporation in any security or class of securities authorized by *The Financial Administration Act, 1993* respecting the investment of moneys held in the general revenue fund”.

The Chair: — Mr. McLeod has moved an amendment to clause 16. Do members agree with the amendment as read?

Some Hon. Members: — Agreed.

The Chair: — Carried. Is clause 16 as amended agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 16 as amended agreed to.]

[Clauses 17 to 22 inclusive agreed to.]

Clause 23

The Chair: — Clause 23. I recognize Mr. McLeod.

Hon. Mr. McLeod: — Mr. Chair, I propose to amend clause 23 of the printed bill. I move that we:

Amend clause 64(2)(d) of *The Financial Administration Act, 1993*, as being enacted by Clause 5 of the printed Bill, by striking out [the term] “prescribe” and substituting [the term] “designate”.

The Chair: — Mr. McLeod has moved an amendment to clause 23. Do members agree with the amendment as read?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[18:30]

The Chair: — Is clause 23 amendment agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 23 as amended agreed to.]

[Clause 24 agreed to.]

Clause 8

The Chair: — I recognize Mr. McLeod.

Hon. Mr. McLeod: — Thank you, Mr. Chair. I move to amend Bill 94 by adding a new clause following clause 7 of the printed bill to read as follows:

“8(1) A board of directors, consisting of those persons who are appointed pursuant to subsection (2), shall manage the affairs and business of the corporation.

(2) The board is to consist of not less than 7 and not more than 12 directors appointed by the members.

(3) The Deputy Minister of Finance, or an employee of that ministry designated by that Deputy Minister, is a non-voting member of the board by virtue of that office.

(4) For the purposes of subsection (2), the bylaws may provide for the appointment of directors to terms that ensure that the terms of all the directors do not expire at the same time.

(5) Subject to subsections (4) and (6), a person appointed as a director pursuant to subsection (2):

(a) holds office for a period not exceeding 4 years;

(b) is eligible for reappointment; and

(c) may not serve for more than 3 consecutive terms.

(6) If a member of the board appointed pursuant to subsection (2) dies, resigns, or is removed from office in accordance with the bylaws, that person ceases to be a member on the date of death or removal from office, or on the date on which the resignation was received by the board, as the case may be.

(7) If the office of a person appointed pursuant to subsection (2) becomes vacant, the remaining appointed directors may, having regard to the requirements of this section, appoint a person for a period that expires on the earlier of:

(a) the expiry of the term of the person who vacated the office; and

(b) the appointment by the members of a director to replace the person who vacated the office.

(8) A vacancy in the membership of the board does not impair the power of the remaining members of the board to act.

(9) A person who is a member of a governing body of a member is not eligible to be a member of the board.

(10) Subject to the bylaws, the quorum of the board is a majority of the appointed members of the board then in office”.

The Chair: — Mr. McLeod has moved a motion to insert a new clause 8. Do members take the motion as read?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 8 agreed to.]

The Chair: — His Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Public Pension and Benefits Administration Corporation Act*.

I would ask a member to move that we report Bill No. 94, *The Public Pension and Benefits Administration Corporation Act* with amendment. Mr. Lawrence so moves. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Minister, do you have any closing comments on this bill?

Hon. Ms. Harpauer: — No, I do not, other than to thank the officials for the work that they’ve done on this bill.

The Chair: — Mr. Wotherspoon?

Mr. Wotherspoon: — Yeah, I just want to thank all those that were involved in this work, all those that are saving towards their future and members of the plan, all those pensioners, importantly all the leadership of PEBA and the leadership of the respective pensions. It’s an important, a very important plan. The plans are all very important to their members.

Bill No. 122 — *The Saskatchewan Revenue Agency Act*

Clause 1-1

The Chair: — Well thank you. And next is Bill No. 122, *The Saskatchewan Revenue Agency Act*. We’ll begin our consideration with Clause 1-1, short title. Minister Harpauer,

would you please make your opening comments.

Hon. Ms. Harpauer: — Mr. Chair, I’m here today with *The Saskatchewan Revenue Agency Act*. I am recommending legislation that creates the framework for a treasury board Crown corporation referred to as the Saskatchewan revenue agency, or SRA, that would be responsible for administering taxes and related programs in Saskatchewan.

Under the current federally administered approach to administering income taxes, the provincial government is required to adhere to criteria relating to income inclusions, deductions, and the number of tax rates. It leaves the province to manually administer tax programs that do not adhere to the federal criteria, which adds to the administrative burden and results in longer processing times.

Additionally, the province is generally required to accept federal changes in the underlying tax structure even if they may not be in alignment with Saskatchewan’s economic growth strategies. Therefore our government must take steps to protect and defend Saskatchewan’s economy, industries, and jobs from federal intrusion and constitutional overreach. Our government will take a measured approach to ensure that any significant changes to the administration of corporate income taxes are implemented in a way that maximizes value for Saskatchewan taxpayers and addresses government’s specific needs and the province’s strategic economic interests.

Mr. Speaker, the draft bill is basic in its design in that it contains just the standard provisions required to establish a new government agency. More importantly, it is the first step in that journey and provides our government the opportunity to communicate both the intention and benefits of increased provincial autonomy by making this change. It also allows us to begin the formal process of assessing the opportunities and system design needs.

I would like to thank you for the opportunity to present the bill today and would be pleased to answer any questions.

The Chair: — Well thank you, Minister. Are there any questions? Mr. Wotherspoon.

Mr. Wotherspoon: — Thank you, Mr. Chair. Thank you, Minister and officials. Minister, we’ll try not to canvass all of the areas that we’ve already covered here tonight with respect to this bill or this plan. I’m disappointed that we’re passing legislation for something that is so unclear and also something that will cost taxpayers significantly more each and every year moving forward once implemented, as well as significant new costs for businesses and a more complex, more redundant tax system for them, causing businesses to file taxes twice.

For me and, I think, many in the business community and many across the province, it just sort of defies common sense and economic sense to be forcing businesses to have a more complex, less effective tax system that costs them more, adding those compliance costs at this time. And I think it’s a reflection of some of the criticisms that have been made towards the government, that they’re out of touch in these days with the realities that businesses and people are facing.

You know, I haven't had anyone come to me and say, well we need millions spent year after year after year, not counting the start-up costs, to build a new tax collection agency. Certainly on the business side, I certainly haven't had any businesses say, well hey, I want to file twice, and I want to pay for that, and I want a more complex tax system that's going to cost them more.

And of course we've seen those costs, those compliance costs in other jurisdictions — and you know, they shouldn't be dismissed by the government — businesses are facing with the costs on financing, the costs of inflation, the costs of the challenges of supply chains. And to stick them with another bill just defies economic sense.

But here we are debating a bill for which I understand . . . I guess just to back it up and make sure I was clear here, there isn't a business plan for this agency at this time. Is that correct?

Hon. Ms. Harpauer: — Correct.

Mr. Wotherspoon: — Yeah. Just why we would be . . . Typically if we have legislation, we'd be talking about the detail of that plan and the case for it. But instead, you know, here we go. Do you have any sense around the annual administrative cost for this new agency as well as the start-up costs? What are the ballparks? What are the assumptions you're working with?

Hon. Ms. Harpauer: — As I said earlier when we were doing the budget estimates, this starts that work. So my answer hasn't changed from when the member asked it before.

Mr. Wotherspoon: — So we're passing legislation, but we haven't done any of that homework and due diligence. I shouldn't say . . . It's not, you know, for the people of Saskatchewan who are the ones that are going to pay for this and the businesses who are going to have to utilize that plan and then pay for the additional compliance costs.

With respect to the compliance costs, what scan have you done as a minister and a government with respect to better understand the additional compliance costs for businesses?

Hon. Ms. Harpauer: — I answered that question in the estimates as well. By talking with the accounting firms that do business both in Alberta and Saskatchewan, what the difference would be for a business that would be the same size and scope, I was told it would be between 100 and \$200 a year additional accounting costs.

So that question was asked before and answered.

Mr. Wotherspoon: — Yeah. And of course it depends on the size of the operation and everything else.

You think of all the small businesses out there, some just struggling, some barely making it, and they're hit by the power increases from your government. Then they're dealing with these other factors: financing costs that have gone up in a big way, all the inflation pressures that they're facing, all of the supply chain issues. And you know, after them for another 100 or 200 bucks on average — if that's the number — for some businesses that are barely . . . aren't sure if they're going to be able to keep the doors open, for no benefit to them.

And I know I cite the example in Ontario when they walked away from what they identified was a bad idea. It was costing taxpayers a whole bunch on the administrative side. What they identified was at that point, and that was in 2009, that they would save businesses \$100 million a year in compliance costs. And I know that's what's been realized. And inflation adjusted, that's \$168 million for Ontario businesses when they reverted back to the one system, adjusting that for growth as well as inflation.

So very rough numbers for Saskatchewan, and very modest, very conservative ones, would be you're talking, you know, \$16 million more for the 42,000 businesses in this province. Has the minister studied the Ontario experience? Has she reached out to any of the Finance officials in Ontario?

[18:45]

Hon. Ms. Harpauer: — I'm just . . . I guess I don't know what to say. I'm shocked that . . . I've said that this is the preliminary. This is starting the consulting with businesses. I read into the record a letter from one of the chambers supporting and looking forward to having the discussions, getting a better understanding. I know the member opposite agrees and supports consulting on initiatives. This is what this will do. It initiates.

The fact that they're so close-minded that there isn't even an option, you know what? Hopefully we can implement changes that the CRA wouldn't necessarily agree with that will save a business tax money well beyond the cost of doing the additional accounting fees of 1 to \$200. That's the intent, is for this to be to the benefit of our businesses. That isn't even an option that the member opposite will entertain.

He keeps talking about Ontario. He doesn't want to talk about Quebec that administer all of their taxes. Or he doesn't want to talk about Alberta that has done this for over 40 years. So in due respect, I don't think you can extrapolate the numbers from Ontario and their experience to what it will cost Saskatchewan. Let's talk about Alberta and their experience that are still doing this, to the costs in Saskatchewan.

Mr. Wotherspoon: — Because, you know, I've dealt with tax experts on this, both out of jurisdictions in Alberta and also on Ontario, both have identified the administrative costs and the compliance costs. What's the minister's compliance cost number for Alberta as a whole?

Hon. Ms. Harpauer: — I don't know.

Mr. Wotherspoon: — What's the minister's . . . What's the cost? I know back to 2007 — a ways back, I don't know what the updated number on this — for 2007 for Alberta, the cost of administration of their corporate and excise tax collection program was \$46 million at that time. Do we have an updated number on that?

Hon. Ms. Harpauer: — As I said when I answered the questions when we had the budget estimates, that there was a high-level conversation from officials to officials with Alberta. No, we have not done a deep dive. I will say it again: this is beginning exploratory into this initiative. I don't think I can say it enough times. All of this work, this isn't in this budget per se. We aren't initiating this.

He's pushing a panic button and not even allowing the conversations to happen with business. I'm shocked. I'm shocked.

Mr. Wotherspoon: — Yeah, Mr. Chair. Mr. Chair, like the member's been around here for a while. She knows how the place operates. You can engage with business and the public in detailed consultations, in planned development, in business case development without passing legislation for a plan for which you have no business case and no clarity on the basics of how much is it going to cost taxpayers, operating assumptions in other jurisdictions, or compliance costs.

So to suggest that legislation is needed to be passed blindly by members here tonight for her to do her job, and to speak with the chambers and the businesses and the people of the province, and to build out the business cases based on the experiences in Canada is utter nonsense, Mr. Chair.

I would go back to the example of the Alberta experience. Have you studied that experience with both their costs and their compliance?

The Chair: — You know, if I could kick in here. If you, if you've got questions on the bill, then . . .

Mr. Wotherspoon: — Sure do.

The Chair: — Please, please put them forward. I think quite a few of them did get answered earlier. But, like I mean, if you've got questions on the bill please, please stick with what the bill is.

Hon. Ms. Harpauer: — So my response to that is the question was answered previously more than once. And he's right; the member is correct. I can have the conversation with businesses, and some of that conversation did happen prior to introducing legislation.

He is putting a lot of merit on what this legislation does. It's a signal. It's a framework. It doesn't implement it. It doesn't force it. It absolutely sends a signal to the business community that we are considering this.

We had it in the Throne Speech, and no one even noticed. Now they're noticing. And now we can have a really serious conversation. And we can start the background on the cost. That member opposite never noticed when it was in the Throne Speech himself.

Mr. Wotherspoon: — Sure did.

Hon. Ms. Harpauer: — He let it go. He never asked one question on it. It wasn't till now that he engaged.

So this doesn't force anything on our businesses. It isn't absolutely essential to have, but we chose to do this route to have the conversation and to initiate exploring what could be a very positive opportunity.

Mr. Wotherspoon: — So I get a kick out of the minister suggesting what we did or didn't. We had to come through the Throne Speech of course, engaged with tax experts and public finance experts and have, you know, a lot of work.

Other jurisdictions that we've engaged on this as well, they're saying it's like, don't go down this road. It doesn't make any sense, you know, a more complex tax system that's going to cost you more as a taxpayer. But just back to the point of, you know, that this is the way to engage the business community, well if you want to engage the business community let them know, hey, we have interest in talking about a different model of tax collection.

That's not what happened here. We have legislation here. And what we have is actually expressions from the Sask Chamber of Commerce with respect to this specific bill, Mr. Chair.

The Chair: — This isn't a debate. Let's talk about the bill. It's getting way carried away on what's going on here. So please, keep your questions to the bill.

Mr. Wotherspoon: — Right, and to the responses. So the way you signal that you're going to have a conversation about something isn't to move legislation, you know, your plan at that point. I guess my question to the minister is, with respect to the Saskatchewan Chamber of Commerce and the concerns they've identified . . .

The Chair: — Mr. Wotherspoon, you're still debating. So I'm going to ask you again, please keep your comments to the bill.

Mr. Wotherspoon: — Well I am. We've heard from the Saskatchewan Chamber of Commerce, and we've heard their specific concerns. Could the minister speak to those concerns?

Hon. Ms. Harpauer: — I want you to say exactly what the concerns by the chamber of commerce were that were expressed to you.

Mr. Wotherspoon: — Well I don't want to do injustice to the direct words, but of course they raised the concern . . . Well we can go back and find the printed record of the concern, right. But my point would be, I want to make sure I'm being entirely fair. They raised the concern I know with us recently in a meeting. And I believe in the forum that the minister would have been a part of, my understanding is they would have expressed that as well. But I won't speak for the chamber. That's for them to share. Has the minister heard the concerns from the Saskatchewan Chamber of Commerce?

Hon. Ms. Harpauer: — I've consulted with the CFIB, the North Saskatoon Business Association, the Prince Albert chamber, the Regina chamber, the Saskatchewan chamber, and the Saskatoon chamber to date, as well as individual business owners.

Mr. Wotherspoon: — Just a question: so if the government chooses to proceed with this ill-advised plan to administer the corporate income tax, can you confirm whether you'd be aligning the provincial corporate income tax with the federal corporate income tax in terms of definitions and tax methodology?

Hon. Ms. Harpauer: — None of those decisions will happen in this next fiscal year, so I'm not answering that question.

Mr. Wotherspoon: — The minister referenced a couple times something I appreciate, out of all the frustration that we're expressing over different points on this bill, is that there's some off-ramps for government and that this may never be actioned or

utilized. And I guess my question for the minister as she expands further into consultation with others and as a business case gets developed at some point and as the government would look to other jurisdictions on the costs and the compliance costs, additional costs for businesses, costs for taxpayers, the minister signalled that there, you know, that there's off-ramps.

Can you describe what you mean by those off-ramps? And if in fact you choose not to build out this agency, what would you do with the legislation at that point?

Hon. Ms. Harpauer: — We would repeal the legislation.

Mr. Wotherspoon: — And as far as the timing of the minister's decision making on this front, and the consultation in the months or years ahead, can you give us a window of what that looks like by way of different decision points or consultation and business plan development that the public could expect?

Hon. Ms. Harpauer: — The business plan development will be happening over the next fiscal year, and I'll be consulting throughout the entire year.

Mr. Wotherspoon: — Do you have a sense of how many resources and the actual cost that the business plan, the work that will be undertaken in the current fiscal year for Finance, what that would represent?

Hon. Ms. Harpauer: — There is a potential up to one and a half million dollars to do some exploratory work, but they'll also be doing analysis on other financial issues.

Mr. Wotherspoon: — Well I'll, you know, respect everyone's time here tonight. I think I've been clear — I hope I've been clear — in our concern and our position. The minister has been clear in her, you know, different perspective on the matter.

I just think it's strange, weird, sort of unprecedented, to be passing legislation to enable something that has no business case, analysis, understanding of impacts. I understand that will come and, you know, more dollars will be spent in the process. But I would urge the minister to get to one of those off-ramps sooner than later, before more money gets wasted, so we can focus those resources and that time where it could really deliver for Saskatchewan people and businesses.

With that being said, obviously I won't be supporting the legislation, but I don't have any further questions.

The Chair: — Okay. Seeing no more questions, we'll proceed to vote on the clauses. Clause 1-1, short title, is that agreed to?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1-1 agreed to.]

[Clauses 1-2 to 7-1 inclusive agreed to.]

The Chair: — His Majesty . . . I keep on still wanting to say Her Majesty. His Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The*

Saskatchewan Revenue Agency Act.

I would ask a member to move that we report Bill No. 122, *The Saskatchewan Revenue Agency Act*, without amendment. Mr. Steele has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Bill No. 133 — *The Income Tax Amendment Act, 2023*

Clause 1

The Chair: — Okay, we'll now move on to Bill No. 133, *The Income Tax Amendment Act, 2023*, clause 1, short title. Minister Harpauer, have you got any opening comments on this?

[19:00]

Hon. Ms. Harpauer: — Thank you, Mr. Chair. This legislation implements the income tax initiatives that were announced on March 22nd, 2023 as part of the 2023-24 provincial budget.

Manufacturing and processing, known as M & P, is a key sector of Saskatchewan that drives growth and benefits all residents by unlocking Saskatchewan's economic potential. In order to encourage further M & P expansion in Saskatchewan, this legislation extends the M & P exporter incentive for one more year with a revised sunset date of December 31, 2023. This incentive provides non-refundable tax credits to eligible corporations that increase the number of M & P-related full-time employees above the number that were employed in 2014.

Mr. Chair, as of March 2023, 26 certificates of eligibility have been issued to qualified applicants. The Ministry of Finance has processed 83 claims and rebated a total of 11.4 million to support M & P exporting activities under this program, demonstrating that employment in this sector has been expanding.

Mr. Chair, I would like to thank the committee for the opportunity to present this legislation today and will be pleased to answer questions.

The Chair: — Well thank you, Minister. Have we any questions? Mr. Wotherspoon.

Mr. Wotherspoon: — Thanks so much for the time today, Minister, on this bill. Just clarifying, this extends the program that was in place for one more fiscal year?

Hon. Ms. Harpauer: — Correct.

Mr. Wotherspoon: — And could you describe to us — again, you talked about this — a bit of the subscription to the program to date? Can you speak to the number of businesses, the number of new employees the \$3,000 has been applied to, as well as the detail to head office incentive? And I guess if you could break it out just over the last few fiscal years and what you forecast for this year.

Hon. Ms. Harpauer: — In the 2015 taxation year, the application year was 2016. There were 12 applicants, hiring 608

employees, 76 in the head office, for a total of 684 employees. In 2017 there were 13 applicants, 149 hired employees, 103 in head office, for a total of 252. In 2018, 14 applicants, 317 employees, 180 in the head office, 496 in total. 2019, 13 applicants, 531 hired, 193 in the head office, for a total of 724. In 2020, 11 applicants, 596 hired, 276 in the head office, for a total of 873. 2021, 12 applicants, 552 hired, 249 in head office, for a total of 801. And in 2022, 6 applicants, hiring 667 employees, 364 in head office, for a total of 1,031.

Mr. Wotherspoon: — And what's the forecasted fiscal impact for the current budget year?

Hon. Ms. Harpauer: — 11.4 million.

Mr. Wotherspoon: — Can you just detail for folks at home the definition of a “manufacturer and processor,” “processing exporter?”

Hon. Ms. Harpauer: — So the eligible corporations are those that derive at least 50 per cent of gross revenues from M & P activities, at least half of which is from exports outside of Saskatchewan. M & P activities are defined as manufacturing or processing . . .

Mr. Hendricks: — Okay. Are defined as the manufacturing or processing of goods for sale defined in the federal *Income Tax Act*, or the commercial development of new economy for export including interactive digital media products and creative industry. The hiring tax credit offers an eligible business non-refundable tax credit equal to \$3,000 in respect of each incremental M & P-related full-time employee.

Mr. Wotherspoon: — Thanks. Would this apply to a meat processor? I guess it would depend on the amount of export of that processed product.

Mr. Hendricks: — Yeah, that'd be correct.

Mr. Wotherspoon: — I raised this with the Minister of Agriculture a while back, and last year as well. Have you given any consideration to the importance of reducing the threshold for the SVAI [Saskatchewan value-added agriculture incentive] of \$10 million as it relates to local meat processing in the province? I know potentially a meat processor could be quite large, and it could well exceed the \$10 million. But we certainly hear from smaller scale business cases and folks across the province that would be interested in having that benefit applied to them.

Mr. Hendricks: — You'd have to direct that question to Trade and Export Development. They're responsible for that legislation. That's a different program.

Mr. Wotherspoon: — Just trying to make sure I get it on the record with as many ministers as I can here, for my livestock buddy across the way there.

You know, we've evaluated this program in the past, right. It's been part of the budget. Certainly these manufacturers and these exporters, these processors are critical. So important to the province, and so I don't think I have any further questions at this time.

I guess, you know, maybe a question, you know, there's nothing that would apply to the critical minerals space here. It could, but it would . . . but in the current fiscal year, I guess based on the current state of affairs with the leading operation on that front, and it's ceasing its operation for the time being, we wouldn't anticipate that we'd have a critical mineral processing, or processor, that would be utilizing this program this year. Is that correct?

Hon. Ms. Harpauer: — Not within this fiscal year. In the budget we enhanced the — I might not have the right name, but — the mineral exploration tax credit.

Mr. Wotherspoon: — I have no further questions at this time, Mr. Chair.

The Chair: — Okay, thank you. Seeing no more questions, we'll proceed to vote on the clauses. Clause 1, short title. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 5 inclusive agreed to.]

The Chair: — His Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Income Tax Amendment Act, 2023*.

I would ask a member to move that we report Bill No. 133, *The Income Tax Amendment Act, 2023* without amendment. Mr. McLeod has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business for . . . Oh yeah. Sorry about that. I needed the closing comments. I was trying to get through this. We do have a hockey game on tonight.

Hon. Ms. Harpauer: — Again I thank all committee members and the member opposite for his questions, the committee members for their time tonight, and all of the officials for the great work they do.

The Chair: — Thank you. Mr. Wotherspoon?

Mr. Wotherspoon: — Thank you, Mr. Chair, mostly, for your time here tonight. And thank you to the minister and all the officials that took the time and for all their work. Thank you.

The Chair: — Okay, well thank you. And that concludes our business for today. I'd ask a member to move a motion of adjournment. Mr. Bonk has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee stands adjourned to the call of the Chair.

[The committee adjourned at 19:09.]