

**HANSARD**

**NOVA SCOTIA HOUSE OF ASSEMBLY**

**COMMITTEE**

**ON**

**PUBLIC ACCOUNTS**

**Wednesday, December 13, 2023**

**COMMITTEE ROOM**

**Report of the Auditor General - 2023 Financial Report**

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## **Public Accounts Committee**

Hon. Kelly Regan (Chair)  
Nolan Young (Vice Chair)  
Tom Taggart  
John A. MacDonald  
Melissa Sheehy-Richard  
Danielle Barkhouse  
Hon. Brendan Maguire  
Susan Leblanc  
Lisa Lachance

[Tom Taggart was replaced by Larry Harrison.]  
[Lisa Lachance was replaced by Gary Burrill.]

### **In Attendance:**

Kim Adair  
Auditor General

James de Salis  
Acting Committee Clerk

Gordon Hebb  
Chief Legislative Counsel

### **WITNESSES**

#### **Department of Finance and Treasury Board**

Kelliann Dean - Deputy Minister  
Geoff Gatien - Associate Deputy Minister and Controller  
Lilani Kumaranayake - Associate Deputy Minister  
Robert Bourgeois - Executive Director, Government Accounting



**HALIFAX, WEDNESDAY, DECEMBER 13, 2023**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**9:00 A.M.**

CHAIR

Hon. Kelly Regan

VICE CHAIR

Nolan Young

THE CHAIR: Order. I will now call the Standing Committee on Public Accounts to order. My name is Kelly Regan. I'm the MLA for Bedford Basin, and I'm the Chair of the committee. I'm reminding all of our attendees today to place their phones on silent. I'm going to ask the committee members to introduce themselves, beginning with MLA Young.

[The committee members introduced themselves.]

THE CHAIR: I would note that officials from the Auditor General's Office, Legislative Counsel Office, and Legislative Committees Office are in attendance. On today's agenda we have officials with us from the Department of Finance and Treasury Board with respect to the 2023 Financial Report of the Auditor General.

We had an informal meeting last week where a couple of topics were agreed upon. MLA Young has just asked that we deal with this at the end of the agenda. Is that okay with the committee? We were going to deal with it off the top. Last week at the informal meeting at the Auditor General's office, we had two topics that we agreed on that would come forward. MLA Young is asking if we could deal with that at the end of this meeting. It was on the agenda at the top. It was agreed that we would deal with it off the top.

I will ask the witnesses to introduce themselves. I'll begin with the witness on my far right, Mr. Bourgeois.

[The witnesses introduced themselves.]

THE CHAIR: Now I would invite Deputy Minister Dean to make opening remarks.

KELLIANN DEAN: Thank you very much for the opportunity to be here today to contribute to discussion on the 2023 Financial Report of the Auditor General.

The Auditor General has provided a clean audit opinion on public accounts for the year ending March 31, 2023. This is the twenty-third year in a row that the Auditor General expressed confidence that Nova Scotians can rely on our financial statements. This means the Auditor General does not have significant concerns regarding the reliability of the information presented in the public accounts. We take great pride in this accomplishment and strive for it every year.

As Deputy Minister of the Department of Finance and Treasury Board, it's my responsibility to ensure we are meeting the high standards set out for us by the Legislature and by Canadian public sector accounting principles so that Nova Scotians can remain confident in the management of taxpayer dollars. The report noted we are correctly following all current legislative requirements.

As public servants, we help government shape their view of what is fiscally responsible and sustainable. We use key indicators to guide us. Net debt-to-GDP is a great example. A stable net debt-to-GDP ratio indicates sustainability and fiscal capacity when the rate of the growth in our debt is in line with economic growth. Other key indicators are the surplus deficit ratio and the net debt balance, which we monitor on both an annual basis and throughout our four-year fiscal plan.

The Auditor General has recommended legislative changes to the process for additional appropriations. We have carefully considered this matter and believe the system in place is transparent and accountable to the public and the Legislature. The Minister of Finance and Treasury Board agrees, and that is reflected in the response to the recommendation. We recognize our duty is to follow the legislation as enacted, and we would certainly make any changes deemed necessary to the Finance Act if directed by government to do so.

When the Auditor General raised concerns about additional appropriations last year, the Department of Finance and Treasury Board responded immediately by examining our practices. As a result, detailed information about additional appropriations that had been provided to media is now also posted online so Nova Scotians know how government is using their tax dollars. We consider the recommendation to be satisfied and will continue to use our current approach.

Accountability and transparency are the hallmarks of the Finance Act, and we adhere to these principles in all that we do. The financial reporting process begins with the tabling of the budget and debate on these Estimates, which provides an opportunity for the Legislature to question any aspect during that time.

As the year progresses, there are required forecast updates before the end of September and the end of December, also providing an opportunity for members and the public to learn about how the year is unfolding relative to budget. If additional appropriations are required, these are made public at this time, with details tabled in the Legislature or provided to the Clerk of the Assembly if the Legislature is not sitting. This helps to ensure transparency and accountability to the Legislature, and provides members with the opportunity to ask any related questions in both committees like this and during Question Period.

The public accounts serve as a final accountability document to close out the year, where the results are compared to the initial budget and the various additional appropriations are disclosed by Order in Council and by department or “appropriated entity.”

Overall, we look at this as a very successful audit and we’re proud of this report. The Office of the Auditor General conducts important work on behalf of Nova Scotians and there are many positives that should be acknowledged through the audit process.

This past year, we implemented two new significant accounting standards, Asset Retirement Obligations and Financial Instruments, implemented significant corporate restructurings associated with Crown corporations, and continued to further our work surrounding abandoned mines.

Through all of this, we have benefited from an excellent working relationship with the Auditor General and her team. There is no question our reporting has improved as a result of our combined efforts.

Thank you. I look forward to your questions.

THE CHAIR: We’re going to begin. Everybody is an experienced hand at this table, so I’m not going to run through it all - except I may interrupt you when the time for each caucus elapses.

We will begin with the Liberal caucus. MLA Maguire.

HON. BRENDAN MAGUIRE: I’m just going to fire off a few quick questions. First of all, thank you all for being here. If we don’t see you after this, Merry Christmas, Happy New Year, and happy holiday season.

We're in the middle of an affordability crisis. That's obvious to everybody from one corner of this province to another. Again, this government ran another surplus. My question is: How much of that surplus was made up of personal income taxes?

THE CHAIR: Ms. Kumaranayake.

LILANI KUMARANAYAKE: The way the surplus is calculated is we take all of general revenues and we look at our expenses. We can tell you the proportion of PIT, or personal income tax, in terms of the general revenues, but there's no accounting to say: this surplus had X per cent come from personal income tax.

BRENDAN MAGUIRE: How much personal income tax revenue did the department bring in last year?

THE CHAIR: ADM Gatién.

GEOFF GATIEN: We had personal income tax of just over \$4 billion last year - \$4,060,000,000. Components of that we would have disclosed as what we also refer to as prior-year adjustments, which are properly accounted for in the year, but relate to revised Estimates of previous years.

If I have one minute, I can find that. . .

BRENDAN MAGUIRE: No, that's fine.

GEOFF GATIEN: Okay.

BRENDAN MAGUIRE: So \$4,060,000,000 was personal income taxes drawn in from the government in a time of an affordability issue and crisis. How much did it increase year over year, percentage wise? The year before, how much did we bring in? Was that \$4 billion the highest amount that the Province has ever brought in on personal incomes taxes in its history, or where would it rank, historically?

GEOFF GATIEN: Year over year - it was \$3.3 billion the year before, so that's a \$700-million increase for 20 per cent-ish. That is probably the highest we've ever had with inflation and as things go up. It likely is the highest number that we've had.

BRENDAN MAGUIRE: We have the highest taxes in the country. Year over year, it's gone up 20 per cent, the amount of money we're taking out of people's pockets. We're now up to over \$4 billion that we're pulling out of people's pockets who can't afford to pay their rent - they can't afford to pay their mortgage. We have mortgages, I was just reading online that 60 per cent of mortgages are going to come due this year - 60 per cent, with the vast majority of them struggling to be able to pay. This was a Canadian statistic, saying that the average mortgage is going to go up \$1,200 a month.

We have the highest taxes in the country. We now have the worst health care system in Canada. That was just reported. We're spending more money than we've ever spent in the history of this province. Has there ever been a conversation to actually give something back to taxpayers, for some kind of relief? That would include while other provinces are doing tax relief, they're doing - bracket creep is another thing that could give instant relief to Nova Scotians year over year. Has there been a discussion to eliminate bracket creep and lower taxes and put money back into the pockets of Nova Scotians?

THE CHAIR: Deputy Minister Dean.

KELLIANN DEAN: We appreciate that absolutely, it is difficult for many people in this environment with rising interest rates. It's challenging. With respect to looking at tax brackets, looking at other means to provide assistance to Nova Scotians, we're constantly looking at ways that we can utilize the revenues and make life better for Nova Scotians. The investments that have been made to date have been very targeted, as you would appreciate.

You know there are investments in rent supplements that have been made. There are investments in energy efficiency, ways to relieve pressure of the cost of fuel for Nova Scotians, things that impact them very significantly as well. We have to balance those investments and the assistance to Nova Scotians as well with the large investments that we're making in the health care system to try to effect change there. It is a balancing act, and we try to look at what our fiscal capacity is and work with government to implement some of the decisions to date in areas that are very focused for support for those who need it the most.

HON. BRENDAN MAGUIRE: The fiscal impact is \$115.7 million surplus in 2022-23. The fiscal impact is that the health care system in Nova Scotia is now the worst in Canada, after having the largest investments over the last three years - the largest investments in this province's history. The fiscal investment is that more people are living in tents and are without homes than in the history of this province. The fiscal investment is there were zero dollars given to people on income assistance. The most vulnerable Nova Scotians in this province were given a zero per cent increase over the last three years in a time of some of the highest inflation in this province's history.

We continue to hear time and time again from department after department that targeted - and we're doing these investments, and these investments are working. They're not working. If you don't believe me, go to Sackville. If you don't believe me, go to Downtown Halifax where people are dying in tents. Tents are catching fire. Nova Scotians had to step up and purchase Winter tents for them because their government would not do that for them.

This is where we are in this province's history right now. We're at a turning point where the government is now spending millions of dollars on a Nova Scotia Stampede,

which we saw yesterday, instead of investing in people's lives. I think it's absolutely shameful that we're sitting here in Public Accounts Committee today - we had a \$115 million surplus. A 20 per cent increase in personal taxes is what was taken from people, a 20 per cent increase because of inflation; \$4 billion was taken from Nova Scotians and we have nothing to show for it.

[9:15 a.m.]

My question is: How are we investing so much money into the health care system, more money than ever before, and it's getting worse? This is not me being partisan, these are actual reports that were done that showed we now have the worst health care system in Canada. We have the highest taxes in Canada. We have the highest inflation in Canada. We have the highest rent prices in Canada. We have the least affordable housing market in Canada. Where is this money going? I would like to know specifically what the department and what the government is doing to make people's lives better because they're not seeing it. Where did that \$4,600,000,000 in personal taxes go that are allowing people to actually get by and afford life?

KELLIANN DEAN: I certainly appreciate your concern and your frustration. This is a very difficult question for us to answer at the Department of Finance and Treasury Board. We're here to talk about the fiscal sustainability of the Province and the means by which we ensure that those resources are available for the very programs that help people. The significant investments being made in health and community services and addictions and mental health, which are the priorities of this Province, will take time to pay off, will take time to take root.

It's very difficult for us to comment specifically on those initiatives in the Department of Health and Wellness and on the initiatives in the Department of Community Services, but what I can tell you is that I know the folks in the Department of Community Services in particular are working very, very hard on the homelessness situation. They have resources and have increased resources to do that, to build Pallet shelters, to look at other alternatives for those who are unfortunately in tents which is an untenable situation.

With respect to progress on health, I think the Nova Scotia Health officials would be pleased to tell you all of the significant things that have happened under the Action for Health plan. While it may not appear on a day-to-day basis . . .

THE CHAIR: Order. MLA Maguire had signalled to me that he's heard enough, so I'm just going to move on to his next question.

BRENDAN MAGUIRE: I apologize, but of course departments are going to stand in here - sit in here, sorry - and say all the great things that are happening. Of course they are, but an independent study of the health care system showed that it's not getting better - it's actually getting worse.



Let's just take a moment to look at this outside of government. If this were a private industry, this would be a failure. It would be a failure that billions and billions of dollars are being spent on something to achieve something, and we're getting further away from that achievement. I just don't know where the buck stops, and I know it's not with the individuals here today, so I apologize for my frustration.

When a family centre - or a doctor centre - closes down in my community after asking the minister of Health and Wellness, Will you put the resources in - and all they wanted was a family practice nurse to prevent two doctors from retiring, which would have been over 1,000 clients - and they said, We don't have the resources for that, and we lost two family doctors, two of the four that were in our community - this is what's frustrating to me.

We sit here in Public Accounts, and we hear things like, We're investing. We have the resources. We're going to continue to invest. Then, when we actually go to enact change, we're told, Well, we don't have those resources. Do you think we have unlimited resources? Then we hear announcements around parties, and celebrations, and stampedes, and all of these things that while would be great in a time of abundance, I would argue that the money that's being spent on these things could have easily been spent on Winterized tents. We were here last week and they told us that Pallets that were supposed to be here in the beginning of Winter are not going to be here. Why, in a time of massive surpluses - we talk about targeted things we can do for Nova Scotians. A budget is coming up in the Spring. Has there been discussion about cutting taxes in Nova Scotia, the most highly taxed jurisdiction in all of Canada? Will Nova Scotians see tax relief in the Spring of 2024?

KELLIANN DEAN: That's something that I can't sit here and answer today. Obviously, we are beginning consultations around budget, and we are receiving feedback from Nova Scotians around things that are important to them for the budget process. We will take all of that into consideration as we make our plans for the next budget.

BRENDAN MAGUIRE: Just to pivot quickly, what's the current total amount owed for the Nova Scotia Teachers' Pension Plan - the unfunded liability part?

THE CHAIR: I'll just give the officials a moment to find that information.

ADM Gatién.

GEOFF GATIEN: The accrued benefit liability for the Nova Scotia Teachers' Pension Plan is \$463 million as of March 31, 2023.

HON. BRENDAN MAGUIRE: My understanding is that 50 per cent of that responsibility is on taxpayers, right?

GEOFF GATIEN: That would be the Province's share of the obligation.

BRENDAN MAGUIRE: The liability amount is almost \$1 billion total with both sides?

GEOFF GATIEN: I believe that is true. There are complications when we look at our accounting obligation versus a funded - the status of the plan. I don't want to do a multiply by two and it is equal, but it's a substantial sum, the unfunded obligation. It does change regularly based on markets. If positive investment returns come, the funded status can improve, but it's a substantial deficit.

BRENDAN MAGUIRE: You're all smarter than I, but this does not seem sustainable. Government after government after government - all three parties have passed the buck on this one. It was an issue under the NDP, it was an issue under the Liberals, and now it's an issue under the Progressive Conservatives.

My question to you is: When is this going to be dealt with? This seems like it is unsustainable, and these are people's lives. Let's just round it down to \$900 million. Let's just use the number. What is the plan? We've heard nothing about this publicly. What is the plan to deal with this liability when it comes to the Nova Scotia Teachers' Pension Plan?

THE CHAIR: Deputy Minister Dean.

KELLIANN DEAN: There was an independent panel report done with some non-binding recommendations with respect to the plan, its status, and what could return it to fully funded status over a period of time. There's a sponsors committee made up of representatives from the Nova Scotia Teachers Union and executive and government. We jointly share responsibility for any decisions around the plan and the non-binding recommendations in that plan.

What I will say is that it is a significant issue. It is something that we are looking at very carefully. We're taking the time to do further due diligence on the non-binding recommendations in the plan, and I think it's important for me to reiterate that they are non-binding. The panel was asked to suggest a path forward, and we need to assess that ourselves to determine how it could be implemented. It is complex. That's one thing I've learned, sitting on that panel.

What I will assure you of, though, is the fact that the current plan is not in any immediate danger. Nobody is in any immediate danger of not getting their pensions from that plan. I believe it is currently at 75 per cent funded status. But that's not to say that we don't recognize that there is still an issue that we need to come to a resolution on.

HON. BRENDAN MAGUIRE: It's great that it's not right now in any current danger. Not to say that it won't be - 25 per cent underfunded is still 25 per cent underfunded.

What were the recommendations from the committee to move forward to deal with this issue?

KELLIANN DEAN: We're still discussing those at the sponsors level. When we're ready to determine what those next steps are going to be, we'll make the report available, and we'll discuss the recommendations at that time.

BRENDAN MAGUIRE: How long have you had the report?

KELLIANN DEAN: We've had it since August 2022.

BRENDAN MAGUIRE: So two years is not enough to review, digest, and release?

KELLIANN DEAN: Not quite two years. What I will reiterate is that this is a very complex situation that involves members of the plan and government. We really have to be certain of the next steps, so we're taking the time that we need . . .

THE CHAIR: Order. Time for Liberal questioning has elapsed.

We'll now move on to the NDP caucus. You will have until 9:47 a.m.

MLA Leblanc.

SUSAN LEBLANC: I'd like to start by thanking you all for all the work that you're doing. I think it is something to note that it is the twenty-third year that we have a clean audit opinion on the public accounts, so thank you for that.

Also, before I begin, I want to - again, begrudgingly - agree with my Liberal colleague about the idea that we have such a huge surplus and the state that many people are living in right now in Nova Scotia. It is an untenable, unsustainable situation. People are dying. There are solutions that could be done today. There are church halls that could be open. We just need to get people inside and fed, and then figure it out. I'm not a big fan of band-aids; I'm more of a fan of policy change that's actually sustainable. I think in this case, we need to get people inside. The winds the other day were truly horrifying. I spoke to a couple of people in tents in my community who were preparing to get inside or not, and how to protect their stuff, and it's just like - what is this world we're living in, that this is the situation in Nova Scotia?

I'm not going to dwell on that right now. I would like to talk about the additional appropriations, the transparency part of that. It's not the first year that the issue of lack of transparency and accountability in our Province's additional-appropriation process has been flagged. In fact, the Auditor General last week noted that she is the third Auditor General in a row to point out this issue.

Last year, at this meeting, the department explained that the trend of increasing amounts of additional appropriations was a reflection of the volatility that all governments have experienced due to the pandemic. This is a quote: “COVID-19 presented challenges in budget management overall, including estimating expenses and revenues.” That made sense, but that rationale does not explain this year’s circumstances.

[9:30 a.m.]

How do you explain last year’s \$1.66 billion in additional appropriations, which is the highest amount in the Province to date?

THE CHAIR: Deputy Minister Dean.

KELLIANN DEAN: Maybe I’ll just provide a little context, and then what I’ll do is ask Lilani to speak to the revenue-increase side of the question. Then I will ask Geoff to talk specifically about the additional-appropriations process.

I do want to say that we were very concerned about a statement that three Auditors General had raised the issue, and took some time to go back through reports to determine just what the context was. We’ve done that, and Geoff will share a little bit about that context shortly. I want to assure you that we do take that very seriously.

Lilani, do you want to - okay. Maybe Geoff, why don’t you go through the context around the three Auditor General Reports and what we determined was contained in those reports?

THE CHAIR: Ms. Leblanc, are you okay with that?

SUSAN LEBLANC: Quickly.

THE CHAIR: ADM Gatién.

GEOFF GATIEN: I will be as quick as I can, but there is some context that’s important with some of the changes in the previous Auditor General Reports. Looking back through, Auditor General Jacques Lapointe - and I believe it was February 2008 that was referenced in the Auditor General’s Report this year. That recommendation was focused on an inconsistency in the previous provincial Finance Act. The inconsistency in the provincial Finance Act said that government should seek an additional appropriation when a department knows they will need more before the end of the year. That seemed clear.

There was a subsequent clause that said additional appropriations did not need to be sought until 90 days after the tabling of the public accounts. That previous Act, we could table the public accounts, it was legislatively required before December 31<sup>st</sup>. Ninety days

after that would be the end of March - a year after the year had closed. Auditor General Lapointe had recommended that inconsistency be rectified.

When Graham Steele was the Minister of Finance, he was open to changing the Finance Act. We went in, and that's where we laid out the additional appropriation process we have today, where if a department knows they're going to be over, they're supposed to submit a report to the Minister of Finance to seek an additional appropriation. We do that through the forecast process. We marked complete on Jacques Lapointe's recommendation. I do have a copy of the report, and I do have a copy of the follow-up chapter where it's indicated that it's complete. We'd never heard another recommendation from Auditor General Jacques Lapointe on that. So we don't feel that it was a recommendation on transparency or accountability.

When we get into the report from Auditor General Michael Pickup, we'd never received a recommendation, and quite honestly, I don't remember having conversations with the audit team at the time about lack of accountability or transparency. In the chapter where recommendations come forward, the financial chapter, we didn't have recommendations on this. What we had was commentary, which was similar to our financial statement discussion and analysis information, where we lay out what the numbers and trends are. There is a comment from Auditor General Michael Pickup that additional appropriations almost doubled what they were the year before, and there is some discussion that the original budget is challenged by all members of the Legislature and additional appropriations are approved by Executive Council. It says, "and additional appropriations are approved by Executive Council."

There is no recommendation - it's "and" versus "but." Just very quickly, in subsequent reports, October 2019, a chapter where he's just referencing again, without recommendation, appropriations. It does note that requesting additional appropriations is a normal part of government operations.

SUSAN LEBLANC: I understand all of that, and I understand that it is the current Auditor General who has made the big-R recommendation two years in a row, and she has been really clear that the other Auditors General that you have referenced have mentioned these things but not made recommendations. She's also been really clear that it is only in the last couple of years - i.e., under the current government - where the additional appropriations have been so large.

If we look at in the last 10 years, so since - that's longer ago, since Graham Steele was Minister of Finance - but I think nearly \$2.5 billion spent in additional appropriations have been in the last two years, so 40 per cent of the 10-year total have been in the last two years, which is why our Auditor General I think has been pushed to the recommendation stage on this.

I'll just really quickly remind everyone that in the last two years, \$2.5 billion have gone out the door without the scrutiny of the Legislature. Tabling a report to the Clerk is not the same as having a budget in front of the MLAs from all parts of the province and actually doing a debate and a study on those things. It's not the same.

I will just put it there, and I would love to hear from ADM Kumaranayake.

THE CHAIR: ADM Kumaranayake.

LILANI KUMARANAYAKE: As I prepared for today, one of the reasons why there was a large amount of revenue that was unanticipated, I think, is part of - because that allowed the ability and additional flexibility or fiscal capacity.

When we look at revenue estimates, there are two things, because we don't actually have revenues when you file your income taxes. We're just getting the data from 2022 now. That's that lag. To have the revenue that we have in our budget and our Public Accounts, we use two things. One is all the tax information we have, and historical relationships, and the other is the economics: what do we know about what is happening in the economy and the trends in terms of tax revenues?

Our world was going well until March 2020. I just wanted to recap - we saw some very significant changes. Our GDP actually declined. It declined by 4.5 per cent. That was as of the data that we got this November. We had been budgeting on the basis of it going down by about 3 per cent, and with this data lag, it's 4.5 per cent. When we get these sorts of changes in data, we update our revenues. What we found with the period related to COVID-19 - and it's still spilling over - is that it was such a drastic change - our models couldn't predict that, obviously, so we were using our best judgement.

When we budgeted, we found that there were things that, in retrospect, we saw. We saw that people were a bit more insulated in COVID-19 than we anticipated. We saw people not spending. We saw savings go up. Nova Scotia had the highest savings rate it had ever had. We know that unemployment was high, but at the same time, folks who were working weren't spending. As the economy started to open up, they started spending a lot more. It was that pent-up demand. That partly has caused that inflation that we're seeing.

There were all of these factors that we weren't anticipating, because we really saw structural change because of what happened in COVID-19. It's not just Nova Scotia. The Bank of Canada and economists around the world are now trying to catch up, to say that we now have two or three years of data, and we are also understanding the factors behind the trends. I'm anticipating smaller and small prior-year adjustments. But at the time, and for the last couple of years, what we expected in the economy and how people reacted weren't what happened.

Ultimately, both in terms of the savings - they started to spend - and the other important thing with Nova Scotia was that we started getting more people coming in. We had a tremendous increase in the number of our tax filers, and that also increased our personal income tax. We weren't anticipating the very high population growth rates.

All of that combined with these prior-year corrections, plus more people in the province, has contributed to this unanticipated increase in revenues.

THE CHAIR: MLA Leblanc, you have just over seven minutes.

SUSAN LEBLANC: Listen, I like a surplus. I think surpluses are exciting. I ran a small budget of a company for many years, and it's really exciting to anticipate a surplus, because then you figure out, well, we can pay people more or whatever. This is good. My problem is obviously not with the revenue. My problem is with the transparency around it.

Getting back to that, we are the only province in the country that doesn't have a mechanism with which to deal with additional appropriations that bring them before the Legislature. The Auditor General has pointed this out. Last year, you indicated that the department, if you were directed by the government, that you would make the change. Clearly, you have not been directed by the government. How can the department remain confident that the process is appropriately transparent when the Province's Auditor General disagrees, and every other province has stricter transparency processes?

KELLIANN DEAN: First of all, we appreciate the Auditor General's position and her team's work on this. I think it's fair to say that we're not always going to agree. I think on this one, our minister is satisfied that accountability and transparency is supported through this current process and through the Finance Act. We have done what we can to enhance the level of information that is available around the specifics of the additional appropriations, but we are following the Finance Act, as has been followed by all governments and all ministers before this minister.

I would say that given our minister's current position and comfort level with the process, we're not anticipating any further changes.

THE CHAIR: MLA Leblanc, five minutes.

SUSAN LEBLANC: Thank you. With respect, I appreciate that.

THE CHAIR: MLA Young.

NOLAN YOUNG: Just with respect to the whole committee, when witnesses are answering a question, it's for the benefit of the entire committee, not just back and forth. When a witness doesn't have an ability to continue giving the answer, it's to the disadvantage of the committee.

THE CHAIR: Thank you very much, MLA Young. That's not a point of order.

We're going to move on. MLA Leblanc had signalled to me that she had heard enough. As we have discussed at committee before, there are some witnesses who do like to give long answers. I do give MLAs the opportunity, when they feel that's happening, to give me an eye, and I move on.

MLA Leblanc.

SUSAN LEBLANC: With respect, Chair, I would love to have an extra minute attached to my time, if possible.

THE CHAIR: So done.

SUSAN LEBLANC: I was going to say, Ms. Dean, that I appreciate your answer, but we've heard it already today. That's why I want to move on to a couple of other things, because when we look at the transcript, we'll be able to see the answer several times.

I wanted to ask about the revenues again, though. Do we have an assessment of whether the additional tax revenue has come from more people or higher incomes? If we can tell that, what is the percentage?

LILANI KUMARANAYAKE: The answer is both. I don't have the exact numbers in front of me, so I'm happy to table that. We've had two things. I'll just flag it. We actually have been seeing compensation and household incomes increase. Currently, it's over 7 per cent for this fiscal in terms of household income. Employee compensation is about 3 per cent to 4 per cent. I don't have the exact numbers, but I'm happy to table them.

We are seeing household income increasing. That's another reason that we're seeing people spending. The second thing we're seeing is we have an increase in our tax filers. I will give you those numbers. It's a combination of both things happening, and it's really derived from the economic progress that we're seeing as well in Nova Scotia. We saw that before COVID. We were starting to trend up, and then we had this COVID blip. Some of the economic fundamentals are still there for Nova Scotia, and we're seeing - particularly with the population coming in - that it's really driving the revenue trends that we're seeing. That's HST, as well as income tax.

SUSAN LEBLANC: Great, I was going to ask that. Similarly, with HST, can we tell if it's that people are spending on more things, or it's just the cost of goods is going up?

LILANI KUMARANAYAKE: We're seeing - our HST, about 70 per cent of it is driven by consumer expenditures. We're seeing people spending more - more above the rate of inflation. Obviously, part of it is that things just cost more, but again, we've had -



because people have higher income, they're spending more. People have higher savings from the past. They're also spending more.

[9:45 a.m.]

This is a generalization. We know that there are other folks who are really struggling. That's the problem with talking about aggregate tax numbers: it kind of masks that distribution. But from an aggregate perspective, what we are seeing is that our tax revenues are still quite solid.

SUSAN LEBLANC: Is there any way to figure out - have an analysis on that kind of spending versus income level? If we've got the top 1 per cent, we've got the blah blah blah. Do you know who's spending - never mind. Actually, I'll think about that more and maybe ask the next time.

I wanted to quickly ask about the health care worker retention and recognition programs. The Auditor General Report found that the return-to-nursing incentive, in particular, fell short of the projected uptake, with only 148 nurses returning. Can you speak to why this program did not achieve its intended result, and has the value of the program been assessed by the department?

THE CHAIR: Deputy Minister Dean.

KELLIANN DEAN: Improving health care is this government's number one priority. This investment was intended to increase retention rates of nurses in the province, and also encourage some who may have been retired to come back. When the estimate was provided around the numbers, it was the maximum who could potentially take advantage of that program, if they were to accept it. But we recognize as well that we have to budget for the maximum exposure, so that's what we did. It wasn't a target. It was maximum exposure for the program, and then the uptake depended upon individual circumstances. I think there was an estimate of about 2,000 who might have been eligible, who were retired and could potentially come back. I think a couple hundred did - 140 or so.

With respect to this particular program, it was focused on making sure that the workforce was strengthened in the health care sector, because it is so critical.

THE CHAIR: Order. The time for the NDP questioning has elapsed.

We'll now move on to the PC caucus. If you heard any question that you feel was cut off too early and you want to hear a more fulsome answer, please do ask the question.

MLA MacDonald.

JOHN A. MACDONALD: Great to see you back. I'm so glad that you did do that recommendation with adding the details. I was the one around the table last year going, on those appropriation stacks, give some more details versus "it's this big amount." I do want to thank you for that.

My big thing is the prior-year adjustments drive me crazy. I'm sure they do you too. You look at 2021-22, it was \$388 million, and 2022-23 it was \$900 million. Is there anything we're going to be able to do to get a better handle on what they are? I'm going to let you pick who.

THE CHAIR: Ms. Kumaranayake.

LILANI KUMARANAYAKE: We would be a fan of zero prior-year adjustments, but we know it won't happen. As I explained earlier, there were some extraordinary circumstances where just the work that we were doing, the modelling, and because there's a lag in the data, has created those - and in addition, we saw some structural changes in the way people were behaving, so it's taken us a little while to catch up.

We are now starting to see things returning to trend, so our models are starting to predict better. Over time, I think again we'll be within - typically, we're within 1 per cent to 2 per cent of our revenues for prior-year adjustments, so pre-COVID, that's the range that we've been in. We hope to be within that range again as things start to normalize.

JOHN A. MACDONALD: What it sounds like is that previous to COVID, we didn't see these big numbers. It was within 1 per cent - although 1 per cent is a lot in these numbers. So that's good to hear.

How do we estimate the revenues? How is that process done? Do you, minus the last two years, try and figure out what you think the prior year adjustments are going to be?

LILANI KUMARANAYAKE: I'll start. I'll just pick one example. For, let's say, our personal income taxes, we know that there are lots of things that affect how much tax we collect. It depends on peoples' incomes - it depends on whether they're working and what kind of job. We have tax models where we - because we don't have the actual tax data, we say, Okay, if a person were earning this much money, typically we would get this much tax. We have a million people here - we have about 600,000 tax filers. It's a statistical model that we use. We also use the inputs from our economics process because we need to know how the economy is going to feed in. We have both our economic modelling and our revenue modelling, and I have to say, we are the only province in the whole of Canada where the Auditor General reviews our revenues and our economic assumptions for budget, as well as public accounts. We work with them quite closely through the year.

The problem is, for example, for budget, we use data from November - the previous November. Obviously, it's out of date already. Then we get more and more new

information throughout the year that helps us refine our models, but that means that there is a difference between what we estimated at budget and the new data. That's what causes that prior year adjustment.

JOHN A. MACDONALD: I apologize for the people watching on the numbers, but I'm a numbers person so I'm enjoying this. When does the budget process actually start? I guess the real question is: Does it ever end?

KELLIANN DEAN: I guess I would say that it probably doesn't ever end, really, because we're reporting on the budget as we go through a fiscal year. A budget can take, I think, six to eight months - is that fair to say? - of work around various areas - around the revenues, around the expenses, around borrowing. It is a significant effort, but one that we all take very seriously and one that we strive to do to the best of our ability based on the resources that we have. I don't know if I need to explain the cycle in any greater detail. You are all probably very aware of that.

JOHN A. MACDONALD: I'm sure I'd love it, but I'm sure I'd bore a lot of people. I think I'd enjoy it. For that point, I will defer to MLA Young.

THE CHAIR: MLA Young.

NOLAN YOUNG: There's been a lot of discussion around appropriations and the additional appropriations, and I know it's important to assure Nova Scotians that spending is being properly disclosed. Can you walk me through the appropriations process from start to finish?

GEOFF GATIEN: Sure. Once we have the budget in place, as Deputy Minister Dean just referenced, the monitoring against budget is what we start being quite focused on - deal with the actuals, deal with the circumstances. As we go through the year, different events will transpire. Some things we call utilization pressures, there are other emerging priorities. We also monitor with Lilani what might be changing on the revenue side.

I would say at the reasonably earliest stage, where departments start feeling that they have significant insight into pressures mounting for the year, where their original appropriation may not be sufficient, they start communication. As we reach our public forecast update dates - before September 30<sup>th</sup>, before December 31<sup>st</sup> - that's where the internal processes start getting ramped up a little bit more. More due diligence to central perspective of our Treasury Board Office or other officials, validating pressures. As we get to a public forecast update, we start to get what we would say is management's best estimate for what the remainder of the year looks like, and where departments are expected to exceed their appropriated level. They will file a report to the Minister of Finance and Treasury Board asking our minister to seek an additional appropriation for their purposes. They line out what those purposes are and where the pressures have come from.

Again, that has more scrutiny put on it to try to make sure that it truly is fully necessary, there aren't other savings in the department, there's not too much conservatism, too much optimism. We try to balance it out. As it goes, it gets submitted through the Executive Council process. It's been reasonably well vetted by some central staff as well, in combination with the departments. The departmental minister needs to sign off on the request to the Minister of Finance. The Minister of Finance needs to submit the report recommendation to Executive Council.

I'll stop there and see if there's any more nuance that you'd like.

NOLAN YOUNG: I appreciate your answer, for walking through that process.

In the past couple of years, the Auditor General notes there have been additional appropriations that have been significantly higher in the past couple of years. I think Ms. Kumaranayake might have touched on it, but how do you respond to that?

THE CHAIR: Deputy Minister Dean.

KELLIANN DEAN: I think the function of that, as Lilani has explained, is about prior year adjustments and the fact that we had additional capacity. The appropriations are higher. I would explain that partly by saying that it allowed government capacity to address some key priority areas and respond to some unforeseen events, like wildfires, floods, and hurricanes, as well as making priority investments in health care and housing, and ensure that they were able to use that capacity in ways to really advance key priority areas.

Yes, those additional appropriations, when you look at prior years, are very high. I think Lilani's done an excellent job of explaining why revenue was so high. We would expect that will normalize. We don't expect to see these elevated levels of additional appropriations in the future, but what I will say is that it is an important tool of government to have the flexibility to be able to respond to circumstances that change throughout the year from what was originally anticipated during the budget.

NOLAN YOUNG: This has been quite the year for Nova Scotians when you look at all the events and stuff - Shelburne having lived through the fires and the devastation there. I really appreciate your answer. I'll pass it over to my colleague, MLA Barkhouse.

THE CHAIR: MLA Barkhouse.

DANIELLE BARKHOUSE: MLA Young was correct in what he was saying. Can you give us some tangible examples of the additional appropriations that are needed?

THE CHAIR: You just let me know who's going to talk, and I'll call on the person once you've got it there. ADM Gatien.

GEOFF GATIEN: I have a few examples from our final additional this year. Within the Department of Advanced Education, there were some small items, relatively. There were student loan costs, \$3.8 million. With the Department of Finance and Treasury Board, we had to seek an additional appropriation at the end of the year for almost \$68 million, as a result of how we would be supporting entities that we consolidate with the asset-retirement obligations. That was really an accounting adjustment that was required so that we would be positioned to centrally fund asset-retirement obligations if assets were decommissioned - entities like the hospitals, schools, things like that.

[10:00 a.m.]

Just going from memory, back in March we would have sought an additional appropriation for things like the nursing retention and recruitment incentive. That would have been required. Do you have a more complete list?

THE CHAIR: Deputy Minister Dean.

KELLIANN DEAN: Further to the examples that Geoff provided, for 2022-23, there were health initiatives that were funded to universities through the Department of Advanced Education in the order of \$120 million. In the Department of Agriculture - this is a good example of \$15 million that was provided for the grape and fruit industry to support the impact of the polar vortex - the extreme cold that impacted the crops. In the Department of Environment and Climate Change, there was an investment of \$140 million in funding for off-oil efficiency programs. That's to help Nova Scotians adjust to a clean economy and to get off furnace oil and use heat pumps.

Another example would be in the Department of Municipal Affairs and Housing - \$68 million for housing initiatives, as well as operating grants for municipalities. Then there was \$26 million in Hurricane Fiona disaster assistance.

I think those are some tangible examples of events that necessitated additional appropriations.

DANIELLE BARKHOUSE: How are those additional appropriations disclosed and communicated to the public?

THE CHAIR: ADM Gatien.

GEOFF GATIEN: In conjunction with our public forecast updates, our budget and with public accounts at the year end. Those four times a year are typically when we would be disclosing additional appropriations. There could be circumstances between those reporting dates when we would, but when the need is assessed and then approved by Governor in Council, then with our forecast updates, we typically go through our technical

briefing with media, where Opposition members are invited to attend. I believe they are usually there, certainly when the minister provides remarks.

We do go through the additional appropriations as its own slide to make sure that people understand what departments are seeking and the high-level rationale for why. We prepare a factsheet that lays out by appropriation what department requires additional funds and what's been approved. That's one of the enhancements we added last year - instead of restricting that with easy access to the media at the lockup, that's now posted publicly as well when the Order in Council is posted.

Through this as well, our legislation requires that we table in the House, if it is sitting, the order. If the House is not sitting, we table it with the Clerk. That's also where the accountability and transparency to the Legislature - it's what our Act establishes the process to be, and what we follow.

DANIELLE BARKHOUSE: Is that enough? The Auditor General's Report states that all of the provinces but Nova Scotia have some form of legislative accountability on additional appropriations. In your department, do you feel that's enough?

GEOFF GATIEN: I certainly feel that it's appropriate. That's what our legislation lays out for us. It was passed in the House, obviously, by the Legislature. I'll just circle back with my comfort with the Act. The premise of the Finance Act was to seek approval before commitments are made. My understanding of other jurisdictions - and I can't speak really detailed about the other jurisdictions - but that's not approval before the fact. The legislative approval is after government has taken action and put wheels in motion. The Finance Act was trying to strike the balance of make sure departments come in and seek authority up front, get approval, and then publicly disclose it as soon as the decision is made. That's where professionally I feel that's appropriate.

I'm not here to tell you that the Auditor General's opinion is wrong, but I can tell you why I'm professionally comfortable with how our Act is designed and how we execute it. I'm quite pleased with how we roll out the communication we have with the media and members.

THE CHAIR: MLA Barkhouse, two minutes.

DANIELLE BARKHOUSE: The Auditor General commented on the \$1 billion in spending in March 2023. Can you provide us with some of the insights into the spending process? Is this figure usual?

GEOFF GATIEN: I'm not sure if the comment was on \$1 billion in 2023 or if it was a little bit less, as one of their audit procedures, as the last week of the month. The Province is a very large organization, \$14 billion of consolidated revenue and expense, so

\$1 billion in a month would be expected as far as expenses in a month. Things about in the last week, that would be ordinary, I think, with an organization our size.

THE CHAIR: One minute, MLA Barkhouse.

DANIELLE BARKHOUSE: Fair. I think I'll maybe ask one more question before I pass it over to my colleague, Melissa Sheehy-Richard, for the next round.

THE CHAIR: A reminder that you can't use a person's . . .

DANIELLE BARKHOUSE: Sorry. My apologies. MLA Sheehy-Richard. I'm so comfortable with everyone here. Can you provide us with some insight into how the improvements in the net debt to GDP from the previous years improve our provincial economic output?

THE CHAIR: Ms. Kumaranayake, you have 15 seconds.

LILANI KUMARANAYAKE: It's now at 31.7 per cent relative to public accounts. That shows what the capacity for the economy is to . . .

THE CHAIR: Order. Time for PC questioning has elapsed. We'll now move on to the Liberal caucus. Each caucus will have 12 additional minutes. MLA Maguire.

HON. BRENDAN MAGUIRE: Just a couple of quick ones. A few years back, government announced emergency funding for air circulation in classrooms. That would have had to go through the Department of Finance and Treasury Board in particular. What was the total cost of that contract, who received it, and how many schools were upgraded?

THE CHAIR: Deputy Minister Dean.

KELLIANN DEAN: I'll have to get back to you with the details on that particular issue because we don't have those with us today, but we can get back to you.

HON. BRENDAN MAGUIRE: I ask that those questions be answered and tabled. We're looking for the amount, the schools that were impacted, who received the contract, and I would also like to know if this went through the proper process for bidding. Was this a contract that was just awarded, was it a sole - or did it go through the bidding process? That's the information that we're looking for in particular. All that.

In the last year or two, we've seen again massive increases in inflation and the cost of living. Has there been any discussion within the department with government in the last budget on decreasing personal taxes in Nova Scotia?

KELLIANN DEAN: I think, as I indicated before with respect to budget conversations, the input that's provided and some of the recommendations and suggestions from the public are pulled together from that public consultation process. This issue has come up as something that's been raised, and it's taken into consideration as we do budget planning.

What I can say is that we do strive to balance the expenditures with the revenues, and balance priorities. Obviously this is something that could be taken into consideration.

BRENDAN MAGUIRE: I'm not talking about the budget going forward for the Spring. I'm talking the previous budgets. The word "balance" keeps coming up. The truth is that people cannot balance their accounts anymore. They can't balance the cost of living. They can't balance the cost of food. Government has a responsibility. In a time where everybody is struggling, I think it's amoral to be taking more from them. We're running - we, government; you, government - are running massive surpluses.

I understand how economics works, but you're running massive surpluses in a time when people need money the most. Does nobody here right now - does nobody see how that impacts Nova Scotians? Do we not see - and I understand, again, I will go back to the fact that you work for government, but the last two budgets, there has been no tax relief. There has been no personal tax relief. There has been an extra gain of 20 per cent - \$700 million.

I'm asking about the previous two budgets. What was the reasoning behind not giving tax relief to Nova Scotians in the most taxed jurisdiction in Canada?

THE CHAIR: Deputy Minister Dean, seven and a half minutes.

KELLIANN DEAN: I'm not going to get into the details of discussing budget deliberations. Those are made in confidence.

What I will tell you is that - actually, I'm going to ask Lilani to speak a little bit about the tax situation and who pays tax and who doesn't pay tax.

BRENDAN MAGUIRE: I'm not looking for who pays taxes and who doesn't pay taxes. What I'm asking about is specifically why this was not considered and why this was not done.

KELLIANN DEAN: Within the context of the provincial budget, we have been in a deficit position. If you're in a deficit position, it's very difficult to cut taxes. Decisions like that have to be made and informed with respect to the ongoing fiscal plan. These aren't things that are done in response to one-time revenue bumps. These are decisions that are borne out over time.



Again, it's a complex decision. It's made with a number of factors and a number of priority areas that are considered by government. What I can say to you is that budget deliberations are upcoming, and all the feedback will be taken into consideration as we look at next year's budget.

[10:15 a.m.]

BRENDAN MAGUIRE: Respectfully, at some point in the fiscal year, you know that you're running a surplus, right? We know that. Also, government is spending hundreds of millions of dollars on projects and on initiatives while they're in a deficit. It's not like we're not spending money. This isn't about if there is money or if there isn't money. This is about priorities of government. That's exactly what it is. If government wanted to cut taxes tomorrow, they could cut taxes tomorrow. If government wanted to give \$300 million in bonuses, they would give \$300 million in bonuses. If government wanted to pay three or four times the amount for a hotel, they would do it.

We are seeing things being spent. We are seeing money going out the door at an historic rate, and yet - if you leave here and you go up to Grand Parade, most Nova Scotians are in more financial peril than they've ever been in their entire life. People who have been told that if you work hard, if you do the right things, you're going to be okay.

Ultimately, you are the Department of Finance and Treasury Board. I've been doing this long enough to know how it works. Ultimately, every single program comes through the Treasury Board. It doesn't matter if it's from the Department of Community Services or if it's - you know that.

Another question I have is: Has there been a discussion at the Treasury Board at any point around increasing income assistance rates for the most vulnerable Nova Scotians?

THE CHAIR: Deputy Minister Dean, four minutes.

KELLIANN DEAN: I appreciate the question, but I'm not at liberty to discuss conversations that happen at the Treasury Board. Those are confidential conversations. What you see is the outcome of decisions that are made at the Treasury Board through the budget process, and the evidence is in what is being advanced through government priorities and what is being financed. I apologize, but I can't be more specific than that.

BRENDAN MAGUIRE: I think I'm just a little worried that there's nobody advocating for them within government. I don't mean within the bureaucracy - I mean within government. When we have a former minister who says that living in a tent is like going on holiday. I think you're right, Deputy Minister Dean, that we are seeing the outcome of the decisions that are being made at the Treasury Board. What we're seeing is

policies that are geared toward re-election. We're seeing apps that are being thrown out there and different things that are making no difference.

When we ask departments in the Public Accounts Committee basic questions like: When are the Pallet homes going to be here? No idea. When we ask you about income assistance: We can't tell you. It's troubling to me that we're in this moment of time in Nova Scotia right now where everybody is struggling, and I think that people's faith in elected officials and government officials is at an all-time low. The announcements that we're hearing from government are not making a difference in people's lives.

It's painful to me because I actually watch - as much as we want to blame the feds and we want to blame the municipality and it seems like there's this big blame game - every day I turn on the news, it seems like Minister Fraser and others are making these announcements. They need provincial partners, and they need municipal partners. The one thing we continue to hear from them is that they don't have provincial partnership in Nova Scotia, especially when it comes to some of the biggest problems that impact us.

I want to know here today: When are Nova Scotians going to see relief? You are the Department of Finance and Treasury Board. You take the money from Nova Scotians. When will Nova Scotians see more money, e.g. lower taxes? When the price of gas went through the roof, the government refused to budge, while every other jurisdiction gave money back to people who need it the most. In fact, the contradictory reason was, well, they don't need to drive. When it came to the carbon tax, they exploded and said, every Nova Scotian needs to drive.

I would like to know here today - the most taxed jurisdiction in all of Canada, the highest inflation, the worst rent prices, the highest mortgage prices. We literally have a generation growing up right now that are not going to be able to afford homes - \$15 for a head of broccoli. When are Nova Scotians going to see relief? That starts with the personal income taxes.

KELLIANN DEAN: I appreciate your perspective very much, and I know that it is difficult for many Nova Scotians. What I can tell you today is that we are going to look . .

THE CHAIR: Order. Time for Liberal questioning has elapsed. We're now over with NDP questioning. MLA Leblanc.

SUSAN LEBLANC: I just wanted to say, at the end of the last round we were talking about the health bonus. I just wanted to say, Deputy Minister Dean, that I appreciate the way you described that bonus from an accounting point of view or a budgeting/planning point of view. You talked about it as the maximum exposure. When we heard about it from the government when it was announced, it was, Look how many people we are going to attract to nursing. I just wanted to point that out. It's a refreshing take on that amount of

money. This is how much it could be, this is how much it actually was, but when Communications Nova Scotia and the communications people get involved in the department, it becomes a whole different story. I thank you for clearing that up in terms of how budgeting is done.

I also wanted to say - the question that I messed up on earlier about the spending, basically the question is very simply: Is there a way to analyze or see a breakdown of spending across income brackets?

LILANI KUMARANAYAKE: We could, but it's not through the tax data. It would need to be - there are surveys that Statistics Canada does, but it is not through the tax data.

SUSAN LEBLANC: Great. Another very quick question: Is there an accounting best practice for dealing with surpluses? Shall I clarify that? When you're budgeting, often people will budget - or groups will budget - for a balanced budget. When you see that there is going to be a surplus, is there an accounting best practice? Like, do you then spend it in additional appropriations? Do you then roll it? Is there a better - how is it best done, used, dealt with?

GEOFF GATIEN: I would say no, there's not. It all goes in the bucket of priority of government in the moment, balancing current and balancing the medium-term outlook for sustainability. You'll see some of those principles in the Finance Act, as well, about how we are to conduct ourselves. Early in the Act, there are a few principles around that, but there is no simple answer to that.

SUSAN LEBLANC: I just wanted to get back to the appropriations one more time. Associate Deputy Minister Gaten, you said earlier that doing what the Act says - you feel comfortable with the practice because you are following the letter of the law, as it were. You're doing what the Act prescribes in terms of how to deal with additional appropriations, but I would say that doing what the Act says is different from answering the question: Do you think the Act needs to change?

I want to get at this in one more way. Governments may need to make additional spending decisions, but when it's 10 per cent of the budget, I think that - again, I'll put forward that many people, including the Auditor General, think that this is something that needs to be dealt with in a different way. My question is: What is the downside of changing the Act and making there be more accountable and transparent mechanisms? What is the downside to that?

GEOFF GATIEN: I think the downside would be approval after the fact. Right now, the Act is constructed in a way that we do our best to get decisions made before initiatives are advanced. With the public forecast update timing, we're supposed to be getting authority in place before wheels are put in motion - so, a government decision. I feel with the rigour that goes in the budget and the accountability measures, the

explanations provided at our forecast updates with the actual budget compared to forecast, there is a lot of transparency. I do feel there's a lot of public accountability, and I do feel that it is accountable to the Legislature.

Is it a significant downside? Maybe not, but professionally, I think the Act is constructed well so that decisions are made with the communications that go out with the appropriations. The approval before it happens, I think provides people a lot of opportunity to hold government accountable for the decisions they've made, and I believe it's done transparently. I think the basis of why, professionally, I'm very comfortable with the Act and how we adhere to our accounting principles and our disclosure of financial information.

I also feel it is fair for not only departments to manage within their appropriations through the year, but also government, as the circumstances change. I think it's well understood at budget time that the main title of the book is the Estimates. There's a lot of discussion that goes in with many interested and affected parties about how the actuals could change from what we're budgeting today. The fact that circumstances change and there are a lot of things that government needs to react to, it can be things like utilization rates of Family Pharmacare, just pressures that emerge that are higher than what we thought. Those need to go up.

Personally, it doesn't matter what Geoff Gatien personally feels, but professionally, I feel it's good as it is.

THE CHAIR: MLA Leblanc, five and a half minutes.

SUSAN LEBLANC: A totally different subject now: The Auditor General report showed significant revenue increases in both liquor - not the Auditor General report. - the public accounts showed significant increases in both liquor and gaming. I'm wondering if you can confirm or deny if these revenue increases have led or correspond to increases in preventive programming around gambling and addiction? We saw lots of money coming in because of gambling and booze. Is there money being spent to counter the damaging effects?

THE CHAIR: Deputy Minister Dean.

KELLIANN DEAN: I will have to get you the numbers. There have been more investments made in mental health and addictions in the Office of Addictions and Mental Health. Certainly, those investments would help address any issues related to gambling, alcoholism, some of those perils. I can find out for you.

THE CHAIR: MLA Burrill.

GARY BURRILL: Just concluding back with this question of the publicly unexamined additional appropriations. I want to come to the dimension of this. I think it's a key dimension - the extent to which we are an outlier in the federation. I think that's one of the reasons why this issue has emerged as a public issue. It's not very often an accounting issue becomes a public issue. Nova Scotia has a different standard, it does it in a different way. Often in the federation, when this is the case, the outlier jurisdiction, which we are on the question of accountability of additional appropriations, has some rationale for what in their particular circumstances calls for this outlier path for dealing with the matter. There are lots of different areas.

[10:30 a.m.]

We have in the House asked for what the reasoning is, what it is in our situation, what it is in the advice that the government is receiving through your department that justifies our outlier position. We have not heard this. I think that's what's being called for in the public discourse about this question. We are offside from the general level of accountability standard on publicly unexamined additional appropriations. I think the core question before us is: What is the rationale that your department and that the government offers for this being the case?

THE CHAIR: ADM Gatién.

GEOFF GATIEN: The rationale, I think, is we are following legislation that was passed in the House back in 2010. Professionally, I have no basis, and I almost wonder if in my role it would be inappropriate for me to think that the Act is wrong. There's nothing in it that causes me professional challenge, and I do believe the transparency and accountability are fine.

If this was a matter that the House was looking to change, we would absolutely follow that and we would adjust our processes, but legislation to table to approve things after decisions were made - I'm not sure if that's great accountability, to get approval after things have already been done. That's where the Act was with Governor in Council approval to have those items decided on before action is taken by departmental officials.

GARY BURRILL: I guess what it is at its core is not an issue of whether the Act is being adhered to or whether the recommendations have been properly pursued. At its core, this matters because it's an issue of public confidence. The Auditor General's examination of this question has, I think, given the public the understanding that it is reasonable to have your confidence in question about the practices of adequate accountability that we are pursuing in Nova Scotia.

Deputy Minister Dean, when you were speaking to this earlier, you said - and we've heard this earlier in the House - that the minister is satisfied as to the adequacy of this. We've heard this lots of times.

THE CHAIR: Order. The time for NDP questioning has elapsed.

We'll now move back to the PC caucus. MLA Barkhouse.

DANIELLE BARKHOUSE: I'd just like to go back to my question before we got cut off so you could finish. This was about the insight into improvements in the net debt to GDP from the previous year improve our provincial economic output.

THE CHAIR: ADM Kumaranayake.

LILANI KUMARANAYAKE: The net debt to GDP basically assesses our ability to financially bear the burden of the debt. The lower the ratio, the better. Typically, folks look at around 30 per cent as a good target to move towards. Right now, the public accounts, the closing of the 2022-23 fiscal year, was at 31.7 per cent.

These numbers just mask a little bit of something. Really, the issue is it's important to try to lower the percentage more because we spend time servicing the debt. That's the reason why the department keeps an eye on fiscal sustainability. If you spend and spend, you also have to take into account that you need to borrow, and then you will end up paying additional payments to service the debt - money that could be used for programs. There's always this balance, and that's part of that budget process, this kind of balance to say, We would love to spend to achieve all of our priorities immediately, but then the tension is, if we don't have enough revenues, we're continuing to borrow. It's just like your own household budget. If you're spending more, you're starting to pay interest payments, whether it's on your credit card or you had a loan. That's the tension that we're always looking at. That net debt to GDP kind of tells you if your debt is affordable.

DANIELLE BARKHOUSE: We know that the federal GDP is sitting at, I think, 42 per cent, and ours is at 33.1 per cent, if I'm not mistaken - 31.7 per cent. Thank you.

I'd like to know from the experts - you guys - what do this tell us about our province - the health of our province?

LILANI KUMARANAYAKE: As I said, and just to mark it, there are countries with over 100 per cent ratios. Generally, we're doing pretty well. But for us, a range around 30 per cent to 35 per cent is good, in the sense that it's saying that your economy is generating enough revenue to be able to bear the burden of the debt. You can continue to make your debt payments, for example. It's just like the analogy with your house. You borrowed and you're continuing to be able to make your mortgage payments.

The federal government, their debt, I think the concern is not just the level, but it's increased quickly over a very short number of years. That's when people start worrying. Really, one of the things that we also keep an eye on is our credit ratings, because the credit ratings really determine whether lenders are willing to give us our payments at a lower

interest rate. If you're able to show that you're on a fiscally solid track and that you're keeping an eye on that, then there's more favourable reaction from our lenders.

DANIELLE BARKHOUSE: Thank you for answering those questions that I left off on. I will now pass it to MLA MacDonald.

THE CHAIR: MLA MacDonald.

JOHN A. MACDONALD: I'm not sure who is going to take this, but it has been discussed somewhat about the recent changes in the accounting standards that have impacted the public accounts for Nova Scotia. Are you expecting any further accounting standard changes in the future?

THE CHAIR: Mr. Bourgeois.

ROBERT BOURGEOIS: To answer the question, no, not to the impact that we've seen in the 2022-23 public accounts. Asset Retirement Obligations was a huge standard to implement. Financial Instruments was another huge standard to implement with a lot of impact. On our statement of financial position, we show \$608 million in ARO, asset retirement obligations, that we had to add to our balance sheet.

To that impact, we don't expect it. There are always new standards that come. There are three in front of us, but we don't expect any impact to this magnitude in 2023-24.

JOHN A. MACDONALD: I'm just going to give you the chance - do you know of some coming up that might be small impact, medium, or just any that you want to comment on?

ROBERT BOURGEOIS: There are three in front of us. One is on P3s - public-private partnerships - and we don't expect any impact on that, other than maybe some disclosure in the back half of our public accounts, because we feel that we're already applying those standards today. No impact there, or no impact from a change perspective.

The other one is on a general revenue standard, and right now we have all departments going through all of their revenue sources aside from taxes, aside from interest and investment income and other sources of revenue - general revenue like fees, licences, those types of revenues. We're going through to make sure that we are consistent and applying the new standard. Right now we don't think there's going to be much if any impact on that from a revenue-recognition perspective.

THE CHAIR: MLA MacDonald, three and a half minutes.

JOHN A. MACDONALD: One thing for ADM Gatien: The member opposite was talking about the changes or the request from three different Auditors General, and you

didn't get to finish your comment on it. I just wanted to know: did you want to finish? I think you've got to whoever was before. Is there anything you wanted to finish on that comment that you weren't able to?

THE CHAIR: ADM Gatién.

GEOFF GATIEN: I think I largely summed up just where I think Michael Pickup in his commentary, his final sentence in the paragraph was, "This was an ordinary part of government business or operations." We didn't feel like there was any lingering expectation from either of the previous Auditors General, Auditor General Lapointe or Auditor General Pickup, on this particular issue.

I'm not trying to discredit the value of the public conversation on this, but I think Auditor General Adair is the first Auditor General to pick up on this issue. It's a worthy public discussion.

JOHN A. MACDONALD: Two minutes?

THE CHAIR: Two minutes.

JOHN A. MACDONALD: As FTB is the central agency for various reports and recommendations that come from the Office of the Auditor General, can you give us some insight into the relationship with the Auditor General?

THE CHAIR: Deputy Minister Dean.

KELLIANN DEAN: Certainly. We greatly value the relationship that we have with the Office of the Auditor General, with the AG herself, with her staff. There are many reports, obviously, that the AG does, and those can result in learnings, areas of improvement, ways that government can do better. We appreciate the recommendations, and we will work with departments on some of the reports that they may receive from the AG where we can provide assistance.

The work that we do together, and particularly the heavy lift on the year-end audit, takes a lot of back and forth, a lot of exchange of information in a timely manner. We're all working together to try to make sure that the information is provided so the AG and her team can do their work. I don't want to speak for the AG, but I think that we do have a good working relationship. Are there times where we disagree? Sometimes we do. There are professional opinions and expertise among the staff that is respected, and healthy debate that happens as we work together.

One thing that I also want to mention, I don't want to lose sight of the fact that this report - we've talked a lot about additional appropriations and some of the contents of the report, but I do want to recognize the significant effort of government, and also of the AG's



Office, in producing a report that says that Nova Scotians can have confidence in the reliability of the financial information that's being presented by government. I think that speaks to public confidence very highly.

THE CHAIR: Order. Time for questioning has elapsed. I'd like to give the deputy minister the opportunity to make some closing remarks.

KELLIANN DEAN: I want to thank you all for your interest, for your comments, and thank the Auditor General and her team for their work. I just wanted to close by saying we're very proud that this is the twenty-third year in a row of a clean audit opinion. Thank you very much, and happy holidays everybody.

THE CHAIR: Thank you very much, Deputy Minister Dean. I know we all enjoyed hearing the insights from the department on the thoughts of success of auditors general on the particular issue of additional appropriations.

With that, you are released to go out into the world, and we will move on with committee business. We don't have a cast of thousands here, so I think we can just continue along.

We had informally agreed on a couple of topics coming forward to the committee to ensure that we actually do have meetings set up for January. The members would have a copy of the topics that had come to the Auditor General. The Auditor General had taken a look at them and sent them on to us. The first and the third were what had been discussed and agreed to informally.

MLA Young, I think you have something you'd like to say.

NOLAN YOUNG: Normally the subcommittee process is where we choose topics. I'm wondering if maybe an opportunity may provide the topics that all of us unanimously agree upon? We could have a poll or something, which would need unanimous consent to pass. When you have your timing for this year, how you booked it, it's before the holidays. Things we unanimously could agree on we should be able to unanimously poll to get as topics. Do you understand what I'm talking about?

THE CHAIR: No, I don't think I do, and we do have a meeting booked for right after this to discuss the rest of the list.

NOLAN YOUNG: Sounds like the perfect time to go through the . . .

THE CHAIR: Having agreed to this, which I think was in fact the honourable member's suggestion at that committee, are you now saying that you don't want to go with one and three? Is that what you're saying?

[10:45 a.m.]

NOLAN YOUNG: I just think that in order to truly have a meaningful and fulsome conversation, that the subcommittee would provide that.

If you could just hear me out, I'll explain it one more time. You know how we'd have to have polls in the past with unanimous - that it'd come out? If we could all agree on topics that are within the agenda of the subcommittee, and we unanimously agree on them, rather than have to wait for the new year for those topics to come back to this committee. We could poll the ones that we unanimously agree on to be made public and book the meeting.

THE CHAIR: I just want to make sure that I understand what your suggestion is. I see you, MLA Leblanc. Are you saying that you don't want to do what we agreed to last week? Is that correct? What you would like to do is have topics that - we will have our meeting at the end of this meeting, and we will discuss topics with the subcommittee. From there, those would go out to the committee - the full committee - for approval instead of having the meeting in public.

NOLAN YOUNG: No, no, no. Listen, if . . .

THE CHAIR: Look, I honestly don't understand what you're saying there.

NOLAN YOUNG: Sorry. Just for clarity, my understanding was that you had concerns about the timing that we booked this here to ensure we have adequate witnesses, right?

THE CHAIR: Right.

NOLAN YOUNG: So during our meeting, we talked maybe that we could approve something that would be unanimously agreed upon, so we would have witnesses and stuff in the new year.

What my recommendation would be - I mean, if we have time to wait until the new year, let's wait until the new year and approve everything then. I'm just looking for options so we have witnesses.

THE CHAIR: MLA Leblanc, I think you had your hand up, and then MLA Maguire.

SUSAN LEBLANC: I have no ability to back up why I think this is a bad idea, but I just think that the member says it's because this idea would be to help us get our witnesses in order and dah dah dah, but the fact remains that when we do an online poll, it's secret, and we don't know - someone could vote it down, and then we're back at square one, and

we don't know who has done that. I think we need to make these decisions in public at a public meeting.

I also do want to get back to the issue at hand, which is that at an in camera meeting, i.e. our meeting last week, we decided on these two topics. This is the only public meeting we have until the new year, so we need to confirm that these are topics going forward. We don't need to do anything in secret. We have them in front of us. Let's just vote on them.

THE CHAIR: MLA Maguire.

HON. BRENDAN MAGUIRE: Obviously, I wasn't here last week. I was in the throes of a bad flu - you can kind of hear it today - so I did miss what happened last week. Can I just get a little bit of clarification? Were there two topics that came out of that meeting that we had consent on, and then we had decided that we were going to vote and pass it today for the new year? Is that what happened?

I don't understand what we're doing, then. If people had agreed, let's just get it done, people. If two topics were agreed upon by all three sides, let's just get it done. Let's get it over with. Let's vote on it, and let's move on from there. I honestly don't like this whole thing about having these votes. It goes sideways. I can tell you - I can honestly say to everyone in this room, there was one vote in particular that I didn't fully understand what the vote was for. I think I voted against it, so it was defeated, and then I reached out to the clerk and I was like, "Is that what this was meant to be?" and the clerk at the time was like, "No, no, no. This is what it is."

I just think that if we're going to have these discussions - I think we should just have the vote, and it's better to have the vote here, in person, where there's a record. I call the question.

THE CHAIR: MLA Young.

NOLAN YOUNG: Listen, I was just putting options out there - nothing secretive. With that said, I feel that we should continue with the way that we were doing this. The topics that we have - the normal procedure is that we discuss it in subcommittee and then we ratify it. I move that we continue the process established by the Public Accounts subcommittee.

THE CHAIR: MLA Leblanc.

SUSAN LEBLANC: This is unbelievable to me. This is unbelievable. Last week we decided on these topics. Last week we passed a motion that would make us have our subcommittee meeting at the end of this meeting as opposed to the beginning of this meeting. Now we see exactly the reason why, so that we do not have to decide on these topics until after the holidays. If I am wrong, then prove me wrong.

I am going to make a motion that this committee approves the following topics: Number 1, the status update on infrastructure projects progress spending and timeline, including the QEII redevelopment, construction of transitional care facilities, CBRM health care redevelopment project, et cetera. I move that that be a topic for after Christmas, and I also move that the government compliance to legislation policy and guidelines for procurement of capital projects, goods, and services also be made a topic in the new year. That's a motion on the table.

THE CHAIR: Actually, we already had a motion on the table (interruption). Yes, you can call a question for it. We already had a motion on the table from (interruption).

Yes, he actually used the word "motion." He did use the word motion, correct? (Interruption)

He did say it was a motion. You can amend the motion, but there is a motion on the table. Does MLA Leblanc wish to amend the motion?

SUSAN LEBLANC: No, I wish to vote on the motion.

THE CHAIR: The motion was that we go back to the way that it has normally been done, despite the motion in an in camera meeting that wasn't really even an in camera meeting. Despite the motion from MLA Young to do exactly not that. MLA MacDonald.

JOHN A. MACDONALD: Can we do a two-minute recess, please?

THE CHAIR: Certainly.

[10:52 a.m. The committee recessed.]

[10:54 a.m. The committee reconvened.]

THE CHAIR: Order. We will now vote on MLA Young's motion that we return to the old way of choosing topics.

All those in favour? Contrary minded? Thank you.

The motion is carried.

We will move on to the decisions from the December - yes, MLA Maguire.

HON. BRENDAN MAGUIRE: I'd also like to put a motion on the floor to approve Topics 1 and 3. Those topics were discussed in an "informal subcommittee." I'd like to put a motion on the floor that health care construction projects and the government

procurement process and practice, which was agreed to in good faith, will be the topics moving forward in our January meetings.

THE CHAIR: I'm not sure how that works. I'm just going to ask Legislative Counsel. (Interruptions)

Why don't we just call this vote? We have other stuff that we have to get through.

MLA Young.

NOLAN YOUNG: The reason I'm asking to do our committee the way that we normally do it is because it takes time. It takes time to go through the topics. It takes time to go through the witnesses. That's the function of subcommittee. It's not that anything else besides the ability that . . .

THE CHAIR: MLA Young, that was the case last week. You agreed to this, and then you reneged today. I'm just going to say that.

We're just going to call the vote. (Interruptions) Recorded vote? Fine. We're doing this now. (Interruptions) I'm sorry, but - please call the roll.

THE CLERK: MLA Young.

NOLAN YOUNG: Madam Chair . . .

THE CHAIR: Please call the next one. (Interruptions)

We're voting. We're voting. Yes or no.

NOLAN YOUNG: How can we vote when I'm still discussing . . .

THE CHAIR: Because here we are again. The government is trying to ensure that this committee cannot function. You agreed to something. You reneged on it. We're having a vote. Can you please vote? MLA Young.

NOLAN YOUNG: Point of order. I'm not done discussion on this, when I was cut off and demanded to have a vote. (Interruptions)

THE CHAIR: I'm sorry, I can't hear. (Interruptions)

Can you please answer yes or no?

NOLAN YOUNG: I would like Legislative Counsel. . .

THE CHAIR: Mr. Hebb.

GORDON HEBB: I think if there's a point of order, the point of order has to be dealt with.

THE CHAIR: MLA Young.

GORDON HEBB: The point of order, I believe, was raised before the vote.

NOLAN YOUNG: I haven't finished discussing this. I was going to amend the motion.

THE CHAIR: Amend away.

NOLAN YOUNG: Just beforehand, we discussed that we were going to talk about topic selection within the subcommittee and pass that motion. So now to take the topics back out to put another topic on - my amendment is: I move that we table these topics until it's discussed at the subcommittee. That was the motion beforehand. That was the motion that was voted successfully on. It's the normal practice of the committee. It's no different than when the Liberals were in power. It's no different than when the NDP were there. It's just the normal practice of the committee.

THE CHAIR: Again, the discussion was that, on suggestion from the government caucus, we divert from that. That was what was agreed to. It's really difficult for me to take the sincerity of your desire to return to the way that things were done when, in fact, the suggestion was from the honourable member to do something completely different.

Order. The meeting is now over. We will move into subcommittee at 11:15 a.m. to discuss topics for January.

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