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**Proceedings of the Standing Committee on
Government Services**

June 18, 2019 - Issue 4

Department of Finance
Consolidated Fund Services
Public Service Commission

GOVERNMENT SERVICES COMMITTEE

Department of Finance, Consolidated Fund Services and Public Service Commission

Chair: Pam Parsons, MHA

Members: Derek Bennett, MHA
Derrick Bragg, MHA
Alison Coffin, MHA
Elvis Loveless, MHA
Loyola O'Driscoll, MHA
Barry Petten, MHA
Sarah Stoodley, MHA

Clerk of the Committee: Elizabeth Murphy

Appearing:

Public Service Commission

Hon. Tom Osborne, MHA, Minister
Ann Chafe, Commissioner
George Joyce, Interim Acting Chair/Chief Executive Officer
Mike Smyth, Manager of Accountability and Certification
Wanda Trickett, Departmental Coordinator

Department of Finance

Hon. Tom Osborne, MHA, Minister
Gail Boland, Assistant Deputy Minister, Policy, Planning and Corporate Service
Susan Elliott, Executive Assistant
Denise Hanrahan, Deputy Minister
Theresa Heffernan, Assistant Deputy Minister, Financial Planning & Benefits Admin.
Craig Martin, Assistant Deputy Minister, Economic, Fiscal & Statistics
Marc Budgell, Director of Communications
Michelle Jewer, Comptroller General
Wanda Trickett, Departmental Coordinator

Also Present

Hon. Gerry Byrne, MHA, Minister of Fisheries and Land Resources
Hon. Steve Crocker, MHA, Minister of Transportation and Works
Paul Lane, MHA
Scott Reid, MHA
Tony Wakeham, MHA
Megan Drodge, Researcher, Official Opposition Office
Ivan Morgan, Researcher, Third Party Office
Denise Tubrett, Deputy Chief of Staff, Official Opposition Office

Pursuant to Standing Order 68, Scott Reid, MHA for St. George's - Humber, substitutes for Pam Parsons, MHA for Harbour Grace - Port de Grave.

Pursuant to Standing Order 68, Gerry Byrne, MHA for Corner Brook, substitutes for Derrick Bragg, MHA for Fogo Island - Cape Freels.

Pursuant to Standing Order 68, Steve Crocker, MHA for Carbonear - Trinity - Bay de Verde, substitutes for Derek Bennett, MHA for Lewisporte - Twillingate for a portion of the meeting.

Pursuant to Standing Order 68, Tony Wakeham, MHA for Stephenville - Port au Port, substitutes for Loyola O'Driscoll, MHA for Ferryland.

The Committee met at 9 a.m. in the Assembly Chamber.

CHAIR (Reid): We're going to get started now. Sorry for the delay, I think there was some notifications maybe that didn't go out. The Chair is not here, so I'm going to fill in as the Chair this morning.

We're going to go through the Public Service Commission, Consolidated Fund Services and the Department of Finance this morning.

First of all, I'm going to ask everyone to introduce themselves, I guess.

MR. OSBORNE: Tom Osborne, Minister of Finance and President of Treasury Board.

MR. JOYCE: George Joyce, Interim Chair, 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. ELLIOTT: Susan Elliott, Executive Assistant to Minister Osborne.

MR. BUDGELL: Marc Budgell, Director of Communications, Finance and PSC.

MS. COFFIN: Alison Coffin, St. John's East - Quidi Vidi.

MS. TUBRETT: Denise Tubrett, Deputy Chief of Staff, Official Opposition.

MR. WAKEHAM: Tony Wakeham, MHA, Stephenville - Port au Port.

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

MS. STOODLEY: Sarah Stoodley, MHA, Mount Scio.

MR. CROCKER: Steve Crocker, MHA, Carbonear - Trinity - Bay de Verde.

MR. BYRNE: Gerry Byrne, erudite (inaudible) and Member for the District of Corner Brook.

CHAIR: I think we've missed some people over here, did we? Did we get everyone?

AN HON. MEMBER: (Inaudible.)

CHAIR: You'll introduce them later on. Okay.

I'm Scott Reid, I'm the Member for St. George's - Humber and I'm going to fill in as Chair today. Bear with me as we go through this. We're going to look at the Public Service Commission first. So, we'll call the first heading.

CLERK (Murphy): 1.1.01.

CHAIR: I'll ask the Minister if he has any opening comments.

MR. OSBORNE: Thank you, Mr. Chair.

I guess the only disappointing part about being 20 minutes late this morning are the throngs of fans that are home waiting for us to switch channels to the other version of Family Feud.

As the minister responsible, I'd like to take the opportunity to make a few remarks about the Public Service Commission before we proceed.

The PSC has the responsibility to protect the merit principle and provide oversight to staff appointments and promotions to permanent positions within the delegated entity schedule to

the *Public Service Commission Act*. In addition to their legislated mandate, the PSC offers services which are compatible with its role as an arm's-length protector of the values of the public service.

They administer the Employee Assistance and Respectful Workplace Programs providing services directly through the in-house professional coordinators, supplemented by external service providers from across the province. They lead several adjudication panels designed to resolve certain conflicts within the public service, such as job evaluation, classification appeals, management classification appeals and the Conflict of Interest Advisory Committee.

As an advocate for the principles of merit, fairness and respect, as well as good public administration, the PSC plays a vital leadership and support role for the broader organization. With the establishment of the Independent Appointments Commission in 2016, the mandate of the PSC expanded to support the IAC. Through the IAC and the PSC, they have the statutory obligation to ensure that the recommendations for appointments to the province's agencies, boards and commissions are based on merit, through an open and inclusive process to identify qualified applicants for the appointment of Tier 1 and Tier 2 entities.

Since the merit-based appointments process was established in 2016, the PSC and IAC have combined to put forward just under 2,000 application recommendations, which has led to a combined 556 appointments.

With that, Mr. Chair, we will open the floor to questions.

CHAIR: Okay. We'll start with the Member for Stephenville - Port au Port.

MR. WAKEHAM: Thank you, Mr. Chair.

My first questions today are general questions. I'd like to start off my talking about the Independent Appointments Commission.

What was the actual cost of the Independent Appointments Commission in '18-'19?

MR. JOYCE: The number for the Independent Appointments Commission last year was approximately \$30,000.

MR. WAKEHAM: How much of their budget was spent on travel and how much was spent on advertising?

MR. JOYCE: Travel and advertising, I'll defer to my colleague.

MR. SMYTH: For travel overall; air travel was roughly \$5,600 and another \$1,300 for accommodations. There was no spend on advertising.

MR. WAKEHAM: What was the remainder of the \$30,000 spent on?

MR. SMYTH: Twenty thousand dollars of that was for their part-time administrative assistant and then there were some incidentals, some reimbursements for meal allowances when they do travel. I don't have an exact total of that but those three or four items were the main items.

MR. WAKEHAM: Okay, thank you.

In '18-'19 how many Tier-1 and Tier-2 appointments were made through the IAC process?

MR. SMYTH: I don't have the exact number of appointments; overall, we have the number. For Tier 1 there were 21 requests that arrived and for Tier 2 there were 39. In terms of recommendations that were submitted there were 19 recommendations submitted by the IAC for Tier 1 boards and another 42 recommendations submitted by the PSC for Tier 2.

MR. WAKEHAM: Thank you.

Have there been any appointments made by Cabinet which were not done on the recommendation of the IAC?

MR. JOYCE: There have been no appointments made by government that were not put forward by the IAC.

MR. WAKEHAM: Last year in the Estimates, the Committee was advised that the usage of the

EAP had levelled out after several years of increases. How would you compare the demand in '18-'19 for EAP?

MS. CHAFE: Demand has remained the same. Our pickup rate is about the norm. We're around 13 per cent of those eligible. The norm has been 11 per cent in other jurisdictions with similar programs. We see our rate has been consistent and that's pretty well been 10, 11 per cent for the last several years. It went to 13 last year and the year before and that was a very small increase over last year.

MR. WAKEHAM: Is there currently a wait-list for EAP?

MS. CHAFE: No, there is no wait-list for EAP.

MR. WAKEHAM: Okay.

In the last Estimates meeting for the Commission there were about 150 management classifications appeals outstanding. How many are now outstanding?

MR. JOYCE: Are you talking management classification system?

MR. WAKEHAM: Yeah.

MR. JOYCE: Currently there are 161 outstanding.

MR. WAKEHAM: Do we know how long they've been outstanding?

MR. JOYCE: It varies. I will say that compared to last year – I chair the management appeal program. In '17-'18 we brought 187 forward. There were 30 new received in '18-'19, 10 were confirmed, 24 changed and 22 withdrew for the total of 161. We're cleaning up; I intend to clean every one of those up this calendar year.

MR. WAKEHAM: Right.

In my own district, I know of at least three people who have been waiting since March 2017 –

MR. JOYCE: 2017, yeah.

MR. WAKEHAM: – to have their reclassifications heard. When they call in, they're told to call back in three months. Every time they call back three months later, they're told to call in another three months. I think we need to give them a better answer than simply call back in three months.

MR. JOYCE: Sure.

As a context to that, when I arrived at the PSC in August of '18, government had appointed, I think, 16 or 17 new members to be part of the management review committee. We went out and we retained an individual to train us all in the methodology, so all that training has been completed. Hearings have been conducted so far, and they're going to continue for this calendar year. Hopefully, by the end of the year, I'll have every one of those done.

MR. WAKEHAM: Your actual plan to do that is to schedule hearings, so many per month?

MR. JOYCE: Yeah, between now and, of course, until they're done. They're ongoing; we have an individual with us who is in the process of scheduling all those hearings.

MR. WAKEHAM: So the next time they call in they'll actually have some answers.

MR. JOYCE: They'll have a clear answer in terms of when their hearing is.

MR. WAKEHAM: Okay. Thank you for that.

The PSC is responsible for the Conflict of Interest Advisory Committee. How many reviews were conducted in '18-'19?

MR. JOYCE: There were 14 conducted in '18-'19. I chair the Conflict of Interest Advisory Committee, five deputy ministers, and we dealt with 14 cases.

MR. WAKEHAM: Okay, thank you.

Going back to the Independent Appointments Commission for a second, have there been any instances where individuals were appointed to positions without first applying through the IAC?

MS. CHAFE: No, there has not been.

All appointments have been through the process that's outlined on the website. Most of our applications are received direct to the website. On occasion, we'll take résumés, hard copy directly and then just incorporate it into our website databank.

MR. WAKEHAM: Right, so if someone applies to be a member of a particular board or agency, are they then offered an opportunity to be placed on another board or agency, even though they haven't applied to that board or agency?

MS. CHAFE: In the databank we ask people to identify their interests. All Tier-1 and Tier-2 boards are listed there. Many applicants will indicate several; some will indicate one sector only.

If, in the course of searching for people, we don't have a good body of candidates to look at for a particular board, we will often go into our databank and find people who might be suitable for that board. We usually would, prior to doing anything, call them and say, I know you applied for Nalcor. Unfortunately, you didn't get Nalcor, but would you be interested in this other board. If they indicate they are, we advance their name for consideration.

MR. WAKEHAM: Okay, thank you.

Mr. Joyce introduced himself as interim acting chair of the Public Service Commission. I ask the minister: Is a competition planned for a permanent chair, is it in progress, or what's the status?

MR. OSBORNE: I will check the status of that and I'll certainly let you know.

MR. WAKEHAM: Okay, appreciate that.

I'll keep going now. I'll go into the 1.1.01 into the salary details. I notice that the Salaries are forecasted to increase by \$105,600 compared to the '18-'19 Estimates to the '19-'20. Can you explain why that is?

MR. JOYCE: I think it was around September or October the PSC retained an adjudicator. The

money itself is not new money; it's been reprofiled from the Human Resource Secretariat. It's for one year only, this calendar year, and it's for the purpose of the job evaluation system, the reviews that were currently on the books. It flowed from, basically, collective bargaining wherein all parties had agreed to a review process that's appended to the back of the collective agreements.

It called for an independent adjudicator. That adjudicator would've been Human Resource Secretariat, but for independence purpose and impartiality, it was housed at the Public Service Commission. We have a full-time adjudicator now adjudicating all outstanding JES appeals.

MR. WAKEHAM: Okay, so that's what the new contractual position was that was showed up?

MR. JOYCE: That's correct.

MR. WAKEHAM: Okay, thank you.

In the Transportation and Communications section, I notice that the budget amount was not used, yet this year more is being budgeted for. Why is that? There was \$37,800 unused.

MS. CHAFE: Yeah, in the past, most of our travel money has been directed with the IAC in mind because we do have regional representation on all members. One of the members I was fortunate enough to not have to pay his travel costs from Labrador. That has since changed and so we'll need to now pick up that cost.

We have two additional members who may incur costs. The adjudicator for the JES is anticipated will also have to do some travel. On occasion, members of the EAP staff in critical incidents will have to travel as well, but that's unanticipated, you never know. But the other travels for IAC and for the adjudicator, we do anticipate travel costs there.

MR. WAKEHAM: So you do anticipate the cost of the IAC going up slightly, then, for travel costs?

MS. CHAFE: Yes, the member from Labrador had not been charging for his travel in the past

when he was attached to an airline industry job that brought him here anyway. So he never billed us and, now, that will change.

MR. WAKEHAM: Okay.

MR. JOYCE: And just for context purposes, government added two new members to the IAC in recent months, and we anticipated that would be a little earlier, but it wasn't, it was late in the fiscal year, but that will certainly have added pressures on the transportation.

MR. WAKEHAM: Right.

Are they two additional members or two replacement members?

MR. JOYCE: No, two additional members.

MR. WAKEHAM: And who would they be?

MR. JOYCE: The IAC went from five members to seven.

Correct, Ann?

MS. CHAFE: Yes.

MR. JOYCE: And the two additional ones are Earl Ludlow and Cathy Duke. That brings the complement to seven.

MR. WAKEHAM: Okay, thank you.

Professional Services, how much of the \$630,000 was spent on EAP?

MR. SMYTH: The Professional Services is all of the EAP services.

MR. WAKEHAM: So there's nothing else in there, just the EAP services?

MR. SMYTH: Yes.

MR. WAKEHAM: Okay.

In 2018-19, \$21,000 of the \$32,800 was spent. What accounted for the savings there? This is last year's that I'm looking at – the budget of \$32,800 and expenditure of \$21,200.

MR. SMYTH: In Purchased Services, those are things like our photocopiers, our training that could be done, any facility charges within the leased property. There are budgeted amounts there for any non-discretionary that could come up for security purposes. We also rent mats for Occupational Health and Safety. Interpreting services is also in there as well. So there were some savings in that area for this year.

MR. WAKEHAM: So, you're budgeting back up to \$29,000 – \$8,000 more this year – do you anticipate some of those costs going up significantly?

MS. CHAFE: We anticipate, potentially, relocating in October when the lease is up on the building that we're in, so that will have some impact. We will need movers and we will need other attachments to the services to facilitate that.

MR. WAKEHAM: Sure, thanks.

Are you in a leased property right now?

MS. CHAFE: Yes, we are.

MR. WAKEHAM: Okay.

And are there possible savings when you move into your new space?

MS. CHAFE: Yes, there's currently a tender out for space, and we will, ideally, see savings. We're also currently looking at government-owned buildings that could save again.

MR. WAKEHAM: Okay.

MR. JOYCE: For context purposes as well, the PSC will follow more in line with government's approach – instead of offices, we will have an open concept. We will have less floor space. We will save money, yes. Based on the number of employees and based on the floor space, it would be significant.

MR. WAKEHAM: Good to hear.

Thank you, that's all the questions I have.

CHAIR: Before we move to the Member for St. John's East - Quidi Vidi, I just want to remind

officials that when you respond to a question, to identify yourself, just for the transcripts and make it easier for the people transcribing.

Ms. Coffin.

MS. COFFIN: Thank you very much.

Thank you, everyone, for coming here today and taking all the time to prepare this background document. I know a tremendous amount of work goes into that, so I appreciate your professionalism and the dedication to this.

I have a couple of general questions along the way here. Let's start with the PSC is tasked with enforcing policy for the protection of merit principle and recruitment and selection within the public service. Has there been any consideration to bringing other principles, such as the equity principle, not just gender equity, but equity with respect to people with disabilities, race and things like that? Has that been included in any of the criteria?

MS. CHAFE: We are looking at two areas here – the public service in terms of its oversight role with the Human Resource Secretariat. It's often been discussed but, in order to do that, legislative changes will have to be enacted, and there are also issues related to privacy.

With the IAC, which has been here for three years, in advance of that, we did put on our website the ability for people to self-identify when they choose to, and that's gender, geography, Aboriginal, disabled. Many have, but there's no compelling reason to make everybody do it. So we've kept stats on that. We've also worked closely with the Women's Policy Office to advance more women applying in that IAC process.

I'm happy to report that almost half of what's been appointed to boards is female. And within that, we make good attention to geography and, where possible, Indigenous and disabled people are represented as well. We continue to strive in that area to be more inclusive, and will go forward keeping our numbers where we can.

I'll even make a pitch right now that anybody in their districts who have the opportunity to point people towards that IAC site should do so. And

it's been through the efforts of many people throughout the province that we've had such a good response to our databank and the ability to identify citizenship that are ideal to serve as board members.

MS. COFFIN: Okay, I will definitely do that. I'm sure there are lots of very capable people in my district, so I will certainly pass that along.

I did notice that perhaps another way of looking at this, because I looked at the website and looked at a lot of the criteria. A lot of the criteria for individuals on the boards tend to be very sector-specific, a lot of business-heavy things. You need accounting designation or other experiences on boards and committees and a lot of things like that.

Perhaps a way of getting around that a little bit, instead of saying we're having gender diversity criteria, is in the list of things that you might want to have or background that you might want to have could be listed there. So maybe a strong history of community involvement, or an attachment to a particular association or group might be something that could be added in in the list of attributes that we would like to see in people who are applying.

That might be an option. I don't know if you've considered that.

MS. CHAFE: In some cases, we are actually doing that.

MS. COFFIN: Oh lovely, okay, good.

MS. CHAFE: Boards are composites and usually they're not cookie-cutter members. We actually search for a composite of many skills and experiences and representation. We also are very mindful of geography, among all the other factors that we consider.

MS. COFFIN: Good. That's very reassuring, thank you.

Next question – and this is more of a technical question, so perhaps you can answer it but maybe not; maybe you can tell me where I need to go ask.

Professional Services, it's my understanding that the definition of what falls under Professional Services has changed slightly. Now I know that you've included here things that are associated with EAP, so imagine that would be any kind of counselling and a number of other services that they offer.

But more specifically, can you tell me what the definition of professional services is?

MR. JOYCE: For the purpose of EAP, we have a myriad of service providers, professional associations that range from providing services to mediation services, to coaching, to psychological services, social work services, and that covers the whole gamut depending on what's needed for a particular employee, family or the case at hand. So it covers a broad category of professional services.

In terms of the number of service providers, we have in excess of 100 service providers –

MS. COFFIN: Oh good.

MR. JOYCE: – and their companies providing different types of skill services.

MS. COFFIN: Right.

Okay, that's specific to you.

MR. JOYCE: Right, yeah.

MS. COFFIN: Do you know what the general definition is across government? It's my understanding that that definition has changed slightly?

MS. CHAFE: Yeah, to be honest with you, we only use it in that term.

MS. COFFIN: Okay.

MS. CHAFE: I would suggest our colleague, Theresa Heffernan, when she comes, will be more than able to answer your question. She's had a long history of knowing what exactly fits into the Professional Services.

MS. COFFIN: Okay. On the spot, there you go and you're not even up.

MS. CHAFE: But our professional services, in many ways, because we are so small, our only use is the service providers for the EAP.

MS. COFFIN: Right.

MS. CHAFE: And if you want a bit of history on that, I'm happy to provide that. We basically have an intake system where we seek qualified professionals to offer counselling services. Those professionals usually have to be affiliated with a group such as clinical social workers or psychologists. We prefer that they come in under a licensed professional body.

Then, depending on their area of expertise and specialty, we often match our clients to those professionals. As usual, there's no problem getting people on the Avalon. We struggle at times to get people in Central, Western, Labrador, Northern Peninsula and the South Coast, but we maintain the same standards and we basically interview these people and reference check the people to ensure their properly licensed and insured. Then we also keep close contact with professionals and with our client group to make sure the relationship is therapeutic and that it is working as it should.

MS. COFFIN: Oh, good. That's very reassuring.

Thank you.

MS. CHAFE: But that's pretty well our only use for that –

MS. COFFIN: Right, for that category.

MS. CHAFE: I know other departments would have much broader applications.

MS. COFFIN: Yeah, I'll wait until we get to the more general definition of that after.

One more question – and this is perhaps for all of our benefits here. We have the Independent Appointments Commission that does appointments to agencies, boards and commissions. We have the Public Service Commission, but we also have the Human Resource Secretariat. Can you describe the relationship between all three, please?

MR. JOYCE: In terms of the Human Resource Secretariat, they're the human resource arm of government. In terms of the role of the Public Service Commission, the Public Service Commission has very specific oversight capabilities and we have, under MC – it goes back I think 7 years ago – very specific relative to HRS. This includes the development of staffing policy, standards and procedures, monitoring, auditing and appeals of Human Resource Secretariat staffing action and certification of selection boards, and that is our role relative to HRS.

We also, I guess not formally, work with HRS in terms of – as you asked the question a little earlier about selecting whether it's females, people with disabilities, we work closely with them on issues that arise and see what can be done to accommodate it, vis-à-vis potential legislative amendments.

We also work with HRS if the Public Service Commission conducts a review of a recruitment issue. And if we feel that there's been a breach the *Public Service Commission Act*, which is rarity, or if we feel, during the review, that the procedures can be done a little better, we meet with HRS on a monthly basis, sit down with their director and go through it to try to be as efficient and client-sensitive as possible in the public service. That's our relation, formal and informal.

MS. COFFIN: Okay, interesting.

Do you know what the rationale was to move the hiring function of government out of the Public Service Commission and into the Human Resource Secretariat? I realize this was a number of years ago. I remember a long, long time ago that they moved everything to the Public Service Commission because they wanted that independence and they wanted to have that one funnel, and now that seems that had been reversed. So a little sense of the rationale and perhaps how that's working.

MS. CHAFE: The rationale came as a realignment of human resource services throughout the departments. And within a department, we often had fragmentations by one department over another and more centralized services in all HR functions. In the past, it was

employee relations, classification, pay, compensation, research, benefits, insurance. It's only natural that the staffing function belonged with those like activities. So the operational aspect was taken from the PSC and placed with HR as more of a composite service. When you hire someone and they leave the service, they would be tended to by a central group.

We retained oversight over how staffing actions were done. We continue to audit, review and investigate. We also take complaints when staffing actions are considered by candidates not to be fair. And we still work very closely with HR in the world of staffing. We also ensure the quality of the people who are doing the recruitment must meet our standards.

So, long range, you can also take your staffing people and develop them into more full HR people. To staff in isolation of understanding employee relations, labour contacts or how classification works is pretty well putting staffing in an isolated spot when it could be a more composite service.

MS. COFFIN: Right.

Can you initiate your own, I guess, investigations?

MS. CHAFE: Yes, we can do spot audits and we do.

MS. COFFIN: Okay, excellent. That's nice to know.

MS. CHAFE: Often we do get complaints from people who have applied, that would like to have us look at a file, and we do.

MS. COFFIN: Right. So a hire can initiate an investigation or you can initiate one on your own.

MS. CHAFE: Yes.

MS. COFFIN: Okay, that gives me a little bit of reassurance as well.

Thank you.

CHAIR: Before we continue, I just got a message from the people downstairs. They ask

that when people respond to the questions that you speak into the mic. They're having a hard time getting the message recorded.

No questions from the government Members, no?

So I'll move to –

MR. WAKEHAM: I'd just like to ask a couple of more questions, if I could?

CHAIR: Yes.

MR. WAKEHAM: I was wondering if we could get a copy of that MC, if that's possible. Also, who's responsible for hiring contract positions, or temporary contract positions, or temporary workers? Is it the Public Service Commission or is it the individual departments?

MS. CHAFE: It would depend on how they're being hired. You can come in as a consultant. There are also some requirements under procurement that you would go to tender on certain pieces of work.

There is, under the union contract with NAPE, the capacity to bring in short-term temporary to meet specific needs and then, within a specified time period, that position must be advertised or the person must vacate. But we do not do that activity, it's done through HRS. And they would have more detailed information on how that's handled and what it is.

MR. WAKEHAM: Yes, I'm quite familiar with the 13-weekers that were used all the time. So that program is still available to be used?

MS. CHAFE: Yes. Again, that's an HRS activity, not a PSC one.

MR. WAKEHAM: Okay, thank you.

CHAIR: Any further questions?

MS. COFFIN: Good here, thank you.

CHAIR: Okay, seeing no further questions, shall 1.1.01 carry?

All those in favour, 'aye.'

SOME HON. MEMBERS: Aye.

CHAIR: All those against, 'nay.'

Carried.

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

CHAIR: We'll move to the Consolidated Fund Services now.

We'll take a couple of minutes, just to allow the new staff to come in.

We're going to start the Estimates for the Consolidated Fund Services. Since we have some new staff here, we're going to ask people to introduce themselves, again. So, we'll just start over here.

MS. HANRAHAN: Denise Hanrahan, Deputy Minister of Finance.

MS. HEFFERNAN: Theresa Heffernan, Assistant Deputy Minister, Finance.

MS. BOLAND: Gail Boland, Assistant Deputy Minister, Finance.

MS. JEWER: Michelle Jewer, Comptroller General, Finance.

MS. ELLIOTT: Susan Elliott, Executive Assistant to the Minister.

MR. BUDGELL: Marc Budgell, Director of Communications, Finance.

CHAIR: Okay, I'll ask the Members to introduce themselves as well.

MS. COFFIN: Alison Coffin, MHA St. John's East - Quidi Vidi.

MR. WAKEHAM: Tony Wakeham, MHA, Stephenville - Port au Port.

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

MS. STOODLEY: Sarah Stoodley, MHA, Mt. Scio.

MR. CROCKER: Steve Crocker, MHA, Carbonear - Trinity - Bay de Verde.

MR. BYRNE: Gerry Byrne, Corner Brook District.

CHAIR: I'm Scott Reid, I'm the Member for St. George's - Humber.

I'll open it up with the Minister of Finance for opening comments.

MR. OSBORNE: Thank you.

Just a couple of brief remarks regarding Finance and CFS. The Department of Finance provides strategic leadership to all government departments in the development of fiscal, financial, statistical and economic policy. We do this by providing timely analysis and advice to departments and agencies and Cabinet committees, such as Treasury Board.

The staff in my department oversee the management and control of the province's finances to ensure that public funds are used appropriately. In some instances, we also provide centralized and corporate shared services to other 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 systems.

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 four main divisions of the Department of Finance: the Financial Planning and Benefits Administration division, led by Theresa Heffernan; the Economic, Fiscal and Statistics division, led by Craig Martin; the Policy, Planning and Corporate Services division, led by Gail Boland, this is a new division that was created this past year and will provide key support to the deputy minister's office, as well as leadership on department-wide administration and operational improvement initiatives; and the

Comptroller General's office, led by Michelle Jewer. All four of these divisions report into the deputy minister and myself. Each of these branches also has sub-functions that feed into them, such as Treasury Board staff and the minister's staff.

The role of the Treasury Board is particularly important. As the President of Treasury Board, I meet regularly with Treasury Board support staff, our deputy and a complement of ministers to make key financial decisions affecting all areas of government. Through Treasury Board, we've kept departments accountable for their fiscal targets, cost-savings measures and expenditure control.

With that, we will open it up for questions.

CHAIR: Okay.

Before I call the headings, I just want to remind people, when they're responding to identify themselves and to speak up and speak into the mic.

CLERK: 1.1.01.

CHAIR: Shall 1.1.01 carry?

MR. WAKEHAM: Thank you, Mr. Chair.

First, again, I'll start off with some general questions.

The last time the province borrowed in the US market was 1993. Can the minister give his thoughts on US borrowing? Are there plans to borrow outside the Canadian market this year?

MR. OSBORNE: We generally try to stay in the domestic market, unless conditions are very favourable. Generally, when you borrow outside you also have to incorporate mechanisms, such as hedging. We've seen, for example, a couple of years ago, where Nalcor had lost money on hedging. Generally, it balances out, but there are times that you'll win and times that you'll lose.

Market conditions on the domestic market have been favourable to us since we've started borrowing again in 2016 and we continuously monitor foreign markets to determine whether

it's advantageous, but we've remained in the domestic market.

MR. WAKEHAM: Okay, thank you.

How much was borrowed last year?

MR. OSBORNE: \$1.45 billion, I believe it was.

OFFICIAL: \$1.425 billion.

MR. OSBORNE: \$1.425 billion.

MR. WAKEHAM: Okay.

How much borrowing is planned for this year?

MR. OSBORNE: \$1.2 billion.

MR. WAKEHAM: \$1.2 billion.

What is the impact of changing the interest rate of the debt-servicing cost?

MR. OSBORNE: I'll let my official speak a little more to that.

I guess in a minority government, the bond rating agencies often look to whether or not governments will remain on fiscal target in minority situations. So, there is some concern, I guess, within the department as to how the bond-rating agencies will view the performance of the minority situation, whether there are additional pressures on government to expand its spending. A change in bond ratings could result in millions of dollars additional borrowing costs on an annual basis.

MR. WAKEHAM: Okay, thank you.

Can you provide the borrowing forecast for the next five years?

MS. HANRAHAN: Yeah, that would be on our investor website.

MR. WAKEHAM: Okay.

MS. HANRAHAN: I don't have it right in front of me but I can get it for you. I think it's part of our investor website, I believe.

MR. WAKEHAM: Right there, okay.

MS. HANRAHAN: Yeah.

MR. WAKEHAM: Thank you very much.

We have a banking syndicate who helps sell our debt. Who are the current members and who are the lead members?

MS. HANRAHAN: We share leads amongst our syndicate depending on the issues, so they kind of take turns. They would be RBC, TD, CIBC, Bank of Montreal, Bank of Nova Scotia and National Bank.

MR. WAKEHAM: I have some more questions. On the Temporary Borrowings, is the line of credit still set at \$200 million?

MS. HANRAHAN: Yes.

MR. WAKEHAM: Yes. What is the interest rate on the line of credit?

MS. HANRAHAN: It's prime less 50 basis points. Right now, that would be about 3.45 per cent.

MR. WAKEHAM: Okay.

Does the minister plan to use the line of credit this year?

MR. OSBORNE: We've put forward, as part of budget, our borrowing requirements for this year. We are looking at some treasury bills as part of that borrowing strategy. Staff in the department always monitor in terms of whether we're going to go out with fives, tens, twenties or whether we go out with treasury bills. In shorter term borrowing, they'll monitor and evaluate the best course of borrowing, so it's difficult to say today whether we're going to put fives or tens on the market. In the next round, they evaluate that in motion.

MR. WAKEHAM: Was the line of credit used last year?

MS. HANRAHAN: No.

MR. WAKEHAM: Do you know what the lines of credit are for the regional health authorities?

MS. HANRAHAN: I wouldn't have the details in front of me now. I think it varies by RHA, based on size.

MR. WAKEHAM: Okay. Thank you.

What is the current interest rate on the treasury-bill program?

MS. HANRAHAN: For '18-'19 we would have realized 1.54 per cent on our 91-day T-bills and about 1.93 on our cash management bills. When we hold the cash, we would have realized just under 2.5 per cent on our cash balances under our new bank agreement. Our forecast for next year, for '19-'20, is about 2.2, but that would have built in the expectation of Bank of Canada changes, which continue to be unknown.

MR. WAKEHAM: This year I noticed the debt expense for the T-bill program has increased to \$23 million compared to an actual spend of, I think, \$16.5 million last year. Why the increase?

MS. HANRAHAN: It is a combination of an increase in size in the T-bill program. Again, this year, we added an extra \$15 million to each one of our 91-day terms for an extra \$195 million in short-term cash. Basically, we're utilizing the lower T-bill rate and our overnight rate on our banking account is higher, so we have increased the size of our T-bill program.

The total program would be \$1.1 billion, so that would lend more interest expense here. You'll see the offset in 1.1.05, Temporary Investments, in related revenue, because you'll pick it up on the other side where I'm realizing it in overnight balances. We also had a little bit better yields in the prior year, which is the projected revised a little bit lower than it should have been, but once again you'll see that offset in related revenue.

MR. WAKEHAM: Okay, so that's in your Temporary Investments, that's where we're seeing why last year's – why was last year's revenue not realized?

MS. HANRAHAN: I'm sorry, what number?

MR. WAKEHAM: In 1.1.05, under Temporary Investments.

MS. HANRAHAN: Oh, yes.

MR. WAKEHAM: It was \$23 million budgeted and \$17 million actual.

MS. HANRAHAN: It is a combination. One is we did a lot of our borrowing later in the year, so we didn't have as high a cash balance for the first half of the year. Normally, we would spread our borrowing program over the year, but based on market conditions, it tended to be in the latter part of the year last year, given spreads. We're trying to maximize that.

The other thing is we realized when we did this year's budget that the method by which we were recording this amount, historically we would have used our ending cash balance, so what we thought the balance was at the end of the year. That tends to be a little bit higher than throughout the year, because we're anticipating April 1 payments, so we tend to keep more cash, but it's not really indicative. We were noticing in most years the budget was higher than projected revised. We actually corrected that this year and this is why you will see the \$19.6 million in '19-'20. It's more indicative of a daily average cash balance calculation versus using an end-of-year balance.

MR. WAKEHAM: Is the \$19.6 million number that's there in correlation with what you just talked about under the treasury bills in terms of the increase in the extra revenue that you were talking about?

MS. HANRAHAN: Yes, you would see in that \$19.6 million fundamentally in that amount of the cash balance but, again, these are projections. It all depends on how the cash flows during the year and what our outlays are and the timing. A lot of it is timing and rates.

What we do know is that our overnight cash balance that we get from CIBC – 2.47, just under 2.5 – usually is significantly better than the cost we incur in those temporary investments. Even when we issue them – and that's why we've increased our plan because you end up generating more than it was costing you.

MR. WAKEHAM: Okay, that's it for me.

Thank you.

CHAIR: The Member for St. John's East - Quidi Vidi.

MS. COFFIN: Thank you.

Okay, lots of interesting things going on here.

If I could, let's go to Appendix III in the budget document to start. I noticed under Crown Corporation and Other Debt we have Housing, Municipal and Other. Can you give me some details on what other is? I noticed it has been declining over time. It's page A-3 in the budget document, in Estimates.

MS. HANRAHAN: I don't have details specifically in front of me now, but I think we can get that for you.

MS. COFFIN: Okay.

And that's Crown Corporation and Other Debt, correct?

MS. HANRAHAN: Yeah, \$281.7 million in '19?

MS. COFFIN: Okay, yeah.

MS. HANRAHAN: Yeah, because this schedule is at March 31 of '19.

MS. COFFIN: Right. Yeah, that would be –

MS. HANRAHAN: Whatever else is in the consolidated cash that we would've had here, I just don't have it with me.

MS. COFFIN: Right. Is that net or is that an absolute?

MS. HANRAHAN: That should be a gross. Normally, we would have sinking funds stated if it was netted against it.

MS. COFFIN: Right.

MS. HANRAHAN: Unless it was in the entity's financial statement as a net number, that's the only way it would (inaudible).

MS. COFFIN: Okay. That was a bit curious there.

What else did I want to ask about now? I'm not quite sure exactly what fits exactly where, but I did have a number of questions that came out of the Auditor General's report. Perhaps this is the right time or is it better to go to ...?

In the Auditor General's report, they focus on flexibility, sustainability and vulnerability. I noticed in a number of occasions that the AG had said that the fall update did not include information on a variety of different indicators. Are those available now? I haven't marked them exactly, but there were a number of times that very pointedly it was this information was not updated, so I can't make comment on it; this information was not updated, so I can't make comment on it.

So, I'm a little curious if that information is available and how it might affect some of these indicators, because throughout the course of the document they talk about this is either upward or downward and deteriorating trend, so that means we haven't addressed those pieces, even though we're balancing the budget and we're trying to focus on a balanced budget, but if we remain vulnerable, inflexible and unsustainable, then a balanced budget is going to be unattainable perhaps.

So, I'm just a little curious about those. Do you happen to have that or should I go through and look specifically for the things that were missing?

MS. HANRAHAN: We can certainly cross reference the report to see what the gaps are. The challenge has been the fall update process and the documents generated are not as deep as budget day documents, so from a reporting perspective, fall update tends to be fundamentally an update on the deficit and an economic update. Whereas, budget day, it's about debt and borrowing and some of the other main supply and those types of things, but we can certainly go back and cross reference because some of the indicators may be very easy to do.

MS. COFFIN: Certainly, and the only reason I ask is because I'm very familiar with the AG's report and I have not seen that type of discussion before. So, it implied that the information had previously been available, and I know

sometimes that the timing of these things are a little bit off because sometimes the Public Accounts come out and then you have a couple of beats before the AG's report comes out. I know the AG's report they're trying to move to an earlier date, so that might be what's going on there, but I think that will be a very important piece to get a more fulsome picture of the actual state of the finances there. So that would be a bit helpful.

Let's see what else. I notice over here, just to give me some sense of what's going on in terms of sinking funds, I know I can do the references myself, but we have what I see as only one bond that is coming due right now, or one amount of debt, and that's the borrowing in 1989/2000, AG, it's payable in US dollars. It's \$150 million that is coming there.

Can you give me some sense of how – I guess, if the sinking fund is available to pay this off, and certainly the sinking fund says there's nothing there, so that's going to come out of our general revenue or our borrowing?

OFFICIAL: What page?

MS. COFFIN: A-4.

MS. HANRAHAN: You would be looking at the \$150 million, Series, AG?

MS. COFFIN: Yes.

MS. HANRAHAN: Yeah.

The usage of sinking funds has been up and down over the last 30 years and the latest trend has been not to tend to use them and then there was a period of time where we did.

In most times, it depends on if the issuer required them or if there was some reason for it, because, generally, the interest rates are so low on the reinvestment of those sinking funds that I'm paying to borrow it; I'm losing money if I also do the sinking fund.

In this particular case, and in fairness for the bulk of the debt even above in Canadian dollars, there aren't any sinking funds to counteract against that.

MS. COFFIN: Okay, so the sinking fund stuff is the few things that I see in the second last column from the right.

MS. HANRAHAN: In that column, that would be gross sinking funds.

MS. COFFIN: Yes. So, there's a significant difference between the assets that we have and the debt that is owing, correct?

MS. HANRAHAN: Yes.

MS. COFFIN: I noticed that there is a number of debts that are coming due in rather short order. We're seeing a whole pile in 2021. A number of borrowings that happened in 2016, 2015 that are very short-term borrowings. Good job on getting the lower interest rate, which is great, but I question the feasibility of being able to pay \$650 million that is going to be due in a year and a half or so.

I know we can only pay debt as debt comes due, because you can't pay this off a little bit early. That's a common thing that I often have to rebut in the media, but I'm just a little concerned about our ability to pay because a lot of debt is coming due in very short order.

MS. HANRAHAN: I know there was a question about the out years from a borrowing perspective; all of the maturing debt is rolled into that. In most cases, we are utilizing current interest rates, and it's really a save as we roll debt over.

We did issue some short-term debt, five-year fixed or five-year floating notes, it's a very small portion of our portfolio. Last year, we issued \$1.425 billion, and some of these would've been in 2016.

In 2016, we were new into the market and we noticed that our spreads were very high because we hadn't been borrowing for about 10 years.

MS. COFFIN: Yes.

MS. HANRAHAN: I suspect back then this was a cash management issue to try to get some interest rate relief, given that we hadn't been in the market, but the floating note there, Series, 7E, for example, would've been very much

utilizing that under 2 per cent. We do have the ability for the floating rate note to lock that in, to flip that over to fixed.

MS. COFFIN: Good.

MS. HANRAHAN: We're usually pretty opportunistic about how we manage that. It is a big part of our cash management, to constantly look at our maturing debt. Most of our debt in the last few years has been 10- or 30-year debt, it's been long-term debt.

MS. COFFIN: Right, which is actually not a bad idea, given the low interest rate environment that we're in.

MS. HANRAHAN: Yeah.

MS. COFFIN: Now, good news on the floating is that the Bank of Canada is looking like there might be a slowdown in our economy, and we're seeing that international as well. So good from a borrowing perspective; however, it's probably going to substantially impact our revenues at this point.

We've budgeted oil at what this year? Was it \$64?

MR. OSBORNE: Sixty-five.

MS. HANRAHAN: Sixty-five.

MS. COFFIN: Sixty-five, and an exchange rate of ...?

MS. HANRAHAN: About 75.

MR. OSBORNE: Seventy-five.

MS. COFFIN: Seventy-five. Okay, I haven't checked the exchange rate in a while, but oil is at \$60 and a little bit and trending down at this point. So that's a bit disconcerting.

What's the lost revenues for every dollar in a barrel of oil? We lose, what, \$22 million, is it?

MS. HANRAHAN: I think it's slightly less than that.

MR. OSBORNE: Yes. It's just higher than \$20 million.

Oil is a volatile commodity.

MS. COFFIN: Yes.

MR. OSBORNE: So last year we saw oil considerably higher than \$75 a barrel; for part of the year we saw oil at considerably lower than what we budgeted. We'll see months where oil fluctuates within the month at a wide variance.

We don't focus on what the price of oil is today, any more than a month ago oil was considerably higher than what we budgeted. It's on an annual basis. Last year, even though oil fluctuated from far below what we budgeted to far higher than what we budgeted, we came out at just better than \$71 a barrel. We budgeted \$63.

MS. COFFIN: Yes, all right, that's very reassuring. That \$71 was in Canadian dollars or US?

MR. OSBORNE: US.

MS. COFFIN: Okay, all right. So that's actually much better than it – now we're going into this year, we're going to see a decrease in production, as well as this lower oil price. So what's that going to do to?

MR. OSBORNE: We've got a 12 per cent increase in production this year?

MS. COFFIN: Is that what I heard, that it was going to decrease production this year that Terra Nova is shutting down? So, how is that going to impact our ability to meet some our targets, or has that already been built in?

MR. OSBORNE: That's been budgeted in.

MS. COFFIN: That's been budgeted in. Okay, that's, again, reassuring.

I don't know if I'm going to fit another question in here. Perhaps, no. I'll pass it back to you, and then if there are more questions, then perhaps we can come back to me.

CHAIR: The Member for Stephenville - Port au Port.

MR. WAKEHAM: Okay, where are we now?

The Interest Subsidy from CMHC, I noticed that there's nothing estimated for '19-'20 – 1.1.06.

CHAIR: Which heading is that again?

MR. WAKEHAM: 1.1.06.

MS. HANRAHAN: The mortgage that was there was paid off in '18-'19.

MR. WAKEHAM: Okay.

MS. HANRAHAN: Therefore, there's no future subsidy. There is a miscode. That revenue actually should've probably been reflected in 1.1.05, Temporary Investments. It's still revenue but when we checked it's a miscode.

MR. WAKEHAM: I was going to ask you why the revenue of \$1.8 million.

MS. HANRAHAN: Why it's so large?

MR. WAKEHAM: Yeah.

MS. HANRAHAN: That's why. It's a miscode. It was our CIBC contract; it should have been coded to 1.1.05. It's still related revenue and it's the same amount.

MR. WAKEHAM: Okay.

MS. HANRAHAN: It leaves behind a little bit less there but, basically, the mortgage was paid off.

MR. WAKEHAM: In 1.3.01 under the Guarantee Fees –

CHAIR: Just before we move from the – the heading was –

MR. WAKEHAM: 1.3.01.

CHAIR: I've been giving some flexibility but the heading that was called was 1.1.01.

MR. WAKEHAM: Okay.

CHAIR: I'd like to keep it to the 1.1 subheadings at this point. We can come back to that later if that's the way the Committee would like to proceed. Is that okay?

MR. WAKEHAM: That's fine, Mr. Chair.

I'll ask one more question under 1.1 then and that is the mortgage that's been paid off. What's the status of the asset?

MR. OSBORNE: CMHC mortgage?

MS. HANRAHAN: Harbour Lodge. It's the Harbour Lodge facility.

MR. WAKEHAM: The asset is Harbour Lodge.

MS. HANRAHAN: Harbour Lodge, Carbonear.

MR. WAKEHAM: What would be the intent of the use of Harbour Lodge?

MS. HANRAHAN: My understanding is that the regional health authority was transferring it to Transportation and Works. I don't have the current status but the anticipation was either sale, repurpose or demolish, if there's a more recent update than that.

MR. WAKEHAM: Okay, thank you.

CHAIR: Any further questions?

AN HON. MEMBER: (Inaudible.)

CHAIR: Okay, we'll call that head now.

CLERK: 1.1.01.

CHAIR: Shall 1.1.01 carry?

All those in favor?

CLERK: 1.1.02.

CHAIR: Although we just called 1.1.01, I allowed some flexibility and I think we've dealt with all the subheads under 1.1.01 through to 1.1.06. I'm going to call those inclusively and we'll just vote those as well, before we move on.

CLERK: 1.1.01 to 1.1.06 inclusive.

CHAIR: Are those carried?

All those in favour?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, subheads 1.1.01 through 1.1.06 carried.

CHAIR: We're going to move to 1.2.01.

CLERK: 1.201.

CHAIR: Are those carried?

Are there any questions on that heading?

MR. WAKEHAM: None for me.

CHAIR: No.

Shall those carry?

SOME HON. MEMBERS: Aye.

On motion, subhead 1.2.01 carried.

CLERK: 1.3.01.

CHAIR: Okay, we'll call heading 1.3.01.

The Member for Stephenville - Port au Port.

MR. WAKEHAM: Thank you, Mr. Chair.

1.3.01; last year revenue was budgeted at \$8.9 million, only \$8.6 million was attained. Can you explain why?

MS. HANRAHAN: The \$8.9 million is a projection based on the guarantee fees that we would get. Fundamentally, the variance would relate to Newfoundland and Labrador Hydro. The calculation of the fees varied through the year, depending on the term of the debt, be it 50 basis points or 25.

MR. WAKEHAM: Can the minister provide a list of which organizations were charged for their guarantees in '18-'19 and how much was charged to each?

MS. HANRAHAN: I have it here. There are two people charged fees: Fogo Island Co-operative Society, their fee would have been

\$15,000; and all the remaining fees would relate to Newfoundland and Labrador Hydro.

MR. WAKEHAM: Are there any new loan guarantees being considered by Cabinet?

MR. OSBORNE: Not at this time.

MR. WAKEHAM: Okay.

Is there a list of which loan guarantees were approved and issued last year?

MS. HANRAHAN: I think you would see a change; all the loan guarantees are disclosed in Public Accounts. There was a provincial on land in '17-'18 for Newfoundland and Labrador Hydro of about \$600 million. There haven't been any increases since.

MR. WAKEHAM: I noticed your projection is to go back up to \$8.9 million, even though only \$8.6 million. Are you confident that you will achieve \$8.9 million this year?

MS. HANRAHAN: It's a forecast, again. Based on that timing of that \$600 million that we did in '17-'18, we'll get a full year now and I think the forecast should be okay.

MR. WAKEHAM: Okay, thank you.

CHAIR: Any further questions on that heading?

The Member for Mount Pearl - Southlands.

MR. LANE: Yes, thank you, Mr. Chair, with the leave of my colleagues.

CHAIR: Yeah, with leave.

AN HON. MEMBER: Leave.

MR. LANE: I just have a couple of general questions so I think it will fit in here somewhere.

Minister, I guess my concern is more around the debt that we have and our ability to pay that debt. First of all, I'm just wondering, right now I believe – and correct me if I'm wrong – I think it's somewhere in the neighbourhood of \$1.3 billion a year to service our current debt or somewhere in that neighbourhood.

I'm wondering, at what point, if we keep borrowing – we're borrowing again, we've been borrowing year over year; we're going to borrow another billion-plus this year. I understand you have a target for 2022, I believe, to attain surplus, but does anybody have a number? Is there a number out there that says once we reach this much debt, we're simply not going to be sustainable? We keep hearing about the fact that the debt is growing, growing, growing and pretty soon we're going to have to be bailed out by Ottawa.

I'm just wondering, at what point, at what number – how many years can we continue borrowing a billion-plus dollars before that becomes a reality for us, or is it just a myth?

MS. HANRAHAN: The debt expense for '19-'20 is just over a billion dollars from an accrual perspective, and it represents about 12 per cent of the total expenditure for the province. The debt expense is really a by-product of the ability to borrow. I guess the marker or the calculation will come down to the province's ability to borrow and the interest rates that it will attract.

We know, from a spread perspective, we pay more than some other provinces just based on that. The question is, at what point, from a cash and borrowing perspective, are you not able to do the other parts of the program? Some of our cash expenditures are done for infrastructure so it doesn't impact deficit. Some of the cash is used for different things. There are many mechanisms by which you can manage your cash, there are lines of credit, there are all kinds of ways. We have not done a calculation or a fine line in the sand to be able to identify because it is very much subject to how Newfoundland and Labrador is seen from a borrowing perspective which is a really wide variety of information, from bond ratings to expenditure control to revenue generation. So I guess the long and the short of that is we haven't been able to calculate a particular line in the sand.

MR. LANE: Okay, I appreciate that. Obviously, no different from your own personal situation. At some point in time, nobody is going to lend you money. If we keep growing the debt year over year over year, it just can't go on indefinitely for sure. So, with that in mind, I will

say to the minister that I support the attrition plan 100 per cent, zero-based budgeting. Some of the things you've done is good, as far as I'm concerned at least.

I just want confirmation, the attrition plan, zero-based budgeting and all those other measures, are they all applying now to all of the ABCs and institutions like Memorial University, CNA, and so on? Because I do understand that at one point, maybe a year or so ago, NLC weren't necessarily on board. I'm just wondering is everybody now doing their part and following that same template, if you will.

MR. OSBORNE: We've been getting co-operation from our agencies, boards and commissions. In December, we introduced legislation into the House that allowed them to share information with us more freely, without concern for privacy in sharing of that information. The reason for that information was to enhance that level of co-operation that we're receiving from the agencies, boards and commissions.

MR. LANE: Okay, thank you, Minister.

Minister, I don't believe there's a process – you can correct me if I'm wrong. I know we don't have an Estimates process, per se, for agencies, boards and commissions. Personally, I'd love to see it where NLC and Newfoundland and Labrador Housing, we would be able to do the exact same thing that we're doing here, but that's not happening right now. But do you have that ability? Do you receive something like this that you would review and ask questions every year on their budget, like we're doing now, to make sure that they're handling their affairs properly and spending the money wisely?

MR. OSBORNE: Yes, the concept of being able to do that is an interesting concept. Probably something that maybe we should have further discussion on. But yes, departmental officials do monitor the financial reports of our agencies, boards and commissions.

MR. LANE: Okay.

Well, as I said, Minister, as one MHA, I would certainly support a similar process as to what we're doing here with those agencies, boards

and commissions. Because, at the end of the day, it's still taxpayers' money that's being spent.

My final question relates to something that's been put out there by the Leader of the Official Opposition, this whole idea of taxing Hydro-Québec on their power generation. I'm just wondering is that something that's being even considered or looked at, if there's a possibility of doing that. Can you say?

MR. OSBORNE: That has been looked at for a considerable period of time. I mean, it's a legal issue. Anything that's said here is obviously on record in *Hansard*, so I think caution in anything that's being said, so as not to jeopardize what may or may not be available as a legal avenue for the province would be wise for me.

MR. LANE: Sure, I understand.

As long as it's being looked at. Obviously, I'm not a lawyer. I don't know the background around it, but if there is a way of doing it, I think we should explore every avenue we can. It was something that I wasn't aware of, but if we can do it, why not?

That's all I have for now.

Thank you.

MR. OSBORNE: Thank you.

CHAIR: Any further questions?

MR. WAKEHAM: Yes, just a follow-up question.

As a percentage of expenditure, the 12 per cent that we're currently spending now on debt servicing, is that the highest it's ever been?

MR. OSBORNE: Yes, it is. At one point, Education, I think, in the '70s was the largest spend of any department, and that was overtaken by Health; Education became the second highest. We're now looking at debt servicing as the second highest expense. I mean, the province has borrowed for Nalcor and for other purposes since 2016. Primarily we've gotten back into borrowing, in a larger way. But I think that's the highest percentage it's ever been.

MR. WAKEHAM: And that's the 12 per cent, that's reflective of this year's thing.

Just to follow up with my hon. colleague there, in relation to the ABCs, the agencies, boards and commissions and the reference to the return to surplus, there was \$617 million shown as a reduction in expenditure between now and the return to surplus in '22-'23. Are the agencies, boards and commissions factored into that particular number?

MR. OSBORNE: They are. We've got what looks like a bit of a jump in expenditure this year. First of all, when you factor in debt servicing, I mean, the cost of debt servicing continues to increase. That's something that's not entirely within the control of any Member of this Legislature without – once we get back to surplus and we can actually start paying on the debt, that's when that will start to reduce. Any increase in expenditures, or any increase in costs to government, only adds to the wrong side of the ledger.

This year, we've got about \$130 million included in the budget in fully recoverable expenses. And \$125 million of that is federal money. Where the federal government has provided funding for a particular purpose to be carried out in the province, it shows as revenue and it also shows as an expense. So \$130 million in total, but \$125 million of that is federal.

We've got \$235 million, I believe, we've paid out in severance, which is a one-time expense. Once severance is completely paid out, we no longer have to pay that. So while it looks like the ledger is moving that way, some of it is very explainable, such as the severance payout. Severance will save us \$25 million a year. The actual save is \$35 million, but \$10 million of it is the cost of borrowing in order to payout the severance. The real savings is \$25 million a year, but we're still paying the severance out, so it is showing as an expense.

That's a large chunk of it. A large chunk of it will come from 60 per cent of our expenditures in terms of public spend is within our agencies, boards and commissions, so they have to be part of the solution.

MR. WAKEHAM: The \$617 million will include a flattening, if you will, or a reduction in their expenditures?

MR. OSBORNE: Well, we're looking for efficiencies, similar to what we found in government. We continue to work with our agencies, boards and commissions to find those efficiencies.

MR. WAKEHAM: Thank you.

CHAIR: Any further questions under headings 1.3.01 and heading 1.3.02?

No further questions. Seeing no further questions I'll call heading 1.3.01 and 1.3.02 inclusive.

All in favour?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, subheads 1.3.01 and 1.3.02 carried.

CHAIR: We'll move to call the next heading.

Shall 1.4.01 carry?

Are there any questions on those?

MR. WAKEHAM: I have a question on 1.4.01. The Professional Services category, the expenses were budgeted to be \$11.2 million but only \$6.67 million was required. This year we're estimating \$8.7 million. Can the minister explain the variance?

MS. HANRAHAN: The forecast for '18-'19 of \$11.2 million; we actually realized our fees were a little bit better than we anticipated. We were able to utilize some of our short-term debt in order to have some savings on commissions because it's all based on the size of what we issue and the length of time.

We had a slightly smaller borrowing program; in '18-'19 we were down to \$50 million. Of course, for budget '19-'20 you'll see it's down from \$11.2 million to \$8.7 million because the borrowing program is actually smaller than the \$1.425; it's now \$1.2. We would have realized

some savings as well in there. We've been very aggressive with trying to manage our fees.

MR. WAKEHAM: That's why I ask because it's a \$2-million increase. I was wondering if you were borrowing less than you did the previous year would you be as successful as you were –

MR. OSBORNE: We're borrowing less than we projected we'd have to borrow.

MS. HANRAHAN: It's more in line probably with budget year over year.

The challenge, of course, is it's hard to project and so we really reflected the change in the programs. It's possible next year that we won't get the same management fees and commissions because, depending on interest rates, we may be doing all 30-year debt and that's more expensive.

MR. WAKEHAM: I have one more question. Last year there was \$11 million in revenue and I'm trying to understand how that occurred.

MS. HANRAHAN: Depending on the type of issue we issue, the accounting treatment differs. Under debt expenses, we record any time we make an issue where there's a discount, and a discount would be where there's a lower interest rate than market. If it's the reverse, we have to record it as related revenue.

In fairness, you need to look at the \$11.07 million in conjunction with that \$8.89 million to really get the picture of if our bonds have been issued at a discount or premium. Combined it's about \$2.18 million in net savings or revenue, because premiums occurred more than discounts. So, basically, we got a higher interest rate than the market rate when they were issued.

MR. WAKEHAM: Okay, thank you.

1.4.02; last year there was a very small budget for Transportation and Communications, \$4,500 and the expenditure actually went up to \$23,000. You're budgeting \$25,000 this year.

MS. HANRAHAN: When we do our budget, we usually forecast investor relations as one single amount, almost like one function. You

would have seen that budgeted under Professional Services and repeated again in the following year's budget.

When the expenses are actually spent, depending on what was spent, they'll be coded to the correct account. That \$23,200 you see there actually relates to investor relation work, such as travel, that occurred to go visit banks and investors. That's why you'll see the change overall. We did not spend a significant portion of that money for a US registration or those other costs.

MR. WAKEHAM: Who exactly would be travelling?

MS. HANRAHAN: Normally, for our investor relations, it's the minister and myself, led by one of the members of our syndicate.

MR. WAKEHAM: Another question, under Professional Services I noticed there was a budget of almost \$1.3 million and an actual expenditure of about \$280,000. This year, the budget is back up to almost \$1.3 million again. Can you explain why that would be?

MS. HANRAHAN: In both budgets, we would be having a nominal amount related specifically to our borrowing program, including investor relations. We've been keeping a marker in the last few years to keep the option open with respect to going outside the domestic market. Our investors see these Estimates, they see that we have an allocation there with the ability to do that, so a pretty strong message for them as well.

However, every year we assess it a couple times a year, and if the costs outweigh the benefit, we don't do it. There are jurisdictions that actually spend money to go outside because it fits their programs. For us, we're very cost conscious and if there's not an obvious cost benefit, we don't do it.

The difference between the two years, you'll notice it's about a \$20,000 difference. We actually have one of our bond raters, DBRS, stopped charging us fees. They stopped charging all the provinces, so we're reflecting that reduction in cost there.

MR. WAKEHAM: Under Transportation, would the minister's travel be charged there as well?

MS. HANRAHAN: For Consolidated Fund Services it is.

MR. WAKEHAM: Okay. Thank you.

CHAIR: Any further questions for headings 1.4.01 and 1.4.02?

MS. COFFIN: Yes, please; a couple of quick questions in here.

Let's go back to the question that we had from the Public Service Commission. We're over to you now. What is the new definition – you had lots of time to look it up.

Can you give me what I hear is the revised or new definition of Professional Services?

MS. HEFFERNAN: I'm not sure that there is one.

MS. COFFIN: Oh, okay. That was something that I had heard along the way and I thought, well, I had better check on that.

Perhaps then you can give me just the general definition of Professional Services and type – I know it's a bit of a catch-all in terms of it is services that we acquire that are not currently provided in-house or that we need for time-sensitive reasons or a variety of other reasons. Is there like a general definition for that particular heading?

MS. HEFFERNAN: I'm not exactly sure of the actual definition, but I think from my experience of many years in government, it has been used for numerous contractual-type engagements, anything from medical to professional services like actuarial services, maybe some forensic accountants, those types of things.

MS. COFFIN: Legal fees, these types of things. Yeah.

MS. HEFFERNAN: Yeah.

It's usually geared towards short-term, project-related-type things or, as you mentioned,

services that are not necessarily available in-house.

MS. COFFIN: Right. Okay, good.

MS. HANRAHAN: Every year, we find instances where somebody's been charging something to a particular account and they have done it many times, and then, in the course of Public Accounts or some other audit process, we realize it really should be coded somewhere else. I suspect that may be what they've encountered.

MS. COFFIN: Right.

MS. HANRAHAN: It's usually between Professional and Purchased Services. It's usually that you've always charged your actuary here, you should have been charging him over there, and it takes two budget cycles to kind of get it realigned.

MS. COFFIN: Yeah, to realign that.

Okay, so maybe the difference between Professional and Purchased – Purchased Services would be what versus Professional Services? I'm guessing Professional Services are those with a professional designation, like a P engineer or your forensic accountants or legal services or medical services.

Purchased Services, comparably, is ...?

MS. HEFFERNAN: Yeah. That would be a fair assessment, I guess.

Purchased Services are more in line with when you're acquiring printing services –

MS. COFFIN: Right.

MS. HEFFERNAN: – office rentals, maybe a cleaning service or some contractual work like, I guess, maintenance and those types of things on buildings or whatever.

MS. COFFIN: Right, okay.

MS. HEFFERNAN: On the Professional side, it's probably more along the lines of medical doctors, the legal profession –

MS. COFFIN: Right.

MS. HEFFERNAN: – the actuarials and accountants, that kind of thing.

MS. COFFIN: Yeah, it's more of an individual service. A service provided by a particular individual versus Purchased Services would be things that are more tangible services, like that rental thing.

MS. HEFFERNAN: Absolutely.

MS. COFFIN: Okay, that's good, that helps frame a lot of stuff for me.

MS. HEFFERNAN: Okay.

MS. COFFIN: Okay, let's get back to something a bit more specific now.

We've spoken a number of times about the bond-rating agencies. Perhaps you can give me an overview of a lot of their criteria. I know that fiscal stability is a very important thing, especially for us to even be able to access the bond markets, at this point, as well as our bond rating.

Can you give me a sense of what those criteria are?

MS. HANRAHAN: They would release annually and sometimes every five years, comprehensive documents that would fully disclose how they do their bond rating and what they include. They're all a little bit different; they all do their own kind of calculations.

I don't have it right in front of me to read, but from a general perspective, they take in all aspects of a risk assessment on the province, from the perspective of our ability to repay, our ability to manage our budget, be it our revenue streams, our expense streams, our debt levels, as well as long-term forecasts. So long term for them will be a couple of years.

They look at the political structure in a province. They look at the demographics. They look at a very wide range of things. They look at consolidated expenses and are predominantly focused on financial statements that are consolidated for the province and the sources of that. They do have in-depth meetings with us to be able to garner information that may not

necessarily be – because it’s a confidential service, so they’re always – like any bond rater would be, it’s about they telling people that we’re worthy of investing in.

So they do look at things like liquidity, for example, so our borrowing program is a big part of our meetings with them. They also look at stability, the ability for governments to be able to adhere to their budgetary plans, their ability to have clean audit financial statements and they very much are interested in, from a very big picture, our economic reports, the independent analysis that goes into economic projections is a big portion of that.

MS. COFFIN: Yes.

MS. HANRAHAN: They tend, as well, to want to meet with, or have questions about, really large initiatives that would be going on in the province. For example, Muskrat Falls, oil and gas, those types of things, and they’re also interested in relationships we have with the federal government or any interprovincial tripartite activities that are going on.

They usually come with lots of questions and then they disclose to us how they’ve judged those, and then we take that. They usually do their own metrics of our numbers.

MS. COFFIN: Right.

MS. HANRAHAN: For example, they don’t amortize capital the way public sector accounting amortizes capital.

MS. COFFIN: Right.

MS. HANRAHAN: But because it’s the same process year over year, it’s still comparative.

MS. COFFIN: Right, yeah, so you can compare each –

MS. HANRAHAN: Right.

MS. COFFIN: – bond-rating agency because they have a standardized process by which they evaluate.

MS. HANRAHAN: Right.

MS. COFFIN: Are they available online?

MS. HANRAHAN: That’s how they make their revenue, so in most cases, it’s a subscription service.

MS. COFFIN: Right.

MS. HANRAHAN: They’re very, very conscious of what is shared.

MS. COFFIN: Right.

MS. HANRAHAN: They usually will do a news release or some public release.

MS. COFFIN: I’ve certainly seen some of those.

MS. HANRAHAN: In some cases they don’t so we tend to.

MS. COFFIN: Right.

MS. HANRAHAN: But that is their business.

MS. COFFIN: Right, okay.

I followed many of these updates and what the bond-rating agency says, just the very superficial public announcements. Maybe that could be one of my first subscriptions.

I’m just wondering, when is the next assessment?

MS. HANRAHAN: It’s around this time of the year now they would come, once the budget has been through the House. So, right now, we’re targeting meetings for late June, early July. This is the one time of the year where they always visit us. We would go through in depth with them, with the three bond raters that we have, at that point in time.

MS. COFFIN: Is it at all possible for me to sit in on those meetings?

MR. OSBORNE: Sorry, no. Many of the discussions that take place there are proprietary. We get into the business of the oil companies and so on, so they are very highly confidential discussions.

MS. COFFIN: Okay, all right. Thank you.

I think that's my questions on this section. There are more on other sections.

Thank you very much.

CHAIR: Any further questions on those headings?

MR. WAKEHAM: I just have one comment.

The minister alluded to the fact that the bond agencies are watching a minority government to ensure that the stability of the expenditure doesn't increase. I want to assure the minister that our party will not be increasing the expenditure of the budget this year. It will not go up.

MR. OSBORNE: I hope they're reading the transcripts from this meeting.

MR. WAKEHAM: That's why I put it out there.

MR. OSBORNE: I thank you for that.

MS. HANRAHAN: We'll send a copy.

MR. OSBORNE: That is important, Tony, so I appreciate it.

MR. WAKEHAM: That doesn't mean we're not going to argue about some of these expenditures.

CHAIR: Any further questions from headings 1.4.01 and 1.4.02?

Seeing no further questions, I'm going to call that head.

Shall headings 1.4.01 and 1.4.02 carry?

All those in favour, 'aye.'

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, subheads 1.4.01 and 1.4.02 carried.

CHAIR: I think in the interest of time, we'll call 2.1.01 to 2.1.03 inclusive.

Questions?

MR. WAKEHAM: Thank you.

Under 2.1.02 is where I'll start. Last year, for '18-'19, \$359 million was budgeted but only \$91 million spent in this subheading.

How much was transferred and spent in other departments and what was the total spent?

MS. HANRAHAN: \$171 million was transferred. With respect to what was spent, that would be in all the individual departments in their salary plans, and I don't have that.

MR. WAKEHAM: Okay.

Can the minister provide some information on the ending of the severance and the payout of the severance accumulated, have all the payments been made and for those who choose to take the payment?

MR. OSBORNE: Under most of our collective agreements, some of them are a little bit different, but there are five choices. So, for example, I'll use NAPE as an example, they could've chosen first, second, third or fourth quarter or they could've deferred it to a later date in which they could take severance anytime between the fourth quarter and the time they retire, whatever suited their financial planning best.

So the majority of people, I think it was over 70 per cent of individuals, requested severance payout in the first quarter, was it?

MS. HANRAHAN: Yeah.

MR. OSBORNE: It was about 70 per cent. Some others requested it in second, third and fourth quarter. NAPE is primarily looked after now, with the exception of those who have requested to defer their payment to a later date, which is a very small number.

The Registered Nurses' Union, for example, was just recently ratified. So we're now making plans with them for the payout of their

severance. The teachers have been ratified; plans are established on their payout. We had about \$235 million paid out last year.

OFFICIAL: Between that, it was \$263 million together.

MR. OSBORNE: Yeah, so we're up to about \$263 million. We're about half way in terms of total payout.

MR. WAKEHAM: So do expect that most of that will be paid out in this fiscal year or next fiscal year?

MR. OSBORNE: There's a large portion of the budget to be paid out again this fiscal year. We've still got a couple of smaller bargaining units that we've yet to settle with but, for the most part, most of the contracts have now been settled. So yes, the majority of the balance should be paid out this fiscal year, or I guess as early as the first quarter, maybe into the second quarter of the next fiscal year, based on the timing worked out with the unions.

MR. WAKEHAM: Okay, thank you.

Under 2.2.01, Deferred Pension Contributions, can the minister outline when the payments are made to each pension corporation? Is there an annual payment, quarterly payment, and on what date are the payments made?

MS. HANRAHAN: The public sector pension plan is paid quarterly; \$47 million a quarter throughout the year. The Teachers' Pension Plan is paid annually in the fall, \$135 million. It's a one-time payment.

MR. WAKEHAM: Okay, thank you.

Did you call 3.1, Mr. Chair?

CHAIR: No, I didn't. Just 2.1.

MR. WAKEHAM: Okay, I have no further questions.

Thank you.

CHAIR: Okay.

Any further questions on the 2.1.01 to 2.1.03?

MS. COFFIN: Yes, please.

CHAIR: The Member for Signal Hill - Quidi Vidi.

MS. COFFIN: Okay, let's have a chat about some things here. There has been a move in government to divest itself of outstanding debt, and that's one of the reasons why we went to a jointly sponsored public sector pension plan as well as why we went to the jointly sponsored Teachers' Pension Plan. About three years and three ministers of Advanced Education, Skills and Labour ago, the university was directed to move itself towards a jointly sponsored pension plan.

When last I checked, a reform agreement with a pretty solid arrangement that fairly mirrors the other arrangements was proposed and brought to government, as both of the parties had been directed. My understanding is nothing has happened with that, and I think the reform agreement was proposed September of last year. Can you tell me what's happening with that? Is government still intending to move to that? When can we expect to see that happen?

MR. OSBORNE: We can get further details on that. I know that there was a proposal made. We'd asked for MUN to revisit some of the items that were proposed at the time. That file is primarily, as you say, in Advanced Education, Skills and Labour, but we can seek an update to the extent that it doesn't contravene any issues between ourselves and MUN, in terms of the information that's put out. It's still a discussion that's in motion, so I'm ...

MS. COFFIN: My understanding was it was no longer in motion, but brought up solid.

MR. OSBORNE: Well, we can get you an update to the –

MS. COFFIN: That would be great.

MR. OSBORNE: – greatest extent we can provide the details.

MS. COFFIN: Certainly, yes. I'm fairly sure that both parties had agreed on the reform agreement, and it was a very balanced approach in there. So I was just wondering what the

problem was. Especially given our debt situation, it would be very useful to have that taken care of. And given that the markets are decreasing right now, we're not seeing the same gains that we need, that debt is only going to grow. So I think that's something that needs to be addressed sooner rather than later.

Let's go on. Ex-Gratia and Other Payments - Non-Statutory. Are these the severance payouts that are going in here? Is this what I'm seeing in here? Okay.

Can I also get a list of all of the individuals receiving ex gratia payments, or at least a breakdown of the number of individuals who've been receiving ex gratia pensions under this section? I know, historically, there has been a great number of individuals that are in that, but I'd just like to have some sense of the number of people receiving ex gratia pensions in under that heading, if that's at all possible, please.

MS. HANRAHAN: You're speaking specifically to the group under Employee Benefits?

MS. COFFIN: I'm not sure if it's under Employee Benefits – I assume it's probably not under Salaries. This is –

MS. HANRAHAN: So under Salaries would be the big pension payouts.

MS. COFFIN: The salary payouts. So that would be the Employee Benefits. I assume that's what it's called.

MS. HANRAHAN: Right. That's the historical amount there. They're particularly related to past arbitration awards, there's a group of employees, the (inaudible) from 1976. There was a redundancy payout in 1992. Those are the people that are still receiving some form of ex gratia pension that would be that \$2,347,700 figure.

MS. COFFIN: Okay. That's good to know.

Let's see here: Pre-1949 Special Acts, how many people are still getting those? I imagine the dependants are perhaps well-aged at this point, if this was pre-'49?

MS. HANRAHAN: Last year there were 43, and at the end of March of '19 there are 36, so our budget for next year is based on 36 individuals.

MS. COFFIN: There's 36 individuals, and they're getting \$37,000? Oh my.

Okay. What else do I see in here? I think that might be it for this section. You say the Deferred Pension Contributions are the payouts to make the pension plan whole. So that's to fund the unfunded liability?

MS. HANRAHAN: This would be the promissory notes that were part of reform.

MS. COFFIN: Okay. So in that, does this also capture the deferred pension plan, or does that sit under the public sector pension or Provident¹⁰ now, is that where that sits?

MS. HANRAHAN: Deferred pension plan? This \$323 million is specifically one payment to Provident¹⁰ and one payment to teachers. Just based on (inaudible).

MS. COFFIN: Well, that's the only things that are –

MS. HANRAHAN: That's all that's in there.

MS. COFFIN: Okay. So once upon a time, I was a member of government, so I do have a deferred pension, but that rests in Provident¹⁰ now.

MS. HANRAHAN: So that would probably be sitting on government's liabilities, as pension owing.

MS. COFFIN: Right, yeah.

So this is not over here, this is contributions, yeah. I'm just wondering where that is resting now –

MS. HANRAHAN: That's it.

MS. COFFIN: – so I assume that rests with Provident¹⁰ at that point. As a –

MS. HANRAHAN: As a deferred pensioner would be part of the plan.

MS. COFFIN: – in the deferred pension section, yeah.

Currently under review now. I must have been bad, or good – one or the other.

That’s all of my questions under that section.

Thank you very much.

CHAIR: Any further questions under sections 2.1.01 to 2.1.03 inclusive?

MR. WAKEHAM: I have one more question, Mr. Chair.

Just curious, are all of the ABCs under the same rules with regard to paying out the severance and the elimination of severance? I know the health authorities are, but what about some of the other ABCs? Has there been any ...?

MR. OSBORNE: Anybody whose part of our unions, all of them with the exception – Nalcor is slightly different, I think, aren’t they?

OFFICIAL: Yeah, I think it would be specific to – be it their collective agreement or if they were management, non-bargaining – the legislation that was put in related to that. It would be whatever agreements were struck, but from what I understand they were relatively the same from a processing perspective.

MR. OSBORNE: The RNC had their severance paid out a number of years ago, as did Newfoundland and Labrador Housing.

MR. WAKEHAM: What about CNA and the Liquor Corporation?

MR. OSBORNE: Yeah, they would be under the most recent round of negotiations. They’d be included in that.

MR. WAKEHAM: Nalcor?

MS. HANRAHAN: I think they had different arrangements.

MR. OSBORNE: Yeah, Nalcor has a different arrangement. It’s not quite severance. They’re set up with a different arrangement. Everybody

else would be similar to government, but Nalcor has a slightly different arrangement.

MR. WAKEHAM: What about the university?

MR. OSBORNE: Pardon me?

MR. WAKEHAM: What about MUN, the university?

MS. HANRAHAN: As they do their collective bargaining, that’s part of that.

MR. OSBORNE: Yeah, they do their own collective bargaining. We don’t do MUN’s collective bargaining.

MR. WAKEHAM: Would they be doing the same payout for severance?

MR. OSBORNE: Well, I don’t want to speak to their bargaining process, but I would hope so.

MR. WAKEHAM: Okay. Thank you.

CHAIR: Any further questions?

The Member for Mount Pearl - Southlands.

MR. LANE: Yes, Mr. Chair.

It doesn’t actually fall under here but I forgot to ask. It just jogged my memory when I heard the word. Just wondering, Minister, when it comes to the whole concept of zero-based budgeting, attrition and all the other measures that have been taken in core government and ABCs to try to cut expenditures, does that apply to Nalcor?

MR. OSBORNE: We are working with Nalcor now and they’ve been co-operating with government. In fact, Finance officials and Nalcor officials have had ongoing discussions.

MR. LANE: Okay, thank you.

That’s good to hear.

CHAIR: No further questions?

Seeing no further questions, I’m going to call the headings for 2.1.01 to 2.1.03 inclusive.

All those in favour?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, subheads 2.1.01 through 2.1.03 carried.

CHAIR: I think we'll do the next two headings together in the interest of time and allow Members flexibility to use their full time.

I'm going to call 2.2.01 and heading 3.1.01 together.

Okay, questions?

MR. WAKEHAM: I'll move to section 3.1.01. I think I already asked a question on 2.2.01.

Under 3.1.01, the Contingency, can the minister provide a list of what transfers were made out of the contingency fund in '18-'19?

MR. OSBORNE: Yes, we made – to children's care program under CSSD, to the integrated services management system implementation under CSSD and judges' salary tribunal. I believe that was it. Yeah, that's the three.

MR. WAKEHAM: Do we know how much was paid out to each?

MR. OSBORNE: Yes, it was \$12.3 million for the children in care program, \$3 million for the integrated services management and \$3.1 million to the judges' salary tribunal – or as a result of the salary tribunal.

MR. WAKEHAM: Is there any public reporting of these expenditures?

MR. OSBORNE: Yeah, I mean, it's –

MR. WAKEHAM: Where would it show up?

MS. HANRAHAN: It is here as part of the Estimates.

MR. WAKEHAM: Yeah, I just didn't see any revised expenditure there.

MS. HANRAHAN: No, you would see them in the individual departments.

MR. WAKEHAM: Okay.

MS. HANRAHAN: For example, if you look at CSSD, you'll notice projected revised would have been that much higher than their budget. This is where the money would have come from.

MR. WAKEHAM: Okay, that's what I was looking for.

One more question: What type of approval is needed to spend this money?

MR. OSBORNE: It's Treasury Board, so it would go to Treasury Board for approval before money is transferred. Then it becomes a matter of public record through the Estimates program.

MR. WAKEHAM: Thank you.

The financial assistance pots of money, which are voted on in Finance, can be transferred to other departments. This contingency fund can be transferred to other departments. Why are they in different headings?

MS. HANRAHAN: The financial assistance – the header in Finance is Capital and Current. It's specific to particular initiatives. The contingency reserve is under Consolidated Fund Services because of the process for approval and the way the allocation is made. That's where the two of them have historically sat. The contingency fund is not necessarily a Finance pot per se, it's more considered for the entire consolidated fund.

MR. WAKEHAM: Besides in the Estimates, is there any public reporting as transferring happens? Is there anything publicly announced when transfers take place?

MS. HANRAHAN: No. No different than it would be for financial assistance or any other transfers that are provided for under the *Supply Act*.

MR. WAKEHAM: Thank you. I'm good.

CHAIR: Any further questions under those headings?

MS. COFFIN: I'm just curious. I guess nothing happened last year which is why we didn't spend the \$22 million?

MS. HANRAHAN: The money shows up where it is transferred to.

MS. COFFIN: Right.

MS. HANRAHAN: It looks dropped here as zero. You would've seen the expenditures increase in CSSD and Justice and Public Safety in their projected revised.

MS. COFFIN: The CSSD and Public Safety?

MS. HANRAHAN: Yeah. So CSSD got two of the transfers and Justice got the other one. You'll see it in those programs.

MS. COFFIN: Okay, in revised.

What was the spending for exactly? I'm sorry, I wasn't at CSSD, I was at Justice but there's been a lot going on lately.

MS. HANRAHAN: For CSSD, there was \$12.3 million transferred related to the children in care program. That's the one in CSSD, you would've seen a large increase in their projected revised expenditures related to that program. This is where the cash came from.

MS. COFFIN: Right.

MS. HANRAHAN: The integrated service management is a system implementation. There was \$3 million that you would've seen in one of their accounts in CSSD. For Justice you would've seen this specifically in, I would suspect, their court appropriations related to the salary tribunal which had a retroactive salary portion as well as a new face.

MS. COFFIN: That's the judges' one?

MS. HANRAHAN: The judges –

MS. COFFIN: Right.

MS. HANRAHAN: – or civil, depending on where it landed in the Justice Estimates, \$3.1 million.

MS. COFFIN: And that was a one time?

MS. HANRAHAN: Yeah, that was the tribunal. There's another tribunal then, every –

MS. COFFIN: That's happening again soon. I think the judges got (inaudible) didn't they?

MS. HANRAHAN: I think they're trying to get in the early part of the four years as opposed to the end of the four years.

MS. COFFIN: Yeah, which would make sense that way.

MS. HANRAHAN: Well, the retro grows.

MS. COFFIN: It does, yeah.

The CSSD, the children in care: that was a one-time expense as well, or was that something that we expect to be ongoing?

MS. HANRAHAN: I wouldn't know the CSSD program.

MS. COFFIN: Yeah, of course, because once that happened, they take over whatever the expenses are.

MS. HANRAHAN: It's the management of their program but our contingency is an annual fund, the transfers go once. This account resets back to \$22 million. If they need what is beyond their Estimates, then they would go through this process again.

MS. COFFIN: All right, good.

Thank you very much.

CHAIR: The Member for Mount Pearl - Southlands.

MR. LANE: Could you explain to me the \$3.1 million for the judges' tribunal? Somewhere along the way I must've missed that one.

I'm just trying to understand. What exactly was the tribunal about and how far does it date back? We're talking retroactive, so I'm trying to understand what exactly that was for.

MS. HANRAHAN: The compensation for judges is decided based on a tribunal that's struck. I think it happens every four years.

I think I'll get Theresa to correct me if I'm wrong, having come from Justice.

MS. HEFFERNAN: Three or four.

MS. HANRAHAN: Three or four, yeah, depending on what they strike.

Usually, what happens, by the time they strike the tribunal, the tribunal does their evaluation of compensation for judges and makes their ruling and comes to government with that ruling or recommendation and there's a decision. That's how long it takes, ultimately, for the value to flow, if there is any, to the judges.

MR. LANE: Yes.

MS. HANRAHAN: In this particular case, I believe it went to court and it took a bit longer in this process, and because they used up, I think, several years going through tribunal, their intention is to strike the tribunal again, earlier. I believe that's the process that they're going through right now.

MR. LANE: When did this tribunal, if you will, or this review start? Do you know?

MS. HANRAHAN: I've got to be honest, I think Justice would know more than we would.

MR. LANE: What I'm trying to get at, I guess, is that in 2016, when the budget came down and we had the levy and all the other harsh measures that were taken, and public servants across the province were all expected to take zero, zero, zero and zero. I'm trying to understand why judges would be, sort of, placed out there and give them \$3.1 million, albeit some of it is retroactive and so on. I'm just trying to understand what makes them special.

I have nothing against judges, don't get me wrong, and what they do, but they're still paid from the public purse like everybody else in this room and in the public service. I'm just wondering why they would've received special treatment and gotten a raise when the rest of the public servants were expected to take zero, and the people were expected to pay more taxes?

MR. OSBORNE: You may recall back in 2016, the Minister of Justice actually stood in the House and we put forward – I think it was legislation or was it a motion, I can't recall, regarding the judges' salaries. They challenged

it; it went to a tribunal, and they were – so, I mean, it's –

MR. LANE: Okay. So the government did challenge that?

MR. OSBORNE: Yeah.

MR. LANE: Okay, I don't recall that. I'm sure if you're saying it happened, it did, but there are so many things, of course, that go on in this House. I'm only one person; I'm not (inaudible)

MR. OSBORNE: Yeah, we tried to impose the zeros; they challenged it, and the tribunal overruled.

MR. LANE: Okay, so you guys actually did challenge it?

OFFICIAL: Yes.

MR. LANE: Well, I'm glad to hear that.

Anyway, okay, thank you, that's all I have.

CHAIR: (Inaudible.)

MR. WAKEHAM: No, all good.

CHAIR: All good, okay.

You're good?

AN HON. MEMBER: Yeah.

CHAIR: Okay.

Seeing no further questions on these two headings. I'm going to call heading 2.2.01 and heading 3.1.01.

All those in favour?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, subheads 2.2.01 and 3.1.01 carried.

CHAIR: Shall the total carry?

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

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

CHAIR: Okay, I think we'll take a quick break, a five-minute break. We'll be back at 11:21 a.m.

Recess

CHAIR: Okay, we're going to proceed with the Estimates for the Department of Finance.

We'll call the first heading, and then we'll allow the minister to have some opening comments. I'm going to call headings 1.1.01 through to 1.2.03, inclusive.

Does the minister have any opening comments?

MR. OSBORNE: Thank you.

The comments that I made earlier reflected Finance and the Consolidated Fund. We've got the same staff here exactly, so we'll just carry on with questions.

CHAIR: We'll start with questions on those headings.

MR. WAKEHAM: I got a few general questions, first, before we actually get into the section.

Generally speaking, throughout the subheadings, there are allocations for Office Supplies. How is the budget for the Office Supplies calculated? Is there a quote per person figure, or is it based on previous year's expenditures?

MS. HANRAHAN: When we did zero based, we would have looked at per person in some regards, but it depends on the nature of the work. So, for example, budget division uses a significant amount of paper. If we used a per person, they wouldn't have sufficient money. There are other groups where there might be 30 people in a group processing on Topsail Road, they don't print anything. So we kind of do it that way.

A couple of years ago, we consolidated most of our expenses under departmental operations in an effort to be able to play off a little bit when

some divisions need more, some need less. Every year it gives us a chance to squeeze that little bit more out.

MR. WAKEHAM: How many employees are in the Department of Finance? How many of these are permanent, temporary, full time and part time?

MS. HANRAHAN: We have about 250 people. I think we have three positions – two people and a vacancy – that operate outside of the St. John's area, those are tax people that work in particular regions.

The split, I think, would be based on the published salary plan, as probably a good indication, that the majority of our staff would be permanent. We don't really have part time. We have a little bit of seasonal as it relates to processing at year end or Public Accounts. We may bring some clerks in for the six or eight weeks of keying that we need to get through year end.

MR. WAKEHAM: Do you have any vacant positions right now?

MS. HANRAHAN: We always have vacant positions based on the nature of the type of work that we do. We have several shops in Finance that are entry level positions, clerk IIIs, accounting clerk IIs, those types of things. So, every day it varies.

Part of the reason for that is we tend to have to utilize staff and move them in order to make sure that work still gets done. So, if we have a vacancy, for example, in our document scanning process, I can't pay invoices. So we often have to find other people, and we temporarily assign them to those spots.

At any point in time, from a turnover perspective, we seem to be around 10 per cent vacancy, and most cases it's because it takes us some time to get competitions completed, particularly public, big general calls that we would use for clerking staff.

MR. WAKEHAM: But the intent would be to fill the positions?

MS. HANRAHAN: Yeah, fundamentally, when the department went through flatter, leaner, we seriously reduced significantly our management and non-bargaining staff. With respect to our bargaining unit staff, it's been processing, fundamentally, and over time we've been reducing those. The exception has been when we moved in the Student Loan Corporation we would've increased our complement as a result of moving in that team.

MR. WAKEHAM: What was the final cost of the Independent Tax Review Committee?

MR. OSBORNE: We'll get that for you.

MS. HANRAHAN: We'll have to get that.

MR. WAKEHAM: Okay.

MS. HANRAHAN: It spanned two fiscal years.

MR. WAKEHAM: Okay.

OFFICIAL: (Inaudible.)

MS. HANRAHAN: It was, because that was the allocation each year.

MR. OSBORNE: Don't quote me, but I think it was \$175,000, but we'll get you the exact number.

MR. WAKEHAM: Okay.

In the Estimates over the last couple of years, there was discussion about an indirect tax review to capture HST, which hadn't been recorded. Is it still ongoing or is it finished?

MS. HANRAHAN: It is finished. The intention of the review was to identify processes where HST wasn't captured in invoices, so it's kind of imbedded tax.

MR. WAKEHAM: Yeah.

MS. HANRAHAN: Once the review was completed on a group, they changed the process to capture the HST on a go-forward, so it really is a point in time. All the groups that would've been part of that, as well as other groups such as Newfoundland and Labrador Housing, changed

their processing then to capture that tax on a go-forward.

MR. WAKEHAM: Was that process carried out in the ABCs?

MS. HANRAHAN: I know it was done for Housing; I'm unsure where else it was done, but we can check to let you know.

MR. WAKEHAM: Okay.

In last year's Estimates meeting there was a discussion about consultant contracts. Over the past 12 months, has spending on consultants increased, decreased, both government-wide and in the department?

MS. HANRAHAN: I wouldn't necessarily have the information for all the government departments, so it would be specific to them, but I can speak to Finance. We tend to have professional contracts for our actuarial work and our particular pension system work. That tends to be, fundamentally, the only consultants, as such, that Finance engages, generally, with the exception, of course, of the McKinsey project, which would have been coded to Finance.

MR. WAKEHAM: Okay.

Under pension reform – again, I think this might have been brought up earlier – it's my understanding that the public service and teachers' pensions are now moved to the appropriate pension corporation. What involvement does the department now have with respect to these two pensions?

MS. HANRAHAN: Pensioner payroll is processed by the Human Resource Secretariat, so they would be in a better position to discuss that. My understanding is they're working through transitions in order to move those pensioner payrolls out to those particular corporations in order for them to do that and to utilize those systems when they go through there.

MR. WAKEHAM: Okay, we can ask that tomorrow.

One more question here. Is there any reform plan for the Uniformed Services Pension fund?

MS. HANRAHAN: They would be the last, I guess, fund that would be under the pooled pension fund that's not managed by either the Management Commission, which is the case for MHAs, or the judges, which is a tribunal. So, they would be the last group that could be considered for pension reform.

MR. WAKEHAM: But it is on the table?

MS. HANRAHAN: I guess that's government's decision.

MR. OSBORNE: Yeah. I mean, we'd like to see that with as many groups as possible, obviously. With the public service and with teachers, for example, and the ongoing discussions with MUN, it was jointly agreed by the unions and government, in terms of the public service and the teachers. As I said, we're still working with MUN.

MR. WAKEHAM: Right.

MR. OSBORNE: It would have to be a collaborative approach with the Uniformed Services, as well.

MR. WAKEHAM: Okay. Thank you.

It's been about seven months now since the implementation of the new carbon pricing mechanism, carbon tax on gasoline and the industrial emission systems. Has there been any analysis done by the Economics Branch of the department on the impact of these changes to the provincial economy?

MR. MARTIN: At this point we haven't performed any additional analysis from what we did at the outset. However, it's still fairly early days at this point in time in terms of the impacts from the actual carbon pricing perspective.

MR. WAKEHAM: Do you intend to do that analysis?

MR. MARTIN: Likely we will be doing that analysis. It's likely we will have to do parts of that in order to report back to the federal government on those pieces.

MR. WAKEHAM: Okay, thank you.

Last year in the Estimates, there was discussion about the P-Card program. Officials noted that the more the P-Card becomes mandatory, the more efficient the system can become. What's the status now on making that program mandatory?

MS. HANRAHAN: We continue to implement P-Cards everywhere that we can.

We have increased the usage across most all departments, and I think direction has been given from a procurement perspective to use it as the primary method. Depending on the vendor there is a challenge sometimes, but it's a very small number of them.

We are finding as well that as you spread out the usage of the P-Card, our work and diligence from a compliance and audit perspective grows as well and so we're trying to balance those together.

MR. WAKEHAM: That was my next question, actually.

What is the impact of the P-Card program on staffing levels?

MS. HANRAHAN: At this point we're still in the midst of working through what the P-Card really means. The P-Card, from a processing perspective from paying the invoices, has allowed us to realize and probably retain, in some cases, some vacancies.

For departments, there is more rigour from a document perspective because everything is before they – it's really just the usage of the cash. We are finding as well that we need sufficient resources in order to make sure that it's audited appropriately.

It is a different way of operating for people, to have a card in their pocket, and so we've done a lot of audit work and compliance work around that. It really kind of switched, in some regards, but we have been realizing a slow change from a processing perspective, particularly as we work through electronic funds, scanning documents and other things like that.

MR. WAKEHAM: At the end of the day, do you think you'll have less requirements for

staffing, or is it looking like it's actually going to cost you more for staffing because of the audit function?

MS. HANRAHAN: I think it will net to being less. I would think that the work we need to put in at the beginning of the implementation will reduce overtime as well, as people are trained.

I think the other thing that's happening as departments look for efficiencies, they'll change how they purchase. You may only have two people do it for the whole department whereas P-Card makes it very easy for everybody to purchase. From an efficiency perspective, we may see that change so we're still working through that piece.

MR. WAKEHAM: Under 1.1.01, Minister's Office, Salaries, in '18-'19, \$194,000 was budgeted, \$236,000 spent. Can the minister explain the difference?

MR. OSBORNE: My staff have been with me for a significant number of years, so part of it would obviously be vacation. I think there was a step progression in '18-'19, there's another step progression in the next fiscal year. Part of it was temporary staff hired during budgeting and so on.

MR. WAKEHAM: Comparing the budget from '18-'19 to '19-'20, there is an increase in the budget by approximately \$40,800. The Salaries details show that a new position has been added. Can we have an explanation as to what that might be?

MR. OSBORNE: The same one? Yeah, that's the temporary position that I just mentioned.

MR. WAKEHAM: Oh, so it's still on. I thought temporary was something just temporary. How long is temporary?

MR. OSBORNE: Well, we brought somebody on last year, particularly around budget time. I think we'll see the same thing this year. Inquiries from other Members and between departments was lacking because of the additional workload at budget time.

MR. WAKEHAM: The actual function of the person is to coordinate with departments?

MR. OSBORNE: No, the actual function was we brought somebody in on a temporary capacity as constituency assistant. The longer term staff member that's with us moved into a ministerial liaison position to help with inquiries from Members of the House and members from other departments. It's similar to what's happened in previous administrations and in other departments where there is an additional staff member in the busier departments to deal with inquiries.

MR. WAKEHAM: Under 1.2.01, the Salaries again. In '18-'19 Salaries were over budget by \$210,900. Can you give me an explanation for that?

MS. HANRAHAN: That would've been termination and related costs for our retiring Comptroller General and a secretary to an ADM.

MR. WAKEHAM: Again, for '19-'20 they're actually showing executive salaries being decreased by \$136,500. Is this a result of restructuring or changes?

MS. HANRAHAN: When we made the addition of a branch for policy – so the staff in policy now are moved over to Departmental Operations. You'll see that the money was just transferred here to there.

MR. WAKEHAM: Okay, so one's down, one's up.

MS. HANRAHAN: Right.

MR. WAKEHAM: Okay.

I guess I better stop right now, because I'm about to run out of time.

Thank you, Mr. Chair.

CHAIR: Further questions?

The Member for St. John's East - Quidi Vidi.

MS. COFFIN: Okay, let's start with the larger question of attrition and how that's being managed within the department. I noticed there are a couple of instances where '18-'19 is slightly higher than '19-'20, but in most cases,

salary costs have gone up. Can you explain how that aligns with the attrition model?

MS. HANRAHAN: We had a net increase this year because we took in the portions of the Student Loan Corporation that moved from AESL. We would've taken in 14 of those people. The attrition targets would've been out of our base budgets, and so they'd be fully realized in that '19-'20 as well.

We were able to achieve those through looking at some efficiencies, particularly as it relates to processing, those types of things. We ended up seeing a net increase because you're seeing that addition of a new unit come in.

MS. COFFIN: Right, okay. That explains an awful lot.

MS. HANRAHAN: It's not a comparative.

MS. COFFIN: Yeah. I know attrition is a big thing for us, so I wanted to say: How did all these things align?

MS. HANRAHAN: Yeah.

MS. COFFIN: Totally fair, right? Totally fair. Let's see here. Professional Services under Departmental Operations, so 1.2.02; a big spike in Professional Services there. That's page 36. I'm just curious what the other, almost \$1 million, was for?

MS. HANRAHAN: That would've been the McKinsey contract.

MS. COFFIN: Oh right, of course. The revenue associated with the province here, provincial revenue, what's that all about? How are we getting revenue in from the Comptroller General? I'm just pulling something out of the heading there, that's all.

MS. HANRAHAN: That would be good.

MS. COFFIN: Wouldn't that be great? You're delighted over there.

MS. HANRAHAN: That would be recoveries that we would realize through some of the work we do through our statistical group and we work with other groups and we do surveys or

economic research. So those are actually recoveries for work where we would charge them back our costs.

MS. COFFIN: So this is Newfoundland Stats Agency?

MS. HANRAHAN: It would include Newfoundland Stats, yes.

MS. COFFIN: What else would it include?

MS. HANRAHAN: It includes your Economic branch too?

MR. MARTIN: It would also include the Economic branch. We will do the economic forecast for the City of St. John's. We do pieces of work for Hydro –

MS. COFFIN: I'm can't quite hear you.

MR. MARTIN: Sorry.

MS. COFFIN: Hydro in the City of St. John's?

MR. MARTIN: We do the economic forecast for the City of St. John's, through that group. We also do forecasting for Hydro as well in terms of economic impacts and such.

MS. COFFIN: Right.

MR. MARTIN: And then it's also the statistical group because they'll do work for other entities and it's on cost- recovery basis.

MS. COFFIN: Well done on that. So they also use the Community Accounts Committee – Accounts Committee sits with the Newfoundland Statistics Agency or is that in the Economic branch?

MR. MARTIN: The Stats Agency and the Economic division are all in the same branch.

MS. COFFIN: Yes.

MR. MARTIN: And the Community Accounts itself sits within the Stats Agency, but it's really populated by both groups. Information flows back and forth between the groups as required.

MS. COFFIN: Right. Yes, I'm quite familiar with it and it's an excellent, excellent tool. I don't know if anyone else in this meeting has used it, but I certainly used it on a number of occasions. So I often direct community groups that I speak to, to that area and I make my classes sit through that stuff. I also read aloud to my classroom the Auditor General's report. Yeah, funniest professor ever.

So that's kind of an interesting piece there. It's nice to hear on the revenue sides. And that grew last year? Yeah, so you went up by almost \$200,000, so good job on that.

MR. MARTIN: And again, it depends on what projects come to us in any given year in terms of people coming to us seeking to have work done. Again, it's primarily on a cost-recovery basis.

MS. COFFIN: Right. I'm going to direct more people over to you because I've talked to a number of people and especially now in this role I do speak to a lot of community agencies and a lot community groups and a lot of groups in general. So that would be an excellent function that I will certainly share. So maybe that will actually get us some more staff. How cool would that be?

Government Personnel Costs, 1.3.01, is that where we're finding the Student Loan Corp?

MS. HANRAHAN: No, (inaudible) Student Loan Corp would've come into Departmental Operations, under 1.2.02. That's where you'll see that salary increase there. Government Personnel Costs is fundamentally the employer portion of benefits for the service. So EI, CPP and pension, those types of things is under 1.3.01, Government Personnel.

MS. COFFIN: It is 1.3.01, and under Salaries? Help me through that now.

MS. HANRAHAN: This is related specifically to a particular salary adjustments that would be related in there. For example, we did have a settlement payment that was several years old, so that payment you're seeing there of \$1.3 million directly relates to that particular settlement payment. Generally, the Salaries money here is transferred out to departments if they need it for a particular adjustment that they

may come across from that perspective. Collective bargaining-specific settlements, for example, the tribunal or if there was something like that that came from an arbitration or something like that and we needed to transfer it, that's where we would take it.

MS. COFFIN: Okay, so in the budget, we say we had \$5.8 million – so '18-'19, there was \$5.8 million there – only \$1.3 million was used?

MS. HANRAHAN: No, only \$1.3 million would have been charged to this account. Some of those funds potentially could have been transferred, not unlike contingency or some of those accounts, because the expense shows up where we sent it to.

MS. COFFIN: Right. So that's why this is kind of hard to track.

MS. HANRAHAN: It's hard to follow.

MS. COFFIN: Because you say the money comes in here, but it shows up elsewhere, so if we're matching Estimates – and I've tried to do this, match Estimates to the Public Accounts. Yeah, makes me fun at parties, I'm telling you.

Okay, and then the employee benefits, that's your CPP, your EI, workers' comp falls into that, as well, and that's apportioned out according to department.

MS. HANRAHAN: All of that is charged to this one account on behalf of all of government.

MS. COFFIN: Right.

MS. HANRAHAN: Their salaries would be there, but their benefits would all come into this pot here as well.

MS. COFFIN: Okay, interesting.

Has there been an adjustment? Certainly, this is an overarching thing, now. As I've been watching salaries, and some are going down over the years as we get the attrition models and stuff like that, and I know that we're not getting annual increases because we're fixed at zero per cent for four years, but people are getting step increases unless they're topped or they're red circled. I guess that's being captured in the

change in salaries as well? The attrition would drop down the numbers, but then the step increases would bring it up a little bit. Is that correct?

MS. HANRAHAN: Departments would operate in a salary envelope, so if they had step increases, they have to fund it from their envelope. Same with attrition targets, they would fund it from their envelope. For this particular account here, which is almost like an output for all of those salary plans, what you're seeing in a change of a year over year has to do with any change in rates that are being charged for employer portion.

For '19-'20, we have the CPP enhancement that is starting. That's adding extra expense to us because of the way the CPP enhancement program now will roll out for the next few years to increase CPP contributions. That is offset by savings we're seeing. As departments do attrition, they have less staff so we have less in (inaudible) accounts. So it's kind of you're seeing one offset the other in that account.

MS. COFFIN: Right. When you're looking at big numbers like this, there's often a lot going on to give you what that change was, so I would like to get some sense of, well, this is the up, this is the down, this is how things are moving around.

Are we going on to two or are we still on the ones?

CHAIR: We'll stick to the ones for now.

MS. COFFIN: Okay, sticking to the ones.

CHAIR: Yeah.

MS. COFFIN: Let's go over to some general overall questions.

In the Estimates of Transportation and Works we were asking about asset management and the sale of government assets and we were asked to ask you guys – good job on that, thank you. You guys can have that out after.

Can we have an update on the sale of assets and how that's going?

MS. HANRAHAN: We've been working on an asset management protocol which would help departments and entities to assess their assets and to ascertain whether they need to retain it as it is, they can repurpose it, whether we can sell it, those types of things. That's been going on now for the past while.

We've had particular connections with Transportation and Works, specifically, to some of their infrastructure, as well as some other departments related to specific piece infrastructure that they have.

MS. COFFIN: Right.

MS. HANRAHAN: We have used, basically, our capital listing of assets that we would use under Public Accounts, which is just over \$4 billion, made up of thousands and thousands of lines and shared those with departments, and are working through that process in order to bring it back to give Treasury Board an update on where we are to.

In most cases, things have changed. If departments, for example, sold a building, a vessel, or aircraft or whatever they might have, we would update it. A lot of those assets are things that may be smaller in value as well, not necessarily all big in value.

So this is the reason why we have been focused on asking people can they repurpose those types of things. It does go hand in hand with the intention to reduce lease footprint, to consolidate vehicle management, because those vehicles would be in that assets, as well as looking at assets like Crown lands or those types of things on the books. So the process is ongoing.

MS. COFFIN: Okay, excellent.

All right, thank you very much.

I think my time is expired, but I have more, maybe we'll save it for the next time.

CHAIR: Okay.

I originally called headings 1.1.01 to 1.2.03, but we've had some questions asked of heading 1.3.01. So, I'm going to open that up to other Members as well so we can be consistent.

The Member for Stephenville - Port au Port.

MR. WAKEHAM: Thank you.

I want to go back to 1.2.02, again, the Salaries detail, salary expenditures for '18-'19 were down significantly, \$15.2 million versus \$16.7 million budgeted.

What was the reason for that reduction?

MS. HANRAHAN: There are a couple of things happening; it's about the 10 per cent impact, so give or take positions vacant.

About half of our staff complement is in the Office of Comptroller General. They have a lot of entry-level positions and they turn very frequently. So people will come in on public competitions and very quickly be able to get other positions, so we tend to see a lot of vacancies, and it takes us time, then, to backfill them. There are such a large quantity between our processing units and our tax administration units that it takes a big portion of those people, that they're always moving and it's why we sometimes have to bring in short-term staff to get through year end, those type of things.

So, we would've been working though that, as well as any other hiring for our Professional Services people: our accountants, fundamentally, our economists or statisticians. Sometimes those are a real challenge and people tend to move. So, for us, that's part of that.

We put a real concerted effort in the last few months of the year to start to do more public competitions to be able to get more lists of people that are eligible that potentially we can take in order to reduce any other cost that we'd have in there.

MR. WAKEHAM: That's a significant amount of money that it's reduced by and so it would equate to, I would think, a significant number of positions. I'm wondering if there's a significant impact on the operations of the division if you can have that many vacancies through the course of the year, because you still, at the end of the year, despite your use of temporaries or whatever, wound up with the savings of \$1.5 million, and on your expenditure, less spent.

So how does all that equate out into the operation of the division in terms of its effectiveness? If you are working with \$1.5 million less in staffing, why the need to replace?

MS. HANRAHAN: What we would've encountered is, there are a lot of teams in Finance doing very specific types of work. For example, we have four or five people that are doing scanning of documents. When there's a vacancy or when there's a person moved, that team would pick it up.

It's not our preference to have them vacant. We've pushed very hard to try to get our competitions completed sooner, but we're finding we have a lot of competitions and only so much capacity to be able to get them filled.

I think it is fair to say that it does have an impact on operations. We're fortunate enough to be able to try to manage staff, but it does result in, on occasion, backlogs from a processing perspective, for paying our invoices or our taxes.

This particular expenditure is about 240 people, if I've dropped about 10 per cent you would think that equates to give or take 24 positions, but it would've been spread over multiple division. So, a division that was six people may have felt that they were four or five people for periods of time.

The other issue we were encountering in some cases I guess would be normal sick leave management, those types of things. We've had a bit of a change in the department in the last year with the new Comptroller General, a new ADM for Financial Planning and Benefits and a new ADM for Policy, and all of that impacts the ability to be pretty nimble for managing this. So, I think this is a one-off that we realized as we worked through some of that change.

MR. WAKEHAM: Again, I'm struggling to understand how the efficiency of the department has been compromised by the lack of staff. Is it a significant difference in terms of some of the things you mentioned, paying your invoices on time and those type of things, because \$1.5 million is a lot of money when it comes to number of positions? I understand they're spread out over a large department and such, but is there a need then – again, I have to ask the

question, is there a need to replace all of the \$1.5 million positions or has that been looked at differently?

Can you explain that, because I noticed the budget is gone up again in '19-'20. Now, I know some of that is due to the influx of another division, but I'm just curious to understand the actual – it would appear to be a significant number of positions.

MS. HANRAHAN: We managed through the competitions. It was difficult because of the amount of vacancies we would have. So we'll continue to work through that. We would have seen the increase with the Student Loan Corporation, for example, but in some cases you do the best that you have.

From a need perspective, we are currently going through a review of the departments now to figure out where we should be putting work to, and if there are efficiencies that we realize, for example, the Student Loan Corporation. There were 14 people that came over, merged in with our collections.

If, at the end of the day, we realize that we don't need all 14, then – and that would certainly be some of that drop balance because some of them would have come over vacant as well, then we would drop salaries in the following year. So, some of that increase is Student Loan, but we can't really tell yet if I can drop the money.

We also found that we needed to move some money from here over to pensions, as we're right-sizing the pension function, because that's the one group that's kind of outside this group here.

MR. WAKEHAM: Right. So the increase is significant; a portion of the increase is for the people that have moved –

MS. HANRAHAN: And it would've been policy.

MR. WAKEHAM: – people that have moved in.

MS. HANRAHAN: Yeah, so it would have been Student Loan Corporation, which was \$600,000, \$700,000, approximately.

MR. WAKEHAM: Yeah.

MS. HANRAHAN: There was another hundred-odd that would've come from Policy.

MR. WAKEHAM: Right.

MS. HANRAHAN: That's all part of that increase, but I think when you factor that out, it's not \$16.7 million because some of that (inaudible).

MR. WAKEHAM: So maybe tomorrow – a heads up – I'll be asking HRS how they could be more efficient at getting you your staff that you need. Maybe I can ask that question tomorrow.

MS. HANRAHAN: I'll just move this way.

MR. WAKEHAM: I don't know –

MS. HANRAHAN: Thank you.

MR. WAKEHAM: I'd like to move on to Professional Services. I noticed that in '18-'19, the Professional Service budget was \$268,000, it went to \$1.2 million, and I think you mentioned earlier about a report that had been prepared.

Can we get a list of each of the professional services which accounts for this particular expenditure, the \$1.231 million?

MS. HANRAHAN: Yeah, we can provide that. Like I said, the million was related to the McKinsey (inaudible).

MR. WAKEHAM: Okay.

Again, I think the revenue question was asked already about how that was achieved.

Under 1.3.01, under the Employee Benefits, can the minister please provide some information on the Employee Benefits of what's included here?

MS. HANRAHAN: We can give you a breakdown if you wish, separately, with respect to the contributions. Specifically, it would be: Canada Pension Plan, our group health and life premiums, HAPSET costs and EI, as they related down through that expense, if that's what you'd like, the details in a table?

MR. WAKEHAM: Yeah. Okay. That would be all of government, wouldn't it?

MS. HANRAHAN: It's all of government, yeah.

MR. WAKEHAM: Yeah.

MS. HANRAHAN: So when we see CPP enhancements, we add that in based on our base calculations for that fund.

MR. WAKEHAM: How many employees would that – any idea?

MS. HANRAHAN: Good question, I'd have to take it away.

MR. WAKEHAM: Okay.

MS. HANRAHAN: We just see pots of \$20 million for EI, and \$20 million for CPP.

MR. WAKEHAM: Okay.

The reason it's going up, is it because of increases in those particular areas, or salary increases?

MS. HANRAHAN: It's a net change. The CPP enhancement, we know the incremental cost for next year is about \$1.1 million. But we have savings of about a half a million directly related to the fact that it's a smaller service. So when people take their attrition targets and they shrink their salary costs, we pick up the savings and the benefits on the other side.

MR. WAKEHAM: Okay, thank you.

One last quick question under the Salaries. How much of the 2018-2019 budget was transferred out to other departments, and can you provide a list of how much was transferred to each department?

MS. HANRAHAN: Yes, we can bring that back for you.

MR. WAKEHAM: Thank you.

CHAIR: Any further questions on headings 1.1.01 to 1.3.01?

MS. COFFIN: I have a general question, but I can save that for the next section and we can just pass this one. That's fine.

CHAIR: The Member for Mount Pearl - Southlands.

MR. LANE: Yes, I have just a couple of very quick questions, hopefully.

Do you do any analysis government-wide on overtime? I am just wondering is that something that you look at. Because that's something I've certainly heard from people on numerous occasions about the fact that there's twice as much money spent on overtime than if you had to hire a person, and the number of issues that create overtime. So I'm just wondering is that something that gets analyzed in any way to determine if we're spending too much on overtime and looking at the causes for that and trying to correct it.

MS. HANRAHAN: The Office of the Comptroller General does prepare reports where they assess overtime. Historically, it's been related to what payouts have been. I think they're looking now at what's been earned. Because, in a lot of cases, it's related to collective bargaining agreements that stipulate when overtime would trigger or different things like that. But they fundamentally focus on core government.

MR. LANE: On core government, okay.

It's fine to analyze and say here's how much overtime that we're paying out, but there's no initiative, per se, to go to departments and say you need to look at what is causing all this overtime and what are you going to do to try to cut that overtime. Are there any initiatives in the spirit of saving money like we're doing with attrition and all those other measures? Is overtime something that's on the radar for government to try to address?

MR. OSBORNE: There are two areas. One is core government and one is the agencies, boards and commissions. Within core government, Transportation and Works is one of the areas where we see a fair bit of overtime. Most of the departments are not an issue. The ferry services, you see a fair bit of overtime. The ferry services

is because of, in large part, the collective agreement and the number of shift changes and so on that are permitted. So I mean, there are reasons that are very difficult to address unless you see a change in the collective agreement. That particular collective agreement is still outstanding, by the way.

When you look at snow plow operators and so on, it depends on weather conditions to a certain degree. That's, in large part, uncontrollable. If you look at Eastern Health or any of the health authorities, for example, it is something—for example, with the nurses, in their collective agreement, we put in some measures to try and focus on why there's overtime. Of course, staffing review is part of that. There are some additional positions that we focused on to try and evaluate where we can find better efficiencies and better scheduling in that regard as well. So it's something we're very aware of, we're cognizant of, and trying to address it.

MR. LANE: Thank you, Minister. That's it.

CHAIR: Seeing there are no further questions, I'll call those headings now.

Shall headings 1.1.01 to 1.3.01 inclusive carry?

All those in favour, 'aye.'

SOME HON. MEMBERS: Aye.

CHAIR: All those against, 'nay.'

Carried.

On motion, subheads 1.1.01 through 1.3.01 carried.

CHAIR: We're going to move on to the next section. Again, in the interest of time, I'm going to call a number of these headings and you'll have the flexibility to move between them.

I'm going to call headings 2.1.01 to 2.1.03.

Questions?

MR. WAKEHAM: So 2.1.01, Pensions Administration, Salaries, this year the Salaries have increased to \$661,600. It's an increase of

approximately \$168,000. Are there positions being added here, or why the increase?

MS. HANRAHAN: Pensions for the last several years has been going through the transition of the reform. So, staff have been going out into the corporations being hired, so coming out of pensions proper, say, in government, or moving into HRS for pension or payroll, depending on the work that's going on there. So we've seen a lot of fluctuations between the budget allocations and what they've actually used and that type of thing.

What we found in this year's – and it's also impacting our ability to charge back to the funds. So we're finally getting to the point now, I think, where we're really able to define what work government needs to do, from a fund perspective. Be it from investing and the work related to the Pooled Pension Fund, or to the work that we need to support the two sponsor bodies.

From our salary plan perspective, we move money in here, it's more of a right sizing as we work through the salary plan. Particularly with respect to the resources we need to support what's left in government for pensions, and it's taken us several years to kind of even figure out what that is. But we're hopeful that '19-'20 we should be kind of out of that now.

MR. WAKEHAM: So again, is it new position or a –?

MS. HANRAHAN: No, it's not new positions because the division itself would've, at any point in time, had 50 positions in it. But we would've had vacancies, as we were trying to ascertain whether we needed the work. So in some cases now, we're filling positions we may not have filled in two years, as we work through that transition. And those people took jobs with the corporation for that. So we're trying to get comfortable.

We're also trying to figure out what we really need to pay for versus what the corps can pay for. And that's an ongoing discussion we've had for several years with the two corporations about what they're willing to pay for from a service versus what we need from a financial statement, from an oversight, but we are finding that the

sponsor bodies, for example, was work that we really didn't put our finger on when we did reform, that do require support from government because that's our stewardship on those pension plans, and we can't just outsource it to the corporations, and it's just taken some time to get there.

MR. WAKEHAM: Okay, thank you.

Under Professional Services, last year you budgeted \$179,800 and spent \$110,500. This year the budget is actually being decreased to \$81,600. We see a savings in last year and another planned decrease this year. Can you explain how these savings will be achieved?

MS. HANRAHAN: So we actually had lower actuarial costs related to our Pooled Pension Fund members, so that's uniformed service, House of Assembly and the judges. And for next year, we're actually anticipating, as we work through that maturity, we won't need to maintain and do the same level of work that we had to do before. So we've actually cut the budgets there, related specifically to the actuarial work and the pension system; we were maintaining a particular pension system. As they take on payroll now we'll be able to change some of that. Like I said, the salary money may now become a salary versus a professional contract as we work through this.

Pensions has been a real evolution for multiple years. We're hoping we're to the end of it as we work through that work.

MR. WAKEHAM: Under Revenue - Provincial, again, there was a nice bonus revenue of a little over \$500,000 there attained in '18-'19. Can you tell us how that money was attained?

MS. HANRAHAN: We would have gone back to our pension corps to reimburse for the severance payouts, because historically staff that worked on pensions would've been charged to the funds.

MR. WAKEHAM: Right.

MS. HANRAHAN: Those severance payouts we would've recaptured against those pension funds as well. This is earned benefits.

MR. WAKEHAM: 2.1.02, Financial Assistance, the Grants and Subsidies: Was any money transferred to other departments? Can we get a list of those transfers made out for '18-'19?

MS. HANRAHAN: I'll confirm for you to be sure, but I believe there was only \$1.6 million transferred. That would've been a million dollars to fund the McKinsey project and about \$600,000 given to Executive Council for Muskrat Falls oversight and shared services.

MR. WAKEHAM: Again, the \$24.3 million budgeted for this year, how did we come up with that amount?

MS. HANRAHAN: There's usually a base budget in Financial Assistance, depending on need. That goes for a variety of, be it, collective bargaining or reviews, those types of things.

It's fundamentally sometimes a change as opposed to zero based from that perspective. Fundamentally, that \$24.3 million budget, \$10 million of that directly relates to the Little Bay Islands relocation payouts, as an estimate. We would've put that in there as well, if you need that.

As well, there's anticipated expenses related to the post-secondary review which is going to straddle a couple of fiscal years, shared services and the need for consulting advice or systems work for there, the legislative reviews, any of those types of things that have been ongoing now and any other strategic reviews or priorities. If the funds aren't spent or transferred, then they'll be dropped in this activity.

MR. WAKEHAM: The single biggest increase, I guess, over the previous year's budget is to deal with the Little Bay Islands and the \$10 million there.

MS. HANRAHAN: Little Bay Islands. Yeah.

MR. WAKEHAM: Okay.

Under 2.1.03, Financial Assistance, under Loans, Advances and Investments, can you explain what the \$8.16 million was spent on? Was any money transferred to other departments?

MS. HANRAHAN: That is the last amount available under the Corner Brook Pulp and Paper \$110 million loan. It was not flowed in '18-'19, and it's anticipated to be given to Corner Brook Pulp and Paper in '19-'20.

MR. WAKEHAM: Okay.

The revenue that's showing there, the provincial – where does this revenue come from and what would account for the variance in the revenue?

MS. HANRAHAN: It's directly related to the interest on that loan, as well as they made a principal repayment during the year. The cash flow, with respect to the amount of interest that's earned, would change over time, based on the balance that was owing and the terms of that loan.

MR. WAKEHAM: There's a significant increase projected for '19-'20 of \$11.4 million compared to an actual of \$6.7 million?

MS. HANRAHAN: Yeah. That would be as per terms of the agreement for when the interest is due to be earned. So that's us recording that in accordance with the assumption that the entire loan would be let as well.

MR. WAKEHAM: What is the balance on their loan?

MS. HANRAHAN: Today, it's \$101.8 million of the \$110 million, so it's a difference between this vote and the \$110 million.

MR. WAKEHAM: What's the current interest rate you're charging?

MS. HANRAHAN: I'll have to get that back to you. I don't have that in front of me, I don't think.

MR. WAKEHAM: Okay.

From an earlier comment, you said that Corner Brook Pulp and Paper are making payments on the capital as well as on the interest?

MS. HANRAHAN: Yes.

MR. WAKEHAM: Okay.

CHAIR: Further questions?

The Member for St. John's East - Quidi Vidi.

MS. COFFIN: Thank you.

A general question that I said I'd ask: How is the audit of the Vale transfer pricing going?

MS. HANRAHAN: We don't normally disclose the names of taxpayers, so our auto processes would routinely happen. Then, as they're concluded, you would see them flow through tax revenues or mining tax revenues, but that particular audit is complete.

MS. COFFIN: It is complete? When was it completed?

MS. HANRAHAN: It would've been last fiscal year.

MS. COFFIN: So we should see some tax revenue changes as a result of that?

MS. HANRAHAN: You would've seen it in that set of Estimates.

MS. COFFIN: Where would I find that? That would be in last year's Estimates that I would've seen that?

MS. HANRAHAN: I believe it's last year's. We'll confirm for you.

MS. COFFIN: That'd be great, thank you.

MS. HANRAHAN: But you would see it in the schedules at the front of the Estimates book. It would be specifically outlined under Statement II. You would see a jump there with respect to either Mining Tax or Other, I think that's how I recall we did it.

MS. COFFIN: I see Mining Tax goes from \$67,000 to \$74,000 there.

MS. HANRAHAN: In fairness, it would've been the prior year, and you may have seen it as Other revenue because we don't disclose the names of tax filers.

MS. COFFIN: Right. I see Mining Tax and Royalties there going from \$67,000 to \$74,000.

MS. HANRAHAN: Yeah, so (inaudible).

MS. COFFIN: So it's the Other Provincial Sources as Other, but that dropped off substantially.

MS. HANRAHAN: No, it's the prior Estimates book, last year's.

MS. COFFIN: Right, yes, of course.

MS. HANRAHAN: Right?

MS. COFFIN: Of course.

MS. HANRAHAN: I think you'll see it there as Other because there are very few tax filers.

MS. COFFIN: So that would be the \$195,000 there?

I see under Other Provincial Sources, the line right above that is Other, so that's that \$195,000 and then it drops back to \$55,000.

MS. HANRAHAN: Yeah.

MS. COFFIN: Yeah, that's it? Okay, excellent, that's nice to know.

I guess there's another question, I'm not sure if it's most appropriate to ask here or if it's in a different department. When can we expect to see the dividends return to us from Nalcor?

MS. HANRAHAN: We would have recorded in our consolidated statement the revenue streams we would've expected in '19-'20.

MS. COFFIN: Yes.

MS. HANRAHAN: I believe the dividend stream starts in the next fiscal, but Natural Resources would have the details on transactions for Nalcor.

MS. COFFIN: I think that's Thursday morning, so excellent.

MS. HANRAHAN: Okay.

MS. COFFIN: Yeah, I'll look forward to that. Awesome. Thank you very much.

I think that's all my questions on this section.

Thank you.

CHAIR: Any further questions?

MR. LANE: One quick question.

I'm just wondering, I should know this, I'm sure, but someone asked me and I wasn't 100 per cent. On the carbon tax, does that go to the federal government or does it go to us and then we spend it on environmentally sustainable programs, or does it go to the feds and they give us money that we spend? How does that work?

MS. HANRAHAN: It's our revenue stream.

MR. LANE: It goes into our revenue?

MS. HANRAHAN: You'll see it in our revenue.

MR. LANE: It's earmarked for certain things, or is it just general ...?

MS. HANRAHAN: It's in our general revenue.

MR. LANE: In your general revenue fund. Okay. Perfect.

MS. HANRAHAN: You'll see it called Carbon Tax as a revenue line.

MR. LANE: Okay.

MS. HANRAHAN: Under Statement II in the Estimates book, that'll be the cash. I'm not sure if it's there for accrual. Yeah, it's there for accrual too, under schedule 1 under the speech statements.

AN HON. MEMBER: Statement I or Statement II?

MS. HANRAHAN: Statement I, you'll see the accrual number there, Carbon Tax under taxation provincial. See it there? Yeah. But you'll also see it in the Estimates book under the cash statements, yeah.

AN HON. MEMBER: (Inaudible.)

MS. HANRAHAN: Okay.

MR. OSBORNE: You'll see revenue come in, regardless of where it's from, as going into general revenue. Any decisions, then, whether it's charging stations for electric vehicles or whether it's home efficiency program or efficiency programs for government buildings or whatever the case may be, you'll just see those in the line departments as an expenditure there. There's no line connecting what comes in as revenue to say this is – it comes in as general revenue.

MR. LANE: Does that mean, then, that there's no actual requirement? Like that \$66 million, I know what you're saying, there's no actual line, but is there a requirement under the agreement with the federal government that if you take in \$66 million, that \$66 million has to be spent on green initiatives?

MR. OSBORNE: There are targets to reduce greenhouse gas emissions, so there are a number of initiatives in a couple of departments to achieve that. The expenditures for those initiatives you would find in those departments.

MR. LANE: Okay, thank you.

CHAIR: Okay, no further –

MR. WAKEHAM: Just in summary, Mr. Chair, I noticed that we have two rather large contingency funds. I guess there is a \$24 million one here, and then earlier today we talked about a \$22-million contingency fund under financial – are they both able to be transferred around?

MS. HANRAHAN: The Financial Assistance current account pot that's under Finance is more related to things that we know are coming. The value might be a little bit off, so we'll tend to keep the money in this pot, and if the department can't absorb it or if they need it, then they will come to Finance, in a submission through Treasury Board, and they'll transfer it out.

The contingency pot is more about things that are unforeseen or unknown or are not easily measured well. For example, disaster assistance, that type of thing. Rather than appropriating the money out into a department, it sits under Consolidated Fund Services because it's harder to get at, for a lack of another way of putting it, in order to look at whether you want to use that

money to be able to appropriate. Ultimately, both are able to be moved and are stipulated in the Supply Act to be transferred.

MR. WAKEHAM: You did start to give me a breakdown of the \$24.3 million. I don't know if I've captured all of it. I'm wondering if you could provide a breakdown of what you're estimating to spend out of that \$24.3 million. You did mention the \$10 million for Bay of Islands and there were some other things.

MS. HANRAHAN: We can. Most of it, we can give you that.

MR. WAKEHAM: Based on what the explanation was that time, it seems like you've got that.

MS. HANRAHAN: Yeah. Because, like I said, we have the post-secondary review that's a million. So we can bring that back to you.

MR. WAKEHAM: That would be great.

Thank you.

MR. OSBORNE: Tony, we'll provide the amounts that were provided. A decision of the Treasury Board and of Finance is that instead of putting, for example, Little Bay Islands in the department where we don't know the exact figures and then the department has the ability to move it – if they only use \$9 million of it, then we've got more control of whether or not we give them \$9 million or \$10 million if it sits in Finance.

If you put \$10 million into a department and \$9 million of it goes to Little Bay Islands, they can use the other \$1 million for other purposes. So if we don't know the exact amount, we'll hold it and send it over as needed.

MR. WAKEHAM: Right. And that's what I was wondering, why wasn't it in Municipal Affairs. So you're the gatekeeper of that particular monies and you're not going to let them have it. Can you spend the money on something else?

MR. OSBORNE: No.

MS. HANRAHAN: Nobody.

It's a transfer that under our Transfer of Funds Policy dictates Treasury Board approval to even consider moving.

MR. WAKEHAM: Okay.

MS. HANRAHAN: So that's why it tends to go to zero, unless something is charged there.

MR. WAKEHAM: One last thing, I wonder, could I get a copy of the minister's binder with the notes.

MS. HANRAHAN: I think we have that here. We have copies, yeah.

MR. WAKEHAM: Thank you.

CHAIR: Any further questions?

The Member for Mount Pearl - Southlands.

MR. LANE: One last quick question. I'm just wondering what would the cost be – I'm sure you have it. You're talking about removing the tax on automobile insurance in this budget. What would the cost be if you also removed the home insurance tax?

MR. OSBORNE: The figure for automobile insurance, I think, is \$57 million, and I'll double-check with Craig Martin. If we were to eliminate tax on all insurances, it would be approximately \$110 million. I'll just double-check – yeah.

MR. LANE: So an additional \$50 million, thereabouts. That's something that is not in this budget, but I'm assuming as time goes on, if things improve, it's something that you would obviously be open to.

MR. OSBORNE: Yeah, so using the balanced approach, what we've indicated is if we're able to remain on target to return the surplus in '22-'23 and we're able to reduce – for example, in last year's budget, we didn't feel we could reduce the full amount of the automobile insurance tax, so we reduced it by 5 per cent over four years.

MR. LANE: Yeah.

MR. OSBORNE: In this year's budget, we were able to reduce it and stay on target to return the surplus. So whether or not we are able to reduce the homeowners' insurance, for example, next year or maybe we'll reduce 2 per cent of it, who knows? Once we get closer to budget if we're able to remain on target to return to surplus and provide relief, we will.

MR. LANE: Thank you, Minister, for that.

CHAIR: Seeing no further questions, I'm going to call the vote on those headings.

Shall headings 2.1.01 to 2.1.03 inclusive carry?

All in favour, 'aye.'

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

On motion, subheads 2.1.01 through 2.1.03 carried.

CHAIR: Shall the total carry?

All those in favour, 'aye.'

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?

All those in favour, 'aye.'

SOME HON. MEMBERS: Aye.

CHAIR: All those against?

Carried.

On motion, Estimates of the Department of Finance, Consolidated Fund Service and Public Service Commission carried without amendment.

CHAIR: I'd just like to thank everyone, the minister and his officials and the questions. We've had a very productive morning, I think. So I thank everyone for their co-operation.

We need a motion to adjourn.

MS. STOODLEY: So moved.

CHAIR: The Member for Mount Scio.

All those in favour, 'aye.'

SOME HON. MEMBERS: Aye.

CHAIR: Against?

Carried.

On motion, the Committee adjourned.