

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, December 14, 2022

COMMITTEE ROOM

**Department of Finance and Treasury Board Re:
Report of the Auditor General - 2022 Financial Report**

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Public Accounts Committee

Hon. Kelly Regan (Chair)
Nolan Young (Vice-Chair)
John A. MacDonald
Melissa Sheehy-Richard
Tom Taggart
Kent Smith
Hon. Brendan Maguire
Susan Leblanc
Kendra Coombes

[Kendra Coombes was replaced by Lisa Lachance.]

In Attendance:

Kim Langille
Legislative Committee Clerk
Gordon Hebb
Chief Legislative Counsel
Kim Adair,
Auditor General
Morgan McWade,
Assistant Auditor General
Kirk Robinson,
Senior Audit Principal
Janet White,
Audit Principal

WITNESSES

Department of Finance and Treasury Board

Kelliann Dean,
Deputy Minister
Geoff Gatien,
Associate Deputy Minister/Controller
Robert Bourgeois,
Executive Director - Government Accounting
Lilani Kumaranayake,
Executive Director - Fiscal Policy, Economics and Budgetary Planning



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, DECEMBER 14, 2022

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIR

Hon. Kelly Regan

VICE CHAIR

Nolan Young

THE CHAIR: I now call the Standing Committee on Public Accounts to order. My name is Kelly Regan. I'm the MLA for Bedford Basin and the Chair of this committee. A reminder for everyone to place their phones on silent.

I would ask the committee members to introduce themselves, beginning to my immediate left. Mr. Young.

[The committee members introduced themselves.]

THE CHAIR: I will note that officials from the Auditor General's Office, the Legislative Counsel office, Hansard, and Legislative Committees office are in attendance as well.

On today's agenda, we have officials with us from the Department of Finance and Treasury Board, regarding the 2022 Financial Report of the Auditor General. I'll ask the witnesses to introduce themselves.

[The witnesses introduced themselves.]

THE CHAIR: I'll now invite Deputy Minister Dean to make her introductory remarks.

KELLIANN DEAN: Thank you very much for the opportunity to be here to answer questions about the Auditor General's 2022 Financial Report.

I'm pleased to say that the Province received a clean audit opinion for the twenty-second year in a row. That means our financial statements from the past year are reliable and show no instances of misuse or mismanagement.

As deputy minister, it is my responsibility to ensure that the provincial government is meeting the high standards set out for us by the Legislature and by public sector accounting principles so that Nova Scotians remain confident in the management of taxpayer dollars.

In her most recent report, the Auditor General recommended that the Department of Finance and Treasury Board assess whether the current practice for the authorization of additional appropriations provides for adequate accountability and transparency over expenditure of public funds by members of the Legislative Assembly and consider whether changes are necessary to align with legislated practices elsewhere in Canada.

The financial report noted that the Province is correctly following all legislative requirements as set out in the Finance Act for additional appropriations. However, unlike other provinces, Nova Scotia has no legislative requirement for additional appropriations to be brought to the House of Assembly for debate and approval. The report states that this means the Legislature has limited ability to hold the government accountable for overspending and that the process is less transparent than processes used in other provinces.

Spending authority in Nova Scotia is established under the Finance Act. Through this legislation, which passed in 2010, the Legislature has authorized the Governor in Council to grant additional appropriations when departments have identified unexpected or unbudgeted costs. The topic of additional appropriations and the role of the Legislature were considered as part of the debate in 2010. By passing the Finance Act, the House of Assembly accepted the continuation of this delegated responsibility for additional appropriations residing with the Governor in Council.

This authority allows for the government to direct funds to respond to emergencies in areas that matter most to Nova Scotians, including health care, education, long-term care, and our communities. Additional appropriations are shared openly with media and the public throughout the year, so Nova Scotians know how government is spending their tax dollars. This process was continued through the 2010 Finance Act and every government since then has followed it.

The Auditor General also notes that additional appropriations have been increasing, particularly over the last few years. This increase is a reflection of the volatility all governments have experienced due to the pandemic. COVID-19 presented challenges in budget management overall, including estimating expenses and revenues.

The higher additional appropriations over the last two years reflect government's investments in responding to the pandemic and in other priority areas when fiscal capacity allowed. This includes a new government implementing platform commitments after taking office. In our response to the Auditor General, we committed to making more information about these decisions available online through the Order in Council database and the department's website. That will begin with the December budget forecast update.

The Auditor General noted we are fully onside with the rules established by Nova Scotia's Legislature. We have carefully considered this matter and believe the system in place is transparent and accountable. However, we're committed to implementing any changes deemed necessary to the Finance Act as directed by government at any time.

In closing, we greatly value the role of the Auditor General. Her office does important work, and my department has a strong working relationship with the Auditor General and her staff. Thank you for the opportunity to say a few words. We look forward to your questions.

THE CHAIR: Now I will open the floor for questions. Our first round of questioning will be for 20 minutes and then we'll divvy up the remaining time between the caucuses afterwards. I think all of our witnesses have been here before, so if I interrupt you in the middle of full flight of a sentence, I'm not being rude. It's just that the time has elapsed and we have to move on.

With that we will begin questioning with the Liberal caucus. It's 9:07 a.m. You have until 9:27 a.m. Mr. Maguire.

HON. BRENDAN MAGUIRE: Thank you for being here today. I appreciate all the hard work you do. The Department of Finance and Treasury Board doesn't always get the glory that the other departments get, but I think you do a fantastic job.

One of the things I want to talk about is the \$896 million that was spent without going through the Legislature. This money has been spent now, it's in the public realm, so if the department could table the \$896 million and how it was spent. I'm assuming you don't have every single project here today, but I'm asking that you send that information to the Public Accounts Committee so that we can look at it. I ask that every single dollar be accounted for. Even if you have the information today, we'd like it tabled.

THE CHAIR: ADM Gatién.

GEOFF GATIEN: I believe we would be able to table. We would have tabled with every round of additional appropriations with the Clerk if the House wasn't in session. For all additional appropriations, part of the process is there is a tabling requirement to the House. We did not bring all of the Orders in Council or Schedule As with us today. Those would be in the public domain with the Clerk. Would you still like us to table?

BRENDAN MAGUIRE: To be specific, what I'm asking for is a list - not \$200 million on health care, this and this. What we're asking for is: 123 Apple Street got \$100 million for this. This money went to this.

I'm asking for a list to be presented to Public Accounts Committee accounting for the \$896 million and where it went on the specific projects, not the departments. I know you're saying that this stuff may be out there in the public, but we'd like that sent to Public Accounts Committee.

Also, we know that the media has coined the term "March Madness spending." We've all heard that term, no matter which political party you're associated with. The last week of March, \$1.4 billion went out the door from the provincial government. I would like to get a detailed list of what that \$1.4 billion was spent on and have that sent to Public Accounts Committee, Madam Chair.

Again, we need more details than just \$400 million for health care, \$200 million for education. If it's \$50 million to renovate John A. MacDonald High School, you know, \$20 million to do Lisa Lachance's facility, or whatever. We'd like a breakdown of that \$1.4 billion also to be sent to Public Accounts Committee. I'll have the Chair follow up on that, if you don't mind.

I know these are numbers, but I think it's important to find out where this money has been spent, and just to have that record with Public Accounts Committee, not just with the Clerk's Office. I apologize if it's causing extra work, because I know it probably is, but we just would like those two lists.

The other question I would like to ask is: What was the estimated motive fuel tax surplus for the fiscal year ending? What was the estimated motive fuel tax surplus this year?

THE CHAIR: Just before we move on to the question, I want to make sure that everybody understands what Mr. Maguire is asking in his initial request. When a department goes over, the minister in question would have released some information to the media - we went over because we spent X on X. That's often quite high-level, so what I think Mr. Maguire is asking for is not just: we spent X amount on places of safety. I'll just use an old example here: places of safety for children.

I think he's asking for the individual vendors to whom that money was paid out to and projects, so that there is, I guess, more oversight than we've been getting for those because they're quite high-level when those do happen. That's your first one.

Your second one, Mr. Maguire, is the March Madness issue and what is spent in the final month of the fiscal year.

BRENDAN MAGUIRE: The \$1.4 billion specifically. We're looking for the micro details on these projects, not the Department of Community Services spent an extra \$200 million. We're looking at: \$20 million was spent for a grant to Phoenix House, it spent this, this, this, and this. Just the very detailed information.

The other thing would be the estimated motive fuel tax surplus for this year, if you have that number.

GEOFF GATIEN: If I can just make a quick comment, Lilani probably has the motive fuel, so I'll ask her to comment on that shortly.

Just with regard to the request, the \$1.4 billion, I believe we can table that. With regard to the \$896 million, we will know the composition, what makes that up. The only element that I just want to explain there is there are times where additional appropriations - there is a level of estimation in, so actuals may be a little bit different. Our list may not come to the exact same number, but order of magnitude will be close.

Just want to take a quick opportunity to say about that \$1.4 billion, much of that is ordinary spending as well. We will provide the list to you, but the additional appropriations weren't that large. We're a large organization, and there's a large number of expenses, so, again, it's what was expensed in the last week of the month, not necessarily cash out the door at the end of the month. There's some accrued things there, too, so the characterization of March Madness on that pot - really, almost anytime - is not quite fair, but certainly, on the \$1.4 billion, I just wanted to delineate that a little bit.

THE CHAIR: Ms. Kumaranayake.

LILANI KUMARANAYAKE: The actuals for the motive fuel tax revenue were \$258 million for 2021-22.

BRENDAN MAGUIRE: I'm asking for the estimated fuel tax surplus. What was estimated at the beginning of the year, and how much were we over? (Interruption)

THE CHAIR: One moment, please. I have to recognize you. He's still talking. We'll let him finish.

BRENDAN MAGUIRE: The original estimate, and then we know at the end, what was the surplus?

LILANI KUMARANAYAKE: The original estimate, and it's reported in Public Accounts, was \$238.6 million. As I said, the actual came in at \$258 million, so it was up about \$19.9 million, which is about 8.3 per cent higher than the estimate.

[9:15 a.m.]

BRENDAN MAGUIRE: I want to thank you for that information. That's one thing I love about the Department of Finance and Treasury Board - it's so detailed. I like that.

There was a comment made by the Minister of Finance and Treasury Board around the motive fuel tax surplus when it came to the carbon cap-and-trade stuff. He specifically said in the House and to the media that high-level officials in his department - deputy ministers, associate deputy ministers - had conversations with the federal government, and they were specifically told by the federal government that they were not allowed to reduce the motive fuel tax, even though other provinces were doing it. Those were his words - and I'm not placing them on you.

When pressed in Question Period and by the media to say who in the department met, we couldn't get specifics. I want to ask you about it here today, Lilani - I apologize for using your first name - the Associate Deputy Minister, and Executive Director. Did any of you meet specifically with your federal counterparts and were you told that you cannot, under any circumstances, reduce the motive fuel tax as was told to the media and to the Opposition?

KELLIANN DEAN: I will just preface it by saying that it has been our understanding that that is indeed the case, that we could not offset the impact of the carbon tax by reducing motive fuel tax. We have ongoing conversations with our colleagues at Finance Canada and also CRA, so those conversations happen quite regularly.

What I will do is ask Lilani just to perhaps elaborate on some of the discussions that she may have had with her colleagues.

BRENDAN MAGUIRE: I'm just asking for that specific question. Were any of you actually told by your federal counterparts at any point that you were not allowed to reduce the provincial tax on fuel as was stated in the Legislature?

LILANI KUMARANAYAKE: It's my understanding that prior deputy ministers were told that. I wasn't in the room, but that was my understanding.

BRENDAN MAGUIRE: Are you saying that previous governments were told that?
(Interruption)

THE CHAIR: One moment, please. Ms. Kumaranayake, could you just say that again, please? Your mic wasn't on.

LILANI KUMARANAYAKE: It was previous to Deputy Minister Dean. We've had a number of deputy ministers since I've been in this department.

BRENDAN MAGUIRE: What I'm trying to get at is, there's nobody in this room who was told that. We don't have a record of anyone being told that. The federal government came out and said, we did not say that. In fact, other provinces have moved ahead with reducing this. We had prominent members of the federal Cabinet say, I don't know where they got this. Do you know specifically which deputy minister was told that?

LILANI KUMARANAYAKE: Yes, but what I will do - I think probably it's more effective to speak to what I have been involved in. Obviously, in my capacity, I regularly speak to Finance Canada officials. I would say there was an evolution in their thinking - in what we've been told.

Clearly we were told over the last several years that any changes that would change what we call our price signal, since we entered the cap and trade regime, would be considered a watering-down and would be contrary to what the federal government accepted. So that was established at the beginning, when Nova Scotia introduced the cap and trade schedule.

We have now seen in the last couple of years that the federal government appears to - probably the best article to relate the federal government position, I think, was the recent CBC article for New Brunswick. It basically said, you can reduce motive fuel tax but don't call it a reduction and don't tell the feds.

That is the kind of schizophrenic position, I would say, that has been communicated to provinces. From what I know, our Premier has written to the federal government to seek clarity, because we were specifically told, as I just mentioned, about the cap and trade. To my knowledge, I don't know if the federal government has formally written back to our Premier. That's something that could be followed up.

THE CHAIR: Just one moment, Mr. Maguire. I want to make sure that we are all talking about the same thing here. There's the motive fuel tax and then there's also the provincial portion of the HST tax. I just want to make sure that everyone understands we're talking about the same thing here, because people often confuse them. Mr. Maguire, if you could be clear.

BRENDAN MAGUIRE: I'm talking about the provincial portion of the HST, which you have the ability to decrease or increase . . .

THE CHAIR: That's not the motive fuel tax.

BRENDAN MAGUIRE: I apologize - I'm clearing it up now. I'm talking about both, in fact. So you have the ability to decrease that at any point. We now know that you have - in the Nova Scotia Legislature, we heard the Premier say that they were not going to decrease it because people were going to drive less. Those were his words, and the Minister of Finance and Treasury Board had actually said that too.

AN HON. MEMBER: Can we get that tabled?

BRENDAN MAGUIRE: It's actually in Hansard. I don't do people's homework.

The thing is, we know that people aren't driving less. We know that people are incurring larger costs, and the Province has made substantially more money from their portion.

Is there any conversation within the Department of Finance and Treasury Board now, or has there been any discussion in the department, to lower the HST as other provinces have done?

THE CHAIR: To be clear, in response to what Ms. Kumaranayake said, my understanding is that if a province characterized it as a measure to assist people during difficult times, it was one thing and you could do that, but you could not do it forever. Just to clarify those remarks.

Deputy Minister Dean.

KELLIANN DEAN: I guess what I would say is that we did not have discussions in the department about whether there would be changes to the provincial portion of the HST on fuel. It is a more complicated measure, actually. Lilani, in a moment I'll just ask you to speak to how the HST is actually calculated on fuel. You don't want to go there? (Laughter) I'm not trying to be disrespectful, but it is a more complex undertaking if you were look at HST and modifications on fuel.

At the end of the day, what I would say is that the discussions around changes that sent price signals that are contrary to what the objectives are around carbon pricing are something that obviously we need to take very seriously. I would also add that there is a lack of clarity, I would say, about what provinces are doing. What they can do, what they should do - that's up to individual provinces.

Some provinces made decisions around changing the pricing prior to the new benchmarks that have been put in place by the federal government to go forward. I think that that also will have an impact on decisions that governments make.

BRENDAN MAGUIRE: Yesterday we had the Department of Health and Wellness in here. They didn't have, or they weren't going to share, the numbers around the QEII redevelopment, including the buyout on the QEII in particular. How much money has been spent thus far, and can we have that tabled in the committee to show specifically where that money has been spent?

We do know that we are no longer in negotiations with the two original proponents, so that information can be made public, which is something I was trying to get across

yesterday. How much money has been spent on design, consultation, and now the buyout on the QEII redevelopment, which in its original form is no longer going through?

KELLIANN DEAN: We'd be happy to get the information for you. We don't have it with us at this point, but we will get that for you, yes.

BRENDAN MAGUIRE: How much longer do I have?

THE CHAIR: You have one minute.

BRENDAN MAGUIRE: We know that the interest payments for our debt are one of the highest expenses that the Province has. We now see that for the seventh consecutive time this year, the interest rates are going up. It's now at 4.25 per cent - I think the highest they've been since 2008, if that's correct. What kind of impact will this have on the provincial interest payments as rates continue to go up, and how much money is being put out the door on these payments now?

GEOFF GATIEN: I'll take the first, and then maybe some detail from Rob. As interest rates go up, we are exposed. We have some floating rate interest. I forget the volatility for every percent we're exposed to. Every 1 per cent it goes up, I think is about \$13 million, Right now, that'd be the impact when our borrowing costs go up. Now we don't move exactly in line with the bank rates.

THE CHAIR: Order. The time for the Liberal questioning has elapsed. We'll now move on to the NDP. Ms. Leblanc.

SUSAN LEBLANC: I wanted just to go back to the Auditor General's Report and the recommendation, which is an unusual step for a financial report. The Auditor General recommended that the government should provide the Legislature with additional oversight on the appropriations. You've talked about this in your opening. In the report, the department responded and the deputy minister also said here today that the Department of Finance and Treasury Board has carefully considered the matter and would take further action if directed by the government.

My first question around this is: Did the department recommend to the minister, after considering the matter, increased accountability and transparency over expenditures? Did the department discuss this? Did the department recommend it to the government to get in line with the rest of the jurisdictions in the country?

KELLIANN DEAN: We did consider this very carefully, and we had discussions with our minister about this. One of the key elements that we considered when we looked at the Auditor General's recommendation was what was currently in place with respect to accountability and transparency, and how is the information that's provided around additional appropriations made public?

[9:30 a.m.]

There is considerable rigour around that process, and that is why we are legislated to provide updates multiple times throughout the year which have legislated deadlines - so December and September and when we're doing our final forecast along with the budget. There is an opportunity there for technical briefings with the media. We also recognize that all of this information is made public. From that perspective, there is a great deal of transparency already built into the system.

We recognize sometimes maybe it's not always as easy for the public to understand the breadth of the information. There can be a lot of information that is put forth at once, so we do provide the technical briefings. The media attend those, and they do a really good job of explaining and interpreting the information, asking questions, and ensuring that we're providing the information that the public needs to understand what's happening with taxpayers' dollars.

From that perspective, and considering the fact that we are following the legislation as it was laid out, we didn't think that there was a need for any further changes at this point. But as I said, all governments have operated under this legislation. This is the first time this issue's really been raised in a formal recommendation by the AG. Should government decide that it wants to take further action or look at this in greater detail, again, it would be our responsibility to implement any changes that the Legislature wanted to bring forward.

SUSAN LEBLANC: As the department, do you see a downside? I mean, I anticipate that your answer will be flexibility, because there are ways of addressing that. But do you see a downside to implementing those recommendations?

KELLIANN DEAN: You identified flexibility. I think that what this does allow us to do is vest the authority within the Governor in Council, so that is something that the Legislature has approved. We can respond more quickly in situations like emergencies if the House isn't sitting, for example. It does provide us with a level of flexibility and responsiveness, perhaps, that makes it easier for us to provide service to citizens.

If you think of Fiona, we were immediately able to help people and ensure that they had the support that they needed. COVID is a great - well, not great, but an example of a situation where our Legislature didn't have to approve additional appropriations, and we were able to very quickly get support into the hands of people to make some changes that we needed to make.

I would not confuse flexibility with a lack of accountability. I believe there is still very much accountability and transparency in those actions. It may come after the fact, but it is there, and there is an ability for the Legislature to question, for media to question, and for us to hold ourselves accountable.

SUSAN LEBLANC: I guess that's where I feel like I'm missing one step. In the Auditor General's recommendations, they do mention that in some jurisdictions there is a way to be flexible, be quick, and then you bring the appropriations to pass at the next sitting of the Legislature. So in my opinion, that reasoning doesn't really hold much water, because there are ways of doing it.

What I want to take issue with in what you just said was that the Legislature can debate it. We can't debate it - this is what I'm saying. It might be transparent. The media gets hold of it and everybody knows about it - whoever's paying attention to the media on that particular day - but there is no actual debate about it. It is the Governor in Council making the decision. The Legislature does not get to debate it.

KELLIANN DEAN: If I could clarify, I think what I meant when I mentioned debating it, I was thinking more about the context of our Estimates debate and our budget debate. I will ask Geoff to just elaborate a little bit more on the process, if you will.

SUSAN LEBLANC: Actually, can I move on, Madam Chair? Is that okay?

THE CHAIR: Certainly.

SUSAN LEBLANC: I just have a couple more questions around the appropriations part. Given that, I was wondering if somebody could talk about the additional appropriations that have been approved to date for this fiscal year.

While you're looking for that - I don't know if this is one of the things that Mr. Maguire asked for, but it would be great to see a list provided to the committee by department on additional appropriations.

KELLIANN DEAN: Our forecast update in December did summarize the additional appropriations. They were for Communities, Culture, Tourism and Heritage for \$24.9 million; Education and Early Childhood Development for \$13.6 million; Health and Wellness for \$93.5 million; Justice for \$16.8 million; Labour, Skills and Immigration for \$16.9 million; Public Works for \$13 million; Seniors and Long-Term Care for \$31 million; and our debt servicing costs increased by \$11.5 million.

There was a total of \$221.5 million that was reported for the September 2022 forecast. I do have this list which I can table. It may not provide the detail, MLA Maguire, that you would be looking for, but it is a summary of what was approved in September.

SUSAN LEBLANC: Yes, that's helpful, but as my colleague mentioned, it's very broad and it would be great to know the specific spends. You don't need to do it now, but it would be great if you can table the specifics of that money.

The September budget update projected revenues of \$12.7 billion and a deficit of \$554.2 million. I'm wondering what the currently estimated revenues and deficits are since September.

KELLIANN DEAN: You'll see that in the December forecast update. That will be before the end of December. We're required by legislation to come in and do an update, and we'll have that information at that time. I don't have it now.

SUSAN LEBLANC: Part of the increased revenue in September was due to the increases in HST. How much of the increased revenue is attributable to the rising cost of goods, resulting in rising HST revenue? We talked a little bit about the HST on fuel, but I'm wondering if we can get an estimate on the revenues coming in from the inflationary prices and the HST on those prices.

LILANI KUMARANAYAKE: In our September forecast update - and this is a document that's available on the web - HST revenue was forecast to be up about 2.1 per cent from budget. About 70 per cent of the tax base for HST is consumer expenditures. The remainder is really residential housing and non-residential housing. Essentially, we estimated that consumer expenditures were up about 2.5 per cent in 2022. That is what was driving that 2.1 per cent increase in HST.

SUSAN LEBLANC: Sorry, just to clarify in my head, expenditures were up 2.5 per cent, and so that affected HST by 2.5 percent.

LILANI KUMARANAYAKE: Roughly, just over 2 per cent increase due to associated expenditures. When we did see that our residential housing investment was also projected, the HST from housing investment is also projected to be up about 1.7 per cent higher than anticipated at budget. Those are the two pieces that were moving it.

SUSAN LEBLANC: Great, and how much has the government collected in HST on gas? Can you separate that out this year?

LILANI KUMARANAYAKE: Just a little backdrop on the HST. We're part of a tax collection agreement HST with a number of provinces. Part of that agreement is we essentially pool our revenue, and then we get our share.

Part of the reason we do that is that the federal government collects it for us, so that's free, but then the other piece is that we lose the precision on the HST on every commodity. But we roughly get our share based on the analysis that the federal government does, and then we review it. It's difficult to tease out what amount we get for any commodity under the HST.

SUSAN LEBLANC: I just want to go back quickly to the December update. It's coming out in December, and today is December 14th. Presumably offices are closing early next week. When is it coming out? Before Christmas?

KELLIANN DEAN: We're legislated to do it before December 30th, so stay tuned.

SUSAN LEBLANC: You're telling me that that update is not at the printer right now? It's got to be at the printer by this point. You don't know, you can't tell us anything about the update?

KELLIANN DEAN: We have to have it tabled by December 30th and we will do that. As soon as we are ready to announce when, you'll know.

SUSAN LEBLANC: Well, I'll be roasting chestnuts by the open fire and waiting for the financial update. (Laughter)

The AG's Report points out that personal income tax and HST revenues have increased over the past five years, but corporate income tax has not. I'm wondering how that trend compares to other provinces, and is the department looking at ways to increase corporate tax revenue?

LILANI KUMARANAYAKE: Just to understand that trend over the last five years, I just wanted to remind folks that there were a number of corporate tax changes in that period. Effective April 1, 2020, our corporate tax rate went from 16 per cent to 14 per cent. Our small business tax rate went from three per cent to 2.5 per cent. Overall in that year, it was over \$80 million.

I know the table and the chart that you're looking at. You saw that dip in 2019-20. That really explains why corporate taxes have gone down. It's because there were reductions in tax rates.

SUSAN LEBLANC: I kind of assumed that, but I also wanted to know how the trend is compared with other provinces. Are other provinces also dropping their corporate tax rates? Are we in line with other provinces? Also, is the department looking at ways to increase the corporate tax rate, whether that means investing in bringing corporations here or increasing the rate, or whatever other things I'm not thinking of?

LILANI KUMARANAYAKE: I think one of the pieces around tax rates - particularly around the corporate side and small business side - is we do want to remain competitive across jurisdictions. Reducing it to 14 per cent means we're in the same ballpark as a number of other provinces. We were the highest corporate tax rate, so now we've become more competitive with respect to that.

As you increase taxes, especially for corporate taxes, there's a great deal of sensitivity, because companies can choose, by virtue of setting up their head office elsewhere, which jurisdiction they want to pay their taxes in. If we increase too much, they will choose another jurisdiction with a lower rate.

That's the balancing act we play in terms of trying to ensure fair taxation, but at the same time we want companies to stay here and pay their taxes here. That was part of the rationale for that reduction to 14 per cent and the small business tax rate reduction.

SUSAN LEBLANC: How much time do I have?

THE CHAIR: You have three minutes.

SUSAN LEBLANC: Reminds me of a little thing call the film tax credit, which was cut and put us out of the competitive film industry for several years. It's interesting - just saying.

What you're saying then, I'm assuming, is that the cutting of corporate tax or the lower rate - where are we in the country? If we take 10 provinces and three territories, where is our rate compared to all those others?

LILANI KUMARANAYAKE: I don't have all the jurisdictions. There are a number of provinces that are 14 per cent. There's nobody above 14 per cent. We're with the pack versus up at 16 per cent.

Again, in terms of that balancing act, the thing we've also seen is some jurisdictions drive that corporate tax down to 1 per cent or zero per cent, saying that will encourage - and we've also seen that doesn't work either. It's this balancing act of trying to ensure that companies work and pay tax, hire folks in Nova Scotia at the same time as we do need taxes to provide our services. That's continuously the analysis we do.

SUSAN LEBLANC: In the last sitting of the Legislature, the government passed a bill that would expand the Capital Investment Tax Credit to end in 2029 instead of 2024, increase the cap from \$30 million to \$100 million, and increase the amount of the tax credit from 15 to 25 per cent for property acquired after October 2022. A news release said that the cost of expanding this tax credit is forecast to be up to \$35 million a year.

The minister could not explain why this change was made. I'm wondering if anyone here can shed light on it?

KELLIANN DEAN: I would say it goes to your question and our conversation about competitiveness and a way to ensure that there's additional investment in companies coming into the province or doing more expanding in the province. This was seen as a way to enhance the investment that corporations could make in expansions in the province, and

also act as something that could attract new business into the province because it provides an opportunity to provide an incentive to investment for capital projects.

[9:45 a.m.]

SUSAN LEBLANC: So how come the minister couldn't explain that the way you have, so succinctly?

KELLIANN DEAN: I'm not going to answer that. (Laughter)

THE CHAIR: Order. The time for the questioning from the NDP caucus has elapsed. We'll now move on to Mr. Young.

NOLAN YOUNG: I'd like to ask some questions on the additional appropriations process, which was discussed by the Auditor General in this report. What are additional appropriations and when are they sought by departments?

KELLIANN DEAN: I'm going to ask ADM Gatien to answer that one.

GEOFF GATIEN: Additional appropriations do result from a number of things as the year unfolds. As you know, the year starts out and departments get appropriations to carry on their activities. As events change, it could lead to a number of things - we refer to utilization pressures. If there are things like how many patients are in a system, or if it's a cold Winter, it can be more expensive to heat. There can be variables like that that just start costing more than the assumptions we make at the beginning of the year. Those can mount up to be sizable pressures.

Even federal funding agreements can trigger additional appropriation that's not always intuitive. If the federal government even wants to fully fund something in the school system - and I believe there are a couple of instances, even in the pandemic - when we get the money, departments still need authority to spend that money. So the federal government might give us money to do something or somewhere else. They still need to go and get authority, and we wouldn't necessarily want them to curtail any other activity that was previously approved, so they need a lift to their authority to execute those agreements.

Covering off some of the variables, it can either be a consumption variable or it can be a price variable. So did the price of oil go up, or are we using more oil? Those are triggers. Many people here will be familiar with issues we had like Boat Harbour and our abandoned mine sites. As we get revised estimates, as we work on sites, we learn more about those cost pressures.

What we do throughout the year is monitor relative to the budget throughout all of our departments and our finance staff supporting the departments, asking them: Do you think you have sufficient funds to continue executing your approved activities to the end

of the year? At the moment, where a department thinks they have insufficient spending authority, that's when they start the conversations with more central finance, and we start working through our forecast processes.

If something is evolving as a pressure, there may be an offset. It doesn't automatically trigger an appropriation if the price of oil goes up. Something else might go down. That's where we try to line these up with our public forecast updates. There's quite a bit of rigour that goes through when we table that for Governor in Council approval and ultimately to the House. We want to make sure that we're as tight as we can be.

All of that - when a department believes that they are going to need increased funds, they have to ask. They have to submit a report and request additional appropriations that then gets submitted for review. When it goes through Cabinet, it has to go to Governor in Council for approval. It typically lines up with the public forecast updates, but it is possible that it could happen in an intervening period as well, if something really substantial occurs.

NOLAN YOUNG: Amendments to the Finance Act were introduced by the NDP Government - the Dexter government - in 2010. They laid out the additional appropriations process. Can you discuss that process with us?

GEOFF GATIEN: I was involved, so perhaps I need to declare a little conflict. But we saw it develop, and we've seen it executed for the past 11 and a half years or so since it's been in effect.

There had been recommendations and observations - not all recommendations from the Auditor General. The provincial Finance Act, which wound up being repealed, had been around for a long time and it had different things added to it over time. As the Province moved into public sector accounting guidelines and adherence to Canadian GAAP for governments, we had language in the Act that was inconsistent. We'd call that cash accounting language. Some things that were added in were on the more accrual base, which was more aligned with our accounting standards.

With that policy shift, there were things that just became outdated in the Act. Everyone kind of understood the intent, so it didn't cause great operational pressure, but it just wasn't really proper for our new accounting reporting.

One of the issues that had been raised in the past in a fairly substantive manner was that the previous language on additional appropriations had ambiguity involved. It had an element that said, when you think you're going to need more money, you should go ask - very consistent with what we have today. But then it had another paragraph or clause that said, you have until 90 days, I think, after the tabling of the Public Accounts to get your authority in place.

Our Public Accounts were required to be tabled by the end of September, consistent with what we have today, but then you had 90 days to get the spending authority in place after the tabling of the Public Accounts. That was hard to stand behind as a best practice, getting spending authority after the fact, especially that far after the fact.

The spending authorities we have in the Act now put a significantly higher degree of clarity, I would say, into the process. When the head of an appropriated entity - apologies for the Finance Act term, but it's either the department and office - even our debt-servicing costs, when we think that's going to be too high, the person responsible for that needs to ask for an additional appropriation in-year. You don't have 90 days after the tabling of the public accounts.

Now, not to belabour - we still do need some approval with the tabling of the Public Accounts. We still need that window afterwards. That's for things like Boat Harbour. So we have another spending authority - additional appropriation for year-end adjustments. That's another clause in the Act. To the extent when we're closing out the year and we have to adjust our accounts payable, whether it's our liabilities for Boat Harbour, abandoned mines, other cut-off things, we still need that element of approval after the fact. We have a special spending authority for that, so in-year changes need to go through the additional appropriation and be approved through the year on a more timely basis.

Then with the tabling to the House, that's also where our accountability does always go back to the Legislature. We need Governor in Council to approve it, and then it needs to be tabled in the House so that all members have knowledge of what's going on, as currently as we can keep them apprised of it.

NOLAN YOUNG: You touched on this, but I think it's important that the public know how government is spending the public funds so that we can ensure accountability. How are additional appropriations communicated publicly?

KELLIANN DEAN: The additional appropriations are communicated with the forecast updates. We provide a summary of those to the media when we are doing our technical briefing, and when we're doing our stakeholder updates. What I would say though is that one opportunity we did identify was a way to perhaps improve the information that we were making public.

These update sheets of the additional appropriations, while they're helpful in interpreting and explaining and for the media to use to explain to the public, we realize that this might also be something we could post on our website to aid in understanding what's happening, and in explaining where some of these additional appropriations are being made, and what they are being used for. It's another level.

We also recognized that the Orders in Council, when they are made public, refer to a Schedule A, but that isn't necessarily posted at the same time. That's what actually

describes what we are appropriating the money for, and which departments need those appropriations. So we're going to commit to release those at the same time with the Order in Council - I think that will improve transparency.

We also, through the technical briefings, make staff available to provide enhanced information and explanation. I know Geoff, Lilani, and Ryan are always available at any time to provide further information to folks. We do think that there are a couple of extra steps that we're committed to taking that will enhance that communication effort. Geoff, did you want to add?

GEOFF GATIEN: I will try to be brief - that was a very good overview. What I would also add is that with our forecast updates and our variance explanations, we do always explain it back to the budget - that document that's approved by the House. We're not looking to minimize the importance of the House's involvement in setting the appropriations and the plan for the year.

Our explanations do tend to be at a reasonably high level. They're general purpose financial reports that we pull together, but we do supplement that with a handout for media. Actually, the Opposition MLAs who attend the briefing have access to this information as well. When the minister gives his remarks, the media are there to ask further questions.

I'm quite proud of what I consider a fairly well-oiled machine to prepare for these public updates. Our communications staff provide great support to help us track down any lingering questions media asks that we may not have the details on the spot. We often have senior officials from other departments available, but if we don't have that complete, or if there's anything to follow up, they always follow with media, and we're available for questions in the ensuing hours and days afterwards.

By and large, when we look at the coverage we get, we find that the coverage is quite complete and fair.

NOLAN YOUNG: Thank you for the information. I'll pass it off to my colleague, MLA MacDonald.

THE CHAIR: Mr. MacDonald.

JOHN A. MACDONALD: Getting back to the Auditor General's Report, in the report, there's a note that additional appropriations have been higher in the last recent years over the past few governments. Can you explain a rationale for that?

KELLIANN DEAN: I think what you're seeing in the last two years is the increased volatility that we've seen as a result of the pandemic. There's no doubt that COVID-19 presented significant challenges in estimating our revenues and also our expenses, due to the response that government had to make to support people and to support businesses

throughout the pandemic. When fiscal capacity allowed and other priorities could also be supported, those were also done through additional appropriations.

[10:00 a.m.]

I don't expect to see this wild volatility that we've seen in the past few years, and we're hoping that things will be returning more to normal. Lilani, is there anything that you would like to add on that piece?

LILANI KUMARANAYAKE: In the past couple of years, we tabled a budget. I think the budget was approved, and then COVID was announced, pretty much. We changed our methods to try to estimate the revenues because we had pretty much a complete shutdown of our economy for several months. We weren't sure what that might mean, but in addition, government provided supports - both the provincial and the federal government - and that provided a stimulus effect. All in all, you characterized this period of high uncertainty.

What we did see, though, is toward the end of fiscal 2021, and then in 2021/22, that the COVID measures that were in place - particularly in places like Nova Scotia - were strong, and that did allow for the economy to sort of return closer to normal. We did actually see as the economy rebounded that revenue was much higher than anticipated.

Then just as we thought we were recovering, the Omicron wave came, and then we've had these external circumstances because we did have very constrained demand. Basically, people shut down their capacity. Companies shut down, so, again, we didn't know how the adjustments were going to go after the economy opened up, and that's a global circumstance.

Right now, we're looking at the impact of the Russian invasion of Ukraine as well. All of those things mean it's highly uncertain, but barring another epidemic, I think we are returning to pre-pandemic trends. That's what we're seeing now in our data, that we are returning back to our trends.

JOHN A. MACDONALD: In the Auditor General's Report, it also mentioned the Service Nova Scotia control issues that there were. How is your department working with them to get them in place, I'm going to say - or if they have, somehow, however you want to word them?

KELLIANN DEAN: What I would say is that our department is responsible for the overall financial controls across government, and we work with our colleagues at Digital Nova Scotia to provide advice to them. Ultimately, each department is responsible for the controls within its department, and we can support those efforts, and we monitor any recommendations around financial controls that the AG has made, and the departments have to then implement and provide our assistance where we can.

I would also add to that there is a deputy ministers internal audit committee, and both Geoff and I sit on that committee as well. That provides oversight for audit matters throughout government. Our department plays a role in supporting and providing advice, and monitoring what is happening with respect to the implementations of those recommendations across government as well.

JOHN A. MACDONALD: In the Auditor General's Report, she highlighted that the Orders in Council - the first one didn't have a dollar amount. It just said it's this, and it's going, and that Schedule A wasn't - I actually did some research, and it's kind of hit or miss whether the dollar amount's there. Is there a change in process, and, if so, what's your department doing for it?

KELLIANN DEAN: That speaks to a comment that I made earlier about making the Schedule As available with the Order in Council when it's posted. Geoff, I'm not sure if you want to elaborate on that - it's pretty straightforward.

GEOFF GATIEN: Just quickly, yes, we've worked with the Executive Council office on that. They will now include with the Order in Council a link to a site to see the schedule where the dollar amounts by department will be.

Finance and Treasury Board is also going to post on our website - exactly where, I'm not sure yet. We'll work with our comms to make sure it's fairly highlighted on the day of the release we provide to the media to give that high-level explanation of what's driven the requirement for each additional appropriation. We'll be making that public on our website as well, just to try to help enhance the accountability and transparency of the process.

THE CHAIR: Ms. Sheehy-Richard.

MELISSA SHEEHY-RICHARD: How long?

THE CHAIR: Slightly less than two minutes.

MELISSA SHEEHY-RICHARD: I just want to pivot a bit to talk about some health care funding. I'm pleased, obviously, to see some investments finally being made to improve our health care system. Can you discuss with us where specifically we are seeing these new investments being made, if you have any detail on that?

KELLIANN DEAN: We would have to go back to the Department of Health and Wellness to get you some detail - I recognize, though, that some of our additional appropriations that you would have seen would have focused on the health system. It's a priority area of government. When there's an opportunity to address corporate priorities like that, if there's some fiscal capacity, we're obviously able to invest in some of those very important key areas. We can get you more information on that.

MELISSA SHEEHY-RICHARD: On that, does your department do anything specifically to ensure that the resources in health care are being used as efficiently and as effectively as possible?

KELLIANN DEAN: I would say I trust the Department of Health and Wellness to be accountable for how it's using its resources. They have an appropriation and they manage that effectively. They have controls in place and processes to follow to make sure that they're using taxpayers' money effectively. In terms of oversight . . .

THE CHAIR: Order. Time for the first round of questioning has elapsed. We'll now move on to our second round. Each caucus will have nine minutes.

We will begin with the Liberal caucus. Mr. Maguire.

BRENDAN MAGUIRE: I've got a few quick questions here. What is the Province's responsibility right now for the underfunded pension plan for the teachers? What is our portion?

KELLIANN DEAN: We don't have that exact number right now. What I can tell you is that it's half, because we're working with the NSTU. As you know, there's a report that's been done with non-binding recommendations that is under review right now to determine exactly what the next steps might be with respect to the Teachers' Pension Plan.

BRENDAN MAGUIRE: When you get the detailed number, I ask that you submit it to the Public Accounts Committee, and we ask that we get that as quickly as possible. I think it's a substantially large number. I think not just for all taxpayers but for the teachers also, I think we need to know where we are on that pension.

Where is this department at on the Better Pay Cheque Guarantee? When can we expect this to be in full?

KELLIANN DEAN: What I can tell you is that is a stated mandate priority, and it's something that our department will look at as we plan our work over the next couple of years. It's something that we are looking at. It's part of our work plan to look at that.

BRENDAN MAGUIRE: I wasn't expecting that answer. I do know that during the last provincial election, the Better Pay Cheque Guarantee was a pillar of the Progressive Conservatives' campaign and that they had guaranteed it out of the gate. I heard the Minister of Finance and Treasury Board on 95.7 FM about eight months ago - they actually called me and I responded to it - saying that it was something that was going to start to be rolled out in actually this fiscal budget. Now we're hearing that it's a couple of years away.

There's a lot of confusion about what a Better Pay Cheque Guarantee looks like in Nova Scotia. It sounds a lot like a slogan, but there are absolutely no details - and that's

not on the department. Where are we right now on the Better Pay Cheque Guarantee, and are there any documents you can table to show Nova Scotians how far along we are on the Better Pay Cheque Guarantee?

KELLIANN DEAN: What I will say is that not all of government's priorities can be done at once and done immediately. This is one that's going to take us some time to figure out the best way to implement it. So there is more work and more analysis that are required for the department.

At this stage, there's nothing that I can table for you, but just to say that it is part of our work plan and something that is in our business plan to address.

BRENDAN MAGUIRE: Again, I will say this: It isn't on the department, but we do know that this was something that was promised on day one. Then we heard eight months on 95.7 that the Minister of Finance and Treasury Board had said that this was in the works, consultation had been done, the framework had been done, it would take about a year to get implemented, and that this was going to be something that was going to start to be rolled out during this budget. Is there a framework done on the Better Pay Cheque Guarantee?

KELLIANN DEAN: I'm not aware of the interview that you're referencing. Again, what I will tell you is that there is more work that needs to be done on that. I do not have a framework at this stage that is in development. I'll be very frank about that, recognizing that we are considering it. We know it's a priority, and it's something that we do have to do some considerable analysis on.

BRENDAN MAGUIRE: So no framework. We have a lot of individuals here today who understand finance well above my understanding and, I would argue, probably anyone else in this room. How do you achieve a Better Pay Cheque Guarantee for Nova Scotians?

KELLIANN DEAN: At this point, I don't have further information that I can share with you on that.

BRENDAN MAGUIRE: Has this government considered removing bracket creep? We're one of the few provinces left that has bracket creep. That is a way to achieve a Better Pay Cheque Guarantee: removing bracket creep. In fact, it's something that myself and my partner have been very passionate about, as we have been pushing for it for quite some time.

Is this government considering removing bracket creep, as one of the few remaining provinces that actually have that?

KELLIANN DEAN: I can tell you that we certainly do receive feedback and letters regarding bracket creep. It has been raised with the department. At this stage, I don't

believe there are plans to address it. I can now give you the number for the Teacher's Pension Plan.

BRENDAN MAGUIRE: If you can just table that, that would be great. (Interruption) I'll ask the associate deputy minister.

THE CHAIR: ADM Gatién.

GEOFF GATIEN: In the Public Accounts, at March 31, 2022, the Province's half was \$964.7 million. We don't get regular updates on that. We're knowledgeable of what generally is going on in the plan, but there's a lot of process and actuarial work driving that number. That would be the most current number we have, and give you the order of magnitude. It had been \$897 million the year before - sorry, \$964.7 million is on the books of the Province of March 31, 2022.

THE CHAIR: Mr. Maguire, you have a minute and a half.

BRENDAN MAGUIRE: So Nova Scotians are on the hook for almost one billion dollars for the underfunded teachers' pension. Is there a mandated time in legislation that this has to be addressed and paid by? Is there a percentage of underfunding that the pension has to hit that would trigger a mandatory top-up for the teachers' pension?

GEOFF GATIEN: There are no mandatory triggers there or timelines.

BRENDAN MAGUIRE: As financial gurus, are you comfortable with where the teachers' pension is right now from a sustainability and funding standpoint?

GEOFF GATIEN: What I would say is that I think everyone would be interested in seeing the health of the plan improve - the funded status to improve. There is ongoing work amongst the sponsors, and I know the Teachers' Pension Plan Trustee Inc. is focused on it. I have no immediate concerns or medium-term concerns about the plan's ability to meet its obligations. For the time being, I'm not losing sleep over pension cheques going out or not going out at all.

THE CHAIR: Order. The time for the Liberal questioning has elapsed. We'll now move on to the NDP caucus and MLA Lachance.

LISA LACHANCE: Deputy minister, you talked a lot this morning about the economic volatility, social and political volatility that we've all seen over the last couple of years, and how that's affected everyone. Folks in Nova Scotia are obviously facing increased costs across the board - increased costs of rent, housing, groceries, gas, and other bills. People are really struggling to make ends meet. I don't think it's left anyone untouched. I think we are all opening up bills and are surprised at what we see.

[10:15 a.m.]

At the same time, of course, the provincial source revenues have been increasing. Last year, at the close of fiscal year, we had a \$960 million increase that resulted in an actual surplus. I know if it's not spent it goes to pay down the debt, but this could have been used to support middle income Nova Scotians. We know the government talks a lot about some of the targeted supports that have been brought forward that have been very important, but for many folks, they don't qualify, so they're still struggling.

We're wondering why the department hasn't developed income-based supports for the middle section of folks in Nova Scotia.

KELLIANN DEAN: The Department of Finance and Treasury Board doesn't have specific programming itself. We try to support the recommendations that are brought forward from other departments with respect to affordability and programming that can help during, as you described, challenging times for Nova Scotians.

What I would say is that there have been commitments made by government in various areas to provide additional supports for those who are most in need and the most vulnerable. As you referenced, those announcements have been made and the government has referenced those.

As fiscal capacity increases, you're right that there does exist an opportunity to look at whether or not there is more support that can be rolled out. What I would say is, we take direction from government on how those funds are used, and hope that we're able to share more perhaps in the December forecast around those measures and programming that can be done to support Nova Scotians.

LISA LACHANCE: I certainly recognize that through the Department of Finance and Treasury Board, there are limited program options and that sort of thing, but I think the department is also obviously interested in the economic and fiscal stability and health of Nova Scotia at large. I look forward to those updates.

We've heard some concerns from our minister - and I have heard it from the Governor of the Bank of Canada - around income-based support actually contributing to inflation. At the same time, there are certainly some analyses that I've seen - I assume all the folks at the Department of Finance and Treasury Board have seen - that suggests that we're in a really different inflationary period than we were 40 years ago, that the actual factors are much different.

I'm wondering if the department has a position on income-based supports as a factor to contribute to inflation, and what analysis the department has been doing around these issues?

KELLIANN DEAN: I will say yes, in general, that we are acutely aware of the impact that those supports have had, and I'm going to turn it over to Lilani to talk about that a little bit more. She's our guru in that respect.

LILANI KUMARANAYAKE: And we have a whole team, so I'm not the only one. (Laughter) I think if you turn on the radio, everybody's talking about inflation and why it was the same or different in the 1980s or the 1970s. Every circumstance is different.

As I talked about in our context here, in response to the very real COVID-19 impact where the economy was closed, part of what happened in that period was high levels of support for individuals, both federal and provincial - things like the CERB, et cetera. What we found with that was that helped keep the economy afloat. Again, we saw complete shutdowns of almost the whole of the tourism industry, restaurants, et cetera. It allowed for folks to be able to just kind of carry on, hoping things would get better.

Then as we came out of COVID-19 with those economic restrictions where people weren't spending, all of a sudden you had a burst of, oh, I'm going to go to a restaurant, and then last Summer: I'm going to try and fly somewhere. There was that pent-up demand, but what happened was in the economy, generally, companies were downsizing or they reduced their capacity, and it takes time for that to adjust. As people said they wanted to start spending, there were supply constraints. That was across the board globally.

When you have that, that's what pushes up inflation. That's that inflationary pressure, and the Bank of Canada started to recognize that. I think the Russian invasion in Ukraine which was unforeseen just really layered on a higher level of uncertainty, and it caused much more pressure on certain markets, particularly oil.

We had the Bank of Canada trying to understand what was happening and saying, okay, we've got this COVID-19 factor, we're going to start wrapping up the interest rates because they had, in fact, reduced the interest rates substantially. As they started on that path, all of a sudden, globally, we were whacked with this other change associated with what was happening in Russia and Ukraine, and the spin-off.

Then, you had this extra onset - like, our energy prices are up 30 per cent. That's what folks are dealing with, but we're also seeing now some adjustment because it did take time for supplies to readjust. We are seeing improvements in, for example, gas prices. They've dropped about, I think, 30 cents in the last little while.

That's the backdrop in terms of the context. Right now, we know from an economic perspective, if we start to introduce more fiscal stimulus, that increases demand. We're in the cycle where increased demand and supply constraints led to the inflation. It's a spiral, and that's why the Bank of Canada's trying to reduce demand. It's trying to reduce demand in a way so we still have economic growth, but we try to get out of that spiral. That's the strategy that they're employing using the interest rates.

For us, we were used to almost zero interest rates, going up to 4.2 - or 4.25 per cent seems like a big whack. However, when I looked at my mortgage that I was paying for a few years ago, we were paying those sorts of interest rates - it's just that that transition time has been very short and tight.

I will say we have been faced with tremendous economic hurdles in the space of three years. If someone said you're going to have something worse than the depression, we had it. If someone said we're having an oil crisis, we've had it. We've had all of these things really concentrated in a short period of time, and I think to try and get out of it sustainably, there is a little bit of . . .

THE CHAIR: Order. The time for the NDP questioning has elapsed. We'll now move on to the PC caucus. Mr. Smith.

KENT SMITH: Thanks to all the witnesses for being here. Ms. Kumaranayake, I'm glad that you talked a little bit about mortgages and interest rates, because my colleague, the member for Halifax Atlantic, started to ask a question earlier about interest rates and how the changing interest rates from the Bank of Canada may impact our debt and our debt servicing costs.

Mr. Gatién, I wonder if you could elaborate on the answer that you started to give earlier on debt servicing and how that's going to impact us moving forward.

GEOFF GATIEN: I just about got to the end of the answer there. Right now, every 1 per cent increase in interest rates that we experience is about \$13 million of added expense as it goes up. We try to manage our debt portfolio so that we have some safeguards built in, but with rising interest rates, we are still at relatively historic lows, but higher than the last few years. As we either refinance debt or have to just borrow anything net new, we will have higher interest costs associated with that.

I think we probably would be expecting to see debt servicing costs increase somewhat in the coming years if debt does continue to go up.

KENT SMITH: You referenced ways to mitigate that. Are there ways that we can mitigate the debt servicing costs moving forward?

GEOFF GATIEN: Some of the mitigation that we have in place right now, I won't be able to go really deep into. We have a few chartered financial analysts who oversee the portfolio. What they do is help advise on whether we should borrow fixed rate or variable rate, and then they can enter into some what we call hedging transactions. If it looks like a good opportunity to be fixed or a good opportunity to have a little more floating rate exposure for a duration of time - longer debentures outstanding will carry a higher interest rate than short-term in most instances, not always.

We have seen a couple, and if we borrow very short-term, that's lower interest rates, but then you're also exposing yourself to refinancing. You have to be able to go back out to market, which we haven't had issues with, but that's all part of the management of the debt portfolio that's entailed in that.

I expect they will be looking at the borrowing strategy for the next horizon to give us some advice on what the most prudent path forward would be.

KENT SMITH: There's a decrease in the net debt-to-GDP ratio in the last fiscal year. Can we discuss how that can impact us moving forward?

GEOFF GATIEN: Generally, what a declining debt-to-GDP ratio indicates is flexibility for government to make investments in the coming years. It's relative to our GDP, which I think is the measure of our economy - Lilani will probably cringe as I start talking about that. To the extent that it is decreasing, we would have capacity to borrow or have deficits that would increase our net debt, but not increase debts claim relative to GDP.

It gives us capacity to adapt to changing circumstances, whether it's capital investments in the future or need to provide emergency supports. If we have to incur a large expense or expenditure of public money, we would still be doing it in a relatively prudent manner relative to GDP. It's a measure of claim on the tax base, I think, the GDP in any given year. A downward trend represents preserving or increasing some capacity for future investment.

KENT SMITH: Switching gears ever so slightly to the surplus that we realized last year, some would say unexpected. It was certainly in the news a little bit when it was announced. I'm wondering if one of you can discuss the surplus and how it was implemented, and how it was used?

LILANI KUMARANAYAKE: As the Auditor General's Report pointed out, we had almost a billion dollar difference in our revenues relative to budget. Again, understanding for 2021/22, we were in the middle of the COVID-19 epidemic when we tabled the budget. We did our best estimates in terms of what would be likely the case for our revenues. We have very complex models. I have a whole team that estimate - you need a lot of degrees to be able to do this. What we did see again was the unexpected rebound, a much stronger economic rebound than what we thought, and that was then reflected in those revenues that you saw.

There are two aspects to the revenues. One is what's your revenue in this year - when we do our revenue estimates, we don't have actual revenue numbers. When you think about it, if you file your income tax for 2022, you're not going to file it until April 30th 2023, and then we don't get the data for longer. At the same time, in Spring 2023, we've got to produce a budget. We don't have actual information.

[10:30 a.m.]

We use a combination of modeling: the economic forecasting of what the economy will look like, plus statistical models that we have for revenues using our historical data. Producing that, that gives us revenue estimates for the year. We do get the actuals later on, and then we have a comparison between how did you deal with the estimate versus the actual, and that difference is what we call a prior-year adjustment.

The way that we've seen it the last couple of years, we've had prior-year adjustments in the hundreds of millions. That just shows you the level of volatility. That was really what you saw. Although we saw that almost-billion dollar increase in revenue, part of that was the in-year revenue increase, but part of that was the prior-year adjustments for the previous year, both for personal income tax, HST, corporate tax.

Again, that was the start of COVID-19. We thought things were going to be pretty bad, but we did better than we anticipated. We had a stronger economy giving revenues, but then we also had those prior-year adjustments also being included in the Public Accounts. That was really what was driving the surplus from the revenue side.

KENT SMITH: That was a great answer. It really was, thank you. That explained it really well for the layperson to understand, which I think most of us around this table are.

I did have another question on personal incomes and how those have changed, but you kind of touched on that a few times with how things have changed throughout COVID-19, and people had time on their hands during COVID-19. Then, once we were opened up a little bit, the spending opened up a little bit too.

I did have another line of questioning on university funding. I'm wondering if any of you folks can speak to university funding and how that's decided, or is that strictly at the Department of Advanced Education?

KELLIANN DEAN: That's with the Department of Advanced Education. There is an MOU with the universities and the Province that establishes their funding levels.

THE CHAIR: Order. The time for questioning has elapsed. If the department has any final remarks that they would like to make - Deputy Minister Dean.

KELLIANN DEAN: I would like to thank you all very much for your time, for your interest, for your questions, and, also, many thanks to my colleagues here for their outstanding support, and endless patience, and their expertise, and I'd like to wish you all, on behalf of us, a very Merry Christmas.

THE CHAIR: Thank you, Deputy Minister Dean. You are now free to go. You're released out into the world. (Laughter) We're going to move on with committee business at this time.

I would call your attention to the correspondence that has been received. I will note that the letter back to me of December 1st does not in fact answer the question that we have asked a number of times, so I will again write to Ms. Oldfield and ask her for the dates on which the department sent updates and edits by the Nova Scotia Health Authority to Communications Nova Scotia. Committee members may want to turn their minds to whether we want to recall departments if we are having repeated instances where they're not answering really simple questions. I will leave that with you.

The other thing is - and we did sort of touch on this last week, I think, when I tried to summarize a multi-page answer from a department. I wondered whether the committee was interested in doing what the Community Services Committee does. They post correspondence on their website for everyone to see, rather than trying to run through all of the answers. Sometimes departments aren't able to answer questions here - we ask something, and they just didn't come with it.

So in order to be transparent, rather than having me read letters out so that it's in the record - because I quite frankly don't want to do that with the one that's here - I'm just wondering if you would like to table correspondence. Add it at the end of our meetings so that that is there for everyone to see, so that we do have that information, rather than having it sort of go off into the ether and not have it. I'm just going to leave that with committee members.

Mr. Young, do you have something you'd like to say?

NOLAN YOUNG: Are you suggesting deviating from whatever is the normal practice we have now? Could you repeat yourself?

THE CHAIR: So what we currently have is correspondence that goes out and it comes back, and then it kind of goes into the ether. If this is in fact a forum for the public to understand what's going on with Public Accounts Committee, we have a few options. We can let it go into the ether; I can read the letter, which will take up great amounts of time; or we can just post it at the end.

That's what the Community Services Committee does, and I think it's an effective way to have that information out there. I mean, to me, it should be, but that is up to committee members. Mr. MacDonald.

JOHN A. MACDONALD: Madam Chair, just to be clear, you're asking that because it's a public document that's been given to us - instead of you reading it, it be

posted on a website or whatever. I don't see an issue with that. It's public anyway, and it saves time having us read through all that. I can't see where there'd be an issue.

THE CHAIR: Does anyone want to make a motion on that? Mr. Maguire.

BRENDAN MAGUIRE: I'll put a motion forward that when we receive correspondence back from departments, instead of taking the committee's time to read it, we just do what other committees are now doing, which is to place it on the committee's website.

It's already part of the public domain, heavily vetted by the department and probably by the Premier's Office, so there's no harm in posting it. It just saves the committee time and puts it into the public for all to see.

THE CHAIR: Any discussion? Mr. Young.

NOLAN YOUNG: I'd like a two-minute recess, please.

THE CHAIR: Okay. I just want to clarify for folks that we do have quite a bit of business, so if we could just do two minutes? I know it's quick, but we've got a lot to move through. Thank you.

We'll come back at 10:41. Super quick.

[10:39 a.m. The committee recessed.]

[10:41 a.m. The committee reconvened.]

THE CHAIR: Order, please. Mr. Young.

NOLAN YOUNG: Just a quick question. I just want to confirm with the clerk that this is a normal practice in other committees.

THE CHAIR: I believe it is a normal practice for the Standing Committee on Community Services.

We have a motion that has been forward that the Public Accounts Committee now table any documents that are filed with the committee after the fact in terms of correspondence.

All those in favour? Contrary minded? Thank you.

The motion is carried.

Mr. Maguire.

BRENDAN MAGUIRE: I have a motion I'd like to put on the floor. We did hear from the witnesses today - and it's been a topic in the last few days, but also over the last few years - about the additional appropriations that government spend that is outside of the budget. We did hear today that the last year, it was close to a billion dollars.

For a greater level of scrutiny and detail, I would ask that as these updates come in, that they also be sent to the Public Accounts Committee. Our responsibility is around the finances of the Province, and the Department of Finance and Treasury Board - no matter which government is in power - should send these updates to us to look at so that we are able to put an eye on the public spending, which is exactly what we all agreed is the job of this committee.

THE CHAIR: Mr. Young.

NOLAN YOUNG: Madam Chair, it seems like a common theme after our committee for some members to deviate from the agenda, and we do have agenda items here. I'd request that we move back to the agenda so we can get the work that's presented done today.

THE CHAIR: Mr. Maguire.

BRENDAN MAGUIRE: I will remind the member that we do have free speech in Nova Scotia. This is not a committee where this is how it's done, and these are the only things you're allowed to say. We saw that yesterday. I actually went through the committee rules, and the committee rules are significantly different than what's in the Nova Scotia Legislature.

I have the ability to bring motions forward, like any member does, since the beginning of this committee and the Nova Scotia Legislature, and the government, no matter how big their mandate, does not have the ability to stop this.

We've sat here in this committee and argued about what this committee is about, and the government has said they want to make it about the finances of the province. So here's an opportunity to stick to your words. When these appropriations come in, they should also be sent to the Public Accounts Committee so that we and the Auditor General can take a look at it. There's the motion.

THE CHAIR: I will remind the committee that these are public documents. I think that Mr. Maguire is just making the point that it's just something that would be called to our attention. We don't normally have both of the Finance and Treasury Board critics sitting on this particular committee, for example, so they're not at those press conferences.

If those documents could be sent here, we would have them. It would be brought to our attention. It doesn't mean that we can't find them anywhere else. We can.

[10:45 a.m.]

BRENDAN MAGUIRE: It should be part of what Public Accounts Committee is about.

THE CHAIR: Because we've been focusing on what we're supposed to be focusing on, so I think that is Mr. Maguire's motion there.

Mr. Smith.

KENT SMITH: I'll be brief. Are we talking specifically about the two financial updates that happen each year, September and December?

THE CHAIR: Mr. Maguire, what is what you are asking for?

BRENDAN MAGUIRE: What I'm talking about is that there's spending outside of the budget. Yes, there are public updates, but that spending becomes part of the public realm. It also should be sent to the Public Accounts Committee, which it is not being sent to right now. We have to go digging for that spending.

What I would ask is that when government releases their extra spending outside of the Legislature and the budget, that that money and that spending also be sent to Public Accounts as part of the public record.

THE CHAIR: Ms. Leblanc.

SUSAN LEBLANC: I just feel like we should get down to the endorsement of the Auditor General recommendations, because this will be a non-issue if we're passing that recommendation on, which is on the agenda. I think we could press pause on this and wait until we know if we're going to endorse the Auditor General's recommendations.

THE CHAIR: Mr. Taggart.

TOM TAGGART: With all due respect, we have a published agenda here. I would suggest we get through the agenda before we entertain new agenda items. Would that not be a reasonable course of action?

THE CHAIR: It could be a reasonable course of action. I think it arose out of the issue of correspondence, and that's why Mr. Maguire did put it, but I think we can park it in other business right now.

We'll move on to the CCPAC Conference. In normal course of business, we would host the conference in 2025, but this is an election year, so I was concerned about us trying to do that during an election year, because I'm not even sure it could happen.

Nova Scotia could either host the conference in 2024 or 2026. Occasionally, and I'm not casting any aspersions here, occasionally governments do go to elections early, even though they have posted dates. My preference would be to have 2026 and we won't have to worry about that, but I would just ask the committee if they have any preferences around this. Mr. Taggart.

TOM TAGGART: I move that we host the CCPAC Conference in 2026.

THE CHAIR: All those in favour? Contrary minded? Thank you.

The motion is carried.

Now we'll move on to pre-hearing briefings. A number of topics have been selected based on a new procedure, and as part of this procedure, it's anticipated a pre-hearing briefing would be required to discuss areas of key focus. We would do that with the Auditor General, which would prepare the committee for meetings.

My question is: Does the committee want to take a meeting date, or would you rather do this outside of regular meetings? How would you like to do this? Mr. Maguire.

BRENDAN MAGUIRE: I would just like to bring to the committee's attention that we had a road map. We haven't voted on a statement. We haven't voted on the overall recommendation. What's happening here is it's being piecemealed. We're bringing this one forward and this one forward, because nobody will bring the whole recommendations forward.

I'm not in favour of doing this piece by piece. It's like a leaky little bucket. You're getting one drip at a time. I think if the government truly believes in all these recommendations and all these changes, then they do the right thing and bring it forward as one big vote instead of bringing things forward piece by piece.

We did a lot of work. They believe in this, and we still don't have the statement voted on, and what was talked about in and out of committee, and instead of bringing this forward - we saw when the third party actually asked for the government to bring this forward as a vote, and not a single person on that side wanted to bring this forward.

This is part of the changes and recommendations that were brought forward and discussed in and out of camera, so I ask that, instead of doing this piece by piece by piece,

that they bring it forward as a whole, and I don't understand why you're not doing that. Maybe they can explain that to me?

THE CHAIR: Ms. Sheehy-Richard.

MELISSA SHEEHY-RICHARD: For the record, I just want to let the member know that the Progressive Conservative caucus did not put this on the agenda. I just want to correct the record that we didn't put this on here piece by piece. I don't know how it got on here, but it was not by us.

THE CHAIR: Just to be clear, we have topics that we all agreed upon, and there was a line referencing pre-briefings in the proposed road map. That's how it got on the agenda because we have to be prepared differently than in the past to be able to proceed with this - if we're in fact going to do it, whether it's piecemeal or back door, whatever.

That is why we have this on the agenda today. Mr. Maguire.

BRENDAN MAGUIRE: I would recommend that we scratch this from the agenda and instead of having this piece by piece, we bring forth the entire road map. (Interruption) Every time I speak, one of the members huffs and puffs, and it's very disrespectful because I would not do that to someone else.

The truth is that we sat here for day after day, week after week, month after month talking about our road map, and we asked that it be brought forward. We sat here, and the government members would not bring it forward. No one would do a vote, no one would dare bring it up for a vote. Now what's happening is that it's being done piecemeal - we don't even have a statement that we were supposed to agree upon.

What I would say is that instead of doing this piece by piece by piece and trying to get it together through that way, we bring it forward as an entire topic so we can have a wholesome discussion in public, and then vote on it so that people are aware of everything that's being changed and everything that's being done differently.

THE CHAIR: Mr. Taggart.

TOM TAGGART: I'll use this "I'm new here," kind of theme again, but this is not a new committee. What has been the standard practice when an Auditor General brings a topic forward? Are we changing the standard practice? It's been for years, I believe - I might be wrong - that we have an in camera briefing before it starts. What's the standard practice? That's all I need to know.

THE CHAIR: The standard practice was not to have an in camera briefing that takes up a whole meeting. The standard practice before the current practice was actually to have a half-hour meeting beforehand where the Auditor General would brief us, and then we

would move into the regular meeting. At least, that's the way it had been done for a number of years, but I couldn't speak to before that point.

There are different things here. This is a new way of choosing topics. This is about the additional topics. This is not about the Auditor General's Reports. In the past, the committee was not restricted to only topics that were Auditor General's Reports, except for in a brief period where it met less than it meets now. Before that, there were a variety of different topics, too, so it's kind of apples and oranges there.

Mr. Young.

NOLAN YOUNG: My understanding is when this group had first met, a recommendation as a best practice came from the Auditor General that we would have an hour-long briefing prior to the meetings the following week. I would think that since we've unanimously agreed on that when we first started here.

BRENDAN MAGUIRE: No, it was not. It wasn't unanimous.

NOLAN YOUNG: Unanimously.

BRENDAN MAGUIRE: Go look at the record. You need a majority now.

NOLAN YOUNG: Anyway, that we would continue the same practice for these briefings.

THE CHAIR: I just want to be really clear here that it was not unanimous, number one. Number two, that was only in reference to Auditor General Reports and not on the other topics. This is in reference to the other topics.

Mr. Maguire.

BRENDAN MAGUIRE: Again, there's a bit of confusion happening here. I apologize if people are not understanding, but what we're saying is that this isn't about a review for the Auditor General. That was changed. This is about topic changing, and this was all part of the road map that we discussed. It was all part of the statement that we discussed. This was the contentious point about how topics were changed and our ability or inability to choose topics.

Instead of bringing the whole thing forward so that we can have an open and transparent discussion in public, and instead of bringing the statement forward - which was supposed to be the first thing that we were to bring forward - this thing is now being divided and piecemealed up, and being brought forward point by point.

I'd like to put a motion on the floor that we rescind this part of the committee business and that the next time this is brought forward, it's brought forward as a holistic subject. It's not just about piece by piece, because we'll be at this until the cows come home. So let's just bring it all forward so we can have a discussion and we can vote on it as the entire road map, not just pieces of the road map. I think that's what we originally agreed upon, and now it's changed.

THE CHAIR: Mr. Taggart.

TOM TAGGART: With that half hour, are we going to move our meetings from 9:30 a.m. to 11:30 a.m.? Or are we going to come in here at 8:30 a.m.? How is that going to work? It's certainly easy for folks from the central area to be here at 8:30 a.m. It's an altogether different story to get across that bridge and in here for 8:30 in the morning.

THE CHAIR: That's a really good point. I think you could go back to the half-hour practice, but again, that was not related to these kinds of topics in the past. The other thing we could do is do a virtual meeting the day before or something like that, because we have had the opportunity over the last couple of years to change how we did things.

I do think we need to look at the endorsement of the Auditor General recommendations. We have two and a half minutes left in the meeting. Would the committee be prepared to extend the meeting for another five minutes? I'm seeing head shakes no. We don't have agreement on that.

Could we set aside this notion of the pre-hearing briefings for now and move on to the endorsement of the Auditor General recommendations? Ms. Leblanc.

SUSAN LEBLANC: I move that the Public Accounts Committee formally accept and endorse recommendations contained in the 2022 Financial Report of the Auditor General that have been accepted by the audited departments or agencies, and ask that those departments and agencies commit to and take responsibility for full and timely implementation of the recommendations accepted by those departments and agencies.

THE CHAIR: Mr. Taggart.

TOM TAGGART: Certainly, we value the work of the Auditor General and the recommendations her office puts forward. However, this current process is transparent and accountable and has been in place since 2010, and every government since has followed it. Additionally, appropriations are shared openly with media and the public four times a year, so Nova Scotians know how the government is spending their taxpayers' dollars. We will also be posting information online going forward.

THE CHAIR: Ms. Leblanc.

SUSAN LEBLANC: How much time do we have, Madam Chair?

THE CHAIR: Less than a minute.

SUSAN LEBLANC: I think that's a disappointing piece to hear at this juncture of this committee. Just a reminder that on the Public Accounts Committee, we are a committee - you are not a government entity, or there are not members who are the government entity.

I feel like this is kind of unprecedented. It's the first time that the Public Accounts Committee would not endorse the Auditor General's recommendations on a report, which is deeply disappointing and surprising. I'm trying to talk out the time a little bit here, Madam Chair, because maybe we could look at this another time?

THE CHAIR: Thank you. The time has now elapsed for this meeting. Our next meeting is January 11, 2023, with the Department of Natural Resources and Renewables regarding their accountability report and management of Crown Lands.

There is further business, but the time has run out so the meeting is adjourned. Thank you.

[The committee adjourned at 11:00 a.m.]