

**LEGISLATIVE ASSEMBLY OF THE
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REPORT TO COUNCIL ON PROPOSED FINANCIAL
ARRANGEMENTS WITH THE FEDERAL GOVERNMENT
FOR 1969-70

General Arrangements in the Past:

As Members of Council are well aware, the revenues which the Northwest Territories Government raise each year fall short of the expenditures approved for operating and capital requirements. Over the years, Federal Government assistance to meet these deficits has been provided by grants for operating costs and by loans for capital requirements, arranged under a series of five-year agreements which were developed by an Interdepartmental Committee on Federal-Territorial Financial Arrangements and which were then presented for review by Council and approval by the Federal Cabinet. Each five-year agreement involved a careful forecasting of both revenues and expenditures, taking into consideration all changes in programs and policies anticipated in the period. On the few occasions when emergency requirements arose during the term of an agreement, special submissions have been made through the Department to Treasury Board for the additional funds required.

Special Arrangements for 1967-68 and 1968-69:

When the present financial agreement was being negotiated the Interdepartmental Committee worked out a plan for the full five years; 1967-68 through 1971-72, taking into account revenues and expenditures projected on the basis of the then existing Territorial Government structure. However, it was foreseen that major changes in the Territories budget would occur during this five year term due to implementing certain of the Carrothers Commission recommendations and Council quite rightly considered that these could not be forecast accurately at that time. Accordingly, at Council's request, the Interdepartmental Committee agreed that the financial agreement would be confined to the first two years of this period - that is the fiscal years 1967-68 and 1968-69.

The grants and loans under this two year agreement, totalling some \$17 million, have been supplemented by special additional funds for the costs of establishing the Government in the Territories to the extent of over \$4 million, bringing the Federal support for this year and last to a total sum of roughly \$21 million.

Proposal for Next Financial Agreement:

The present two-year financial agreement, which represents the first two years of the five-year plan worked out in 1967, expires on March 31, 1969. In considering what arrangements should be planned for the next period the following general guidelines have been used:

- (a) The transfer of major programs from the Federal to Territorial Government which will occur in the 1969-71 period and the complexity of the attendant financing makes it extremely difficult to forecast expenditures for the next five years. Accordingly, it is considered that any long term financial agreement should again be deferred and Council should seek a one-year agreement, at least for 1969-70 and probably also for 1970-71.
- (b) The major task of the Northwest Territories Government during the 1969-71 period will be the taking over of existing Federal programs and establishing a solid administrative machine to handle them. To take on any significant new programs or additions to existing programs or ~~additions to existing programs~~ during this period would jeopardize the essential task of getting a sound Territorial administration set up.
- (c) The current Federal policy of financial austerity must be accepted as a fact which further dictates against any major extensions to presently approved programs.

With these considerations in mind, it has been proposed that the approach to a financial agreement for 1969-70 should be on the following basis:

- (a) A one-year agreement for 1969-70.
- (b) Federal financial assistance built up of the following:

(b) Continued from Page 2.....

- i) The grants and loans as called for under the third year of the projections made in the 1967 Interdepartmental Committee's Report to provide for the on-going Territorial programs as they stood at that time. These provide slightly over \$10 million;
- ii) Additional special grants and loans to meet the costs of establishing Territorial Government in Yellowknife during 1969-70. These would be a continuation of the \$4 million supplied for this purpose during 1967-69, and;
- iii) The transfer of the Federal funds provided by the Federal Government (Department of Indian Affairs and Northern Development) for the operation of the Federal programs ^{being taken over by} ~~transferred to~~ the Territorial Government during the 1969-70 period. This will include Federal funds both for appropriate staff and for the related programs and should be sufficient to allow the Territorial Government to continue these programs without change. This amount cannot be forecast now because Federal estimates for 1969-70 are not yet finalized and the exact timing of the transfer of the programs themselves cannot yet be pin-pointed precisely.

On this basis, it is anticipated that projected expenditures for next fiscal year can be covered. This forecast assumes that revenues raised in 1969-70 within the Territories will remain at least at their present rates. It must be anticipated, nevertheless, that these various revenue sources will come under careful scrutiny during the negotiations and some demands for increases might well be anticipated.

Next Steps:

At present, the Department of Indian Affairs & Northern Development, along with other Departments, is awaiting direction from the Treasury Board on the limits and conditions which will be allowed for its budget for 1969-70. This is expected to be available in August and will then provide a basis for working out more precisely,

the Federal support which the Department can provide over and above that called for in the third year of the 1967 financial agreement projections. The complete financial proposal for 1969-70 will then be presented to the Interdepartmental Committee and to the next Session of the N.W.T. Council for review and approval.

Revised - July 6, 1968.

8/17/68
approved
J. M. [Signature]