



# **STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES**

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## STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Fred Bradshaw, Chair  
Carrot River Valley

Ms. Cathy Sproule, Deputy Chair  
Saskatoon Nutana

Mr. Greg Brkich  
Arm River-Watrous

Ms. June Draude  
Kelvington-Wadena

Mr. Rob Norris  
Saskatoon Greystone

Mr. Kevin Phillips  
Melfort

Mr. Randy Weekes  
Biggar

[The committee met at 14:58.]

**The Chair:** — Well good afternoon everybody, and welcome to our Crown and Central Agencies meeting, today being April 22nd of 2015. I'll introduce the members. I have Trent Wotherspoon substituting for Cathy Sproule. We also have Kevin Phillips, Greg Brkich, and Randy Weekes.

We have five documents to table today. These documents are CIC [Crown Investments Corporation of Saskatchewan] and related entities' annual reports and financial statements. I have provided a list to members of the documents that are to be tabled. Members have a copy of today's agenda. If members are in agreement, we will proceed with the agenda. Is everybody in agreement?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. Today the committee will be considering the estimates for the Ministry of Finance. Along with vote 18, Ministry of Finance, the committee will also be examining vote 195, changes in advances to revolving funds; vote 175, debt redemption; vote 12, Finance, debt servicing (FD01); vote 82, growth and financial security fund (GF01); vote 151, Municipal Financing Corporation of Saskatchewan, loans subvote (MF01); vote 177, interest on gross debt, Crown enterprise share; vote 176, sinking fund payments, government share.

**General Revenue Fund  
Finance  
Vote 18**

**Subvote (FI01)**

**The Chair:** — The committee will start with examining the estimates for the Ministry of Finance. We will begin the discussion with vote 18, Finance, central management and services (FI01).

I'd like to welcome the minister and his officials and ask for the minister's opening remarks, and if he could please introduce his officials.

**Hon. Mr. Krawetz:** — Great. Thank you very much, Mr. Chair, and welcome to all the committee members. I look forward to a productive afternoon.

I'd like to begin by introducing most of the officials that are behind me. There will be some that I will not introduce, but the team at Finance is led by Clare Isman, my deputy minister who's to my left. And on my right is Arun Srinivas. Arun is the executive director of taxation and intergovernmental affairs. Behind me is Denise Macza who's the associate deputy minister of treasury board branch and treasury and debt management division. Also behind me is Karen Allen. Karen is the assistant deputy minister, corporate services division. Provincial Comptroller is Terry Paton, and Joanne Brockman is the executive director, economic and fiscal policy branch.

Also behind me are two other individuals, Brent Hebert who is the assistant deputy minister responsible for the revenue

division and Dave Wild, first time here as the associate deputy minister responsible for the Public Employees Benefits Agency, also known as PEBA. So welcome. Special welcome to you, Dave, as part of the team.

Mr. Chair, my remarks will highlight I think a little bit about what we do at Finance, what the officials do, and a little bit about some of the challenges that are facing us. But, Mr. Chair, I'm going to begin by saying that this will be my last opportunity to address this committee and provide the Ministry of Finance estimates. June 21 will mark my 20th year as a member of the Legislative Assembly. While I recognize this isn't the forum for nostalgia, I merely and humbly wanted to state that it has been my privilege to serve the people of Saskatchewan the last five years as Minister of Finance.

The Ministry of Finance estimates, vote 18, are found on pages 59 to 63 of the Estimates book. The 2015-16 expense budget for the ministry's operations is \$53.4 million, a decrease of 15.4 million from the previous year. When the funding requirement of \$303.9 million for pensions and benefits is included, the total budget is \$357.3 million, a decrease of 12.8 million overall, or 3.5 per cent from the previous year.

Mr. Chair, the reduction is primarily due to changes that are being made to the research and development tax credit, effective April 1st, 2015. The changes reduce the cost of the program and will require companies to apply any tax credits earned against Saskatchewan corporate income taxes otherwise payable.

The conversion of the tax credit from refundable to non-refundable will remove \$15 million in expense from the Finance budget. This savings is partially offset by a \$6 million increase in expected non-refundable claims, for a net savings to government of \$9 million related to this program. The tax credit rate reduction from 15 per cent to 10 per cent will result in a further \$9 million savings to government, meaning then that the total savings to government from these changes is \$18 million. In keeping with controlling spending, these changes maintain a sustainable level of support for innovation and research activities in the province.

The ministry's 2015-16 budget includes \$11.0 million in government-owned capital for the second year of the five-year initiative to replace our revenue management system. The current system began with an intended life cycle of 10 to 15 years. It is now 35 years old. It was originally designed to handle about \$300 million in tax charges. It currently tracks more than \$3.1 billion in revenue from several taxes such as the PST, the provincial sales tax; fuel tax; and corporation capital tax. The new system will implement software designed to fully administer and track the various tax categories. It will enhance services for taxpayers, farmers, and businesses and it will remove the risks associated with the current system which has outlived its intended lifespan.

Mr. Chair, the Ministry of Finance and its staff in 2015-16 will operate with a 325.4 FTE, full-time equivalent, complement. That is unchanged from the previous year.

Beyond the budget, some of the ministry's operational

highlights include approval of financial statements for 133 government agencies to be tabled within 120 days of the fiscal year-end. Ninety-three per cent of entities are meeting the deadline, trending upward from 76 per cent in 2006-07.

Ministry staff produce 720,000 cheques and deposit notifications to suppliers, employees, and program recipients with staff supporting 10,000 financial system users. Approximately 56,000 businesses are on the tax roll, and 36,000 farm fuel permits are renewed annually by Finance staff.

Budget reviews, production of estimates, quarterly reports, publication of ministry plans and annual reports, not to mention the considerable effort to produce the provincial budget and its associated documents, are all accomplished by Finance staff within respective timelines.

Advice, governance, and administrative services are provided to pension and benefit plan boards and participating employers as well as payment and support services to active and retiring plan members.

Advice is provided to the subcommittee on public sector bargaining on 38 collective agreements covering more than 62,000 FTEs.

The ministry continues to improve its development and presentation of the summary budget in keeping with the recommendations of the Provincial Auditor. The ministry's aim is to enhance government's fiscal reporting to the people of Saskatchewan.

That is just a snapshot of the efforts, initiatives, and achievements of the roughly 320 people who work in the various divisions and branches of the ministry every day. I'll close my comments by extending my sincere appreciation to the people who work in the Ministry of Finance, Mr. Chair, for their ongoing efforts to help keep Saskatchewan strong. Thank you. And with that I would open the floor to questions from any committee members.

**The Chair:** — Well thank you, Minister, and thank you very much for your 20 years of public service. It's great. And I'm very certain that you will really enjoy the last two hours of the committee that you are going to be in.

**Hon. Mr. Krawetz:** — We know we will.

**The Chair:** — And also I want to mention that Rob Norris has joined us also. We are now open to questions. Mr. Wotherspoon.

**Mr. Wotherspoon:** — Thank you, Mr. Chair. Thank you to the minister and all the officials that are here today. And for folks that are tuning in, I'm sitting in a wheelchair here today. It's wheelchairs in the legislature day, an opportunity for legislators to understand a small bit of the realities that those that are in wheelchairs face every day. So that's why I'm in a chair.

Certainly to the minister, he mentioned that this will be his final committee. We've been actually through a fair amount of time together in committee over the years, whether that be as minister of Education and Minister of Finance. And certainly I

respect the honour of one's service, and to serve for 20 years is certainly something that's respectful, honourable, and although we sometimes get into great debate and sometimes we make lots of noise as we talk back and forth, there's certainly a level of mutual respect even at those times where there's great disagreement with some of the choices and policies of a government. But it's unique to have our final exchange here today.

Maybe before we get into all the budget itself, I'd like to follow up just a little bit on what the expectations were of the federal budget yesterday. And I've certainly tracked some of the comments that the minister has made, and I just would like I guess some clarification of what was expected by government and what were shortfalls in this budget.

**Hon. Mr. Krawetz:** — Great. Thank you very much, Mr. Wotherspoon, and I want to say to you, congratulations on your efforts today. I know a number of MLAs [Member of the Legislative Assembly] have taken the initiative to sit in a wheelchair and get, you know, a feeling for what people who are confined to a wheelchair on a daily basis all their lives go through. So congratulations to you for stepping forward and doing that, or should I say sitting forward and doing that.

Well I guess I'll begin with some comments, general comments, about the budget yesterday delivered by Finance Minister Oliver. The first comment, as I made to the media, was we were pleased that we didn't get any surprises. There has been, over the years, there's been a change in how the federal government conveys its information to the provinces, the territories. We knew back last December, not only myself as Minister of Finance, but my deputy and the officials, what the dollar transfer was going to be in the Canada health transfer area, the social transfers, the fact that we don't get any equalization whereas other provinces do. And all of that information is conveyed to all of the provinces and territories back in December. So that allows the province to develop a budget without, you know, the fear that if you do it before a federal budget that there is a danger that you might lose some valuable resources.

The part that of course was divulged a long time ago regarding, I think, one of the key areas that our province faces, and you've raised it many times in the House, is around the infrastructure and that we recognize that there is a challenge facing our province as well as facing probably every other province in Canada.

But a growing province like ours requires more infrastructure dollars. And that was conveyed to us a while back when Minister Oliver revealed that he would be moving forward with the Building Canada Fund, that there were going to be dollars committed over 10 years. For the province of Saskatchewan of course it means about \$436 million over 10 years which might sound like a lot of dollars to people, to individuals, but when you look at it on an annual basis, if you just average, which we know it won't be averaged, it's \$43 million a year. That's not a lot when we know the projects that municipalities are looking forward to rebuilding or brand new projects.

So I guess that's maybe where my concern was. I was hoping that, as we move towards, as we saw the federal government

move towards a balanced budget, that indeed they would look at infrastructure in a different light. Now again it might happen in the future.

There were a couple of, I'll say from my point of view, a bit of surprises. The fact that EI [employment insurance] benefits will be reduced considerably over the next two years — 21 per cent, I believe, reduction in the EI benefits. The reduction in the corporate capital tax that businesses will pay from 11 down to 9 per cent. You know, it's not going to mean that many, many people will be affected, but there will be some will be affected by the EI benefit that has been extended for providing care to a family member, from six weeks of EI to six months of EI. Those are some small things that we have seen. There were many changes. The change in the capital gains exemption increasing for farmers and fishermen with assets to \$1 million is fairly significant as well.

So while it moved in the area that I think our budget did as well, which was to control spending and move towards a surplus, it did that and also met some of the challenges that I think have been disclosed, this budget, a lot of the federal budget was disclosed over the last number of weeks as all federal ministers talked about income splitting and child care support and the like.

So I repeat again, Mr. Wotherspoon, there wasn't a surprise there because the change that occurred, you know, the changes that were displayed within the budget are what was talked about. Now there are many other things, but I'll stop there.

[15:15]

**Mr. Wotherspoon:** — Sure. Thanks for that information, and certainly we saw some positives in the budget as well. I think the accelerated capital cost allowance, the writeoff for manufacturers was a positive measure. And you mentioned the reduction of the small business tax; certainly that seemed to be a positive measure. There certainly is concern with a lot of the budget though as well. I guess my question would be, what was it that your government conveyed as priorities or specific requests to the federal government in advance of the budget?

**Hon. Mr. Krawetz:** — In my discussions with Minister Oliver and all Finance ministers, the last time we met face to face would have been in December of 2014, and the lobby was such that, you know, there needs to be an infrastructure plan, there needs to be an infrastructure build. Municipalities are expecting that. And that was the most significant lobby.

We have also made some approaches, not just through me, but other ministers. We talked about enhancing skills and trades benefits. And I'm happy to see a significant amount of dollars, just under \$250 million, will be allocated towards Aboriginal training. That should mean, for Saskatchewan, additional benefits. We do have a greater percentage of Aboriginal students here in Saskatchewan, Aboriginal people, than we normally use when grants of a general nature are distributed across Canada. So I think we'll see that as a positive, and that's something we were lobbying for.

We continue to contact federal ministers regarding the nominee program, the immigrant nominee program. We think that that's

very important as we look to our labour shortage. And you know, this budget didn't mention specifically, but in the past we were fortunate to have a greater allocation.

So if I was to highlight sort of one of the more important things that I raised back in 2014, it would be around an infrastructure component.

**Mr. Wotherspoon:** — No I agree. It's critically important for Saskatchewan and needs to be a priority. You know, we have growing communities that have infrastructure needs, both renewal and new, and without the support of the federal government and the provincial government it is a heavy burden onto those municipalities and taxpayers across the province.

So basically the amount was unchanged, the 43 million, that we receive. And I concur that that is a drop in the bucket realistically when you look at the needs across Saskatchewan. What have you defined as the actual need? What was the ask, or what's the requirement right now to address infrastructure in a meaningful way, from your perspective?

**Hon. Mr. Krawetz:** — Is your question, you know, what dollar figure? We've never looked at a specific dollar figure because projects that municipalities may apply for, we haven't seen all of those applications. So there was no specific dollar. We recognize that the need here in Saskatchewan is literally billions. And that's an influx of dollars while, as I've said, it's I think 436.7 million over the 10 years. That's significant for us and we're appreciative of that. Is that enough? Absolutely not. And you know, the encouragement of the federal government to recognize, that's what we did; we recognized that we need more infrastructure dollars.

That is why, you know, one of the projects that we've initiated for the first time with the federal government which is P3 Canada, we've pursued P3s [public-private partnership] and we were happy that the P3 Canada has allocated \$200 million towards the project known as the Regina bypass. So while that's, you know, not a large amount of money when you look at the potential costs of . . . and again we don't know exactly what those are because there's still land acquisition under way, but it will probably be a billion dollars to a billion and a half. Two hundred million is, you know, not just a spit in the ocean. It is significant in terms of dollars.

So we continue to lobby the federal government as we move forward. And we know that the federal government is moving towards an election campaign, and no doubt there may be other promises that the federal government will make regarding capital, regarding infrastructure. We're not sure on some of the things and that's why I mentioned yesterday, Mr. Wotherspoon, that our officials are going to be doing some significant analysis of the federal program because there was a pretty significant sum of dollars that were allocated or going to be allocated, 750 million in the first year and then a billion dollars thereafter, each and every year to transit, you know, for, I think the words that were used were, you know, where there's gridlock involved.

Does that mean that Saskatoon and Regina, our two largest cities, are going to receive some of those transit dollars in the future? I hope so. But as of yesterday we don't know what that

means, so I can't tell you today that we have a portion of those dollars allocated to Saskatchewan. I hope we do.

**Mr. Wotherspoon:** — No, I certainly concur that the \$43 million isn't sufficient on the infrastructure side. I think there could be thoughtful work with the municipalities across the province to come to some sort of an understanding as to where numbers need to be at on the infrastructure side of the equation to have targets in place and have clear communication with our federal partners as well.

When we look at some of the dollars that are flowing in through the P3 programs, does it concern the minister at all that dollars are tied to one process, being a P3 process? Would it be his preference that dollars be received to Saskatchewan municipalities or to Saskatchewan in an unconditional fashion that then give the freedom to municipalities or other partners to choose their best path forward, their most effective and affordable path forward?

**Hon. Mr. Krawetz:** — My comment to that, Mr. Wotherspoon, would be that the project that's in place, that the federal government has put in place, is P3 Canada. And they have awarded hundreds of millions of dollars to well over . . . I think it's well over 200 projects that are being completed across Canada under the P3 model. And as a government looking at the Regina bypass, we wanted to take advantage of it, because the concern was if we as a province don't, the P3 Canada dollars that are being assigned to P3 projects will go elsewhere. So while that is a conditional grant — no question, it's conditional — we're pleased to get it.

On the other hand, we know that others, municipalities themselves, here the city of Regina, the city of Saskatoon, has made application to P3 Canada as well for support. And if they are recognized and P3 Canada supplies some additional dollars there for P3 projects, we as a province are willing to look at those projects and be partners. On the other side, as I've said, the Building Canada Fund is unconditional. It's \$436 million unconditional over a 10-year period.

There are some criteria of course as where you can spend it, whether it's on the small community size. And I think that's the other thing that I mentioned yesterday was the 43 million was a bit confusing because that's the portion of dollars that have been allocated to the small communities. And then the other portion is looked at almost on a 50-50 split where we're going to have highways and municipal infrastructure, then look at the others.

Is that close to being enough? Absolutely not. And that's why I think municipalities through their organizations here in the province, whether it's SUMA [Saskatchewan Urban Municipalities Association] or whether it's SARM [Saskatchewan Association of Rural Municipalities] or whether it's the large city mayors council I think that exists across Canada, they're going to continue to lobby the federal government for a much more lucrative, I'm sure, infrastructure fund.

And we encourage them to do so. And we will continue to do that part as well from the province to say, you know, while we look at our transportation system, while we look at our aging

municipal infrastructure system, whether it be water or sewer, or whether we look at new projects — bridges and the like — we need to have a partner or partners. And we believe the federal government should be lead on many of those things.

**Mr. Wotherspoon:** — No, I mean it's just unfortunate, you know, where we're growing as a province, which is wonderful, there's costs that come with that and the renewal that's required. And certainly Saskatchewan's played its part to support the infrastructure needs of other parts of Canada. It's an important time for us to be supported with a partner, with the federal government, and that makes the greatest impact then for the federal and the provincial governments to build programs, to partner. And certainly without doing so, there's a heavy burden that's going to be placed for property tax payers across Saskatchewan and difficult challenges facing municipalities, which certainly we should be focused on to ensure quality of life in our province.

But as it comes to dollars that are being received conditionally only if communities opt into P3s, I just think that's not respectful, not the way to move forward with Saskatchewan communities. Our common sense municipal leaders deserve unconditional dollars that can be deployed in a way that ensures best value for taxpayers and allows the most effective solutions on the infrastructure side.

I'd be interested in just getting from the minister if there's any, if he can give us sort of a perspective on fiscal impacts that may have . . . what were some of the fiscal impacts for Saskatchewan as a result of the budget yesterday. I know there's changes around TFSA's [tax-free savings account], which will have some impact. Maybe if you could just note . . . I suspect your officials have reviewed what it means for Saskatchewan.

**Hon. Mr. Krawetz:** — I'll make two comments, Mr. Wotherspoon, or comment on two areas that we know will affect us. Many of the things will not have a negative impact on government. There will be a positive impact on people, and we haven't done that analysis as far as what it might affect — you know, the corporate tax changes and small business, and how they will be affected.

I can tell you we did some calculations because again, as we expected, the TFSA, the tax-free savings allowance was rumoured to be, that it was going to be doubled from \$5,500 to \$11,000. The budget yesterday announced of course that it's just \$10,000. But for us in the province of Saskatchewan, that will probably mean a loss of revenue of about a half a million dollars in a year if the number of people contribute to a TFSA because, again, that revenue will not come to us. It will not be taxable.

In the area of RRIFs [Registered Retirement Income Fund], the extension was, by the federal government, that people can maintain their RRIF a while longer. And as a result, that income or that revenue is not going to become taxable. So for Saskatchewan our estimate is that over about a five-year period, we expect that it will have about a 12 to \$15 million negative impact on revenue to the province of Saskatchewan.

So those are two that I can identify that we were, you know,

concerned about loss of revenue. I'll maybe ask Arun Srinivas to make any other comments as to whether or not there are consequences for the province.

**Mr. Srinivas:** — Sure. Thank you. I think some of the other ones, federal budget changes that might impact provincial revenues are the change in the lifetime capital gains exemption to \$1 million for farm and fishing property, and the extension of the capital cost allowance, the accelerated capital cost allowance for manufacturing and processing equipment, and the one-year extension to the mineral exploration tax credit. Those would impact provincial revenue. We don't have estimates for those yet, on what those impacts will be. Those will be coming. In the next week or so, we'll have those figured out.

Other things that won't have an impact on provincial revenue are things like the home accessibility tax credit, the reduction in the federal small business corporate income tax rate. Yes, those would be the ones.

**Mr. Wotherspoon:** — Thanks for identifying some of those, and as well recognizing that some of these numbers aren't specific yet. I'd wonder if as you arrive at those numbers over the course of the next week or two, if you're able to communicate and share with us the fiscal impacts that you've evaluated out of each of the measures that have been identified at this table, but others as well that may pop up through some evaluation.

[15:30]

**Hon. Mr. Krawetz:** — Absolutely, Mr. Wotherspoon. We're doing the analysis now as to the effects of yesterday's budget on Saskatchewan as a province, and on individuals here in the province. So if we produce something next week, or before the projected adjournment of the House of May 14th, we'll supply them through the Chair.

**Mr. Wotherspoon:** — The TFSAs, the impact was \$500,000 that I believe the minister shared. I suspect that will grow in years forward, based on the impact of the accumulation of those funds. I think on the federal side, it grows significantly over a number of years. Just wondering if, on the Saskatchewan side, if you have some rough estimates of how that cost may grow.

**Hon. Mr. Krawetz:** — Absolutely. The expectation, and Arun is all ready, he and his officials have estimated that the measure is going to cost the Saskatchewan government about \$21.3 million over the next four years. So that will be lost revenue of \$21 million to the provincial treasury, as it expands.

**Mr. Wotherspoon:** — And that's for the TFSA measure, the expansion of the TFSA?

**Hon. Mr. Krawetz:** — TFSA. That's correct.

**Mr. Wotherspoon:** — Okay, yes. Last year it was my understanding that your ministry didn't have any contract employees. Is that still the case?

**Hon. Mr. Krawetz:** — My officials have confirmed that we do not have any contracted employees.

**Mr. Wotherspoon:** — Thank you, thank you very much. And the FTEs remain, or appear unchanged in your ministry. Is there any changes or reallocation of focus within the ministry? And is there anyone seconded to Executive Council?

**Hon. Mr. Krawetz:** — I'm going to ask my deputy minister, who's much more knowledgeable about the 320-plus employees and what they do.

**Ms. Isman:** — Thanks, Minister. The 325 is allocated exactly the same as it was in the previous years in terms of the allocation across all the divisions and branches of the ministry. And no, we don't have any employees seconded over to Executive Council.

**Mr. Wotherspoon:** — Thank you for that information. And could you share what services have been provided by external contractors and what will be provided this year by external contractors?

**Hon. Mr. Krawetz:** — Thank you very much for the question. Mr. Chair, I'll give a summary of some of the things that we use external contractors for. We rely on external contractors to provide technical expertise that we don't have, and it varies from year to year. It would depend upon the types of projects and the type of work that is required. We don't hire specialized technical expertise on a permanent basis because these specific skills required vary on the basis of the projects that we have.

Since 2011-12 the majority of Ministry of Finance's consulting expenses have been related to MIDAS [multi-informational database application system] financial system, the centralization of accounts payable — and I know, Mr. Wotherspoon, you're familiar with that one — consolidation within the Ministry of Finance, and the treasury and debt management systems. So for 2014-15 — and I'm not going to go through all of them; I don't expect that you will want all of them — but the total consulting expenses for 2014-15 was \$2,068,000. And I'll give you the top three which will show you that that's about \$1.6 million or 1.7 probably. As I've said, the total is 2.068 million for all of the others, and there are many.

The largest amount payable was \$1,374,055 to KPMG, and they won a bid to provide services on the revenue management system that we're implementing. KML Consulting received the next largest sum of money throughout '14-15. That was for \$235,364 and the purpose of the contract — I'll read the exact information regarding KML Consulting — it says that the purpose of the contract is to provide project management and business analyst expertise for projects where ministries' IT [information technology] systems are integrating with MIDAS financials. So that was the KML Consulting.

And the next one was Dell Business Solutions Inc. for \$144,008, and again the description of the contract or the purpose of the contract was that it was to provide project management and business analysis support related to the electronic forms project to increase efficiency of accounts payable processing and for the development of a document management and retention strategy for paper and electronic accounts payables records received.

So those were the top three. And as I said, by those numbers

you can see that's well over \$1.7 million. Now there are many others, contracts that or companies that provided services down to, you know, the Saskatchewan Visible Minority Employees Association received the smallest amount of dollars, which was \$200.

So those are the different groups that provided services, and you can see the largest dollars were spent on the contracting of technical expertise that we don't have within the Ministry of Finance.

**Mr. Wotherspoon:** — Sorry, can you just clarify the amount for KPMG?

**Hon. Mr. Krawetz:** — KPMG is 1,374,055.

**Mr. Wotherspoon:** — And they were managing the revenue . . . They were part of the revenue management system, the construction or data process?

**Hon. Mr. Krawetz:** — Yes.

**Mr. Wotherspoon:** — And then the total cost of the revenue management system, you touched on it in your opening remarks.

**Hon. Mr. Krawetz:** — Mr. Chair, I'm pleased to provide some information on the revenue IT system replacement. In '14-15 the budget then contained an expenditure of \$2.2 million, of which we spent 1.9. This year it's \$11 million, and that's the number that I used in my comments. So now for the first two years of a five-year project we will have invested about \$13 million, and the total project cost that we're anticipating for the five years of implementation is 35.5.

**Mr. Wotherspoon:** — 35.5, so we still have quite a ways to go as far as cost on this program. And your contractors on that program, is it quite an extensive list that you're dealing with? Contractors, external contractors, your cost that you're dealing with, you're dealing with KPMG on that. Are there many other contractors as well?

[15:45]

**Hon. Mr. Krawetz:** — Mr. Chair, I'm going to ask Brent Hebert to supply the information that Mr. Wotherspoon has asked for.

**Mr. Hebert:** — Thanks for the question. So in terms of contractors over the course of that project, \$21 million will be from the solution provider. The other portion that we talked about would be KPMG. That's the extent of third party contractors on that project, so there's two.

**Mr. Wotherspoon:** — And sorry, who's the solution provider?

**Mr. Hebert:** — Revenue Solutions, Inc. is the solutions provider.

**Mr. Wotherspoon:** — And, mind my ignorance, who are they? Where are they located?

**Mr. Hebert:** — They are located in Pembroke, Massachusetts.

So through our procurement process we determined their solution to be the solution that would satisfy our needs, and that's where they're located in the US [United States].

**Mr. Wotherspoon:** — Were there, from your perspective, any viable Saskatchewan companies that bid or participated on this process?

**Mr. Hebert:** — The four that bid on the process and that were reviewed through the procurement process were all international companies.

**Mr. Wotherspoon:** — Thanks for that information. The list of contracts, I know, is rather extensive in general for the ministry proper. Instead of going through them here and speaking to the different thresholds, would it be possible for the ministry to simply compile that information for us as committee members and for myself as critic and the amount that's flowing, that's committed to them and the purpose of that contract?

**Hon. Mr. Krawetz:** — Absolutely, Mr. Wotherspoon. The information about each of the names of the companies and the business that the Ministry of Finance does with them, we will convey that to you. My deputy has just indicated to me that the list that we have for 2014, because we're still just a few weeks past year-end, the numbers may change very, very slightly as we finalize them but once they're finalized we will supply you with the list that will show you all of the companies for 2014-15.

**Mr. Wotherspoon:** — Sure. Yes, and a small variation that may differ from when the public accounts were actually dry isn't as much a concern but just simply the contract, the purpose of it, and the amount planned at this point, understanding there might be some end-of-year adjustments yet before submissions to public accounts.

So the revenue management system, can you speak to Saskatchewan people who are looking at this cost and can you speak to I guess the benefits and the importance of this program?

**Mr. Hebert:** — Certainly. As our minister indicated in his opening remarks, the system will provide improved client service benefits to about 56,000 businesses and about 33,000 farmers. The systems that administer the fuel tax exemption permit programs and all of our tax programs is about 35 years old. Our staff who provide service to those clients have to respond to inquiries and help them in their businesses. They have to access multiple systems that have their accounts in silos within those systems. So they have to go into different systems to provide service and answer inquiries. The adoption of a single client identifier and a single view of those businesses' interactions with our government would be much easier and allow us to provide better service.

This project will also allow us to fix some of the issues that we have with this system with respect to account statements that go out. The minister last year talked about the fact that we can't issue a payment greater than \$10 million out of this system, and so what were automated processes before and accurate information and accounts statements, we have to manually check before it goes out to the client to ensure that the numbers



and the information that's going out is accurate, and it takes us some time to do that and we're not always as responsive as we can when we're producing account statements because of those shortcomings. So certainly that will deliver better service to our clients. And with this system, we'll be able to offer more online services.

Back when we implemented our e-file system, which was one of the first e-file systems for provincial taxes back in 2001, we've fallen behind because of the old technology that we're working on. So we're going to be able to take advantage of a lot more online services that other provinces are now offering, that we're going to be able to offer, such as mobile services. We're going to increase the amount of online payments that you can make. Clients will be able to better access their tax information online, so there's going to be significant improvement from that perspective as well.

**Mr. Wotherspoon:** — Thank you very much. Maybe if we move into some of the other aspects of the budget and some of the economic environment that we're operating within, maybe a bit of perspective on oil, and I'd be interested in understanding . . . I understand some of the fiscal impact discussion pieces that have already come forward from government. I'm interested in a broader analysis of some of the other broader impacts economically and certainly fiscally of oil, and I guess if it stays in the pricing environment that it's at right now what some of those impacts are, so fiscal and then also economically.

**Hon. Mr. Krawetz:** — Mr. Chair, I'm going to make a few comments. Mr. Wotherspoon, you've asked a very broad question in terms of the effects of oil on Saskatchewan and we've looked at that from the very beginning. For the province of Saskatchewan of course in comparison to Alberta, and I'm sure people who are watching or who will read this, you know, have an understanding, of course oil is not as significant as oil is in Alberta.

We look at around 11 per cent of our budget is related to oil. And that's why this year, even though the budget was very, very tough, and as I've indicated in my remarks on budget day, the oil, the falling oil prices, we faced about a \$700 million hole that was revenue that we were not going to receive, on the other side of course a number of our non-renewable resources, especially potash, are picking back up and we're able to provide additional revenues from a number of those sectors.

I'm going to talk about the actual pricing. And I know many people have asked me, so how did you arrive at the price of a barrel of oil? Well we use a lot of forecasters who provide pricing. And I can indicate to the committee members that for us . . . And the information is also found on page 40 of our budget document for anyone who would like to actually look at this chart.

It's on page 40 of our budget document, and it indicates there that of course we use a number of forecasters: BMO Financial Group, Energy Information Administration, New York Mercantile Exchange Futures, Scotiabank, Sproule Associates Limited, and TD Bank. Those are names that are published in this document. And they have all indicated that for 2015 — and again, Mr. Chair, these companies based it on the calendar year 2015 and 2016, so they've all forecasted what they saw — and

again it's their best estimate of what they saw for the calendar year 2015.

The average of the numbers from those groups that I've just indicated, the average was \$53.23 for 2015. For 2016 those same entities are forecasting that the average will be \$67.12. So for the purposes of the budget and arriving at our projection, what we do is because 2015, the calendar year, three-quarters of that year fits into our budget — in other words, April 1 of 2015 to December 31st of 2015, that's nine months, and then we take one-quarter of the 2016 average for the months of January, February, and March 2016 — that's how we arrived at the price that we put forward.

Now as far as the effect of declined, declining oil prices, now rebounding slightly, I'm going to ask Clare Isman, my deputy minister, to make a couple of comments on GDP [gross domestic product] growth and any other effects.

**Ms. Isman:** — Thank you. The budget, in the economic outlook, talks about the medium term in terms of looking overall at the budget. And the one thing I think that we've continued to speak to is the diversity in the economy and the ability when one sector of the sector of the economy — for example, oil — can readily now be offset by growth in other areas.

And so when we look at the medium term, and although we see in 2015 nominal GDP decreasing in the current year, our projections into the out year based on that decline is still to move to 5 per cent and 5.4 per cent nominal GDP growth in terms of our economic modelling, based on really not significant changes even in the price of oil in the out years when you compare the year over year. But it does speak to the growth in household expenditures, in other investment, in capital growth in other areas of the economy, the agricultural sector and the potential support there. So as we've projected out, in terms of those out years and therefore our medium-term financial outlook, although the growth is modest, it continues to be growth. And that is because of the other areas of investment that are forecasted to be sustained.

**Mr. Wotherspoon:** — Sure. And just specific to oil, I'm just wondering what sort of analysis has been undertaken because there have been other impacts as well.

So certainly there might be a marginal increase in GDP because of some other sectors, and that's certainly great that we have sectors that are picking up some slack. But I certainly know a lot of and have heard from many folks who have been impacted by job loss and through the oil patch as well, and certainly related industries and companies that are impacted. I think of places like advanced manufactured products or engineering and some of the other companies that are connected in their supply chain that have been caught up in this as well. And there's quite an impact actually, right here in Regina for that matter.

So I'm wondering, have you done some analysis as to what some of the other impacts are economically, and then also what the fiscal impacts from those may be for the province of Saskatchewan, based on corporate income tax or personal income tax? And then I guess a little bit further than that, is there a price environment that's a particular problem by way of

sort of a threshold where you've identified that if we're below a certain number there's all these other potential economic and fiscal impacts that we're seeing? You know, some of the type that I've just shared here today.

[16:00]

**Ms. Isman:** — Thank you for the question. In discussing the economic model, so the assumptions that we make — and the assumptions come from a whole lot of different places and a whole lot of different variables; officials say about 3,500 different variables within the economic model that are all impacted — I think the key part of that is as a result when you've got one indices, or one variable, for example the price of oil, it necessarily doesn't always translate to an assumption of other variables and what the impact on those variables will be.

The other thing is timing; how long anything stays at any given different point in time and how long it might last. When we look at 2015 today, and we look at the first quarter of the calendar year, everything actually is tracking kind of where we expected it to track. If things change in any significant way, and then sustain over a significant way, that's when we go back into the economic model, and the model actually then aligns all of those variables and takes all of those things into consideration.

So once the variables come in that we collect from all the various ministries — whether that's Agriculture with regard to their sector, the Ministry of the Economy — on all the factors driving some of the other economic aspects of the province, those things all come into the model. Then we actually see what the impact is of a change in those variables on all of the various revenue sources.

So your example of, does it project then what the potential impact might be in terms of income taxes? Yes. In terms of resource taxes? Yes. And the model itself would do that.

But we would run the model based on a significant change to one of the variables that is sustained over a period of time, appreciating that if it goes down for a shorter period of time, it may come back up. And that's the work that we do when we get to mid-year and we actually do a revised economic model because then we've got six months worth of evidence as to whether or not it's significantly different than what we might actually be seeing. If something varied either way, whether it went up or down over a shorter period of time, but it was so significant and held for a period of time, then we would go back in and have a look at the model.

So the specific part of your question with regard to have we gone in and adjusted or looked at what the potential impact would be, right now the variables are actually tracking consistent with what our assumptions are in the budget process.

**Mr. Wotherspoon:** — Thanks for that information. And I mean it's interesting, interesting models, and certainly important back to people. So if things are tracking and some of the impacts are understood, are the job losses that have occurred in some of the business impacts that have occurred, were those sort of anticipated within the range as a result of the price environment and reality with oil where it's at right now?

**Ms. Isman:** — Thank you. So as I mentioned, in terms of tracking some of the things and appreciating that in some of the sectors, employment will be down and there certainly will be layoffs — and sensitive to those — in the first three months of 2015, total employment actually increased in the province by 1,800. So although there are decreases in certain sectors, there are increases in others. And we certainly look at a macro level, as opposed to at a micro level. Over the first three months, the unemployment rate averaged 5.1 per cent — you know, once again the lowest in the country. So the employment levels are sustaining themselves.

Wholesale trade in the first two months, in terms of the data that we've got, also went up by over 22 per cent. So once again, another component of the economy potentially is offsetting and balancing some of the decreases in some of the other earnings. And as well our average weekly earnings are up, trending on track, and of course, the average weekly earnings start to then impact income earned and then projections in terms of next year's income tax forecast.

**Mr. Wotherspoon:** — Okay, so I appreciate these things are observed in a macro way, but do you break it apart, some of the analysis, to understand some of the direct industries and companies and environments where workers are employed, whether it be in Regina or through southeast Saskatchewan? Because certainly there's been significant impacts in those areas and certainly, you know, I understand that those industries are impacted when there's a significant change in the pricing environment for oil.

And I'm just wondering if there's any more focused analysis around some of the direct impacts and if the ones that have occurred to date are within the range that would be expected, or do they fall outside of that? And is there concern then around whether it's . . . I mean certainly concern around people and businesses, but then are there also concerns around some of the fiscal impacts from a personal income tax side of the equation or other?

So I'm just, I guess trying to get an understanding of if the impacts to date were sort of anticipated in that pricing environment. And then my other question that I touched on before, do you have, I guess, a pricing environment that would be highly problematic for a host of businesses and workers that are engaged in industries related to energy or to oil? And I guess, is there a threshold price that's particularly a problem, and is there a time period for which that would then be a particular problem?

**Ms. Isman:** — Thank you for the question. There's maybe a couple of different ways to respond to the question, and I'll start with once again going back to the macro level because it's at the macro level that the Ministry of Finance really has our level of expertise and the details that we have. We rely on Stats Canada data, which is lag data, and then we trend it against what the assumptions are in the budget. So as I said, if there are things that are going up and things that are going down, at its most macro level we've got specific experience with regard to it.

At a more micro level, some of the ministries that have direct relationships with some of the sectors, I would suggest, pay

particular attention to that and step in and intervene when things are needed. So if I use, for example, what would be going on in the energy sector and potentially for people who are unfortunately losing jobs and things like that, the Ministry of the Economy and the labour market people certainly would be monitoring that on a very time-sensitive basis and then allocating their resources out to help those people that are potentially, you know, the result of a job loss or those sorts of things, to try and re-engage them into the labour market or what the effect would be.

And in terms of the micro level data on things like the oil, if there is a specific dollar value or a period of time, we don't really have one. You know, the experts in a given area might have one. I don't think it would be as precise as if it gets to this for an extended period of time. But I think through the monitoring of it on a regular basis and how it offsets against what our assumptions are is probably a more likely scenario, and then appreciating that those variables offset each other again.

So even if oil drops below what we are anticipating it to be, if we see the exchange rate go up over where it is, then those two things will balance out. And once again on a macro level, the bottom line of our budget assumptions probably will hold. And it's the interplay between all of those that we really do track within our ministry in terms of forecasting and then soliciting a more detailed information on a quarterly basis from the ministries.

**Mr. Wotherspoon:** — I think you probably intended, and maybe I heard it wrong, but the Canadian dollar dropping would, I think you said, increasing would mitigate that if it was dropping.

**Ms. Isman:** — If the exchange rate is lower than what our assumption is, then that works to our benefit, yes.

**Mr. Wotherspoon:** — Okay. Looking at some of the other . . . Yes, I know certainly and I appreciate where you're coming at it from. Certainly there are significant impacts as well that we'll be tracking, and certainly there's concern for those families, many of them that have been impacted.

Just looking at some of the other assumptions, uranium, there's a significant increase estimated, assumed by government on that front of about \$100 million I believe which, you know, these are numbers that are sort of kept in a sensitive fashion. But I think we'd be close to a doubling of those revenues. I guess I'd be interested to hear from the minister as to . . . Certainly I know there's a new mine that's coming potentially online here, and new sales that have been announced, but just wanting to get a sense of that increase and what it's based on.

[16:15]

**Hon. Mr. Krawetz:** — Thank you very much, Mr. Wotherspoon, for that question, and I'm going to reference page no. 78 of the budget document so that those people who might be looking for the word uranium in terms of the non-renewable resource sector, they won't find it. And again there's a lot of confidentiality that has to be measured. So the category in non-renewable resources that is referred to as "other" includes

uranium, but it also includes coal and other minerals like sodium sulphate, salt, gravel, and other metallic minerals. So there are many things that make up that component called "other."

I can tell you that of course with Cigar Lake coming on board and not having been producing in the previous year, I think that you can deduce that there will be some additional revenues there. I think there is a significant increase in both volume and production, and the average price that we expect is going to have a significant increase on the average price. So overall that growth, as is pointed out on that page, you're seeing that we are forecasting all of the components that make up the "other" section to increase from what was our forecast, March 31 forecast of 133 to increase to 243.

**Mr. Wotherspoon:** — Sure. So in essence . . . And I understand some of the sensitivity here, but it's about a \$100 million increase out of . . .

**Hon. Mr. Krawetz:** — All components.

**Mr. Wotherspoon:** — Pegged for uranium sector though.

**Hon. Mr. Krawetz:** — Sorry. The 100 million difference is on all of those components that are included in that "other" category. I will not be specific on uranium.

**Mr. Wotherspoon:** — Okay. Well I think we can assume on that front. Are you feeling confident in those numbers? Obviously it's a positive thing to see greater revenues to the province of Saskatchewan from an industry that's improving its position. Are you feeling confident with the numbers? Because that's actually a significant increase in that area, basically a 100 per cent increase, a doubling in that area.

**Hon. Mr. Krawetz:** — The simple answer would be yes. I am confident because the Ministry of the Economy, which is the section of government of course that provides this advice, we're not seeing anything that is from the Ministry of Economy that would tell us that this is not on track at this moment.

**Mr. Wotherspoon:** — Okay. Well we'll appreciate as well the clarification with the Minister of the Economy, but we've had some poor experiences with him over the years on some of these predictions. But we'll leave that right here. I think the one big miss, real big miss was before your time as Finance minister.

Moving on to take a look at potash and the changes that . . . I guess your government changed its policy and then it's also forecasting increased revenues based on price and volume of sales. So if you could I guess, maybe specific to the changes that were made in extending the credit period for the companies which allowed you to accelerate or improve the amount of dollars you'd collect this year, I'm just interested in hearing what the consultation process looked like around that matter.

**Hon. Mr. Krawetz:** — Thank you very much. Mr. Chair, the changes that have been made with the potash industry, the first question . . . Or maybe your last question, Mr. Wotherspoon, I'll answer first. The consultations that occurred with the potash industry began early in this calendar year, 2015. There were

discussions at the Ministry of the Economy level, not at the Ministry of Finance level, with our producers. And of course our three main producers at this time are Agrium and Mosaic and PCS [Potash Corporation of Saskatchewan Inc.]. So those discussions occurred, and before the budget there was an understanding of what changes would occur. And I'm going to put on the record, Mr. Chair, if I might, I'll read the paragraphs that identify what changes are occurring so that everyone would understand it, who has not seen this document. And I think reading from the document rather than me just paraphrasing might be better because I won't miss any words. And the paragraph begins by saying that:

Effective January 1, 2015, all capital expenditures will be allowed to accrue at the 120 per cent rate, but will now be deductible from annual gross sales revenues at a 20 per cent declining balance rate for mine operation and maintenance expenditures and at a 60 per cent declining balance rate for mine expansion or new mine development expenditures. This change will provide the Province with an immediate temporary increase in revenue from the potash industry by deferring deductions for current capital spending to future years. The total amount of deductions that producers will receive from their capital spending will be utilized over a longer period of time.

So I think that's the critical point that you are asking about, Mr. Wotherspoon, is that the companies will still be able to assume all of their credits, all of their entitlements, but they will be spread out over a longer period of time. And indeed there will be a cap in the beginning years so therefore the government will, we will have more potash revenue upfront, and then we'll be seeing some of the deferrals into the future years.

**Mr. Wotherspoon:** — Was there much concern about the impact down the road? Because as you stated just now, it's a temporary improvement. And basically the companies are kept whole in essence although there's a cost to their dollars now in today's value as opposed to what they would have been down the road to them. I guess, was it a concern to you to compromise future budgets or to take those dollars now that would have come to Saskatchewan people down the road?

**Hon. Mr. Krawetz:** — This is an interim step. And as has been discussed by the Ministry of the Economy and I mentioned it in my budget speech, there will be a full review of the potash industry and the process will gain input from our stakeholders over a longer period of time. It's not going to occur in the next few months. It will occur over probably the next year. I think I've indicated about a year to two years from what Economy is telling us.

Now I'm very, you know, proud of what the potash industry is doing. Because when we had our consultations with the companies that I've already mentioned and one of them of course being Mosaic, before with the knowledge that we were changing the structure and that they were going to be looking at a different structure, Mosaic announced an expansion, a very significant expansion of I believe a \$1.7 billion expansion into a new mine at Esterhazy. So that's significant.

Now if your question is about, am I worried about the deferral of future dollars into today's dollars? You know, the industry is

very vibrant. We know that we have a great amount of potash in the province of Saskatchewan. The potash development continues to occur. We still see BHP Billiton moving forward with a huge expansion here in the province not to come on line for a few more years. We are also seeing K+S move forward.

So there's clearly a significant role for potash companies to pay in the contributions of revenue to the province of Saskatchewan in the future, and I'm not worried about moving some of that into the first few years. The review may change that. I have no idea what the review will produce after, you know, 18 months or two years, but the potash industry is very vibrant. It is also a very important industry to our province and we do not want to create a situation where potash expansion is stopped in the province and those potash companies move elsewhere. That's also of concern to us, and I'm sure that's what we'll hear from all of the stakeholders as the consultation process continues.

**Mr. Wotherspoon:** — Yes. Just over a period of time there's no additional dollars to the province of Saskatchewan, but it does have a fiscal impact for the companies, companies that certainly do invest in our province and in a significant way provide very meaningful employment, and certainly do provide stability by way of revenues into the future as well. And so the changes, you know, certainly seem a tad rushed and knee-jerk and possibly not done in the sort of environment that I think that you'd like to make changes like this within with a level of independence. And certainly there needs to be a, you know, sort of an aim for clear understanding of impacts and stability in this industry as a whole. But certainly I would commend the potash sector as a whole. We have world-class companies, a world-class resource, exceptional workers within the sector.

Certainly I noted Potash Corporation's criticism, strong criticism of what this means for them. I guess, were there other stakeholders that have communicated with you that have been concerned with the change?

**Hon. Mr. Krawetz:** — The reaction that we had, I think we had two reactions. We had one by Mosaic that announced an expansion, and moving forward with \$1.7 billion after knowing that there was a change. And we also had PCS, I believe it was the day of budget or maybe it was the day after budget, who were somewhat critical of having to pay more taxes.

You know, the structure that exists in the province of Saskatchewan . . . And I know you and the opposition . . . the Leader of the Opposition I think has stated in the past that there needs to be a royalty review of potash, and we need to ensure that our, you know, the shareholders, the owners of potash, the people of Saskatchewan are getting a fair return.

And that's why we did this as an interim and the full consultation process will occur over a period of time. We still have a situation in the potash production where some of the revenue that comes to the province of Saskatchewan is based on a 2002 agreement. And that agreement is out of date, and potash producers understand that. And while PCS as a company, of course, because it affects the return to their shareholders, doesn't want to pay more tax, the overall discussions — and again, I'm receiving this information from the Ministry of the Economy which is where the discussions took place — is that, you know, the potash companies understand that there needs to

be a fair return to the people of the province of Saskatchewan. And we're continuing to see the expansions and the growth that we see.

So as you said, we respect the fact that they are a very strong contributor to the economy of the province of Saskatchewan. There are many, many people that are employed directly or indirectly because of the potash industry. On the other side, we have to do a balance of that, and to ensure that the people of Saskatchewan get a fair return for the mineral that we all own.

[16:30]

**Mr. Wotherspoon:** — Yes, it's just a bit of a knee-jerk way to deal with the industry. Certainly we have been on the record about the importance of an independent, thoughtful review that recognizes the many returns we receive from potash, and then the balance that exists there in the investment into our economy and the construction and the activity there, but then also the jobs and of course the direct royalty back to Saskatchewan people.

And we've been speaking about that, which I think could be done in a very, a clear way with industry and a respectful way, in a way that provides stability. And of course government's ignored that and sort of had a head-in-the-sand approach until there's some pressure on some other fronts and on the oil front here. And then sort of a knee-jerk and quick response with producers.

And in many ways, you know, certainly there's I guess a larger impact on producers, because paying those dollars now is a greater impact because the value of those dollars today are greater than they would be based on today's value of those dollars. But as a whole, it's a bit of the government sort of borrowing from the future on this front and does question some of the sustainability of government program and on the revenue side into the future and undermines some of that into the future.

Anyway, so I'll guess we'll track with interest the review. It's very important that that has a clear mandate and that it's done in a balanced way and provides a stable environment for the potash industry into the future, and certainly the appropriate return to Saskatchewan people, which is critically important.

I'd like to move along just a bit to debt. I know debt has increased a lot in the last few years and there's different components to that debt. There's the total sort of public debt, excluding pension debt, which has increased essentially \$5 billion since 2011, so just basically a four-year period of time. That's a significant increase. And we know the increase this year is \$1.5 billion alone, excluding again the pension debt, which we'll also get an understanding of, which I know is increasing in a big way as well.

But I'd like to focus in a bit on or have the minister focus in and provide us a little bit more information around his decision to borrow the \$700 million that he has, that's more directly connected to the GRF [General Revenue Fund] if you will.

**Hon. Mr. Krawetz:** — Before I make a comment about the debt, I just want to maybe make a concluding comment, Mr. Chair, on the review of the potash industry, if I might, Mr.

Chair.

The criticism of the structure we have in place by people like Jack Mintz has been around for a long, long time. There have been many articles written by Mr. Mintz about our system and the fact that he thinks our system needs to be improved. And I recall, you know, it's not even I think in this year; it's last year when the Premier, after the last comment made by Mr. Mintz about our structure, he made, the Premier made a comment that we need to do this review. We need to do an extensive review.

So well I appreciate your comments about the potash industry, the companies and being, you know, respectful of them. I think we are. I don't believe that the changes we made . . . well not only think, I know that the changes we made were not a surprise to them. How they reacted to the changes is different from the three companies. But as the comment is in the budget document, the change is an interim step and the full review will take place over the next . . . as I've said, I think Economy's indicated that the review will be something in the area of one to two years. So that's the position that we have taken with the potash companies, and we're going to continue to work with them.

Now as far as debt and the accumulation of debt in the province of Saskatchewan, there are a number of components to the debt page. And I have answered a number of questions as I've travelled around the province doing post-budget speeches and commentary and trying to provide information to the public about the debt page, the schedule of public debt. And I'll get to the specific comments about our Saskatchewan Builds capital plan in a moment or two, Mr. Chair, but I want to ensure that people understand that on page 76 of the budget document is where they will find the explanation about public debt. And there are components of this that I think people need to be aware of.

There are really two distinct sections. The first one is referred to as the government service organization debt, and there are many components within that government service organization schedule. One of them of course is the General Revenue Fund. And the General Revenue Fund from the past years had a very significant line of debt that we have been dealing with, that former governments have been dealing with. That is referred to as the operating debt. And people who might be looking at this page will see that the public debt of operating is \$3.8 billion. That's the debt that at one time, which is when we became government back in 2007, that line was \$6.8 billion. That 3.8 billion is a debt that was incurred by other governments from their operating side.

And we have indicated, and I indicated in the budget address that we would not borrow for operating. So that is why the budget controlled spending. That's why we made some tough decisions. That's why the opposition has had the ability to raise concerns in the House about, you know, not providing additional dollars for particular sectors or businesses or third parties. So that's where we have maintained the operating debt and, in fact, have paid it off. Our goal is to continue to pay that one off as well.

Now the other point that I want to put on the record, Mr. Chair, is the debt of the province is long-term debt. Some of it is

short-term. We do a variety of things. But all of the debt in the province of Saskatchewan has a process that forces government and ensures that government makes a contribution to something called the sinking funds. So we contribute on an annual basis towards all debt to ensure that debt, when it matures, that there are dollars to offset that.

The problem that we've inherited is that the system that's in place right now is one that the contribution to the sinking fund is 1 per cent of the debt. And if indeed you have shorter term debt, 20-year, 25-year, the accumulation of 1 per cent at a time — and again it's because of falling interest rates, as you would be aware — the interest that is garnered by that account, because the interest rate stays in the sinking fund, when that debt matures, there are times that there isn't sufficient dollars in the sinking fund to completely negate the debt. And as a result then, we have to refinance some of that debt for a shorter period of time or again for a longer period of time.

Now included in this section as well, there are other lines of debt, as members will be aware of. There's the boards of education — because again this is all summary debt — boards of education, the regional health authorities, Saskatchewan Housing Corporation, all of those entities are included in this section. And there are changes in those debt lines. Some have gone up. Some have gone down.

One of the ones that I think the member would be concerned about, and again as he mentioned he's been the Education critic as well, was the boards of education debt. And the boards of education debt is showing that it will increase from 214 to \$223 million. This is one that we hope will not grow any more, and in fact we're going to ensure that through the process of boards actually borrowing the money to do capital projects. And for the benefit of those people who might not know, the system that was in place is that the province usually provided about 65 per cent of the capital project — the building of a school or the large renovation of a school — and the school division provided the other 35 per cent. The system that we put in place changed whereby now the province sets the mill rates and the board of education does not have the ability to acquire any other revenue other than that provided by the mill rate set by the province and/or the grant that we transfer.

So we have made the change this year that boards of education will not be expected to put forward their 35 per cent because there are boards of education that do not have the reserves. They do not have the capital outlay to be able to move forward. And as a result then they borrow it, and the province of Saskatchewan guarantees the principal and the interest that would be paid for whatever period of time that board takes that loan.

So that's why that rate has changed. And it has grown to 223 million because there has been a number of capital projects that have been implemented right across the province. Boards of education have indeed borrowed their shares.

So I won't make any more comment other than to indicate that that line is at \$5.1 billion which includes the \$700 million that Mr. Wotherspoon is asking about, and I'll get to it very, very shortly.

The next section is called the government business enterprise debt. We often refer to this section as self-supporting debt. It is the debt of our Crown corporations: SaskPower, SaskEnergy, SaskTel, SaskWater. It is the debt of the Saskatchewan Liquor and Gaming Authority and again for the machines that they, you know, a while back that they borrowed money for. And it also includes the Municipal Financing Corporation of Saskatchewan.

Now MFC [Municipal Financing Corporation of Saskatchewan], which is, as I said, that's the acronym for Municipal Financing Corporation, their debt is expected to grow to \$249.4 million. Now the Municipal Financing Corporation is also self-supporting debt. Municipalities make a payment on the debt. They make a payment to the Government of Saskatchewan as well as they make a payment of interest charges to them. So this number has grown fairly significantly. I think if I remember my MFC numbers, the amount of debt back in 2004 was \$11 million. Right. In 2004 the MFC debt was \$11 million. Today it says you can see we're forecasting it will rise to 249.4.

The question that many have, so why's that? Well I can tell you that last year alone, last year \$128 million of debt was put on the books as a result of applications from the city of Humboldt, the city of Martensville, the city of Regina, resort village of Etter's Beach, RM [rural municipality] of Maryfield, RM of Meota, town of Balgonie, town of Kelvington, town of Mossbank, town of Osler, town of Rosthern, town of Wapella, village of Fairlight, village of Meota, village of Middle Lake, and village of Paradise Hill. All of these municipal entities made an application to the Municipal Financing Corporation for many different kinds of projects, everything from the construction of a fire hall for . . . A particular RM actually asked for additional municipal financing debt or monies to be able to buy a gravel pit as they recognized the need for having gravel in the area. So that one is going to continue to grow. It's part of that debt line.

[16:45]

SaskPower continues, SaskPower continues to grow, and we recognize, and I've used an example in much of my discussion about the desire by SaskPower to ensure that we continue to provide capital because there's an aging infrastructure. There's concern about power poles. And we know that there in fact have been situations where the safety of some of our workers . . .

So that debt is self supporting and in fact when we talk with the bond rating agencies, rating agencies don't even consider this debt in the overall picture.

Now to the \$700 million finally. And I apologize, Mr. Wotherspoon. The \$700 million is a portion . . . And as you know, in our budget documents we've laid out an extensive four-year capital project referred to as the Saskatchewan Builds capital plan. For this year, that Saskatchewan Builds capital plan will be approximately \$1.3 billion worth of infrastructure built, and again that 1.3 is a chunk of the \$5.8 billion worth of capital that we're going to do over the next four years. And as you've heard me say, Mr. Wotherspoon, we do not have the cash or the chequebook method to be able to pay for those

projects. We are going to have to go into debt. And the debt that we're going to go into I think as we've seen is that the province has made some significant gains in getting a AAA credit rating from two bond rating agencies, paying off our operating debt from 6.8 billion down to 3.8 billion. And as a result of that, we're going to be able to borrow some money at significantly lower rates than we used to. So the \$700 million is indeed part of that \$1.3 billion because we won't have the cash. We will have some cash, and we'll have some transfers from the federal government. But we anticipate that we will still need to borrow the 700 million.

My final point on the 700 million is about this debt and being able to repay it. And I think the paper misunderstood your comment about not having a plan of repayment. And I think it was the P.A. [Prince Albert] *Herald* that did that. There is a plan of repayment. The plan of repayment in fact, we've looked at it and said, we want to make sure that the sinking funds, over a period time, 30-year, that indeed the sinking fund with the contributions year after year after year, plus the interest earned, there will be enough money to completely negate that debt when it becomes due. So as a result of that, we are no longer following a 1 per cent contribution to the sinking fund. We are now doubling that to 2 per cent.

So if I could use this example of 700 million, if 700 million is borrowed, on an annual basis the Government of Saskatchewan will be required to put \$14 million into the sinking fund which will continue to grow so that at the end of a period of time . . . And again it wouldn't happen on a 10-year, but it will happen on longer term but also not knowing what the interest rate will be. This is based on about a 3 per cent. This is based on a 3 per cent return that indeed there will be sufficient dollars to completely negate that debt. So that's a long answer to a short question.

**Mr. Wotherspoon:** — I think the minister's providing long answers to prevent me from asking more debt questions because I have limited time here and many other questions.

The changes on the school board, I was pleased to see that. I identified it in the budget. The speech you were giving today is basically the speech I've given at this committee in years previous and in the education committee as well. Dollars were needlessly being wasted on a cumbersome process of school boards borrowing at a higher interest rate for them to receive. Once government took basically all funding over for education, it was irresponsible to have this higher interest scheme continue. That being said, I'm pleased to see it fixed here this year. There's been dollars certainly that have been wasted, and time, in the process. But hey, we're to that point.

The debt itself is a big concern, and I know there was lots of words and justifications there, but certainly it's not appropriate to sort of characterize the debt at \$3.8 billion. Debt is, through a structural change here of government, there's a significant increase to debt in this year and certainly big increases on the global side of debt as well. We know that pension debt is also escalating in a big way, and certainly there's concern by Saskatchewan people about the sustainability of the heavy debt load that this government's taking on.

I think one of the other interesting points and important points

is that for what is characterized by the minister as self-supporting debt, one should be cautious in characterizing that as self-supporting debt. What of course you're saying is that Saskatchewan people will pick up the tab for it. That's something that we should be mindful of, and just because we know that Saskatchewan people are going to be paying power bills that are much higher, and many other areas here — property taxes that contribute back through various programs and rates and utilities and fees — I would be cautious to simply characterize it as self-supporting debt because those are big increases that are paid ultimately by Saskatchewan families. And I think SaskPower is but one example on that front.

But I think you and I could probably dedicate a special two-hour session for debt alone. I'd be pleased to show up for that session and participate. But mindful of what we have on the clock here today, there are a couple of other areas I want to touch on. But without a doubt, the question of sustainability and the heavy debt loading of this government is definitely a concern.

I wanted to touch on the corporate tax rate. I know a few years back, a couple of years back your government committed to lower the corporate tax rate. We at that point stated that we felt that, you know, certainly it's always an important consideration, and that rate had been reduced by the previous government, which was certainly to ensure a level of competitiveness. We saw it as a measure that took away some of the fiscal capacity we needed as a province, and we believed there were other priorities that were more important to Saskatchewan families. So your government promised a couple of years ago to cut the corporate tax rate from 12 to 10 per cent. Is that still a . . . I mean we, like I say, we saw it as something that was misplaced at the time. Have you shelved that now, or is that still a commitment?

**Hon. Mr. Krawetz:** — Thank you very much, Mr. Wotherspoon. I'm just going to make one final comment about debt.

**Mr. Wotherspoon:** — Please don't.

**Hon. Mr. Krawetz:** — I will. Your question was long to balance off my long answer. So I do want to remind you though that when you reference our total debt as being, as having grown to a particularly larger level, I mean the summary financial debt has been around for a long time. And you know, in the years of the middle 2000s, in the decade of the 2000s, I mean the debt that the province had at one time was the \$11.9 billion. And in fact when we go back to the early '90s, the debt of the province at I think probably the highest point ever reached was in 1992-93 when it was \$14.077 billion. So you know, all provinces' growth, you know . . . I still will gladly spend that two hours with you because I dare say neither you nor I would have assets that we own today if we weren't able to take a mortgage. All right. So that's where I'll leave that comment.

As far as the corporate income tax and the reduction from 12 down to 10, we've seen across especially Western Canada, British Columbia at one time was indeed down to 10. They're back up to 11. So we look at the entire picture and know the concept or the intention to reduce the corporate income tax or

other taxes down is still there, but we will only do that on the understanding that we have a balanced budget and that indeed it is sustainable.

But we also have to look at, I know Manitoba, there are many who have probably lobbied you as well as me to say, oh well, the small business tax here in Saskatchewan is 2 per cent and Manitoba's is lower, and we should move to something smaller than that. We take into consideration all of the taxes, all of the premiums. Alberta just introduced a health premium again. Yes, they don't have a provincial sales tax. So we've looked at trying to be competitive. And in some areas, I will agree on the corporate income tax side we may not be seen as competitive as we should be with British Columbia and Alberta and Manitoba. But we intend to continue to lower taxes on the basis of sustainability as well as a balanced budget.

**Mr. Wotherspoon:** — It was a commitment and a promise from the government a couple of years ago. We haven't seen government follow through with it. We were critical of that priority at that time as being one that impacted fiscal capacity and pulled away from being able to invest in some of the other priorities. But we'll, I guess, see as we go on that front.

I'm interested to know what's . . . Your ministry plays a very important role or should be playing a very important role on program evaluation, various types of program evaluation to ensure performance and value for money, and those would be conducted for, you know, programs throughout government. I'd be interested in getting an understanding of how many program evaluations were conducted in the past year.

**Hon. Mr. Krawetz:** — I'm going to ask my deputy minister, Clare Isman, to make a comment once she has the materials. While she's grabbing the data though, I also want to mention that, you know, we have a growth plan that we have before the people of Saskatchewan. And the commitment is still there that we will have reduction in taxes, and it is out to 2020. So if the finances allow, I'm sure government of the future, the Finance minister of the future — not me — will bring that forward.

**Ms. Isman:** — Thank you for the question. I just had to find my place in the binder. So program review is a commitment that was made by the government and, you're absolutely right, the Ministry of Finance plays a leadership role in terms of the establishment of the framework for program review on an annual basis.

We have formalized that over the last three years. We've established a series of measures and tools for ministries to use in terms of a formalized process of how to do a program review. We've established a deputy minister's committee that is co-chaired by the deputy minister of the Premier and myself with regard to reviewing the program reviews on a semi-annual basis, and we report those through treasury board in terms of the nature of the reviews that are being done, the recommendations. The outcomes of the program review are then brought forward through the budget process if there are recommended changes or through a cabinet decision item if the outcome is a program change that requires a decision by the government.

We are reviewing programs on a four-year revolving cycle. So

each year ministries submit to us programs that they plan to undertake a review about on a four-year basis. We review them for consistency across ministries and encourage them to work collaboratively where you might have similar or like programs or programs that affect the same client or customer so that the reviews are done in a very collaborative manner and with those kinds of recommendations.

[17:00]

We are looking for both outcomes with regard to whether or not the programs that are currently being undertaken are aligned to government's priorities, whether or not they are appropriately delivered by government, or whether they could be effectively delivered by a CBO [community-based organization] sector for example, where a ministry might be delivering a program and another ministry might be using a CBO to deliver it. Perhaps there are ways to be more effective, in terms of the outcomes that are desired, by doing a review like that.

If through the program review process, there are efficiencies that a ministry deems would be appropriate, then we use a continuous improvement model to look at efficiency gains in order to be able to more effectively deliver the program and/or the service whereby resources could be saved and reallocated to other areas or whether or not they could simply be amalgamated with another service delivery option that exists.

So I think it's still early days in terms of the effectiveness of how we're doing program review. It definitely is a change initiative in terms of getting the whole system working on a way and utilizing the tools that are deemed to be best practice from across other jurisdictions and other organizations, but I would say we've made good incremental progress over the last couple of years that we've been doing it.

**Mr. Wotherspoon:** — Okay, I'm told by the Chair that our allocated time today is maybe up. I'm willing to take the minister up on his two-hour extension here today if he's so inclined, it could be just him and I, but I suspect the Chair's giving me an eye here.

The program reviews are certainly very important. It ensures the integrity of value for dollar and best performance. I have interest in that area certainly, and it would be important for us to see many aspects of government reviewed. And when I think of certain projects as well, whether it be a project like the Global Transportation Hub or other aspects, I think these reviews, looking at initial targets and initially what was suggested and what the realities in cost and ensuring that it's meeting its goals, are important, and then certainly looking at needed changes if that's what it's suggesting are important.

Anyways I have lots more questions. I wanted to talk as well about the importance of the Canada Pension Plan. And I know you take time with ministers across Canada. Certainly I would urge your leadership on that file. I know your government hasn't been as strong as they could be on that front. I believe you've expressed at times that there's maybe some openness on this front; I think other ministers and the Premier have been less open on that front. But this is an important measure to expand for Canadians and certainly Saskatchewan people. And it's economically the right thing to do from a fiscal perspective for



government if you're looking out in a long way as well. So I'd like to certainly just put that last piece on the record.

But outside of that, I know we're beyond our time, and I appreciate you giving me a few extra seconds here today. I did have other areas I wouldn't have minded touching. We can do that in our additional two hours. I'd like to thank all the officials that have joined us here today and certainly the minister for his time here today too.

**The Chair:** — Well thank you. And our allotted time now being up, we would adjourn consideration of estimates for the Ministry of Finance including changes in advances to revolving funds; debt redemption; finance and debt servicing; Growth and Financial Security Fund, Municipal Financing Corporation of Saskatchewan; interest on gross debt — Crown enterprise share; sinking fund payments — government share. Mr. Minister would you have any final comments?

**Hon. Mr. Krawetz:** — Thank you very much, Mr. Chair. Mr. Chair, as I indicated in my opening remarks, I'm very grateful to the support that I have within the Ministry of Finance. My deputy minister and all of the people that I introduced earlier on have been extremely helpful in being able to talk about a \$14 billion expenditure. There's a lot that goes into building a budget of 14.28 billion, and I want to thank the officials that have been with me today and have provided me with the information.

I also want to sincerely thank Mr. Wotherspoon for your questions and comments. As you've said, we have at times disagreed on philosophy, but I think overall, whether you are an opposition member or a Minister of Finance, we try to do the best we can for the people of Saskatchewan. So I appreciate your questions and will supply you with some of the information that we indicated that we would.

With that, I want to thank committee members for participating in this afternoon's discussion.

**The Chair:** — Well thank you, Minister. And I also want to thank you again for your years of service. I know you have really enjoyed the last couple of hours that we've had here.

Now I would like to ask a member to move a motion of adjournment please.

**Mr. Phillips:** — So moved.

**The Chair:** — Kevin Phillips has moved. Is everybody in agreement?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. This meeting is adjourned to the call of the Chair.

[The committee adjourned at 17:05.]