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Department of Finance
Consolidated Fund Services
Public Service Commission

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GOVERNMENT SERVICES COMMITTEE

Department of Finance

Chair: Randy Edmunds, MHA

Vice-Chair: John Finn, MHA

Members: Carol Anne Haley, MHA
Keith Hutchings
Neil King, MHA
Lorraine Michael, MHA
Betty Parsley, MHA

Clerk of the Committee: Kimberley Hammond

Appearing:

Department of Finance

Hon. Tom Osborne, MHA, Minister

Denise Hanrahan, Deputy Minister

Michelle Jewer, Assistant Deputy Minister, Financial Planning & Benefits Admin.

Craig Martin, Assistant Deputy Minister, Economic, Fiscal & Statistics

Marc Budgell, Director of Communications

Ann Marie Miller, Comptroller General

Wanda Trickett, Departmental Coordinator

Dave Martin, Manager of Finance, Budgeting & General Operations

Public Service Commission

Hon. Tom Osborne, MHA, Minister

Bruce Hollett, Deputy Minister

Ann Chafe, Commissioner

Mike Smyth, Manager of Accountability and Certification

Wanda Trickett, Departmental Coordinator

Dave Martin, Manager of Finance, Budgeting & General Operations

Also Present

Paul Lane, MHA

Megan Drodge, Researcher, Official Opposition Office

Ivan Morgan, Researcher, Third Party Office

CHAIR (Edmunds): Good morning, everyone, and welcome this morning as we go through the Estimates for the Department of Finance.

There are no substitutions so, to start off, I would first like to ask the Members of the Government Services Committee to introduce themselves and I'll do the same with the Department of Finance staff and we'll carry on from there.

MR. HUTCHINGS: Keith Hutchings, MHA, District of Ferryland.

MS. DRODGE: Megan Drodge, Researcher, Official Opposition Caucus.

MS. MICHAEL: Lorraine Michael, St. John's East – Quidi Vidi.

MR. MORGAN: Ivan Morgan, Researcher, NDP Caucus.

MR. LANE: Paul Lane, MHA, District of Mount Pearl – Southlands.

MR. FINN: John Finn, MHA, Stephenville – Port au Port.

MR. KING: Neil King, MHA, Bonavista.

MS. HALEY: Carol Anne Haley, MHA, Burin – Grand Bank.

MS. PARSLEY: Betty Parsley, MHA, Harbour Main.

CHAIR: Thank you.

I ask the minister if he would introduce his staff department heads.

MR. OSBORNE: Yes, thank you, Mr. Chair.

Tom Osborne, Minister of Finance and President of Treasury Board.

Just to point out for Hansard and I guess anybody who is paying attention this morning, we're doing the Public Service Commission first. I'll ask, starting directly to my left, for the staff of the Public Service Commission to introduce themselves.

MR. HOLLETT: Bruce Hollett, Chair and CEO, Public Service Commission.

MS. CHAFE: Ann Chafe, Commissioner, Public Service Commission.

MR. SMYTH: Mike Smyth, Manager of Appointments and Accountability with the Public Service Commission.

MS. TRICKETT: Wanda Trickett, Departmental Controller.

MR. MARTIN: Dave Martin, Manager of Finance, Budgeting and General Operations.

CHAIR: Okay, thank you.

As the minister pointed out, the first Estimates we'll be doing will be the Public Service Commission.

I'll call for the department heads.

CLERK (Hammond): 1.1.01.

CHAIR: Shall 1.1.01 carry?

Okay, I will now ask the minister for some opening remarks (inaudible).

MR. OSBORNE: Thank you.

I just want to point out, I'm sure most people are familiar with the Public Service Commission but it is an arm's-length agency that supports government's efforts to be accountable and transparent by ensuring that hiring for public service positions and appointments to agencies, boards and commissions are based on merit.

The PSC has a legislative mandate for staffing policy and oversight of the staffing processes to ensure fairness and open opportunity in government hiring appointments and providing a highly qualified, non-partisan public service for the government and for the people of the province.

In addition to its role in staffing and appointments, the PSC administers and chairs the management classification appeal processes, administers the Conflict of Interest Act, provides employee assistance and respectful workplace

programs for public sector employees, administers the ABC application and merit-assessment process and provides support to the Independent Appointments Commission.

The integrity and the impartiality required to properly deliver on this mandate is enhanced by the neutral and independent nature and the reputation of the PSC.

We'll open it to questions now, I guess, from my colleagues opposite.

CHAIR: Okay.

First, we'll go to the Member for Ferryland for 15-minute opening remarks.

MR. HUTCHINGS: Okay.

Thank you, Mr. Chair.

CHAIR: Then the Member for St. John's East – Quidi Vidi. We will come back to the Member for Ferryland and the Member for St. John's East – Quidi, and then we'll open up any of the Government Services Members.

Mr. Hutchings.

MR. HUTCHINGS: Okay, thank you.

Mr. Chair, I'm just going to ask about the Independent Appointments Commission. In 2017-18 there was \$20,000 budgeted for travel costs for the IAC. I'm just wondering what was actually used for that.

MR. HOLLETT: The total cost of the IAC last year was about \$31,900. Their travel costs were only about \$6,000.

MR. HUTCHINGS: Minister, I wonder if you could just update us, so that adds up to about \$37,000 – just to confirm, was that the total cost for the IAC operations?

MR. HOLLETT: The total cost for IAC operations was just \$32,000 – \$31,900 is the number I have. Yes, that would have been the total direct cost of the Independent Appointments Commission.

MR. HUTCHINGS: Okay.

My understanding is the IAC board members, or members, I guess, are just reimbursed for costs. Are there any costs or any per diem paid to members, either through the Public Service Commission or through any other agency of government?

MR. HOLLETT: No, there's not. It's just reimbursement of costs.

MR. HUTCHINGS: Okay, thank you.

In December, the House passed legislation related to expanding the committee by two members, to a maximum of seven. I am just wondering if you can give us an update on that process and filling those positions.

MR. HOLLETT: The positions are posted, so we're waiting for applications to come in now. At which point, we will provide the list of applications to the Independent Appointments Commission themselves.

MR. HUTCHINGS: Okay.

I am just wondering if you can give an update in regard to the processes carried out for Tier 1 and Tier 2 appointments, just an overview on how that's gone, the numbers, those types of things.

MR. HOLLETT: Right now, we've had almost 1,700 people who have applied through the application portal since the process has begun. In terms of the numbers, right now in terms of opportunities that are posted on the website, there are 18 Tier 1's, which would be ones that the Independent Appointments Commissions would provide recommendations for. There are 64 Tier 2 boards up, which are ones that the PSC does the work and the recommendations on. So there are a total of 82 opportunities or boards – there are more than one seat on some of those boards, of course – that are currently posted.

In terms of the appointments that have been made through the process since it began, there have been 130 Tier 1 appointments made; 198 Tier 2 appointments for a total of 328 people appointed throughout the process since it began almost two years ago.

MR. HUTCHINGS: 328, was it?

MR. HOLLETT: 328, yeah. That's the latest number we have.

MR. HUTCHINGS: Okay.

Are you aware of any appointments that have been forwarded to the Executive Council that haven't been part of what you proposed, as part of the Independent Appointments Commission?

MR. HOLLETT: No, all of the appointments that have been made so far, both Tier 1 and Tier 2, have been based on recommendations of the IAC or the PSC.

MR. HUTCHINGS: Okay, thank you.

From an information point of view, in regard to the timelines for Tier 1 and Tier 2, could you give us an idea of what that timeline would be in terms of going through the process and having those appointments made?

MR. HOLLETT: Mr. Hutchings, it really depends on the opportunity. Some of them take longer than others.

MR. HUTCHINGS: Sure.

MR. HOLLETT: I mean, if we're recruiting for an executive opportunity as a Tier 1, that can take up to six or nine months, which would be a standard recruitment process for a CEO job. Some of them go much quicker. Essentially what we do is we keep the opportunities open until we do have enough high-quality candidates to go forward. So it can be as short as three months and sometimes it can take nine months to a year; it really depends.

MR. HUTCHINGS: Okay, thank you.

I want to move on to EAP. In Estimates last year we talked a great deal about this and I think the previous year to that you expressed a high demand for EAP. I'm just wondering – I think I read in the note maybe last year the budget amount was down a little.

Can you just give some comments in regard to that, access to that program, is it increasing, is it not and some thoughts on that?

MR. HOLLETT: The usage of EAP has pretty well levelled out. It was up over the last couple of years, as we talked about last year. In '17-'18 we had about 1,690 people who were using the system, which was about 12.5 per cent of those eligible. That's within the norms for large organizations. We do track that just to see if our numbers are out of line.

We needed to ensure that we had sufficient funding there to cover that because it's an open-ended program in terms of people have a certain entitlement to a certain amount of usage. We need to ensure we had the right funding there.

If you look at our estimate numbers that are there now, we were down slightly from budget for the last year, so usership was not quite as large as we had provided for but it's pretty level right now.

MR. HUTCHINGS: Really, the demand, you would say, is consistent over the last couple of years? Or it's flattened out, I guess.

MR. HOLLETT: Yes, the demand levels have been pretty consistent for the last couple of years; no big increase – well, no increase, or no significant increase but no decrease either.

MR. HUTCHINGS: The wait-list – there is no wait-list I guess in terms of –?

MR. HOLLETT: For EAP services, no, there's no wait-list.

MR. HUTCHINGS: Okay, thank you.

Last year in Estimates, too, we talked about a number of items and one was respectful workplace and some referenced the money is deferred to save money which was needed for the EAP training. One of the things that were deferred was respectful workplace training.

Can you give an update on that, please, and where you are today?

MR. HOLLETT: We provide a respectful workplace – training and respectful workplace interventions, if you will, throughout the public service. We had deferred some training a couple of years ago because we were concerned on our overall budget projections. We slowed that

training down a little bit last year, or we did some of that training last year but not as much as we normally might have.

I'm pretty confident that we're going to be able to do all that training this year. There will be no holdback on – when interventions are necessary in workplaces, we ensure that our people are there and provide whatever mediation services or assistance that is required.

MR. HUTCHINGS: Okay.

Recently government announced a new policy in relation to training. Can you give an update in regard to that, in regard to respectful workplace, harassment, those types of things?

MR. HOLLETT: The new harassment and respectful workplace policy is primarily run through the Human Resource Secretariat. Our folks in the Respectful Workplace Program do a fair amount of the – obviously, they would do the interventions and mediations when those are necessary. There are also some new resources available for folks online through the new Harassment and Discrimination-Free Workplace Policy.

MR. OSBORNE: I can provide a little bit further on that as well, Keith. There's training tomorrow for both sides of the Legislature, as part of that. That was initially scheduled for next week; we bumped it up a week. The training for Executive will start on May 7, and there's an e-learning component to the training for all public servants, and there will also be face-to-face training available as this rolls out as well.

MR. HUTCHINGS: Okay.

If I could ask in regard to JES and existing backlogs or classifications and your involvement in that through the Public Service Commission.

MR. HOLLETT: We don't do the JES appeals at the Public Service Commission. We do the Management Classification Appeals, so those are continuing. We do have about 150 appeals outstanding at this stage that we have to deal with.

MR. HUTCHINGS: That's the Management Classification, right?

MR. HOLLETT: That's the Management Classification, yes.

MR. HUTCHINGS: So how long have they been outstanding?

MR. HOLLETT: Some of those have been outstanding for quite a period of time; there was a large backlog that we inherited a few years ago from the Eastern Health appeals, and we are winding our way through those. We're almost done those, and I'm hopeful that by the end of this year we will be current on our Management Classification Appeals.

MR. OSBORNE: Keith, on that, just recently through HRS we added one additional resource to the JES review to try and speed up that process.

MR. HUTCHINGS: But that's outside of the management class. That's related to the JES, right?

MR. OSBORNE: Yes.

MR. HUTCHINGS: I know it's in another area but, Minister, do you want to comment on JES classifications now or will we wait to ...?

MR. OSBORNE: Yeah, we can wait. We'll do – yeah.

MR. HUTCHINGS: Okay. Fair enough.

In regard to the specific heading 1.1.01, I just have a couple of questions in regard to line items. On the Salaries component of that 1.1.01 we saw a slight increase from the estimated budget last year to what the revised version was. I just wonder if you had an explanation in regard to that.

MR. HOLLETT: The increase last year was due to termination costs when somebody left the organization.

MR. HUTCHINGS: I'm sorry?

MR. HOLLETT: It was termination costs when somebody left the organization. That's why we were above budget last year.

MR. HUTCHINGS: So you say it was a termination cost. Was that voluntary or was it with cause or ...?

MR. HOLLETT: That was part of the management reductions last year, and I believe we talked about that here last year. We got out of investigations, harassment investigations at the Public Service Commission. They were all centralized within HRS, so we had one investigator position that we eliminated last year.

MR. HUTCHINGS: Okay, that was eliminated. It wasn't transferred over was it, no?

MR. HOLLETT: It was eliminated.

MR. HUTCHINGS: Yeah, okay. Thank you.

If we go to Employee Benefits, again, there was a slight increase in that from the estimated to what the actual was for the fiscal year. Just get a comment on that, please?

MR. HOLLETT: That was all workers' compensation costs.

MR. HUTCHINGS: Okay.

That was reimbursement for ...

MR. HOLLETT: Yes.

MR. HUTCHINGS: Yeah, okay. Thank you.

For Professional Services, we talked about before, just that time, about EAP programs. What else would be included in that line item in regard to Professional Services? What would make that up?

MR. HOLLETT: Professional Services is almost entirely EAP costs. There would be a very small provision there for external legal costs, should they be necessary.

We typically don't use that, but we do have a very small provision there. But this is essentially all EAP costs.

MR. HUTCHINGS: Okay.

In regard to external legal costs, what would be an example of that, when it would be used?

MR. HOLLETT: Where the Public Service Commission has to review and deal with staffing complaints, there may be situations that would arise where it would not be appropriate for us to use the Department of Justice to provide legal advice on that. There is a small provision in case we have to do that.

MR. HUTCHINGS: Sure. Okay.

Under Purchased Services, the restated 2017 budget doesn't match what was contained in the 2017 budget documents. \$309,200 was contained in the 2017 documents, but the restated budget we see here is \$29,800. Can you give an explanation on that?

MR. HOLLETT: What happened there was we were paying the rent for our premises at 50 Mundy Pond Road. All rent for external premises now is carried in Transportation and Works, so it was simply transferred to Transportation and Works.

MR. HUTCHINGS: Okay.

It was, I guess, originally with you and transferred during the fiscal year. That change would be reflected in TW's line statements?

MR. HOLLETT: Yes, I believe that's the case.

MR. HUTCHINGS: Okay.

That's good for me, Mr. Chair.

CHAIR: Okay.

MS. MICHAEL: Thank you very much, Chair.

It sounds like my first time speaking this morning.

Minister, I have no questions in the line items. All of my questions have been answered so that's fine. I'd just like to have a little discussion with regard to the hiring. I fully understand the merit principle in recruitment and I understand the need for neutrality. We absolutely need that. We need independence.

But we do have a concern with regard to the layer that we believe should be brought in with regard to gender and diversity issues in hiring. I know of other cases where mechanisms are put in place to have the merit principle as your basis, but then to bring in this other layer in order to ensure diversity in our workplace here in government.

I'm just wondering if that discussion is going on at all inside of the Commission and what thought may be being given to it?

MR. HOLLETT: We really need to divide that into two parts; one being the Public Service hiring, itself, for public service roles, where the merit principle is applied strictly on the basis of skills and competencies. And the most competent persons for the position are the ones who are recommended.

With respect to the appointments to agencies, boards and commissions, we track very closely where people are coming from in the province. We look at geographic, we look at gender, we look at disability and we would look at Aboriginal. We track that to the extent that we can.

We try to ensure that we have a view that for – when you're talking about merit and building boards, it's a diversity of views, as well as skills and competencies that are important to ensure that those boards are reflective of the communities they serve. So we track that very closely.

We do make considerable efforts to promote the opportunities within fairly diverse groups. The Women's Policy Office, for example, takes a very active role in promoting the ABC opportunities to women throughout the province. Then we track very carefully the results to see in terms of are we getting the level of interest that we would like from different groups across the province. We track the number of appointments that are made by those that represent those certain groups in society.

MS. MICHAEL: I'm wondering, do you keep a record? Is there a report or anything in writing to show how you're doing that tracking?

MR. HOLLETT: What we do is we produce regular statistics in terms of the appointments that are made within our database as to what proportion would be female, what proportion would be Aboriginal, what proportions come from different regions of the province. So we produce those statistics internally on a regular basis and we track that.

When we send recommendations, for example, to ministers, we would say that we have the following geographic representation. But, also, we would talk about the proportion of the recommendations that are male and female, for example.

MS. MICHAEL: I know you've mentioned it broader than gender, but does it also deliberately include, for example, disability and LGBTQ?

MR. HOLLETT: We do. We can't require people to disclose that but we do give them the opportunity for that. So some people do self-identify as belonging to certain groups and we do track that, but we do not know, for example that those numbers are fully inclusive. Somebody may be a part of one of those communities but not identify as such.

To the extent that they disclose that to us – and it's a voluntary disclosure – we do track that. We provide that information as we are going through.

MS. MICHAEL: If we were to ask for that information, is it available in a form that could be shared?

MR. HOLLETT: We produce some summary statistics that we would be able to share, yes.

MS. MICHAEL: Okay. Thank you very much.

I think that's all I have for that. That was the one point I wanted to discuss.

CHAIR: Mr. Hutchings.

MR. HUTCHINGS: Yeah, just a final comment related to Ms. Michael, in regard to her last question in regard to a diversity lens. Is that what you're regarding in regard to providing that information in regard to what the public service would look like in regard to diversity?

MR. HOLLETT: What I was talking about, in terms of those statistics, are for the agencies, boards and commission appointments, that piece. Yeah, we do have that if that is your question.

MR. HUTCHINGS: Yeah, just so we have an indication to some of the diversity that Ms. Michael talked about that is quantified in some way. How does our public service look? So you'll provide that information?

MR. HOLLETT: In terms of the public servants – the core public service – those statistics would be maintained by the Human Resource Secretariat.

MR. HUTCHINGS: Okay.

MR. HOLLETT: There are different roles for us and HRS with each.

MR. HUTCHINGS: Fair enough. I appreciate it.

CHAIR: Ms. Michael, is there anything else?

MS. MICHAEL: (Inaudible.)

CHAIR: Okay, any other questions?

Mr. Lane.

MR. LANE: Just a couple of questions.

Thank you, Mr. Chair.

In terms of the tier-one and tier-two appointments, I'm just wondering: How are these positions advertised? I mean is it just simply placed on the website and then it's up to the general public to go in to the Public Service website every week or every other week to see if there are any new opportunities? If we want to open up to the general public as opposed to appointing people, so to speak, and have everybody have an opportunity, how do we advertise it?

MR. HOLLETT: We do a number of things. Yes, we put them on the application portal on the website. People can go and see them there. We're also very active on Twitter. We tweet out opportunities on a regular basis. We partner with

a number of external organizations, like the Institute of Corporate Directors, every week. They put out a weekly digest to their membership; they profile some of the opportunities that we have there.

Then depending on the positions that we are recruiting for, we will make contact with certain interest groups. Like, for example, if we need folks with a legal background, we'll go to the Law Society, we go to the accountants' society and we go to the engineers' society. We do a number of things like that. So we identify who the key stakeholder groups are, we reach out to them and ask them to promote those opportunities for us as well.

We would also, periodically – all roles are significant but for some of the larger, more high-profile roles, we will get Mr. Wells to put out a press release indicating that we're recruiting for a certain opportunity. For some of the positions, a limited number of the positions – again, some of the higher-profile CEO positions – we would use the services of a recruitment agency outside. And then they would promote it through their means and advertising processes to generate a large pool of candidates.

In addition to those things that we do, as I mentioned earlier, the Woman's Policy Office takes a very active role in promoting these opportunities through all of the mechanisms they have at their disposal as well. So we do put a fairly significant amount of effort in to that.

We have gone out, as well, to everybody who's in our database. So everybody who has applied over the last year we have started providing with periodic newsletters and updates in terms of here's what's been happening throughout the process so far and here are some of the new opportunities that are there; please go back, have a look and see if there's anything there that interests you. We do a fair amount of other things other than simply putting them up on the website.

MR. LANE: Mm-hmm.

MR. HOLLETT: We're fairly active to the extent that we can be in trying to promote this.

MR. LANE: So if somebody was interested in applying for different positions, should they come up, is there somebody they could contact to say: Please place my name on this database so that I'll get these periodic emails and updates, and I'll know when positions are coming forward that I might be interested into applying for?

MR. HOLLETT: Yeah, the positions are there on our website. The way the process works, you go in then and you can apply online. That creates your profile when you do that, so we have that there. Once you're in that database, and we have you in our database then, yes –

MR. LANE: You (inaudible).

MR. HOLLETT: – when we do put out periodic updates for folks, they will automatically get it, assuming they've provided us with their email address. It gets a little more complicated if they don't do that.

MR. LANE: Okay.

MR. HOLLETT: People phone us. We will talk to people and talk them through the process if they have some discomfort, for example. Not everybody is completely technically literate or technically able to get online, so we help people with that if they contact us.

MR. LANE: Okay. Thank you.

My last question is – I'm just wondering – there used to be a program at one point in time, I know, called Opening Doors for persons with disabilities to obtain employment within the public service. Does that exist or is there any hybrid of that?

I know there is a disabilities office, I think, through the Department of – not Service NL, but Children, Seniors – AES, is it? I think there's a disability office, but beyond that is there a program like Visions where people could obtain employment within the public service?

Anyone who's gone through the disability office who have come to me – and I've had a few people – they go there, sign up for a program, they give them some résumé writing and a few things like that and say good luck on your job

hunting. But there are no jobs per se within the core public service that people could be connected with.

Even whether it be someone actually going right in to a normal position, or whether it be something like – Visions Employment comes to mind as a group in my district where they have job coaches. So you see someone working at Coleman's or Sobeys or whatever and they actually have another person who's a job coach who's working with them to help guide them through their daily activities. I haven't seen that in the Confederation Building, as an example.

So I'm wondering what is being done, what effort is being made for people with disabilities to actually participate in employment opportunities in the core public service?

MR. HOLLETT: That program and those supports are provided through the Human Resource Secretariat. So that's a question for Human Resource Secretariat, not the Public Service Commission.

MR. LANE: Okay. Thank you. I'm done.

Thank you, Mr. Chair.

CHAIR: Mr. Hutchings.

MR. HUTCHINGS: I just have one further question. The Public Service Commission is responsible for the Conflict of Interest Advisory Committee. I'm just wondering how many reviews were conducted the last fiscal year?

MR. HOLLETT: We did 21.

MR. HUTCHINGS: Okay.

In regard to those reports, are those reports available to the public or are they confidential?

MR. HOLLETT: No, most of those would be confidential, Mr. Hutchings, because it's about a person and a particular issue that a person might have.

MR. HUTCHINGS: For example, does it matter if it's a Crown corporation or within the public service, or if it's in the core public service? In all cases they would be confidential.

Would there ever be a circumstance where they would not?

MR. HOLLETT: In terms of the ones we've dealt with, they would all be very specific to a particular individual and a particular issue that they think they might have or they're wondering about.

MR. HUTCHINGS: Yeah.

MR. HOLLETT: So that advice, I'm not aware of – I mean I can't think off the top of my head of one that would go outside of that norm.

MR. HUTCHINGS: Okay. Thank you.

MR. HOLLETT: We try to respect people's confidentiality in all cases.

MR. HUTCHINGS: Sure.

Okay. Thank you.

CLERK: 1.1.01.

CHAIR: Shall 1.1.01 carry?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, subhead 1.1.01 carried.

CLERK: The total.

CHAIR: Shall the total carry?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, Public Service Commission, total head, carried.

CHAIR: Shall I report the Estimates of the Public Service Commission carried without amendment?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, Estimates of the Public Service Commission carried without amendment.

CHAIR: Okay. Thank you very much.

Now we'll go to the Estimates for the Department of Finance.

Would you like to switch out your –?

MR. OSBORNE: Yeah, we will. Just give us a few moments so we can ...

CHAIR: Okay, take five minutes and switch out the staff.

Recess

CHAIR: Everybody ready?

Okay, we will now do the Estimates on the Department of Finance. I ask the minister to introduce his staff and then give the 15 minutes

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MR. OSBORNE: Perfect, all right, I'll start with my –

CHAIR: – or first, we will call the department head.

CLERK: 1.1.01.

CHAIR: Shall 1.1.01 carry?

MR. OSBORNE: Okay. I'll ask my deputy, Denise, to start the introductions and we can go through with the staff of the Department of Finance.

MS. HANRAHAN: Denise Hanrahan, Deputy Minister.

MS. TRICKETT: Wanda Trickett, Departmental Controller.

MR. MARTIN: Dave Martin, Manager of Finance, Budgeting and General Operations.

MS. JEWER: Michelle Jewer, ADM, Finance.

MS. MILLER: Ann Marie Miller, Comptroller General.

MR. MARTIN: Craig Martin, Assistant Deputy Minister of Finance.

MR. BUDGELL: Marc Budgell, Director of Communications.

MR. OSBORNE: Thank you, Mr. Chair.

As Members would be aware, the Department of Finance provides strategic leadership to all government departments in the development of fiscal, statistical and economic policy. This is primarily achieved by providing timely analysis and advice to departments and agencies, Cabinet and Cabinet committees, such as Treasury Board, for which I serve as president.

I thanked my staff on budget day; they are capable and have put in a great deal of work in preparing the budget, not only at budget time but the work that they provide to government. They oversee the management and control of the province's finances to ensure that the public funds are used appropriately. In some instances, we also provide centralized and corporate shared services to all departments, such as economic and project-specific analysis, statistical services, internal audits, select accounts receivable and collections, and the administration of such things as invoice payment processing and support and maintenance of government's financial management system.

Each year the department is responsible for preparing public accounts, the consolidated budget, the supplementary cash Estimates book, *The Economy* document that is distributed on budget day, the fall fiscal update and the economic review.

There are three main divisions in the Department of Finance: the Financial Planning and Benefits Administration Branch led by ADM Michelle Jewer; the Economic, Fiscal and Statistics Branch led by ADM Craig Martin; the Comptroller General's office led by Comptroller General Ann Marie Miller. All three of these reports to the deputy minister, Denise Hanrahan, and myself. Each of these branches also has sub-functions that feed into them, such as Treasury Board staff and the minister's office staff.

Turning to some of the specific activities in the department, pension reform is ongoing with the

Public Service Pension Plan and the Teachers' Pension Plan and there is an ongoing transition that the department is going through as a result. So you'll notice that the costs associated with the Pensions division are much higher in 2017-18 compared with this year, and that's because of the transition. You'll see that the cost to deliver these services decreased significantly because, again, that has gone external.

One change that you'll notice is if you compare your Estimates binder from this year with your binder from last year is that we've simplified reporting on several functions into one. Appropriations provide for the management of financial and operational activities within the department. The section Departmental Operations was formed by collapsing the former Estimates activities named Administrative Support, Treasury Board and Budgeting Operations, General Insurance and Financial Analysis, Debt Management, Tax Policy, Fiscal Policy, Project Analysis, Economics and Statistics and the Office of the Comptroller General.

This change allows for more appropriate use of resources across functional areas. You may also see a similar change with the Department of Health and Community Services. Last year they did a similar thing. So there's no change to the budget for these functions. There are no increases from '17-'18. Another reason for this change is that it will allow us to move staff temporarily to manage workflow increases in other parts of the department.

I will invite my colleagues opposite to ask questions on the Estimates.

CHAIR: Mr. Hutchings.

MR. HUTCHINGS: Ms. Michael is going to start.

CHAIR: Okay.

MS. MICHAEL: Thank you very much, Keith, for giving me the opportunity to start. Thank you, Mr. Chair, and thank you, Minister. Thank you also for having the binders right upfront ready for us for both the Public Service Commission and the department; that's great.

I'll start with line items; there aren't a lot in the beginning. In 1.1.01, Minister's Office, Professional Services, there was nothing budgeted but there was an expenditure – if we could have an explanation.

MR. OSBORNE: I'm sorry, I couldn't –

MS. MICHAEL: Oh, sorry, I'll speak up.

Under Professional Services, 1.1.01, Minister's Office, there was nothing budgeted but there was an expenditure of \$29,700.

MS. HANRAHAN: That was the cost for the set-up and the maintenance and the closing out of the former minister's blind trust.

MS. MICHAEL: Okay, thank you.

Under 1.2.02 – no, first of all, I'm going to ask 1.2.01. Under Salaries there's been a slight change in the appropriations for Salaries. The budget was \$1,165,900 and that was revised down to \$1,518,100 and then revised down further for this year's budget in the estimate to \$1,139,100. So if we could have an explanation of those changes over the year.

MS. HANRAHAN: There was an employee at a lower step, so that's why you'll see the difference between the \$1,165,900 and the \$1,139,100. The projected revised amount of \$1.5 million included termination costs for the previous deputy minister.

MS. MICHAEL: Okay, thank you.

1.2.02 – and thank you, Minister, for giving us upfront the explanation of the restructuring there. We figured out there was restructuring, so it was good to get the full explanation.

Could we have, with the reorganization, how many now do you have in this division in comparison to how many you had before – how many staff? I'm sorry.

MS. HANRAHAN: There are approximately 250 staff in the Department of Finance. This activity would include everybody except the Minister's Office, which is probably five or six employees; Executive Support, which would have another five or six: three ADMs, the deputy

and the secretaries; Administrative Support; and Pensions, which currently has about less than 10 employees in it. Approximately 220 or 230 of the employees would be now in this activity.

MS. MICHAEL: I want to try to get a handle on this now, Minister. You do talk about how having the structure done this way now allows for individuals maybe to move from one activity to another activity, et cetera. Does that mean there is no breakdown now in terms of the cost for the different activities? You have the Budgeting Operations, General Insurance, Financial Analysis, et cetera. Is there no breakdown now of the costs that go to all of those various activities?

MS. HANRAHAN: Yes, they're all Departmental Operations related. The only thing separated now would be program areas, which is specific to Pensions, which is considered a program, the Financial Assistance votes and, of course, the Minister's Office and the Executive.

The logic was when we look at the operations of the department, a lot of these operations cross over those activities and we found we were doing a lot of work to match up where the costs should be. By consolidating, we'll be able to focus on more efficient use of those resources. If one staff member moves between divisions for three months, this gives more of an opportunity to be able to record that appropriately.

MS. MICHAEL: Right.

That does make sense to me. It's just all the work of the department really, isn't it?

MS. HANRAHAN: Yeah, at the end of the day that's just the way Finance is. Staff would move between Budgeting and Fiscal and we would think nothing of it. From a recording perspective, we were spending a lot of our energy trying to match up, but at the end of the day you really couldn't.

MS. MICHAEL: Right. Thank you very much.

Some line item questions then. Supplies; last year the budget line was \$235,800 and the revision was \$176,100. The budget for this year is up from that, but still lower than last year's budget at \$227,600. Could we just have an

explanation of the Supplies line? What does that entail and why the differentiation?

MS. HANRAHAN: The Supplies would include a variety of office supplies that we incur, including subscription costs, software costs and various types of supplies we would use: paper, those types of things. The costs for '17-'18 are down significantly, mainly due to some lower software costs that related to our statistical group. As well, we had some inventories at the end of last fiscal year that we used in '17-'18. You'll see we need to replenish. That's why the budget is up in '18-'19.

MS. MICHAEL: Okay. Thank you very much.

Professional Services; not a big difference but the revision last year was down \$33,300 from the budget line. This year, the budget is down, lower even than last year's revision. So if we could have an explanation there.

MS. HANRAHAN: The difference from last year's budget to projected revised, the \$33,300 amount, is related to – the actuarial valuations for sick leave are going to be completed in next fiscal instead of current fiscal. That's why you would have seen the variance between the \$319,000 and the \$268,000, between the two years.

MS. MICHAEL: Yes.

MS. HANRAHAN: With respect to projected revised, the savings related to some re-profiling of savings of about \$100,000 for the Tax Review Committee – which was the estimated cost of that committee – as well as some increases for actuarial valuation allocations from the previous year.

MS. MICHAEL: Okay. Thank you.

Under Purchased Services, again, the budget was \$971,900, but the revision was down by \$89,200. This year, the budget, I think, was \$65,000 above last year's budget. So if we could have an idea of what are the services that are purchased and why the variations?

MS. HANRAHAN: The savings of \$89,000 is primarily attributable to reduced federal admin costs as they relate to our income tax processing,

less than we anticipated; the new banking agreement, as well; and no requirement to order any cheque stock as we had existing stock from the prior year.

The increase related to that \$100,000 amount I mentioned a moment ago for the Tax Review Committee requirement from Professional Services into Purchased Services. It's partially offset by some other small savings that we would have realized in zero-based budgeting.

MS. MICHAEL: Okay. Thank you very much.

Under Revenue - Provincial, the revenue last year is noted as – the Budget – \$10,762,000. The revision is slightly down from that, but we have this major drop of \$10 million. So if we could have an explanation of what that revenue line is all about, please.

MS. HANRAHAN: The \$10 million figure related to the indirect tax review we did to capture HST that had not been recorded. We were able to claim a refund related to that. So if you look at the budget last year of \$10.76 million versus the actual of \$10.5 million, we realized a little bit less than what we had anticipated to receive as part of that indirect tax recovery, the difference of about \$229,000.

The original budget now in '18-'19 of \$536,800 is the removal of that one-time indirect tax revenue, and leaves us with the remaining revenue that we would realize through projects that we're doing through our statistical branch.

MS. MICHAEL: And do you consider the work that was done around that successful?

MS. HANRAHAN: Absolutely.

MS. MICHAEL: Okay, can you elaborate a little bit?

MS. HANRAHAN: The indirect tax review was something that many jurisdictions in the last few years have done basically – and I believe we spoke about it last year in Estimates Committee as well – where HST on invoices was not necessarily recorded; therefore, we could not claim input tax credits.

Over the span of – I think we went back as far as 2008; the amount of work that was done resulted in us realizing almost an additional \$23 million in revenue related to these HST reviews, over a variety of activities, the majority of them being connected to different programs where we would have had HST embedded.

The cost to realize that additional \$23 million was just a little bit over \$3 million. So from a cost-recovery perspective we certainly made more than we spent.

MS. MICHAEL: (Inaudible.)

Thank you very much for that explanation. It's helpful.

1.3.01, Government Personnel Costs. As it says: Appropriations which provide for the payment of government's share of employee benefits for employees in government departments and retired public employees.

The salary line – we need an explanation on this – so the budget for last year was \$5,830,600 but the revision was down to \$11,200 and now this year back up. So something may be – well, you can explain what's about.

MS. HANRAHAN: The funds in this budget, if they're transferred to another department, you'll find the expense will show up in that department and will show zero. I think you would've seen it in Financial Assistance as well. Looks like the funds weren't moved.

But there was actually funding moved from this account to other government departments to use it for this year, and that's why you'll see a very small amount spent in Finance. It was spent elsewhere.

MS. MICHAEL: Right, okay. Thank you very much.

This year it seems there's an expectation that the employee benefits are going up, not absolutely significantly but by about \$5 million I think. Could we have an explanation of that?

MS. HANRAHAN: The incremental increase is directly related to the various deductions that we have to make, specifically increases in EI or

CPP contributions, as well as increases related to our group insurance program year over year.

MS. MICHAEL: Okay. This would be a normal annual increase?

MS. HANRAHAN: Yes.

MS. MICHAEL: Okay. Thank you very much.

2.1.01, Pensions Administration: The first line would be the Salaries line and there's a large change here – \$1,660,400 budgeted last year, \$1,358,100 the revision, but this year down to \$492,900.

If we could have that explanation, please.

MS. HANRAHAN: We are currently going through transitioning with the Public Service Pension Plan and the Teachers' Pension Plan.

MS. MICHAEL: Yes.

MS. HANRAHAN: As a result of that, staff have moved to those two entities. So in the past fiscal year, '17-'18, you would see some of the termination costs we would've had to pay out as those employees left the public service. And now, in '18-'19, the \$492,900 figure is more indicative of the staff that are remaining for the remaining plans. As we work through this fiscal transition should be much more closer to being completed and we'll know better as we go into the next year's budget.

MS. MICHAEL: Okay, so they've left and they're working with the bodies that were set up for –?

MS. HANRAHAN: They've worked with either Provident¹⁰ or the teachers' corp.

MS. MICHAEL: Okay, thank you very much.

I think my time is up.

CHAIR: Mr. Hutchings.

MR. HUTCHINGS: Thank you, Mr. Chair.

Just a general question, Minister, in regard to – and I'm not sure if your official may have referenced it – the Independent Tax Review

Committee. Can you just give a status? And I think you may have mentioned some reference in regard to funds that have been allocated.

MR. OSBORNE: While Denise is looking for that I can say that the report from the committee should be September – hopefully; that’s the target date of this year. It’s about \$100,000 I believe, Craig –

OFFICIAL: (Inaudible.)

MR. OSBORNE: Mr. Chair, \$100,000 is what we’ve budgeted and allocated for the Tax Review Committee. So once their work is complete, you won’t see that expenditure. Well, we don’t anticipate you’ll see that expenditure in next year’s Estimates.

MR. HUTCHINGS: Okay, so the report will be presented or concluded in September. The amount allocated will be finished and then I guess it’s where you would go from there in regard to what you received in the tax review.

MR. OSBORNE: Yes.

MR. HUTCHINGS: Okay, thank you.

MR. OSBORNE: I don’t know if Denise has anything to add to that.

MS. HANRAHAN: The amount I mentioned had to do with a classification change between Professional Services and Purchased Services. That’s why you’ll see it in both answers.

MR. HUTCHINGS: Okay, thank you.

Last year in Estimates, just a general question, the minister at the time indicated that in Finance there was a per-head budget for general office supplies. Is that still a standard practice in Finance?

MS. HANRAHAN: We did work through our zero-based budget and in the Departmental Operations amount when we combined it, there were some variances across the department depending on what staff worked on. For example, staff working in Budgeting would use way more paper than staff that were working in Pensions. So I don’t have a specific per-head

amount that we used this year because it is slightly different across the department.

MR. HUTCHINGS: Okay, thank you.

Just a general question, Minister, in regard to budget day and I’ve asked the Minister of Natural Resources in Estimates in regard to this as well, in regard to Nalcor – and we’ve had discussions before about ABCs and requests that you have made during the year and comments you made in regard to responsibility of ABCs to look at their efficiencies and how they would reduce cost. I guess as part of that Nalcor, leading up to budget, I assume, was asked to look at that. They cut \$20 million from their exploration budget.

On budget day, I understand an OC went through that indicated the \$20 million would be transferred back to Nalcor to cover what they have cut. Did Nalcor make any reduction in costs? Because it seems like that was an in and out, they reduced their explorations costs \$20 million, an OC was issued and that was transferred back to them. So just give me some insight into that.

MS. HANRAHAN: There was \$10 million in operational savings that was a target for Nalcor for ’18-’19. We actually would’ve increased the net income that was being recorded from them to record that \$10 million. There was also a \$10 million change in the equity allocation, which you would’ve seen in the Natural Resources estimates amount. That was reduced by \$10 million off their equity, for a net cash savings of \$20 million; \$10 million of which would’ve impacted deficit.

With respect to the OC, there are no funds allocated here related to that.

MR. HUTCHINGS: So no funds allocated – how is Nalcor expected to make up the \$20 million? Where is that expected to come from, for their exploration program?

MR. OSBORNE: It’s \$10 million in savings.

MR. HUTCHINGS: Pardon me?

MR. OSBORNE: Ten million in savings.

MR. HUTCHINGS: Okay, but I guess my question is Nalcor had an exploration program that was, I think, \$28 million last year. This year, they've indicated that they would use \$8 million to examine the seismic work that was done in prior years. So there would be an examination of that data, but there would be no more exploration. That was what the CEO and I guess the board of directors, we were told – they wouldn't put new money into the seismic program that's been quite successful, obviously, in the province and the return on it. So there's \$20 million reduction made by the board over there in regard to that program.

An OC was issued – I think it was on budget day – saying that there would be a transfer of \$20 million back to Nalcor, and I assume it was for that purpose. Again I ask: Is that \$20 million going to be transferred as the OC indicates, or is that money expected to come within Nalcor somewhere else?

MS. HANRAHAN: My understanding is they would be expected to review their budget and find savings to apply towards that program.

MR. HUTCHINGS: Okay, thank you.

If I could go to 1.1.01, some line items. I think Ms. Michael covered a couple of things there.

If I just go to 1.2.01, Executive Support and the Salaries component. I think you spoke to that in regard to the original Estimate and the actual that came in. Could you just review that again in terms of what that amount was?

MS. HANRAHAN: The difference between – you're talking the \$1,165,900 and the \$1.5 million?

MR. HUTCHINGS: Yes, please.

MS. HANRAHAN: That related to the former deputy minister who retired.

MR. HUTCHINGS: Right.

MS. HANRAHAN: The cost related to that. Actually, I didn't mention it but there was also a communications director as well – there was a small amount attributed to that – who resigned from government.

MR. HUTCHINGS: Okay, so the severance and –

MS. HANRAHAN: Those costs would be reported –

MR. HUTCHINGS: – amounts owing was \$352,000 for those two positions?

MS. HANRAHAN: I think that's the primary variance. The majority of it was related to that.

MR. HUTCHINGS: Okay. Thank you.

Just a general question, Minister; your predecessor spoke before in Estimates in regard to the use of consultants and an attempt to reduce the amount of consultants that are used within government. As Finance, she was leading that in regard to reduction.

Can you give me insight into if there's been a reduction in consultant costs for government in the last fiscal year?

MS. HANRAHAN: I don't have the information in front of me specific to other departments, but all consultant contracts have been reviewed. They tend to go through Treasury Board with respect to whether they're needed or not, or whether internal staff can do the work.

MR. HUTCHINGS: Okay.

Is there a list we can get or a comparative analysis, from year to year, of what's being used and if it's gone up, if it's gone down? It has been a statement that's been made by the previous minister in regard to a policy shift or a change that government was pursuing.

MS. HANRAHAN: The challenge with consultants, of course, is how they're recorded in the financial system. So they would probably be in Professional Services, but there could be a variety of things in there for that. I'm not sure if the transaction report would give us what we need.

MS. MILLER: We could run a report out of the financial system for Professional Services and do a comparison. Is there a particular time frame

that you were interested in seeing that has the variation?

MR. HUTCHINGS: Yeah, respectfully, I'm just trying to validate. The current administration and the prior minister had indicated that's an initiative or direction that was going to be taken. Respectfully, I'm just looking to quantify that statement that was made that we're going to work on this, and I'm looking to see what the result of that has been.

MS. HANRAHAN: Some of that would have been savings that would have been also taken during zero-based budgeting. Allocations would have been made, let's say, for consultants and the budgets would have actually been reduced. But if there was any value to it, we certainly can run a transaction report.

MR. HUTCHINGS: Sure, anything you can make available.

MS. HANRAHAN: Probably over several fiscal years, I would think, to really show the change.

MR. HUTCHINGS: Great. Thank you.

1.2.02; Ms. Michael has covered some of this as well. This deals with – I think it's approximately nine subheadings which appeared in 2017 have now been rolled into overall departmental operations.

If we go to Salaries, we can see the original Estimate and what the revision was, was significant. So could we just have another response in regard to that? What that change was?

MS. HANRAHAN: The increased cost from '17-'18 original budget to projected revised – the variance is approximately \$1.1 million. It relates to the termination costs that were paid to management employees impacted by management structure changes and other retirement costs at that point in time.

You'll see for Budget '18-'19 there's a small savings, as we did the zero-based salary budget, to realize that was the amount of money we needed in '18-'19.

MR. HUTCHINGS: Okay, so the increase would have been payout for –

MS. HANRAHAN: Termination costs.

MR. HUTCHINGS: How many employees would that have been?

MS. HANRAHAN: We did 29 positions, if I recall correctly. But I'm not positive right now if they were all filled at the time.

MR. HUTCHINGS: Okay, so it could have been positions that were vacant but –

MS. HANRAHAN: They could have been vacant.

MR. HUTCHINGS: Did you remove the position or was it just the person?

MS. HANRAHAN: Oh, we would have removed the positions.

MR. HUTCHINGS: So the positions removed: 29.

MS. HANRAHAN: Were removed, yeah.

MR. HUTCHINGS: Okay.

That would have been the payout for the last fiscal year for those 29 positions.

MS. HANRAHAN: That would have been any termination costs that were probably lump sum. If employees were on salary continuance, you would not necessarily have seen it if it flows into this year, and would have come from the severance pot that exists under Consolidated Fund Services that can be used to replenish costs.

MR. HUTCHINGS: Okay, so salary continuance would have been – just explain that to me, what that would have been.

MS. HANRAHAN: So employees can choose to either take a lump sum amount for what they're entitled to, or can choose to have it paid out over so many pay periods.

MR. HUTCHINGS: Sure.

MS. HANRAHAN: So depending on how (inaudible).

MR. HUTCHINGS: Any idea how many would have taken the salary continuance, out of those 29?

MS. HANRAHAN: We can get that information for you, if that helps.

MR. HUTCHINGS: Okay, great.

Thank you.

MS. HANRAHAN: I'm going to see if the 29 is right.

CHAIR: I recognize, Ms. Michael.

MS. MICHAEL: Thank you, Mr. Chair.

I'm going to take up from where I ended off since that is still open: 2.1.01, Pensions Administration. Because of the explanation you gave before, it might be a similar answer to my questioning of the Professional Services line and maybe not. Last year, the Professional Services line was \$381,800, Revised down to \$87,500 and back up this year to \$179,800.

MS. HANRAHAN: Yes, all of that is related to specific costs as they work through pension reform. The plans that are remaining would still require various professional services, such as actuarial services and those types of things. That's why the budget is less than it was last year but still more than the actual.

MS. MICHAEL: Great. Thank you very much.

Down to the Revenue - Provincial line, a big variance here. I'm assuming that must be related also, but maybe not, so if we could have that. It is \$2.3 million budgeted, \$1.5 million revision and then this year \$744,800.

MS. HANRAHAN: The variance in 2017-18 directly relates to pension reform and the costs that would have been recovered from all of the pension funds for various percentages of the work. The amount in '18-'19 would be – the majority of it – the Pooled Pension Fund for the remaining three funds. That's why it's significantly less and, approximately, probably a

quarter related to the other funds, because most of them were gone by July of –

MS. MICHAEL: Right.

MS. HANRAHAN: No, that would have been last year, too. That will all be the Pooled Pension Fund in '18-'19.

MS. MICHAEL: Okay.

Could you remind me of the three funds that are left?

MS. HANRAHAN: So there would be the MHA pension fund.

MS. MICHAEL: Yes.

MS. HANRAHAN: The Provincial Court Judges' Pension fund and Uniformed Serviced Pension fund.

MS. MICHAEL: Okay, thank you very much.

Down to 2.1.02, Financial Assistance is "Appropriations provide for promoting business opportunities and financial support for departments and Crown agencies for initiatives consistent with government's objectives with relevant funding transferred to departments during the year as required."

Last year there was no money expended, though there was a budget of \$11.3 million, and this year there is money allotted, \$10.8 million, approximately. Are there expectations about that money, of how that money may be requested?

MS. HANRAHAN: There was no money expended in the Department of Finance in '17-'18, hence the zero; however, there were funds transferred to departments that you would see show up in there – expenditures specifically relating to government's objectives or various opportunities that would've been used, and it's slightly less anticipated in '18-'19.

MS. MICHAEL: Okay. So nothing shows up because there was no activity within Finance itself.

MS. HANRAHAN: Within Finance – you would see it as increases in other government

departments, depending on where the money was allocated to or transferred to.

MS. MICHAEL: Right.

Would we be able to get a list of the departments to which the money went? How much went – and I'm presuming it was \$11.3 million went. Sorry, hard to tell.

MS. HANRAHAN: I don't think so.

MS. MICHAEL: Okay.

MS. HANRAHAN: I know a little bit more than about \$6 million related to collective agreements and actuarial. So we can certainly get you that list.

MS. MICHAEL: Okay, thank you very much.

Yes, the list of where it went and the purpose.

MS. HANRAHAN: Right.

MS. MICHAEL: Right.

Thank you so much.

MS. HANRAHAN: Yes.

MS. MICHAEL: Okay.

2.1 – I've done that, haven't I? Yes, okay. It's too early in the morning, folks, on Monday.

2.1.03, Financial Assistance. That's the last page of Finance, 2.1.03, Financial Assistance. Again, could we have an explanation of how this works?

It's probably similar to what you've just explained for the last one. I'm not sure. You have Loans, Advances and Investments. You have a line where obviously, again, this money must be going outside of the Department of Finance. Well, it's Loans, Advances and Investments, so, obviously, it does.

Can we get a breakdown of how all of this works out? Because last year – under Revenue, for example, it's \$4.28 million budgeted and last year \$3.9 million was the revision – I presume went out of the department – and this year it's at

\$3.9 million again. So just an explanation of the Revenue - Provincial.

MS. HANRAHAN: The amount voted in '17-'18 of \$8.1 million was related to loan funding for Corner Brook Pulp and Paper. They did not request any funding in '17-'18, hence the zero; however, the funding moved to '18-'19 in order to fulfill the \$110 million loan amount. That's the balance owing.

With respect to the Revenue, the estimated loan interest revenue is slightly less in '17-'18 than was originally budgeted. The reduction in that amount in '18-'19 relates to a change in the borrowing rate that we use. It was previously estimated at 4 per cent and it's now based on 3.7 per cent. So that's why the value was slightly less in '18-'19.

MS. MICHAEL: Is Corner Brook Pulp and Paper paying this money back regularly, or is it – right now it's a loan but no payments made back yet?

MS. HANRAHAN: Yeah. I would have to look at the terms of the loan. I don't have that in front of me right now, on how the disbursements and the repayment is worked. I know, with respect to the interest on the loan, that's recorded as paid.

MS. MICHAEL: Right. So if we could have that information that would be great. The information you're able to give us.

I'm just looking – yes, I have a general question related to asset management. I had asked the Department of Transportation and Works some questions with regard to asset management, the sale of government assets, et cetera. We were advised to ask officials of your department, Minister, about that, how that's managed. Apparently it's not under Department of Transportation and Works where that actually gets recorded, according to them.

MR. OSBORNE: Thank you.

I know last week with the release of *The Way Forward 3*, the Premier had asked ministers in all departments to look for opportunities, challenged ministers to come forward with ideas on asset management, whether the assets can be utilized better within government, provide

greater revenue to government, or whether or not certain assets should be disposed of. So I know there was a commitment to look at assets during this mandate, and that challenge was put out to all ministers now to look at assets and determine the best use of assets.

MS. MICHAEL: Minister, if there are assets that are actually sold, if there are properties that are actually sold, does that get recorded under the Department of Finance? Where is a record kept of that?

MS. HANRAHAN: The revenue, in all probability, will be recorded as current account revenue. I'll check with Ann Marie, because it wouldn't be directly related to any department. It would come in as part of that general revenue.

MS. MICHAEL: So it would just go into the general revenue.

MS. HANRAHAN: The general revenue.

MS. MICHAEL: Okay.

Is there an account – it wouldn't be by you – but is there an account kept of general revenue and the monies that go into general revenue?

MS. HANRAHAN: It would have been a schedule in the Estimates book, it would show it by type –

MS. MICHAEL: Oh, right. Yes, of course.

MS. HANRAHAN: – if it's taxes or various other (inaudible).

MS. MICHAEL: Right. Yes, of course.

Okay. Thank you very much.

I think I've asked all the rest of my questions. Just another thing that we did bring up with one of the other departments, and they suggested asking your department. I'm wondering if any analysis has been done on the impact of the upcoming carbon tax on the economy. I also know there's nothing definitive decided yet, but are you involved in looking at this whole issue in your department, Minister?

MR. OSBORNE: Our department has been engaged. I know the Municipal Affairs and Environment are still working with the federal government to finalize how the carbon plan is going to roll out for this province. While those discussions are ongoing our department has been apprised and involved, I guess, with Municipal Affairs and Environment, but I'm not sure if everything has been finalized yet with the federal government.

MS. MICHAEL: Okay.

CHAIR: Thank you.

Mr. Hutchings.

MR. HUTCHINGS: Thank you, Mr. Chair.

Just to follow up on a question of Ms. Michael there with regard to the carbon tax. Minister, as we know, the federal government has legislated that there's either a made in Newfoundland tax, or it will be mandated. The initial year is 2019. It starts out at \$10 a ton, I think it is, and it proceeds then over to get to \$50 a ton. So we have Holyrood Generating Station, that's not under the bill that was brought in last year in regard to the five on-land operating facilities in Newfoundland and Labrador which they're monitoring. The intent was for that facility maybe to be closed, but the reality is in 2019 it's going to continue to operate. It's going to have greenhouse gas emissions and it would be charged the relevant \$10 a ton for emissions.

Have you made any allocation in your budget as this would involve this budget for the next fiscal year on the payment of that carbon tax or who would pay it? Can you give me some thoughts on that?

MR. OSBORNE: I'll ask Craig to elaborate a little further but I know the department – again, not everything has been finalized with the federal government, but I know the Department of Municipal Affairs and Environment, it's my understanding, that they've been working with the federal government to try to get some exemptions for Holyrood. Craig, if you wanted to elaborate.

MR. MARTIN: I can give a little bit of background on it, but Municipal Affairs is the

lead with respect to that particular part of the file.

They are looking at the Holyrood piece there. They are looking at specifically whether or not there are some exemptions in place and some credits that can be done there. As also another consideration, when Holyrood comes online whether it would be exempted for a short period of time or covered under the *Management of Greenhouse Gas Act* in terms of the large emitters.

All those pieces are still in discussion at this point.

MR. HUTCHINGS: Okay.

Just to be clear, there's nothing allocated in the budget, though, for possible coverage of costs related to that in this fiscal year?

Okay, thank you.

If I could go back to 1.2.02, Professional Services, under that line item, I think you mentioned or your official mentioned, Minister, that this is broke out over various departments. Could you just give me what projects this would be set aside for in terms of professional services?

MS. HANRAHAN: The professional services, I don't have a definitive list in front of me, but it would include things such as specifically actuarial valuation costs, what we would use for public accounts and for budget. It would also look at any specific professional services we would need in our statistical branch, in our economics branch. I think that would be the lion's share of the million dollars.

MR. HUTCHINGS: Okay, thank you.

I know Ms. Michael talked about the indirect tax review that was done and we had discussion about it last year in Estimates. Under 1.2.02, Revenue, you explained the fact that it was successful in regard to going back and looking at the prior year. I think it was Deloitte that was engaged in regard to being the service provider. So I think we discussed last year that it was on a return basis in what they were paid in terms of how successful they were.

So what percentage did they receive and what's been paid out to Deloitte in regard to the work they've done, and as part of that is that work now concluded?

MS. HANRAHAN: From our perspective, the work with core government is completed and recorded here in this activity.

MR. HUTCHINGS: Okay.

MS. HANRAHAN: The rate – there were three phases that they worked through on a cost-recovery basis. On the first two phases they were given 16 per cent of what they found, and that was renegotiated in the third phase and reduced to 12 per cent as their recovery. We realized over that span of time just a little bit shy of \$23 million in revenue and costs related that were paid to them of \$3.2 million.

MR. HUTCHINGS: Okay.

MS. HANRAHAN: So it was a combined percentage there I think of 14.2 per cent would've been the effective return they would've realized.

MR. HUTCHINGS: Okay, so \$26.2 million was recovered in total I guess?

MS. HANRAHAN: \$22.97 million was recovered and the cost was \$3.27 million.

MR. HUTCHINGS: Okay.

So you mentioned that was, I think, the core public service. So is there an attempt to do an analysis outside in ABCs or is there a potential for that as well?

MS. HANRAHAN: I think Newfoundland Housing was in this group as well. But yeah, there was information shared with ABCs last year and they would be working through now their various processes in order to go through and realize if there's any indirect tax. Most of the systems then were modified to be sure we didn't miss the tax again.

MR. HUTCHINGS: Okay, perfect. Thank you very much.

I think Ms. Michael may have touched on this as well. Last year as well we talked about areas for government to save money, and one of the areas was Vehicle Fleet Management Policy and I know in my Estimates with Natural Resources the minister referenced that as well, and also saving monies through insurance.

What's the result of that initiative overall in terms of fleet management policy and savings in that particular area?

MS. HANRAHAN: In budget 2018-19 the costs that were budgeted related to vehicle fleet would have all been consolidated under Department of Transportation and Works. I don't believe there was a target assigned specifically to that amount. They have to go through now and introduce that program that realizes savings, as they do that through the centralization of the service. And we would anticipate savings from maintenance of vehicles, replacement of vehicles, as well as the insurance related to the vehicle fleet.

MR. HUTCHINGS: I think there was some inter transfer of vehicles from one department to another that was talked about?

MS. HANRAHAN: There was. Department of Finance, for example, would have had costs related to vehicles we use for tax auditing. We would have moved those vehicles and the related maintenance and gas costs over to Transportation and Works in order for them to have it consolidated.

MR. HUTCHINGS: Okay, thank you.

CHAIR: Mr. Osborne.

MR. OSBORNE: Just to elaborate further on that, the ambition is similar to the reduction in leased space by government. The hope is by consolidating vehicles under one department – there are some vehicles that are used in winter months and not in summer months in some departments; in other departments, there are vehicles that are used in summer months and not in winter months. By consolidating vehicles under one department we are hoping to see a reduction in the number of vehicles, over time, within government by 10 per cent.

MR. HUTCHINGS: Ten per cent? Okay, thank you.

Last year we also talked about the P-Card program that government was piloting at the time. Can you just give me an update on that? I know there were some pilots done. Has it been expanded throughout government and any identified savings to date because of that new initiative?

MS. HANRAHAN: The P-Card program has been utilized throughout government and we are continuing to increase the usage of the card. There are savings related to the usage of the card with respect to the amounts that we get from the card provider. As we work through that I'll ask Ann Marie if there's anything more specific we can say about P-Card.

MS. MILLER: Yes, right now there has been a direction on trying to get to a mandatory use of it for less than \$2,500 purchase orders. We are seeing some efficiencies in Corporate Services with respect to invoice processing that we wouldn't – we would normally have a lot higher volume of invoices, but with the P-Card it has decreased the volume of invoices that are processed at Corporate Services. And the more we move to mandatory, the more efficiencies we feel we'll achieve through that process.

MR. HUTCHINGS: In terms of the mandatory provision, when do we get to that point? Is there a time that it would be mandatory?

MS. MILLER: I think it's anticipated this fiscal year.

MR. HUTCHINGS: Okay.

MS. MILLER: Yes.

MR. HUTCHINGS: Okay.

Thank you.

CHAIR: Okay. I'll open it up for any other questions.

Mr. Lane.

MR. LANE: Thank you, and I do thank my colleagues for some leave to ask a couple of questions.

The first question, you referenced earlier – I'm not sure of the actual – there was \$29,700. You said it was a blind trust – cost to set up a blind trust for the former minister of Finance.

Given the fact that the minister would have been appointed, I guess in 2015, was it just a delay getting the cost? Was there like a year in between? It took that long to do it and the cost got allocated, or is this \$29,700 plus additional money in the future year, or in the past year?

MS. HANRAHAN: From what we understand, it was the total cost of the invoices that were presented at that time which would have related back that far.

MR. LANE: Okay.

If there were other ministers that had blind trusts and so on, that would be allocated to their department or would you have that information?

MS. HANRAHAN: It would be allocated to their minister's offices specifically. It usually takes some time to be created and then to get through the system, I guess.

MR. LANE: The policy on the blind trust, is that just a government policy or is that legislated? Do you know, Minister, how that works? To have the taxpayer pay for the setting up, I mean.

MR. OSBORNE: The blind trust rules are administered through the Office of the Chief Electoral Office and Commissioner for Members' Interests. I believe it is a policy, and has been for quite a number of years, that the cost associated with putting a member's interest into a blind trust would be covered by government.

MR. LANE: Okay. Thank you.

Minister, I'm just wondering, your thoughts on – I feel that Estimates is a very good process for core government departments. One of the concerns I have is we don't have any similar processes, that I'm aware of. I know we have the

House of Assembly Management Commission, but, in general, we don't have a process that would apply, say, to the Newfoundland Liquor Corporation. I just use that as an example, where – because that's still taxpayers' money. And why there would not be a similar process where their budget would be up for scrutiny and members could ask questions and so on. I'm sure there are other agencies that we could apply the same thing.

Do you have any thoughts on having a process? It may not be exactly part of our budget, but a similar process that we could utilize for understanding the expenses and the cost associated with running these other agencies and ensure that they are also held accountable.

MR. OSBORNE: Yeah, that hasn't been done before but it is a good suggestion and would provide for greater accountability, there's no question. It's something that I'm certainly prepared to consider.

MR. LANE: Yeah, okay.

Thank you.

Minister, my final question relates to the overall finances of the province. I guess I'm wondering – we all know the situation we're in, in terms of the level of debt we're carrying. We realize the issues on the horizon with Muskrat Falls. If we're going to try to mitigate rates, I can't see how we're going to do it to an acceptable level without, potentially, having to take money out of government coffers to subsidize to some degree – unless there are other plans we're not aware of.

It's not that long ago you indicated we were at a stage, I think in 2015, where we couldn't make payroll, or potentially couldn't make payroll. So given that, given the escalating debt that's racking up \$2.3 million a day, I understand it to be – according to yourself and your colleagues – what is the plan to tackle the expense side of the equation?

We've seen on the revenue side through taxation, we know how that hasn't gone over well but whether we had to do it or not, I guess, is another debate. On the revenue side, that's fine to say we're going to diversify the

economy, that's obviously important, but there's no magic bullet to do that. You can't just wave a magic wand and we're diversified and all of the sudden everybody's working. We realize that. It takes time.

So it would seem to me – unless we're going to continue to borrow, then we're going to continue to have a debt that's going to grow and it's going to be a problem. I'm wondering what plans or strategies, or what your thoughts are on trying to be a little more aggressive on reducing the expense side of the equation. A big question, I know, but just wondering your thoughts.

MR. OSBORNE: Absolutely. We've seen a reduction year over year in the deficit that government is carrying from \$2.7 billion in late 2015, early 2016, now to roughly \$800 million, and by the end of this year it'll be down to less than \$700 million deficit. It's still unsustainable, and we understand that.

Through zero-based budgeting and flatter, leaner we've realized savings within government. Spending has remained relatively steady despite the increases in Consumer Price Index and the burden of carrying debt by the province. So you're right, it's not something where you can pull a lever and do something quickly. This is progress that's going to be made slowly and steadily, and we're moving in the right direction on that progress.

I'm always open to any Member; my office door is open. We've tried to deliver services that are important to the people of the province without having an adverse effect on the delivery of those services; yet, finding savings.

I'm open to private conversations with any Member of the House of Assembly that can identify areas where we can achieve savings without adversely affecting the delivery of services that are important to the people.

MR. LANE: Thank you, Minister.

I do appreciate your answer. I think we all realize there's no, like I said, magic pill. It's not going to be easy. We are in a tough situation.

It's good when we look at things like fleet reduction and all this kind of stuff, but these are

very small things in the big picture. My concern is how we go from one day we can't make payroll and continuing on. Our debt continues to grow and grow and grow daily.

If we couldn't make payroll a year-and-a-half ago – the debt has only gotten larger, not smaller – I just wonder and question how we're in a position to continue to make payroll now if we weren't back then?

MR. OSBORNE: Well, we're not at risk of that today, I can tell you that.

MR. LANE: Okay.

That's all the questions I had, Mr. Chair.

Thank you.

CHAIR: Okay.

Ms. Michael.

MS. MICHAEL: Thank you.

I just want to check with Keith to see – I'm going to move into Consolidated Fund Services and if he wanted to ask a few more things prior to that I would be happy for him to do that. It would make it easier I think for the minister and his staff.

MR. HUTCHINGS: Thank you.

If I could, 1.3.01, Government Personnel Costs, I think we talked about transfers earlier in regard to salary provision. For 2017-2018 budget, under Employee Benefits, what was transferred out to other departments, money spent but not showing on this line – can you explain to me how that worked in terms of transferring out?

MS. HANRAHAN: The transfer outs would have related to the Salaries line. The Employee Benefits line would have been directly related to the various payments needed for CPP, EI and to group health, group life and HAPSET tax costs. They would have been paid by Finance.

MR. HUTCHINGS: Okay, so they would have been the –?

MS. HANRAHAN: So that's the \$68 million amount?

MR. HUTCHINGS: Yeah.

MS. HANRAHAN: Okay.

MR. HUTCHINGS: And the Salaries are basically for the salary provision only, right?

MS. HANRAHAN: Yeah. Those Salaries would have been – there was \$11,200 realized in the Department of Finance; however, there would have been amounts that would have been allocated to other departments based on if they had a particular need that we could have used the funding here to pay for directly related to salary costs.

MR. HUTCHINGS: Okay.

MS. HANRAHAN: So for example, the Transportation and Works depot settlement, so Finance would have utilized this pot to transfer the money to Transportation and Works.

MR. HUTCHINGS: And that's settled now, right – the depot issue?

MS. HANRAHAN: I believe that's completed in this fiscal – it will be finished this fiscal.

MR. HUTCHINGS: Okay.

When we look at projections for the current fiscal year, would that include a component for current contract negotiations and any new payouts in settlements in regard to outstanding collective agreements?

MS. HANRAHAN: The current amount would have some more money related to that Transportation and Works depots, so the rest of the depot settlement would come out of that \$5.8 million. As well, I think there could be the need for funds related to the RCMP collective agreement and then the rest would be for various other collective agreements, anything that was related to those if they occur during the year.

MR. HUTCHINGS: Okay.

This is not where we would look at – the minister had talked before about severance and

about what may be paid out. There was some monies budgeted this year and next for severance payouts. Where would that show up here?

MS. HANRAHAN: Consolidated Fund Services is where that severance pot is.

MR. HUTCHINGS: That is all of that, okay.

Moving to 2.1.01, I'm not sure if we covered this, but I'll ask again. The 2017 restated budget here is \$1,660,400, which does not match what was listed in 2017. It was \$1.750 million. Can we just get an explanation on that one?

MS. HANRAHAN: The difference relates to a restatement for two staff who are now under Human Resource Secretariat, and that's the change in Salaries. So it's reflected in all three columns for comparability reasons.

MR. HUTCHINGS: That would have been done during the – it was reduced by about \$90,000?

MS. HANRAHAN: From \$1.75 million to \$1.66 million, so yeah about \$90,000.

MR. HUTCHINGS: You say it was for two employees?

MS. HANRAHAN: From what I understand, it was two or three, was it – two?

OFFICIAL: Two.

MR. HUTCHINGS: Okay.

If we look at the Professional Services in that same line item, what was budgeted and what was expended, there is significant difference. And then again this year for the projected amount, or estimate, it's down significantly from what was estimated in the last fiscal year. I am wondering if we could get some comment on that.

MS. HANRAHAN: Those costs are related to the actuarial services that are required related to the funds. The budget in '17-'18 would have been for all of the plans. The budget in '18-'19 would be for the remaining three plans. And the difference in the middle had to do with

transition. You would actually realize some of the costs would have been out in the Provident¹⁰ or in the teachers' corp, because they would have actually been the ones paying for the actuarial work.

MR. HUTCHINGS: So the remaining three referenced –

MS. HANRAHAN: The remaining three plans, which are the judges, the MHAs –

MR. HUTCHINGS: – are left?

MS. HANRAHAN: Those are the ones left in the Department of Finance to administer.

MR. HUTCHINGS: Right.

So the two entities now they would cover their own actuarial analysis through –

MS. HANRAHAN: Yes, and they would get reimbursed from the pension funds.

MR. HUTCHINGS: Right, okay.

Can we just a comment on those two funds and the operations? I know when it was originally set up, if I remember correctly, based on the investments, how they go, there could be reinvestment of surplus or if your investments didn't reach where you thought they needed to reach, there would be reassessment of the forecast of how you would manage that fund over a 30-year period to get it where it needed to be.

Can you just give me some comment on that?

MS. HANRAHAN: The joint sponsorship agreement between the parties did stipulate funding requirements for those funds and did define when actions would need to be taken with respect to either changing benefits in order to pay for a shortfall or to reinstate benefits in the instance where they were ahead of that funding percentage. So the corporation is responsible for investing the funds and managing the expenses of the funds.

There are two separate groups; Provident¹⁰ does the Public Sector Pension Plan and the Teachers' Pension Plan Corporation does the teachers'

portion, and they both have respective policies and procedures they go through to manage those funds.

They have both not yet encountered a full valuation. Pension reform will require the PSPP to do one; I think it is December 18 of this year. The results – but I'm going from memory so I'll have to double-check that. Ann Marie is actually on the corp, but I think that is the date, right?

So next year when that valuation is completed, the corporation and, in turn, the sponsor body will have to look at the performance of the fund and determine whether they are required to take any action.

If I recall correctly, the terms of the funding agreement expected it to be several years before any action would be required, positive or negative.

MR. HUTCHINGS: Okay.

And how often does that evaluation take place?

MS. HANRAHAN: Every three years.

MR. HUTCHINGS: Every three years.

MS. HANRAHAN: A full evaluation is every three years.

MR. HUTCHINGS: Okay, thank you.

So we talked about the revenue piece, I do believe. So last year we spoke of that Provident¹⁰ and the Teachers' Pension Plan Corporation – we talked about that, about the staffing. I think you mentioned earlier in regard to some of the change in line items was reflective of the salary. So all the staff that need to be transferred to these two entities, have they all been transferred? Is that now complete?

MS. HANRAHAN: Yes, all the transfer of staff related to those two will be complete. Those last two payroll ones were the last two as far as I understand. They're actually doing payroll work related to pensions and they are appropriately under the Human Resource Secretariat. So the remaining staff that are now under the Department of Finance, over the years we worked through – we currently have service

level agreements with both entities, so as we work through concluding those and they get out on their own operations, then we'll know for sure what the final complement will be.

MR. HUTCHINGS: Okay, and the remaining three that are left, Minister, are there discussions going on or initiatives or strategies to deal with those in regard to the unfunded liability, similar to the two entities that have been established to date?

MS. HANRAHAN: The judges have a tribunal, MHAs have a commission. So the only fund left would be the Uniformed Services Pension Fund.

MR. HUTCHINGS: Is there initiative on the uniform front to deal with that one?

MS. HANRAHAN: From what I understand, there is work ongoing to develop the consideration for pension reform as it relates to that fund, given their current unfunded liability.

MR. HUTCHINGS: Sure, okay.

Thank you.

2.1.02 – do you want me to stop here, Mr. Chair?

CHAIR: Go with this question.

MR. HUTCHINGS: Yeah, 2.1.02. I think this is the one where Ms. Michael asked that we'd get the actual list of what was disbursed, right?

MS. HANRAHAN: Yes.

MR. HUTCHINGS: Because that would appear in the line items of other departments who had received it, right?

MS. HANRAHAN: Yes.

MR. HUTCHINGS: I'm just wondering, the allocation for the estimate for this fiscal year, Minister, give me an idea, if you could, of where you perceive this may be or what it may be used for. Would this be something related to –I know we have the Grieg aquaculture project, an MOU was signed in 2015, and within that there was an equity stake that the province would take.

Would this be an area, if that was to proceed, that funds will be allocated to a particular department to meet that need?

MS. HANRAHAN: The current allocation here is the current account allocation. Grieg would've been an equity allocation. This allocation is directly related to government's objectives, specifically with *The Way Forward* commitments, similar to past years.

MR. HUTCHINGS: Okay.

Thank you.

CHAIR: Okay.

Call the section.

MR. HUTCHINGS: No, I'm not finished. I got more questions on this section.

CHAIR: On Finance?

MR. HUTCHINGS: On this section, yeah.

CHAIR: Okay.

MS. MICHAEL: You can let him go ahead.

CHAIR: Yes, go ahead.

MR. HUTCHINGS: Okay.

2.1.02, we talked about the transfer of money. You mentioned *The Way Forward* initiative in regard to 2.1.02. Which particular initiatives would require funds this year, and how much would be for each initiative?

The minister mentioned earlier they have just announced phase 3 of *The Way Forward*. I'm just wondering, what's the projections for allocations of funds to meet the initiatives of *The Way Forward*?

MS. HANRAHAN: I think it's a general allocation for any professional fees or any other type of cost that could be incurred for the wide variety of things that could be under *The Way Forward*.

MR. HUTCHINGS: Okay. So for *The Way Forward* initiatives there wouldn't be budget

allocations to specific strategic directions of *The Way Forward*. It would be as you go, kind of thing.

MS. HANRAHAN: It's more for general usage, depending on which initiatives mature. For example, shared services could mature faster than another initiative and then if they needed particular expenses related to that there – there could be that piece, could be there.

MR. HUTCHINGS: Okay, thank you.

Moving to 2.1.03, Financial Assistance. Minister, you indicated in budget day, or somewhere in that range, the increase in the budget this year of roughly 2.1 per cent of (inaudible) expenditures partially was related to the fact that you needed additional dollars to leverage proposed new dollars from the federal government. I think it may have been related to Water and Waste Management and the regulations. I'm not sure that – well, the federal government said that by 2020 the first group of municipalities, based on their outflows, needed to deal with water and waste management.

You'd seemed to indicate that extra dollars were needed in this year's budget to be able to leverage those dollars that are mandated by the federal government to meet these regulations. How much was put in – I guess it's under this section – that requirement is to meet that leveraged money from the federal government?

MS. HANRAHAN: In order to utilize the revenue, we would need an appropriation or resulting expense. It would be throughout government departments, wherever those expenditures happened. Not in Finance, unless Finance had a particular federal initiative.

MR. HUTCHINGS: Okay.

So that money would be used to leverage is already budgeted in those line departments?

MS. HANRAHAN: In those departments. You would see –

MR. HUTCHINGS: Reflective?

MS. HANRAHAN: You would see the expenditure and you would see the related

revenue. That is the number, I think, that was referenced on budget day, and it would be over a variety of departments.

MR. HUTCHINGS: We wouldn't see a transfer from either of these accounts we discussed this morning related to that initiative? That money would already, through the budget process, be in the line department.

MS. HANRAHAN: It should be where the expense is expected to occur, and so should the related revenue.

MR. HUTCHINGS: Okay, thank you.

In this particular revision here, in 2.1.03, Financial Assistance, the business opportunity, industrial development, would all these go to Treasury Board for approval, or would it just be approved by Finance?

MS. HANRAHAN: These would be Treasury Board submissions.

MR. HUTCHINGS: Okay, thank you.

MS. HANRAHAN: In order to do the transfer.

MR. HUTCHINGS: Sure. Yeah.

Just earlier – and I think Ms. Michael spoke to this, too, about one of these possibly would deal with Corner Brook Pulp and Paper. I'm not sure it was answered. How much was transferred in last fiscal year, and what would be transferred in this coming year?

MS. HANRAHAN: Corner Brook Pulp and Paper did not request any loan funding in '17-'18, hence the value is zero. The remaining funding, the \$8.1 million, has now flowed into '18-'19, and that's the remainder due under the \$110 million loan amount. It was moved into fiscal 2018-2019.

MR. HUTCHINGS: Okay, so \$8.1 million is outstanding that they haven't called down yet, I guess?

MS. HANRAHAN: Right.

MR. HUTCHINGS: Okay, thanks very much.

Minister, I could just ask, too, in one of these line items here. The Premier has talked about expenditures related to NAFTA and the work on tariffs and using Canadian and lawyers from the United States in regard to looking at some of the challenges we got in regard to Corner Brook Pulp and Paper and two levels of tariffs being put in place by the Trump administration, and the value he's put on that work to date is over half a million dollars and indicated that this could continue to rise and we don't know where we're going with this.

First and foremost, where would that expenditure lie? And my second question: Has there been any approach to the federal government to look at some assistance on this, recognizing that the signatory to NAFTA is not Newfoundland and Labrador, it's Canada, it's sovereign countries who sign trade deals – have we approached the federal government to assist us with that cost?

MS. HANRAHAN: That cost would be shown under Justice and Public Safety. That's where the expenditure would be, and I think you would have to speak to them with respect to the NAFTA file (inaudible) –

MR. HUTCHINGS: Minister, do you have any thoughts on?

MR. OSBORNE: Yes, the amount put aside for legal, I believe, is \$3 million in Justice and Public Safety to deal with NAFTA challenges and NAFTA issues. I'm not sure if that department has approached the federal government or not. I know that several provinces have representation in dealing with NAFTA issues, and I'm not sure if the federal government have been approached or not, but that's something I can check into.

MR. HUTCHINGS: Okay, thank you.

CHAIR: Okay, we can recall the section.

MR. LANE: Mr. Chair, I have a quick question.

CHAIR: Okay, sure.

MR. LANE: On the issue of the loans, you have one here that, obviously, has been identified for Corner Brook Pulp and Paper. Are there any

other outstanding loans that other companies or whatever would have received from government over the last number of years? And is it possible to get any kind of a list of any loans that are outstanding so that we understand how much money has been given out to various organizations, if there are any others over the last number of years and if we actually got the money back or not – is there like a list we could get later?

MS. HANRAHAN: I believe that information would be disclosed as part of Public Accounts, in the financial statements in Schedule F of the Public Accounts that would have been released – for example, the March 31, 2017 gives a list of guaranteed debt as well as any bank loans.

MR. LANE: Okay.

Does that list specifically, or is it just one general number?

MS. HANRAHAN: No, it's a very detailed list. It talks about the specific municipalities or fisheries guarantees, those types of things.

MR. LANE: Okay.

MS. HANRAHAN: But if that's insufficient, we certainly can provide any more that we have.

MR. LANE: I'll look there.

Thank you.

MS. HANRAHAN: Okay.

MR. LANE: That's it, Mr. Chair.

CHAIR: I am going to recall the section.

CLERK: 1.1.01.

CHAIR: Shall 1.1.01 carry?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, subhead 1.1.01 carried.

CLERK: 1.2.01 to 2.1.03 inclusive.

CHAIR: Shall 1.2.01 to 2.1.03 carry inclusively?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, subheads 1.2.01 through 2.1.03 carried.

CLERK: The total.

CHAIR: Shall the total carry?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, Department of Finance, total heads, carried.

CHAIR: Shall I report the Estimates of the Department of Finance carried without amendment?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, Estimates of the Department of Finance carried without amendment.

CHAIR: We're going to take a short break and come back and clue up with Consolidated Fund Services.

Recess

CHAIR: (Inaudible) resume Estimates for Consolidated Fund Services.

CLERK: 1.1.01.

CHAIR: Shall 1.1.01 carry?

Minister.

MR. OSBORNE: (Inaudible.)

CHAIR: Okay.

Mr. Hutchings.

MR. HUTCHINGS: Okay, thank you.

Minister, the last time we, as a province, had been to the US markets for borrowing was 1993. In the last two Estimates, the minister of the day indicated that work was being done to pursue possibly entering the US markets for borrowing. Has your government done borrowing in the US markets to date, and/or do you expect to do it in this fiscal year?

MS. HANRAHAN: We didn't do it in '17-'18. We pursued a couple of different initiatives: one would've been US; one had been European. When we looked at the cost of it versus our domestic rate, it wasn't as valuable as it had appeared originally; however, we are anticipating that we will this year.

We're currently reviewing three or four different opportunities, the majority of which is probably in the US. We've actually allocated some money to pay for the legal and registration fees that we would need if it's worth it to go there. But similar to past years, by the domestic market realizing you're considering something other than domestic market, sometimes you can keep your rates in check.

MR. HUTCHINGS: Okay, thank you.

So what have been the expenditures for the last two fiscal years in regard to preparatory work or any work that's been done in anticipation of entering the US markets?

MS. HANRAHAN: I think there was an allocation in budget '16; I don't believe there was much of an allocation in budget '17. There's about a million here. There has been very little expenditure, if any. I'd have to go back through the last few years, but we didn't engage any lawyers or any banks, as far as I can recall, with respect to do that. Most of the work was either done in-house or in discussion with the members of our banking syndicate.

MR. HUTCHINGS: Okay, thank you.

Just a question on the –

MR. OSBORNE: While on that, Keith –

MR. HUTCHINGS: Sorry.

MR. OSBORNE: On that, I met with a number of our investors late summer, and just the concept that we're shopping the market, the American market, oftentimes will give us a better rate here.

If we're investing – if they know that we're investing in looking at it, oftentimes it'll create a more competitive market within the Canadian investors.

MR. HUTCHINGS: Sure.

Just a final question on that: Recognizing that you're borrowing in another currency or susceptible to that currency at a particular time, what's your thought on how you insulate in regard to unforeseen circumstances in another jurisdiction like that?

MS. HANRAHAN: One strategy is hedging. Depending on the currency you are using, whether you would put some allowance in against that, there are some opportunities where hedging costs are built in to the whole deal. I know we discussed last year that one had to do with a European deal with a bank, and the risk of currency impacts was embedded in the entire initiative. The borrowing rate was the net of that with zero risk, so that would be all evaluated as part as of that.

MR. HUTCHINGS: So you would pay for the insulation based on the rates you're given?

MS. HANRAHAN: Yeah, part of the value of the deal is knowing that you don't have any risk.

MR. HUTCHINGS: Right.

MS. HANRAHAN: Or at least you'd cost that into the thing; otherwise, there is more risk, and we wouldn't be looking to do that. The other thing is doing something more of a short term, or with the ability to be able to get out of the currency risk, should the currency start to turn against you.

MR. HUTCHINGS: Okay, thank you.

I think we talked about borrowing again last year. What's the rate of debt servicing right now in terms of interest payment?

MS. HANRAHAN: From a budgeting perspective, we've used a long-term borrowing rate of 4 percent. We're actually realizing a little bit better than that. Our 30-year rate now is approximately 3.2 percent, and that would be our long-term rate.

MR. HUTCHINGS: Okay, thank you.

I think in our documents, Appendix IV, it shows a net debt redemption of \$235 million. I am just wondering are we going to roll that debt over and refinance it, or what's planned for that.

MS. HANRAHAN: Yeah, that would have been in part of the calculation when we valued the borrowing at \$1.45 billion, that and various other ins and outs of doing the calculation.

MR. HUTCHINGS: It will be part of it, the \$1.45 billion?

MS. HANRAHAN: Absolutely, yeah.

MR. HUTCHINGS: Okay.

Minister, November of 2017 the province switched their bank over to CIBC. I'm just wondering can you give us some input into that process and how it was arrived at.

MS. MILLER: As a result of that RFP process, we did achieve savings with using CIBC. It was about \$100,000 a year for sure that we're achieving on that. It took about six months to transition from the RBC to the CIBC, but for the most part transition is completed now.

MR. HUTCHINGS: Okay, the \$100,000 would that be related to banking fees?

MS. MILLER: Yes.

MR. HUTCHINGS: Okay.

That's per annum?

MS. MILLER: Yeah, I can get you the exact figures on that if you'd like.

MR. HUTCHINGS: Yeah, sure.

Now, from my recollection there's a banking syndicate that's established to look at raising

monies for debt that you're financing and there's usually a lead on that. Is CIBC that lead now for that banking syndicate or is somebody else, and who would be involved in that syndicate now?

MS. HANRAHAN: It's a rotating lead. Although, we do utilize it – most members of the syndicate.

MR. HUTCHINGS: Okay.

What banking is ...?

MR. OSBORNE: I believe the lead on that is still RBC.

MR. HUTCHINGS: Okay.

Have the members of that banking group changed, or are they still consistent?

Okay, thank you.

Statement II lists the provincial and federal revenues. In *Budget 2017* the personal income tax was estimated at \$1.62 billion. The revised number was down by \$1.39 billion.

Can you just give me some understanding of why that projection was off to that extent?

MS. HANRAHAN: I just want to make sure I'm using – so this would've been Statement II, Consolidated Revenue Fund?

MR. HUTCHINGS: Yes.

MS. HANRAHAN: And you're asking specifically about the difference between the two years or – sorry, I'm just trying to –

MR. HUTCHINGS: Yes. Budgeted, the expectation was \$1.62 billion and it was revised to \$1.39 billion.

MS. HANRAHAN: Personal income tax.

MR. HUTCHINGS: Yes.

MS. HANRAHAN: We'll have to get that information for you. I don't have it right here in front of me.

MR. HUTCHINGS: Okay.

MS. HANRAHAN: It was \$1.6 billion is what you're saying originally in budget '17.

MR. HUTCHINGS: Originally established as \$1.602 billion or \$1.625 billion, and was restated for some reason.

MS. HANRAHAN: I just don't have the variance here. Provincial income tax, yes.

MR. HUTCHINGS: Okay. If I could move to servicing of the debt. I think the top of the page there is Interest - Statutory.

1.1.01, Temporary Borrowings. This section allows for debt servicing costs and I guess interest charges for using our line of credit. Is the line of credit still at \$200 million, or what is the line of credit?

MS. HANRAHAN: Yes, \$200 million.

MR. HUTCHINGS: \$200 million. And what's the interest rate on that line of credit?

Last year I think it was prime, less half a cent.

MS. HANRAHAN: I'm not sure with the new banking agreement if that would've changed.

OFFICIAL: Yeah, we did get something –

MR. HUTCHINGS: Would the interest rate be similar? Was it prime less half a cent for borrowing?

MS. HANRAHAN: We have to confirm, but I think with the new banking arrangement it might've actually been a little bit better.

MR. HUTCHINGS: Okay.

MS. HANRAHAN: We get a small savings on that.

MR. HUTCHINGS: In regard to that line of credit, is the expectation to use that or is it just there for emergency?

MS. HANRAHAN: We avoid it, if at all possible.

MR. HUTCHINGS: Yes, okay. Thank you.

1.1.02, Treasury Bills. What's the current interest rates on a T-bill program today?

MS. HANRAHAN: The actual rate is approximately 1.4 per cent and we budgeted at 1.8 per cent. It's a small improvement there.

MR. HUTCHINGS: Last year the minister told us it was 0.6 per cent. It seems like that's gone up significantly.

MS. HANRAHAN: I would think it's probably the combination because there are T-bill auctions in there as well as cash management bills.

MR. HUTCHINGS: Okay.

MS. HANRAHAN: I'm just trying to think of where I got my note on the rate. Yeah, it must be a combined rate.

MR. HUTCHINGS: The combined rate this year would be 1.4 per cent and –

MS. HANRAHAN: 1.35 per cent, yes.

MR. HUTCHINGS: 1.35 per cent, okay.

MS. HANRAHAN: Yeah. That's 91 day T-bills.

MR. HUTCHINGS: Okay.

What is the current size and balance of the program? I think last year in Estimates we talked about it. I think it was around \$780 million.

MS. HANRAHAN: This year, in order to utilize some short-term borrowing rate advantages, we've increased the T-bill program to \$975 million program from \$780 million.

MR. HUTCHINGS: Okay.

This year, I think – if we read correctly – you're forecasting a decrease in the debt expense and interest for T-bills.

MS. HANRAHAN: Yes. That's part of the savings related to the short-term borrowing rates.

MR. HUTCHINGS: Okay. Thank you.

1.1.05, Temporary Investments. Can you give an explanation as to the estimation of this year of \$23 million? Because it has changed from what was identified.

MS. HANRAHAN: Because of the new banking agreement, the interest rates will be higher in '18-'19 as in we got a higher interest rate under this new agreement and will realize additional revenue as a result of that.

MR. HUTCHINGS: Okay.

That would be solely tied to the return you're getting on that money, right?

MS. HANRAHAN: Cash and (inaudible).

MR. HUTCHINGS: Yes, cash in hand.

MS. HANRAHAN: Yes.

MR. HUTCHINGS: Okay. We move to Rental Purchase - Non-Statutory, 1.2.01 Various Facilities. Can you just give an overview of what that line item is for?

MS. HANRAHAN: The Debt Expenses line?

MR. HUTCHINGS: Yes.

MS. HANRAHAN: Specifically, it relates to sinking fund payments related to three health care facilities: Burgeo, Port Saunders and St. Lawrence.

MR. HUTCHINGS: Okay.

1.3.01. Can you give us an idea of what organizations were charged for their guarantees in '17-'18 and how much was charged to each? Or maybe you could provide that to us if you don't have it readily available.

MS. HANRAHAN: I think this list is also part of, I think the list we mentioned earlier with respect to Guarantee Fees. The majority of the amount here, the largest one would be Newfoundland Hydro.

MR. HUTCHINGS: Okay.

MS. HANRAHAN: Fogo Island Co-operative is also there as well.

Wanda, is that the only two? That's all that's listed there. Yeah, those two. The same as in previous years, I believe.

MR. HUTCHINGS: Yeah, okay. You're expecting that to increase in the current fiscal year.

MS. HANRAHAN: An increase related to Newfoundland Hydro is why it's increased.

MR. HUTCHINGS: Yeah.

I'm not sure whether this is where it is, but the Fisheries Loan Guarantee program, which is through – is it department? I don't know, is it Fisheries and Land Resources?

MS. HANRAHAN: I think it's a combination, but the Department of Finance, ultimately.

MR. HUTCHINGS: There used to be an IBRD.

MS. HANRAHAN: Yeah, and I think the Department of Finance actually issues the guarantee as part of the Finance vote.

MR. HUTCHINGS: Yes. Do we have any data, or would you know, on activity in regard to that? Any, I guess, called in on those guarantees based on what we're seeing in the fishing industry today. Is there any red flag there in regard to – some of the activities there in regard to the guaranteed loans with the banks? Or maybe that's something you could track down for us.

MS. HANRAHAN: We would probably have to take that away to give you anything.

MR. HUTCHINGS: Yes. I'm just curious in terms of some of the things we're seeing in the industry over the past couple of years and what's coming.

MS. HANRAHAN: I think some of that relates as much to Public Accounts as it relate to Estimates.

MR. HUTCHINGS: Okay.

Thanks very much.

MS. HANRAHAN: We can take that away.

MR. HUTCHINGS: Okay.

CHAIR: Okay.

Ms. Michael.

MS. MICHAEL: Thank you very much, Mr. Chair.

Moving on to 1.3.02. I understand this to be a reserve for contingency. Last year you had \$100,000 budgeted and it went up to \$1.317 million. Could we have an explanation of where that went?

MS. HANRAHAN: This may actually be part of the answer to the previous question.

MS. MICHAEL: Okay.

MS. HANRAHAN: 1.2 million of that amount – the \$100,000 is the whole amount –

MS. MICHAEL: Yes.

MS. HANRAHAN: – related to two guarantees that were paid out during '17-'18.

MS. MICHAEL: And they were which ones?

MS. HANRAHAN: I don't think I have the names. I don't think we have the details here, do we? I just know that it is those two amounts. We can take that away.

MS. MICHAEL: If we could get that information.

MS. HANRAHAN: Okay, yes.

MS. MICHAEL: Thank you very much.

Then you have \$100,000, of course, estimated for this year, just to have it there.

MS. HANRAHAN: Just as a holding, yeah.

MS. MICHAEL: Right, okay.

Thank you very much.

1.4.01, Discounts and Commissions. Last year there was \$175,000 more expended than was budgeted for. This year it's going up to

\$11,200,000. So if we could have an explanation of that Professional line, please.

MS. HANRAHAN: The increase of the \$175,000 relates to the commissions and management fees for the actual debt that we issued, which were slightly higher than what was budgeted at budget time.

The large increase going to '18-'19 is specifically related to the \$1.45 billion in borrowing that's anticipated in '18-'19, and the prior year borrowing would've been \$400 million. It is \$1.45 billion in '18-'19. So it's directly related to the size of that capital borrowing program.

MS. MICHAEL: Okay.

Under the Debt Expenses, could you explain the \$1.4 million under the revised?

MS. HANRAHAN: The \$1,000, of course, is just a placeholder.

MS. MICHAEL: Yes.

MS. HANRAHAN: The '17-'18 amount of \$1.49 million reflects the total of actual discounts on new issues that were completed in '17-'18. Discounts and premiums on new borrowings are only determined when we price the issue, and so we record them as they occur. That was the impact in '17-'18.

MS. MICHAEL: Okay.

Thank you very much.

1.4.02, and here we have General Expenses. Appropriations provide for bond registrar, paying agency, custodial services, et cetera.

Under Professional Services, there's a big leap from last year to this year. The budget last year was \$294,200 and this year it's \$1,282,000. If we could have an explanation.

MS. HANRAHAN: The increase is directly related to allowance for any non-domestic borrowing we may do to pay for the registrar and paying agents fees, legal fees or anything else related to investor relations in the pursuit of getting a better rate on debt.

MS. MICHAEL: Why do we have an estimate of so much more this year than last year?

MS. HANRAHAN: In '17-'18, there was no amount for doing borrowing in the non-domestic market. I think if you look in budget '16 you would have saw significant more. I think when we provide the additional information on any costs incurred, I think we'll add budget to that so you can see.

In '18-'19, the extra \$1 million is directly related to anticipated costs because we've been doing this for a while and I think this year we might actually have a cost benefit to actually go outside domestic.

MS. MICHAEL: Okay.

Thank you very much.

Under 1.5.01, Capital, Loans and Advances to Government Entities. This year we have – well, appropriations for on lending programs to Newfoundland and Labrador Hydro. Last year there was a \$600 million loan – okay. And you don't anticipate anything this year, or you don't know?

MS. HANRAHAN: At this point we don't. This activity was actually created as a result of us doing the borrowing for Newfoundland Hydro as a least-cost alternative for borrowing for the entity. We actually provided them with two loan amounts. Two different times we went into the market on their behalf.

MS. MICHAEL: Yes.

MS. HANRAHAN: At this point we're not anticipating it, but should it happen we have the activity here.

MS. MICHAEL: Okay.

Thank you.

2.1.02, Ex-Gratia and Other Payments - Non-Statutory. Last year, the budgeted line under this was \$46 million and there was no revision, but this year it's \$359 million. This was for some restructuring or something, is it?

MS. HANRAHAN: The \$46 million, you'll often see that as zero because the spend doesn't actually happen in CFS, it would happen in departments.

MS. MICHAEL: Right. Yes.

MS. HANRAHAN: So as money is transferred out.

The large amount in budget '18-19, results reflect the payout of severance as part of the payout under severance liability. So that's the portion expected in '18-'19. The rest would be '19-'20.

MS. MICHAEL: Okay. And is it a similar amount in the following year in '19-'20?

MS. HANRAHAN: The total amount was about \$600 million.

MS. MICHAEL: Okay.

MS. HANRAHAN: There would be allowances as well in this for normal retirement costs that people would incur, in addition to severance.

So I think it's a little bit more than the \$600 million over the two years, to reflect that.

MS. MICHAEL: Right. Okay, thank you very much.

2.1.03, this is the Pre-1949 Special Acts, and it deals with pensions and other payments on the statutory arrangements do not form part of the *Pensions Funding Act*. It's a small amount of money. I know you won't be able to tell the individuals but, in general, how many people would be receiving money under this?

MS. HANRAHAN: I don't have that number; we can get it for you. The number gets smaller every year, as there are less former employees for us to actually pay. But we would have to get some additional details to provide that.

MS. MICHAEL: Okay.

So there would be a point at which this will disappear, obviously –?

MS. HANRAHAN: Would go to zero.

MS. MICHAEL: That's right. Okay, thank you very much.

2.1 – sorry, I just did that one. 3.1.01: "Appropriations provide for unforeseen expenditures." There was nothing listed for last year, and this year it's \$22 million, under Grants and Subsidies. Are you anticipating something? How did you reach \$22 million?

MS. HANRAHAN: You would have seen last year in the Supply bill in the Estimates book a contingency allowance of, I believe, \$25 million. It would've been \$30 million the year before that. This is actually creating it under Consolidated Fund Services as a vote at a reduced amount of the \$22 million to be used for any unforeseen expenditures that would require Treasury Board to transfer from this account into the department. At this point, it's unknown how much will be used.

MS. MICHAEL: Right, okay.

This is a question that's been an ongoing question and there still may not be an answer to it, but I'm going to ask it again. The minister is not here (inaudible) but, in 2014, we were told that there was a \$700,000 audit of Vale for possible transfer pricing practices, and we're wondering is there any information that can be released on this. Because we did file an ATIPP and the response was that the audit is ongoing and, therefore, the amount is unknown. Is there any progress on this audit?

MS. HANRAHAN: It would be the same answer. It's a very complicated audit. There's still significant work being worked on as we speak. It does involve many fiscal years, so it's still outstanding at this point.

MS. MICHAEL: Okay, thank you very much.

My time is up.

CHAIR: Mr. Hutchings.

MR. HUTCHINGS: If I could go to 1.4.02, General Expenses – I'm not sure if we covered this, but just again on Professional Services, that's a significant increase from last year to this year and what that's related to.

MS. HANRAHAN: It's an appropriation for anticipated costs that we would need with respect to doing borrowing outside the domestic market.

MR. HUTCHINGS: Right, okay.

MS. HANRAHAN: Any investor relations that we would do would have been in the base amount for domestic. This could be any of the cost: registrar, paying agents, legal fees, those types of things. A couple of budgets back it was significantly higher. US registration is very expensive; however, we're not sure if it will be US or it will be European or something else, so it's an estimated amount of a million dollars, should that happen.

MR. HUTCHINGS: We mentioned about the US market; is there exploration in the European market as well in regard to –?

MS. HANRAHAN: We're currently working with the syndicate on any opportunities we can find, and we're evaluating them from a rate perspective as well as a cost to actually do it.

MR. HUTCHINGS: Okay.

In regard to ABCs, is there any ABC or Crown corporation that would have any debt with a non-domestic market or have raised any capital?

MS. HANRAHAN: I'm unsure if there is existing debt on the books related to that, other than what's been disclosed as part of Public Accounts, which would have been previous government issues, but we can check and let you know.

MR. HUTCHINGS: Yeah, sure. Thank you.

Go to section 2.1.01 – or actually 2.1.02, if I could. So this is where I think we talked about earlier – this is the amount that's laid out for expected severance payout in current fiscal year, \$359 million. That's correct, right?

MS. HANRAHAN: The bulk of that amount would be directly related to paying out the accrued severance liability from March of 2018, yeah. There's a small amount related to other benefits.

MR. HUTCHINGS: Okay.

So is this related to NAPE or is there allocation there for possible other payouts if collective agreements are settled?

MS. HANRAHAN: I believe this is the amount that we would anticipate to be done, so it would be other collective agreements.

MR. HUTCHINGS: Okay.

Has the appropriate documentation been signed with NAPE in regard to the collective agreement? I'm trying to recollect. Like, have they signed off on their collective agreement?

MS. HANRAHAN: I think you'd have to ask HRS or the minister, but from what I understand it's been signed at March 31 because that's why we've got it here effective.

MR. HUTCHINGS: Okay.

MS. HANRAHAN: I think there was a news release related to that too as well.

MR. HUTCHINGS: The \$359 million, can you explain in regard to severance payout and the numbers that were used in the budget fact sheets in regard to – it's a much lower amount in regard to what's budgeted for this fiscal year and next fiscal year. I think it's \$20 million-odd and then \$50 million in the next year.

Can you explain those two years as opposed to the \$359 million?

MS. HANRAHAN: I think the allocation of the funding relates to the ability to process the payments. It's not possible, from what I understand, to get the whole \$600 million flowed in one fiscal year, knowing that agreements have to be signed and then the documents have to be processed.

So my understanding is that the funds will, for the severance liability, span two fiscal years. As well, we anticipate normal retirements where people's other leave balances and benefits would be paid out and that would come from this account as well. The calculation of the amount is a combination of a base budget amount that we would normally have for ex gratia, as well as

over the span of the two years an estimate of how we think that cash will flow.

MR. HUTCHINGS: Okay.

I want to go to 3.1.01, on Contingency. Last year, as we mentioned, the contingency fund was \$25 million. Can we get a breakout of where this money was distributed to from that contingency fund? I know you may not – I think last year we got a complete list of –

MS. HANRAHAN: Yeah, we can provide that. (Inaudible) would have a list of that, yes.

MR. HUTCHINGS: – what happened and how it was allocated.

Just on the \$22 million again. Last year it was \$25 million; this year it's \$22 million. What was the thought process in regard to that number of \$22 million?

MS. HANRAHAN: I think the concept is trying to be more reflective in the Estimates of what the actual spends will be, and getting more accurate as time goes, from a contingency perspective, with respect to I believe what the amounts owing would be and getting a little bit more accurate every year.

MR. HUTCHINGS: Okay.

I think you did mention, too, earlier in regard to the allocation of these funds that have been drawn down from this account would require Treasury Board approval in all cases, right?

MS. HANRAHAN: Yes, that's correct.

MR. HUTCHINGS: Yes, okay, thank you.

So as well, the 2017 *Supply Act* required expenditures to be transferred and then a notice tabled in the House of Assembly. So that would still apply to this particular fund as well?

MS. HANRAHAN: I think that was stipulated in the *Supply Act* because the amounts weren't actually an appropriation in the Estimates book. Now that they're actually an appropriation in the Estimates book then they won't require tabling in the House because they'll be part of this, no

different than any other appropriation in the Estimates book.

MR. HUTCHINGS: And I'm trying to remember from my days before in regard to Treasury Board and notifications. Are those all public?

MS. HANRAHAN: What's public I think are orders-in-council.

MR. HUTCHINGS: Orders-in-council.

MS. HANRAHAN: I don't think Treasury Board decisions are public, I don't believe.

MR. HUTCHINGS: So I guess to my question, with that change there could be a drawdown on this grant and subsidy that may not be public at the point in time when it happens, if it goes through Treasury Board?

MS. HANRAHAN: The current process, once approved, the transfers would occur without tabling in the House.

MR. HUTCHINGS: Yes, so it's changed from the *Supply Act* where there was a requirement –

MS. HANRAHAN: From being outside.

MR. HUTCHINGS: – when this came in that it would have to be immediately tabled here in the House and public disclosure. But the current situation and the change would be that that would not be required.

MS. HANRAHAN: This is an allocation now, once the Estimates are approved.

MR. HUTCHINGS: Okay.

Just a question, Minister, in regard to cannabis and the estimate on taxation – I understand in terms of your commentary in the House in regard to difficulty in projecting what the market is going to be and all those types of things. What kind of thought process went into – because we look at the various jurisdictions and their projections and what we're projecting – just some comment from you in regard to – we're projecting a little over \$2.2 million.

What went into that and how did you come to the figure? And the second part: What cost is going to be accrued by the province in regard to the implementation of legalization of cannabis here in the province?

CHAIR: Mr. Osborne.

MR. OSBORNE: Just off the top of my head, I believe the total revenue is \$5.8 million. That would come from the excise tax and sales tax all combined for our total revenue. The costs of putting the legalization of cannabis in place would be almost \$4 million. There would be some federal revenue for education and enforcement to go with that.

There is also some additional expenditure – I believe it's \$1.2 million – in other departments for social costs of dealing with cannabis. We've estimated one quarter – the \$5.8 million would be in the final quarter of the fiscal year. Next year the revenues would be considerably higher. I think closer to, Craig, \$20 million, I think it was, roughly?

Just off the top of my head – don't quote me on it; I don't have the figures in front of me – I believe it was closer to \$20 million in revenue for the full fiscal year, next year. There would still be costs for enforcement and education and some of the social costs associated with dealing with cannabis. Some of those costs are already incurred by government. There's a greater responsibility to government as a result of legalization, but some of those costs – the social costs and so on, health costs – are already there in any event.

MR. HUTCHINGS: Just my final question, if I could, Mr. Chair. On Statement II, Newfoundland Labrador Consolidated Revenue Fund, under Provincial Tax Sources it lists \$2.240 million in terms of estimates for Cannabis Tax. What's on top of that to get you to the \$5 million-plus that we are going to raise?

MR. OSBORNE: There's the sale of cannabis through NLC, so their revenue. Then there would be the provincial share of the federal excise tax, and then sales tax.

MR. HUTCHINGS: So collectively, that's going to bring you to the \$5 million-plus in the

first quarter of 2019 – that's what you're projecting?

MR. OSBORNE: Yeah, the final quarter of 2018-2019.

MR. HUTCHINGS: Okay.

(Inaudible.)

CHAIR: Okay.

Ms. Michael.

MS. MICHAEL: (Inaudible) thank you.

CHAIR: Okay.

MS. MICHAEL: Although, may I just say thank you to the minister and to his staff for doing a great job here this morning.

MR. OSBORNE: Thank you.

CHAIR: Okay.

I will recall the section.

CLERK: 1.1.01.

CHAIR: Shall 1.1.01 carry?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, subhead 1.1.01 carried.

CLERK: 1.1.02 to 3.1.01 inclusive.

CHAIR: Shall 1.1.02 to 3.1.01 inclusive carry?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, subheads 1.1.02 through 3.1.01 carried.

CLERK: The total.

CHAIR: Shall the total carry?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, Consolidated Fund Services, total heads, carried.

CHAIR: Shall I report the Estimates of Consolidated Fund Services carried without amendment?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, Estimates of Consolidated Fund Services carried without amendment.

CHAIR: I need a motion to adopt the minutes of the last meeting.

So moved.

On motion, minutes adopted as circulated.

MR. OSBORNE: Prior to that, Mr. Chair, I just wanted to thank all Members of the Committee for your questions and your participation in the Estimates today.

Thank you.

CHAIR: Okay.

Just to conclude by announcing that the next meeting of the Government Services Committee will be tomorrow, Tuesday, May 1 at 6 p.m. here in the Chamber. Thank you, Minister, and your staff for coming through in answering the questions. And to the Government Services Committee, we'll reconvene tomorrow.

A motion to adjourn?

MR. HUTCHINGS: So moved.

CHAIR: Carried.

Thank you very much.

On motion, the Committee adjourned.