

NORTHWEST  
TERRITORIES 1997-98

# BUDGET ADDRESS



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# **Budget Address**

**The Honourable John Todd  
Minister of Finance**

**Fourth Session of the Thirteenth  
Legislative Assembly  
of the Northwest Territories**

**January 27, 1997**

**Government  
of the  
Northwest Territories**



Mr. Speaker, I rise today to present the second budget of the 13th Legislative Assembly of the Northwest Territories.

This budget represents the final stage of our two-year Deficit Recovery Plan announced last year. With the implementation of this budget, our government will return to a balanced budget position.

As importantly, Mr. Speaker, it will ensure that the two new territorial governments are not burdened with a large accumulated debt when they come into existence on April 1, 1999.

### **Fiscal Overview**

Mr. Speaker, the 1997-98 budget calls for expenditures, including estimated supplementary appropriations and lapses, of \$1.155 billion. Total revenues in 1997-98 are estimated to be \$1.164 billion.

I am pleased to announce that with the cooperation and commitment of the Members of this Legislative Assembly, for the first time in four years, this government will not run an annual deficit.

In fact, we are projecting a small surplus of almost \$9 million for 1997-98. Furthermore, our planned deficit for the 1996-97 fiscal year is expected to be \$5 million less than we budgeted for last May.

Our accumulated deficit picture has shown improvement as well. Last May, we expected our March 31, 1997, debt to be \$85 million. We now expect that figure to be \$65 million, and by March 31, 1998, it will have declined further, to less than \$57 million.

We all know how difficult it has been to achieve these results. We have had to reduce government spending by almost five per cent this fiscal year from 1995-96 levels and by an additional five per cent in 1997-98. Everyone has had to make a contribution to lower government spending.

- Employees of the GNWT and its boards and agencies have seen their salaries and benefits reduced;
- The rationalization of programs and services has resulted in a substantial reduction to person years;
- Contributions to municipalities, boards and agencies have been reduced;
- Capital spending has been reduced significantly, through program cuts, across the board reductions and project deferrals; and,
- In some cases, facilities have had to be closed.

Mr. Speaker, there has also been a great deal of discussion in this Legislative Assembly about the fairness and equity of the reductions being implemented by this government. It is important to observe that the reductions implemented by this government have transcended regional and constituency boundaries. Job reductions, facility closures and program restructuring have affected all constituencies and communities in the north.

Mr. Speaker, we are not out of the woods yet. While we have significantly restructured government and reduced duplication and inefficiencies, we continue to face intense pressure on the expenditure side.

Reducing expenditures to this degree when we are facing growing needs from our ever-increasing population and our very real social problems has meant that we have had to make some tough decisions. However, these decisions have been necessary to bring our expenditures in line with revenues and ensure the sustainability of the system in coming years.

In order to meet our deficit reduction targets we have had to reduce expenditures by \$100 million in each of 1996-97 and 1997-98.

In fact, Mr. Speaker, we have not yet succeeded in reducing our operating budget to a sustainable level. We cannot continue to reduce capital spending without long-term implications. It is essential that we continue to look for ways to do government in a more cost-effective manner.

The stark reality is that we cannot expect funding from Ottawa to grow annually, as it has in the past. We took an exceptionally large hit in 1996-97. The federal government reduced the Gross Expenditure Base in our Formula Financing Agreement by five per cent, a reduction of almost \$60 million annually.

In addition, the growth in our funding under the formula is tied to the growth in provincial and municipal government spending in the rest of Canada. Since provinces have been reducing their spending, some by dramatic proportions, we have taken another substantial blow. Continued budgetary reductions in southern Canada, particularly in larger provinces like Ontario and Quebec, will significantly impact on our revenues and further threaten our ability to deliver essential programs and services to our residents.

Mr. Speaker, this Government cannot afford to absorb any further revenue reductions. It is for this reason that the Formula Financing Agreement which covers the period 1995-1999 has not yet been signed.

I have been meeting with the federal Minister of Finance, the Honourable Paul Martin, to try and obtain his support to include a "floor" in the Agreement. A floor would provide us with some protection against further large reductions in our funding should provincial governments continue to curtail their spending.

I am pleased to say that Mr. Martin has agreed to review the GNWT proposal with a view to finding an equitable solution to this issue.

Mr. Speaker, those who suggest that we are moving too aggressively to put our financial house in order and return this government to a balanced budget position are not considering the consequences of inaction on future generations. Larger deficits, and correspondingly high interest payments to service this debt, will only lessen our ability to deliver essential programs and services.

Mr. Speaker, this is not an acceptable alternative. This government is not prepared to leave a legacy of debt to future generations.

## **Restructuring our Health and Social Services System**

Mr. Speaker, it is clear that the greatest pressure towards increased expenditures is within the social envelope. Staggering demographic factors such as our rapidly increasing population continue to create demands for services that are straining the existing system.

This government is committed to protecting the universality of basic health care and social services in the Northwest Territories. However, we also recognize that the system must be restructured to improve efficiency and effectiveness. Only by doing this can we maintain and improve the quality of care we offer to our residents even with the reduction in our financial resources.

As a result of the Deficit Recovery Plan adopted by this Legislative Assembly, a conscious and informed decision was taken to protect funding levels within the social envelope. In fact, Mr. Speaker, as a percentage of total expenditures, social envelope funding has increased from 58 per cent in 1995-96 to 61.5 per cent in this budget.

However, Mr. Speaker, maintaining or even increasing funding levels is a short term solution. As I stated earlier, a rapidly increasing population is placing demands on the system that is outstripping our capacity to deliver services as we have in the past. We recognize that fundamental change must occur within the system to ensure its sustainability.

The Minister of Health and Social Services, the Honourable Kelvin Ng, with the participation of our program delivery partners, is actively managing the evolution of the health and social service system.

This process includes an extensive analysis of the current system and the development of a comprehensive plan for reform that will serve as a solid base for the future development of two sustainable health care systems. Systems that will ensure our ability to meet the fundamental needs of our residents over the long term.

To guide this process, Minister Ng has established a steering committee comprised of the Minister and the Chairpersons of the Inuvik and Baffin Regional Health Boards and the Northwest Territories Health Care Association.

## Organizational Efficiency

Mr. Speaker, while the reform of our health care and social services system is a critical issue, I said last May that we must also look hard at how we do business throughout our entire organization.

We had to improve communications, eliminate unnecessary administration and duplication, streamline departments and get out of areas that are best left to the private sector or communities.

Mr. Speaker, we have done many of those things. The past twelve months have been a time of unprecedented change in the way that government programs and services are delivered.

We are in the process of developing a digital communication network with our private sector partners to support cost-effective government operations. This network will provide for the communications needs required by a modern, decentralized government operation as we head into the twenty-first century.

We have consolidated and reduced the number of government departments from seventeen to eleven.

The new Department of Resources, Wildlife and Economic Development has been established to provide a one-stop, one-window approach to sustainable development.

Government has removed itself from functions that can be better done by the private sector. Systems management has been privatized, property management functions are being privatized in several regions and, in some cases, the operation of facilities has been privatized. Decisions relating to privatization in areas such as petroleum products and computer services will have to be made in the near future.

Mr. Speaker, these organizational changes have not been an exercise in moving functions around. They have been serious and successful actions that have reduced expenditures.

They have been followed up with action to reduce internal red tape, decentralize decision-making and increase the authority and accountability of our managers. Today our managers have more authority to make decisions than ever before. It is a fundamental belief of this



government that decisions affecting our communities are most effectively made by the people living in those communities and by our front line managers who deal with these issues on a daily basis.

Mr. Speaker, it is fair to say that these organizational changes have not occurred without consequences. Although we are now administratively more efficient, organizational change brings stress. We have attempted to help our staff deal with these changes through the Employee and Family Assistance Program.

However, Mr. Speaker, what is now necessary is clarity on what the future holds. I hope to offer some clarity today.

Last week, the Minister of Public Works and Services announced that we have accepted the recommendation of the Legislative Assembly not to proceed with the amalgamation of the Northwest Territories Housing Corporation, the Department of Transportation and the Department of Public Works and Services.

With this decision, our fiscally induced restructuring is largely complete. We can now bring greater stability to the organization. This is not to say that we will stand still. Division, community empowerment and social and economic reform will all bring some change.

However, Mr. Speaker, it is now time to turn our attention away from restructuring and towards the issue of division of the Northwest Territories and the implementation of a division transition plan that will ensure that there are two new viable governments on April 1, 1999.

## **Division**

Mr. Speaker, there are only two years and two months remaining prior to division. During this time, decisions must be taken to implement government structures for Nunavut and the new western territory, assess and determine employee complements and establish any inter-territorial service delivery agreements necessary to ensure continuity in the delivery of programs and services.

As stated on many occasions, this government is committed to taking the operational steps necessary to ensure that there will be two efficient governments operating on April 1, 1999.

This Assembly has established as a priority and demonstrated its commitment to have two fully functional governments on April 1, 1999. However, to accomplish this, implementation must begin in the near term.

We are in the process of preparing a division transition plan for all departments that will address the necessary steps and identify the financial and human resource requirements for Nunavut and the western territory.

This plan will be ready for review by Members of this Legislative Assembly at our next session in June.

### **Government Design**

Mr. Speaker, a key issue for this government as we prepare our transition plans is the government design for both Nunavut and the new western territory.

With respect to the design of the Nunavut government, the Nunavut Implementation Commission (NIC) recently released its second comprehensive report recommending a design structure for the government of Nunavut.

Earlier this month, this government responded in detail to the NIC report emphasizing our commitment in principle to an affordable model of government that is decentralized and serves all residents of Nunavut effectively and efficiently.

It is our intent to move quickly to ensure a smooth transition as we approach April 1, 1999, by entering into a protocol with the Interim Commissioner with respect to the implementation of the new Nunavut government.

However, Mr. Speaker, we are only one party to this process. We have fulfilled our obligation to further the process by providing our response to the NIC report in a timely fashion. We now anxiously await the response of our two partners, Nunavut Tunngavik Incorporated (NTI) and the federal government.

Once the positions of the federal government and NTI are clear, it is essential that we move quickly to reach a consensus on design considerations so that planning and implementation can proceed in an orderly manner.

Mr. Speaker, it is important to emphasize that the implementation of a new Nunavut government is wholly dependent on the federal government living up to its commitment to provide the necessary incremental and on-going operations and maintenance funding. To that end, it is essential that the federal government address the funding issue in a clear and comprehensive manner in its response and at the Nunavut Leaders' Summit in February.

With respect to the western territory, the design of the new government will emerge from constitutional and self-government discussions. We are fully committed to participating in these processes and have identified over \$1 million in 1997-98 to ensure that we can contribute effectively to the self-government talks.

At the same time, Mr. Speaker, it is important that our division transition plan for the western territory includes an efficient model of government that ensures that services and programs continue to be delivered in an efficient manner after division.

### **Financial Arrangements**

Mr. Speaker, as Minister of Finance I am very concerned that the Northwest Territories is left in sound financial condition on March 31, 1999. The successful creation of Nunavut and the new western territory is dependent on the steps we take to stabilize our financial situation and ensure that our 1996-97 funding base not be permitted to erode further.

Mr. Speaker, one of the key issues that must be addressed in the short term is the determination of base funding, including incremental costs, that will be established for both two new territories.

The federal Minister of Finance, the Honourable Paul Martin, has agreed to a process that will address the structure of the financial arrangements and the amount of funding that will be available for each territory after division.

For Nunavut, this process will include participation by the Interim Commissioner and Nunavut Tunngavik Incorporated.

Parallel to this, on the advice of the western caucus, we have ensured similar participation by the stakeholders from the western territory in this process. To facilitate this participation, the government has provided seed funding to the western caucus to form a steering committee to oversee this work. The steering committee is comprised of representatives of the western caucus, the Aboriginal Summit, the Northwest Territories Chamber of Commerce and the Northwest Territories Association of Municipalities.

It is important to note, Mr. Speaker, that given the importance of this issue to the people of both new territories, this government is committed to ensuring that there is broad representation from both territories at the negotiation table.

The timely resolution of the funding issue is essential for the planning and implementation of two new viable governments on April 1, 1999.

### **Labour Relations**

Mr. Speaker, on April 1, 1999, the governments of Nunavut and the western territory will require a capable public service to ensure the continued delivery of programs and services to all residents of the Northwest Territories.

In Nunavut, decisions to address the immediate staffing needs of the Nunavut Government will have labour relations implications for the GNWT and its current staff.

While the Interim Commissioner has the mandate to recruit employees, prescribe their conditions of employment and establish human resource systems and processes for the Nunavut Government, the GNWT's position on labour relations with respect to Nunavut has been clear and unequivocal:

- All GNWT staff located in Nunavut must become employees of the Nunavut Government on April 1, 1999 and that they be automatically transferred with all terms and conditions of employment intact;

- Existing GNWT headquarters staff should have hiring priority on Nunavut positions for which they are qualified;
- The same principles must be applied to the staffing of the Nunavut and western territorial governments as were applied to federal-territorial devolution agreements; and
- The costs associated with hiring new staff for Nunavut, the transfer process, office space adjustments, relocation and severance packages are transitional costs and must be covered by the federal government.

It is our intention to enter into discussions with the Interim Commissioner at the earliest possible opportunity to discuss the transfer of GNWT employees to the new Nunavut government so that our employees are given the security they require as we approach division.

Mr. Speaker, there are many fundamental issues to address in the division process. This Legislative Assembly is committed to addressing these issues with our partners in a manner that ensures that division occurs in an orderly and equitable fashion.

### **Budget Initiatives**

Mr. Speaker, while the planning and implementation for division will continue to be the focus over the remaining two years of our mandate, we recognize that dealing with our fundamental social and economic challenges and delivering programs and services remains the primary role of government.

As I stated previously, addressing these issues in a time of severe fiscal restraint is a daunting task.

However, as a beginning, we have reinvested funding in the social envelope to target specific program initiatives designed to deal with some of the more pressing challenges faced by our communities. It is important to note, Mr. Speaker, that these initiatives have been funded by internal reallocations from other envelopes.

For the past two years the Social Envelope has been allocated funding for the Community Action Fund. This fund allowed communities to develop wide-ranging plans for wellness activities and resulted in a number of

successful initiatives. It is now time to begin providing communities with the funds and support required to implement these plans.

In order to maximize the long-term benefit, the social envelope will be focusing community expenditures on children and their families. By investing early in children, and supporting their caregivers, communities can realize immediate improvements, and help prevent the development of problems later in life which may require expensive remedies.

This year the social envelope has allocated \$3 million for early childhood intervention, bringing the total funding for this initiative to \$4.5 million.

The Minister of Education, Culture and Employment, the Honourable Charles Dent, has the lead for this initiative and will work in conjunction with the Honourable Kelvin Ng, Minister of Health and Social Services, to distribute funding to communities to enable them to offer early intervention services that support families.

These funds will be used primarily to provide community based education or health promotion activities to families, to pay for early intervention workers, to enhance specialized services for children, to purchase specialized equipment, to improve screening programs for better detection of children at risk and to enhance child and home care programs for these children.

The Department of Health and Social Services will also be investing in a specialized treatment program for youth suffering from addictions. By investing in our young people we believe that we can most effectively ensure the future wellness of our communities.

However, this is not the extent of this government's reinvestment in social programs.

An additional \$960,000 thousand has been allocated to the Department of Education, Culture and Employment, for income support community program delivery, bringing the total budget for this program to \$1.4 million. Minister. Dent has the primary responsibility to distribute these funds to local delivery agencies who will be involved in the design and delivery of income support services best suited to meet local needs and priorities.

This funding will enable communities to hire and train staff to deliver income support programs, while allowing community social workers to more fully concentrate their efforts on working with the community to prevent or alleviate social problems.

The social envelope has also received an additional \$1.5 million to train and support staff in communities who supervise offenders on probation or in fine-option or other community-based supervision programs. Working with the Department of Health and Social Services, the Department of Justice will be distributing this funding to communities that assume responsibility for community supervision.

Given the high cost of incarceration in the Northwest Territories and the need to develop better and more effective alternatives to the present system, this government is committed to encouraging communities to develop their own strategies, services and programs to deal with their own residents who find themselves in conflict with the law.

Mr. Speaker, these three initiatives, Early Intervention, Income Support Community Program Delivery and Community Supervision, represent a strong commitment by this government to enhance the resources available to communities so they are better able to develop programs designed to meet the needs of their residents and address local program requirements.

Mr. Speaker, this government also remains firmly committed to the transfer of program authority and capital infrastructure to communities through the Community Empowerment initiative. Led by the Honourable Manitok Thompson, the Department of Municipal and Community Affairs is proceeding with transfer requests at a pace that is acceptable to communities and is based on building capacity at the community level through training and development.

To facilitate this process, the department has been allocated an additional \$2 million dollars to address the community empowerment priority. The department will be also be reallocating \$1.7 million dollars of existing funding to this priority from savings realized through land reform initiatives.

These financial resources will be specifically targeted for community-based planning, community assessments, community training and community ownership of infrastructure.

Mr. Speaker, we also recognize the tremendous demand for social housing across the north. The Minister Responsible for the Northwest Territories Housing Corporation, the Honourable Goo Arlooktoo, has been working diligently to address this issue through program reform but it is obvious that the demand for social housing far exceeds the Northwest Territories Housing Corporation's delivery capacity.

As part of our initiative to sell our stock of staff houses, we expect to identify surplus units. This government is not prepared to allow surplus units, whether owned or leased, to sit empty.

In cases where unsold housing units are no longer required to meet the housing needs of employees and where we have vacant leased units, we intend to transfer these units, and the corresponding funding, to the Northwest Territories Housing Corporation to help address our urgent social housing needs.

### **Economic Development Initiatives**

Mr. Speaker, in the long term what people want most is hope. Hope for their future and the future of their children. The hope that comes from opportunities to become more self-reliant and productive.

This can mean jobs. But it is not just wage employment. It can also mean pursuing traditional activities like trapping, sealing, fishing and hunting. It can mean self-employment or the opportunity to start a small business.

We have good reason for hope. The North has a wealth of natural resources, which are the envy of many nations. We are blessed with minerals, oil and gas, forests, fish and wildlife and a vast unspoiled landscape. We must conserve and protect these resources. We must use them wisely so that we can harvest them today for the maximum benefit of northerners and ensure that they are there for future generations.

Whether it is mining, renewable resources, tourism, arts and crafts, manufacturing, construction, retailing, services or small business, every sector of our economy has the potential for growth.

Mr. Speaker, in my last budget address, I indicated that government can no longer sustain economic growth. The onus for future economic growth and job creation must shift to the private sector and to communities.



This government is committed to developing a climate that will stimulate economic growth and create new, sustainable jobs.

A stable and competitive tax environment is critical to ensuring that this occurs. Our personal and corporate income taxes are among the lowest in Canada. Mr. Speaker, I am pleased to confirm that this budget contains no new taxation measures.

In addition, Mr. Speaker, a clear and concise regulatory environment is also an important element of economic growth. Last year, we made a commitment to initiate a comprehensive review of all government regulations in an effort to reduce the regulatory burden that deters economic growth while, at the same time, ensuring that the public trust is protected.

Although this initiative has been slow to get off the ground, we have now established an office to undertake this work. I want to make it clear that this review will be a transparent and open process and will include participation by all interested stakeholder groups.

Mr. Speaker, opportunities do exist for significant job creation if the business community has access to a trained labour force. This remains one of our most pressing needs. Without an adequately trained northern workforce, the new jobs that are created will be filled by imported labour and historically disadvantaged northerners will continue to be underrepresented in our workforce.

During a recent discussion of the affirmative action policy, Ordinary Members called for the development of a broad Northern Employment Strategy to deal with this issue. The Minister of Education, Culture and Employment has taken the first step through the preparation of a Labour Force Development Strategy that he will be bringing forward during the current session.

With this baseline work completed, the Minister of Resources, Wildlife and Economic Development will be able to work with industry to develop a strategy that brings together supply-side training with demand-side job creation measures. It is our intention to fast-track this initiative for completion this summer.

Mr. Speaker, to assist in the creation of an economic climate conducive to economic growth, we launched a new business investment strategy and

established a Northwest Territories Investment Office designed to bring money and jobs into the Northwest Territories.

Since that time, we have sponsored the establishment of the Aurora Fund, an Immigrant Investment Fund incorporated under the current federal regulations. This fund was approved by federal regulators on November 8, 1996, and is now being marketed overseas, with the potential for up to \$21 million dollars of reasonably priced debt financing to be available to northern businesses in the coming construction season.

Mr. Speaker, it is important to note that this fund is expenditure neutral to this Government. We made an initial \$300,000 working capital advance that is fully repayable by the Fund prior to March 31, 1998.

Mr. Speaker, the Investment Office has also been reviewing a number of other exciting initiatives to foster trade and investment in the Northwest Territories, including but not limited to:

- Marketing the advantages of doing business in the Northwest Territories including the current attractive corporate tax rates and support services available in the NWT;
- A taxpayer investment incentive plan designed to encourage northerners to invest in the establishment or expansion of existing businesses in the Northwest Territories; and,
- A corporate investment incentive plan for export and manufacturing companies to be established in the Northwest Territories.

It is our intention to bring forward recommendations on these initiatives for review by this Legislative Assembly in the spring of this year.

Mr. Speaker, I made a commitment to the Members of this Legislative Assembly last year that I would not proceed with the \$5 million equity investment in the Mortgage and Loan Fund until I had discussed this issue with the traditional banks.

I have since met with senior representatives of several of these banks. They have provided assurances to me in writing that they are willing and eager to provide financing to prospective homeowners and housing developers, particularly in our smaller northern communities. For this

reason, Mr. Speaker, we will not be proceeding with this initiative at this time.

Mr. Speaker, the government will reinvest \$1 million in economic development initiatives designed to provide opportunity for northerners.

The Community Futures Program is a community economic development initiative that provides small loans to community businesses and supports the creation of badly needed jobs in small communities. \$500,000 will be allocated to this program to assist in the establishment of Community Futures Societies in those regions where none now exist.

The Minister of Resources, Wildlife and Economic Development is also examining ways to supplement this funding to ensure that viable Community Future Societies are functioning in all regions.

\$500,000 has been allocated to the Northwest Territories Development Corporation to place increased emphasis on marketing northern arts, crafts and products outside of the Northwest Territories. The enhanced sale of northern products will maintain and increase the number of jobs supported by the Development Corporation.

In addition, Mr. Speaker, the Honourable Charles Dent has indicated to the federal government our commitment to extend the Canada/NWT Infrastructure Agreement for one further year.

This program combines contributions from the federal, territorial and municipal governments and is targeted at the construction of small community infrastructure projects and the creation of much needed short-term employment. The federal and territorial governments will each contribute \$1.1 million to this program in 1997-98.

## **Conclusion**

Mr. Speaker, as the Premier has stated on many occasions, we are governing in a time of unprecedented fiscal, economic, social and political change in the Northwest Territories. With change comes difficult challenges.

As difficult as these challenges may be, we are moving ahead on the issues of fundamental importance to the Northwest Territories. Progress on these issues will not always be easy and, certainly, not without a great deal of debate but I am confident that if we maintain our course we will achieve our goals.

Thank you, Mr. Speaker.



# **Appendix**

## **Fiscal and Economic Review**



**FISCAL POSITION**  
**(Thousands of Dollars)**

	1993-94 ACTUALS	1994-95 ACTUALS	1995-96 ACTUALS	1996-97 REVISED ESTIMATES	1997-98 MAIN ESTIMATES
Budgetary Revenues	1,179,643	1,211,060	1,255,695	1,173,471	1,164,256
Recoveries of Prior Years'					
Expenditures	8,711	6,919	4,722	0	0
<b>TOTAL REVENUES</b>	<b>1,188,354</b>	<b>1,217,979</b>	<b>1,260,417</b>	<b>1,173,471</b>	<b>1,164,256</b>
O&M Expenditures	1,047,185	1,052,846	1,075,039	1,037,053	1,005,986
Capital Expenditures	176,481	191,537	200,981	193,722	139,377
Estimated Supplementary Requirements less Lapses	0	0	0	(19,000)	10,000
<b>TOTAL EXPENDITURES</b>	<b>1,223,666</b>	<b>1,244,383</b>	<b>1,276,020</b>	<b>1,211,776</b>	<b>1,155,363</b>
<b>SURPLUS (DEFICIT)</b>	<b>(35,312)</b>	<b>(26,404)</b>	<b>(15,063)</b>	<b>(38,304)</b>	<b>8,893</b>
Allocation to Students Loan Fund	(1,000)	(5,000)			
<b>CLOSING BALANCE SURPLUS (DEFICIT)</b>	<b>19,833</b>	<b>(11,571)</b>	<b>(27,174)</b>	<b>(65,479)</b>	<b>(56,586)</b>

Source: 1997-98 Main Estimates  
Public Accounts



**REVENUE SUMMARY BY SOURCE**  
(Thousands of Dollars)

	1993-94 ACTUALS	1994-95 ACTUALS	1995-96 ACTUALS	1996-97 REVISED ESTIMATES	1997-98 MAIN ESTIMATES
<b>GRANT FROM CANADA</b>	849,053	888,739	904,743	842,454	835,689
<b>TAXATION REVENUE</b>					
Personal Income Tax	66,213	61,103	65,549	63,052	58,413
Corporate Income Tax	28,058	23,408	27,521	26,173	40,371
Payroll Tax	7,843	11,770	12,088	12,136	12,966
Fuel Taxes	10,621	12,230	15,176	15,860	17,277
Tobacco Taxes	12,631	16,737	18,036	17,167	17,493
Property Taxes	5,284	5,605	6,760	6,933	7,027
Insurance Taxes	968	1,530	1,600	1,250	1,600
	<b>131,618</b>	<b>132,383</b>	<b>146,730</b>	<b>142,571</b>	<b>155,147</b>
<b>GENERAL REVENUES</b>					
Liquor Control System	15,396	15,036	15,905	15,949	16,000
Interest Income	8,529	7,576	9,168	6,612	5,430
Licenses, Fees, and Permits	6,601	8,088	8,823	10,461	10,408
Arctic Airports rentals and fees	107	96	3,634	2,931	2,833
	<b>30,633</b>	<b>30,796</b>	<b>37,530</b>	<b>35,953</b>	<b>34,671</b>
<b>ESTABLISHED PROGRAMS FINANCING</b>	<b>22,209</b>	<b>22,657</b>	<b>21,332</b>	<b>0</b>	<b>0</b>
<b>OTHER TRANSFER PAYMENTS</b>					
Canada Assistance Plan	27,647	35,835	32,783	0	0
Canada Health and Social Transfer	0	0	0	41,600	35,500
Provision of Non Insured Services	12,202	8,727	13,800	12,890	12,425
Health Care - Indian and Inuit	42,418	27,511	34,292	36,575	37,306
Economic Development Agreement	7,318	6,932	4,094	420	0
Other	13,214	13,638	14,474	13,846	12,819
	<b>102,799</b>	<b>92,643</b>	<b>99,443</b>	<b>105,331</b>	<b>98,050</b>
<b>RECOVERIES</b>	<b>43,331</b>	<b>43,842</b>	<b>45,917</b>	<b>47,162</b>	<b>40,699</b>
<b>TOTAL BUDGETARY REVENUES</b>	<b>1,179,643</b>	<b>1,211,060</b>	<b>1,255,695</b>	<b>1,173,471</b>	<b>1,164,256</b>
<b>RECOVERIES OF PRIOR YEARS' EXPENDITURES</b>	<b>8,711</b>	<b>6,919</b>	<b>4,722</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUES</b>	<b>1,188,354</b>	<b>1,217,979</b>	<b>1,260,417</b>	<b>1,173,471</b>	<b>1,164,256</b>

Source: 1997-98 Main Estimates  
Public Accounts

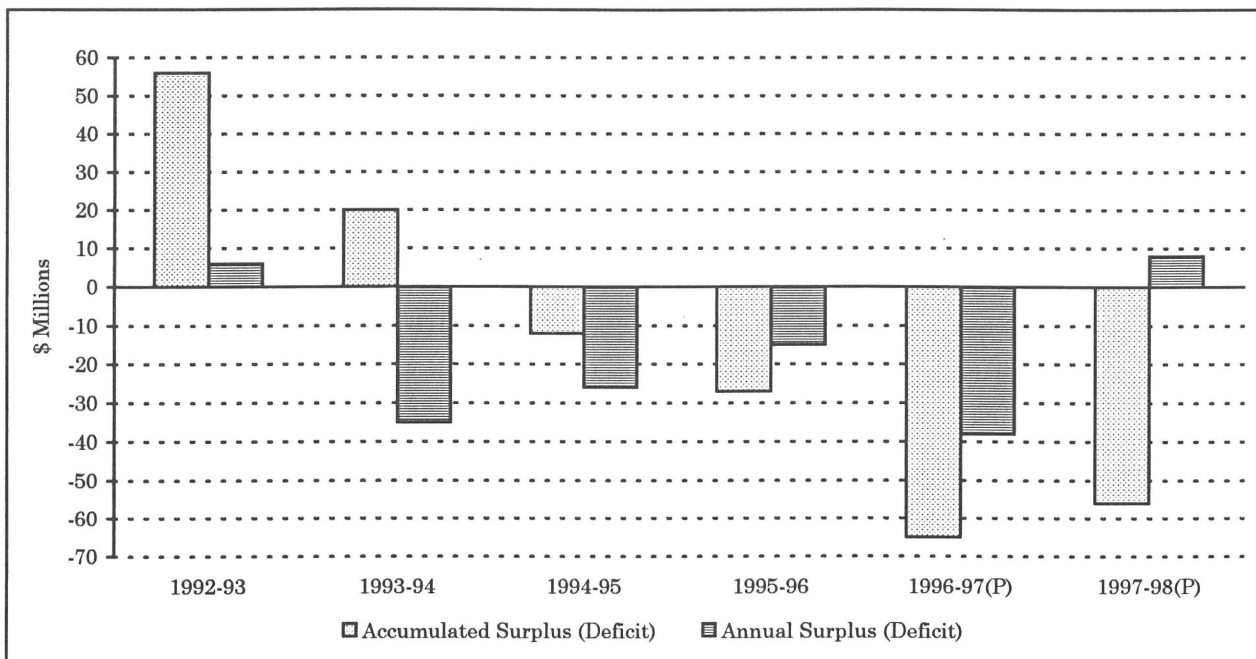
**EXPENDITURE SUMMARY BY PROGRAM**  
(Thousands of Dollars)

	1993-94 ACTUALS	1994-95 ACTUALS	1995-96 ACTUALS	1996-97 REVISED ESTIMATES	1997-98 MAIN ESTIMATES
Legislative Assembly	17,669	11,738	12,963	12,037	12,539
Executive	68,040	97,093	76,979	59,463	53,445
NWT Housing Corporation	95,351	101,313	108,058	105,289	98,335
Finance	9,882	8,349	9,136	10,332	9,351
Justice	67,546	69,372	71,517	73,402	72,588
Public Works and Services	140,073	115,932	105,201	99,632	87,507
Transportation	82,668	84,294	101,740	101,697	85,516
Resources, Wildlife and Economic Development	106,879	123,414	110,963	109,148	92,669
Municipal and Community Affairs	100,105	102,195	116,933	108,761	99,970
Health and Social Services	281,682	238,635	254,567	249,939	247,683
Education, Culture and Employment	238,916	296,955	312,289	299,533	285,760
Safety and Public Services (Prior year estimates and actuals not allocated to other departments)	1,018	1,088	1,657	1,544	
<b>TOTAL O&amp;M AND CAPITAL</b>	<b>1,209,827</b>	<b>1,244,383</b>	<b>1,282,003</b>	<b>1,230,776</b>	<b>1,145,363</b>
Adjustment for Ultimate Removal Liability	13,839		(5,982)		
Estimated Supplementary Requirements Less Estimated Lapses				(19,000)	10,000
<b>TOTAL EXPENDITURES</b>	<b>1,223,666</b>	<b>1,244,383</b>	<b>1,276,020</b>	<b>1,211,776</b>	<b>1,155,363</b>

Source: 1997-98 Main Estimates  
Public Accounts

*Note:* The Department of Safety and Public Services was eliminated in 1996-97 as part of the GNWT's restructuring. Its tasks have been assumed by other departments. Wherever possible, these expenditures have been allocated to the departments which assumed the tasks. Unallocated costs have been shown separately.

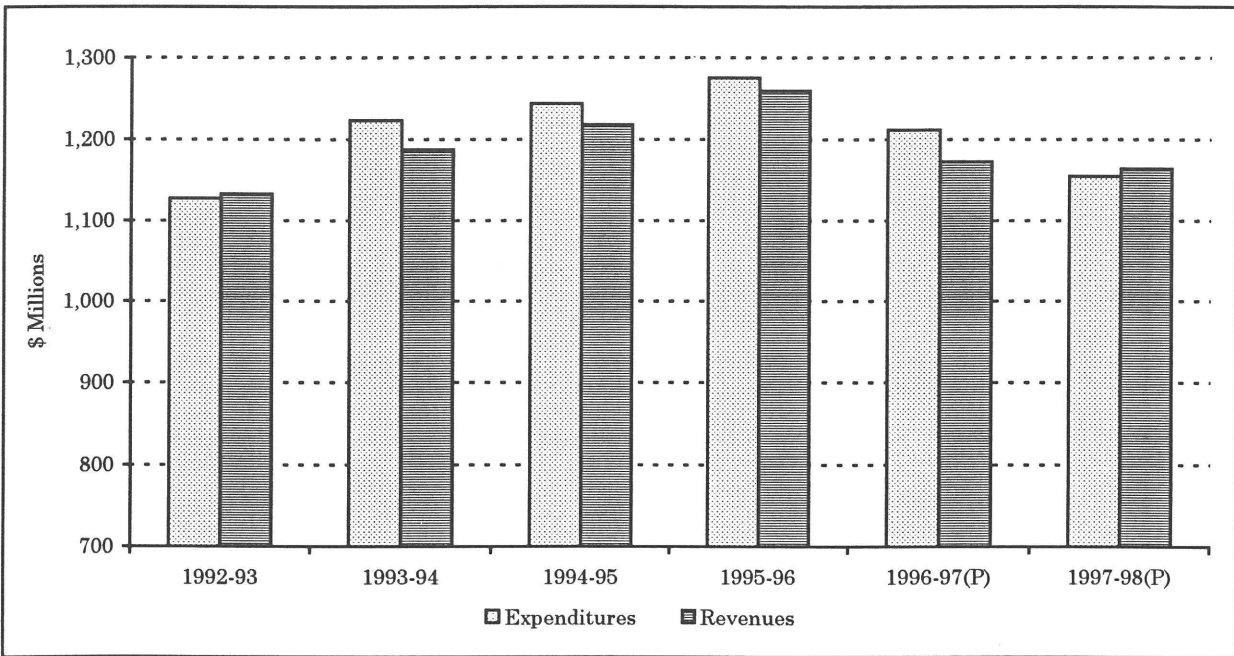
## BUDGETARY BALANCES



(P) Projected  
 Source: 1997-98 Main Estimates  
 Public Accounts

- Following four years of annual deficits, the Government of the Northwest Territories is budgeting an annual surplus of \$9 million in 1997-98. In addition, the 1996-97 deficit is projected to be \$38 million, \$5 million less than forecast in the 1996 Budget.
- Large debts increase the amount of money that the Government of the Northwest Territories must devote to debt servicing charges. Higher interest charges constrain the government's ability to provide services to the public. In order to prevent the size of the government's debt from increasing further, the *Deficit Elimination Act* requires a balanced budget by 1998-99.
- The Government of the Northwest Territories has gone from a \$56 million accumulated surplus in 1992-93 to a projected \$65 million net debt by the end of 1996-97. This trend is forecast to turn around with the 1997 budget, which is forecasting a decline in net debt to \$56 million by March 31, 1998.

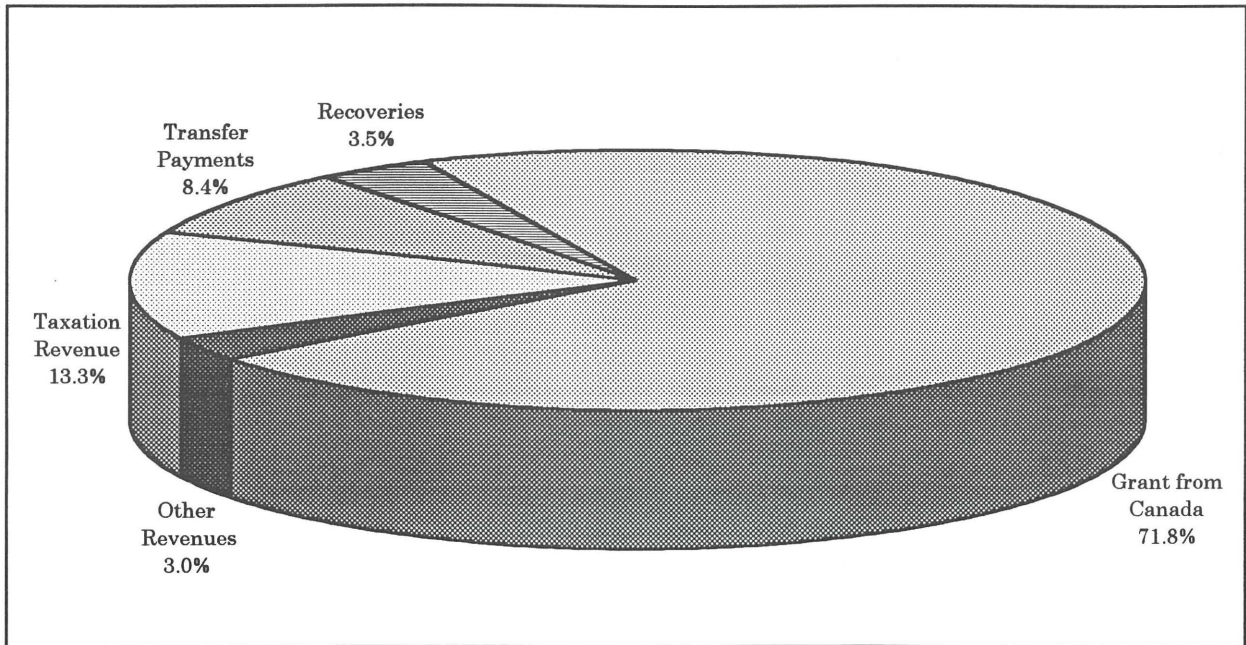
## GOVERNMENT REVENUES AND EXPENDITURES



(P) Projected  
 Source: 1996-97 Main Estimates  
 Public Accounts

- Government expenditures have exceeded revenues in four of the past five years and are expected to do so again in 1996-97. In 1997-98, however, revenues should exceed expenditures by \$9 million.
- Revenues declined sharply in 1996-97, due mainly to the 5 percent cut to the Formula Financing Agreement's Gross Expenditure Base, as announced in the 1995 federal budget.
- Because the growth of the Gross Expenditure Base is tied to the growth in provincial and local spending, Government of the Northwest Territories revenues are expected to continue to decline in 1996-97 and beyond, as provinces exercise restraint measures.
- The *Deficit Elimination Act* requires that government expenditures not exceed revenues by more than 2 per cent of revenues in 1997-98.

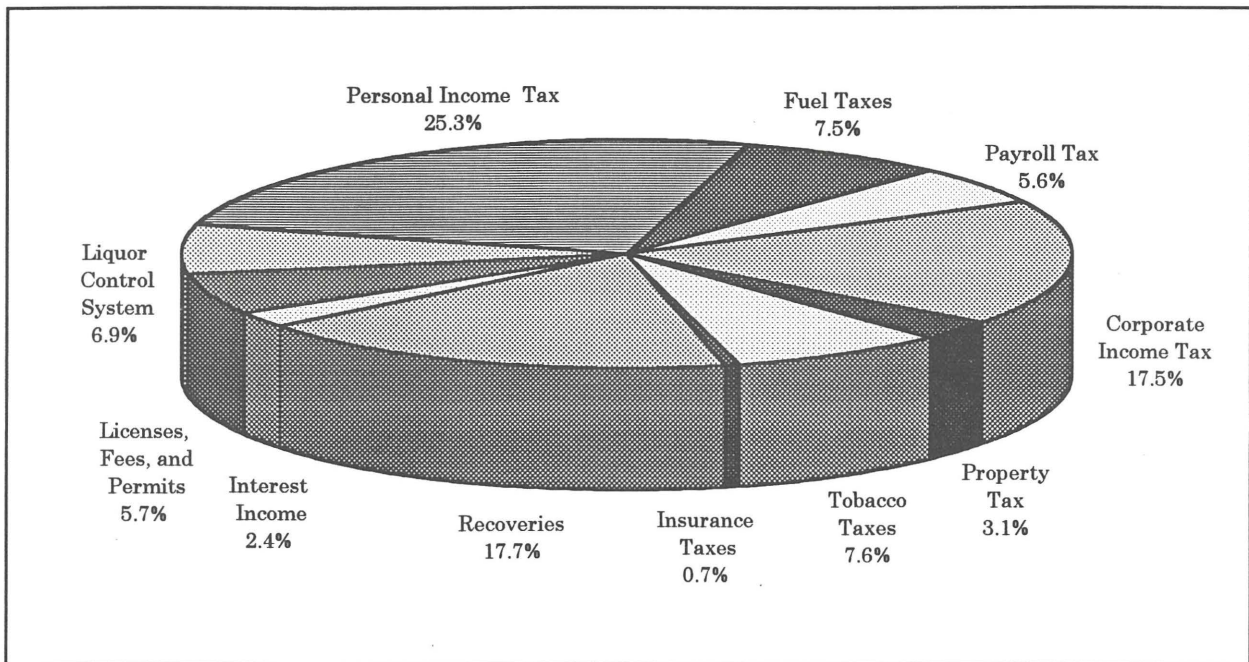
## GOVERNMENT REVENUES BY SOURCE 1997-98



Source: 1997-98 Main Estimates

- The Grant from Canada under the Formula Financing Agreement constitutes the single largest source of revenue available to the Government of the Northwest Territories.
- In 1996-97, the Grant is forecast to be about \$842 million, or 71 per cent of total revenues. In 1997-98 the Grant is expected to decline to \$835 million.
- Even though the amount of the Grant is declining, it will continue to be about 72 per cent of total revenues since other territorial revenues are also declining.
- Between the Grant from Canada and other transfer payments, the Government of the Northwest Territories will receive 80 per cent of its revenue in 1997-98 from the Government of Canada.
- Because territorial own-source revenues are only 20 percent of total revenues, the Government of the Northwest Territories has a limited ability to control its deficit through revenue measures.

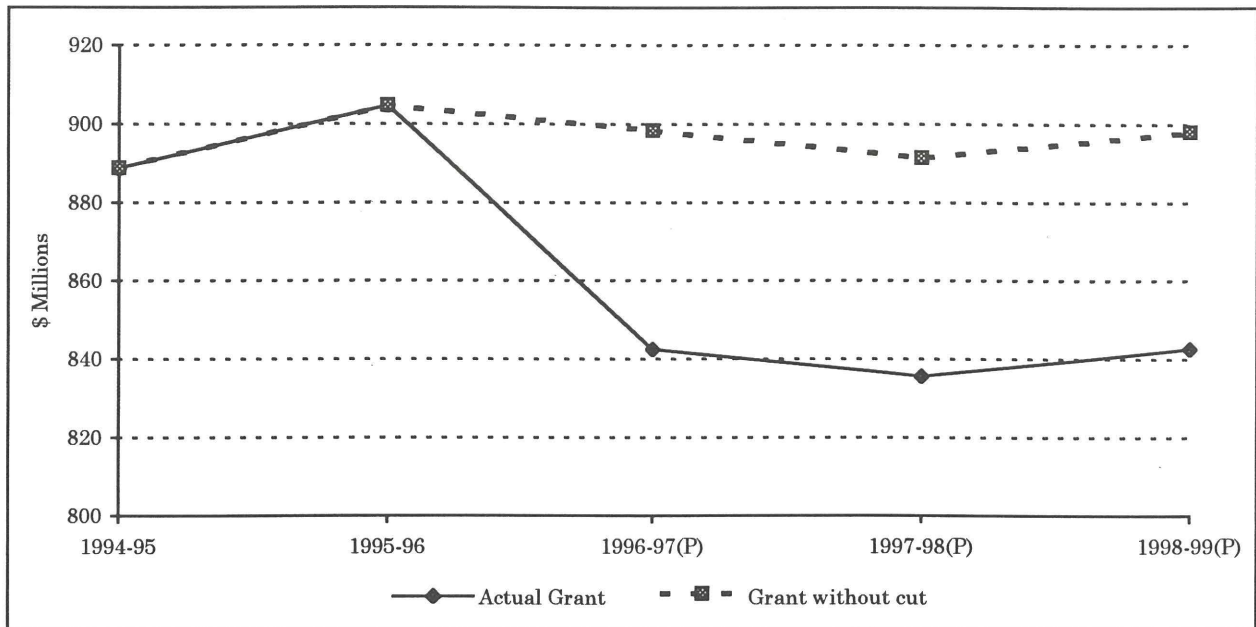
## GOVERNMENT OWN-SOURCE REVENUES 1997-98



Source: 1997-98 Main Estimates

- Total own-source revenues in 1997-98 are expected to be about \$230 million.
- Personal income tax is the largest own-source revenue. It is also one of the most stable revenue sources, comprising about 25 per cent of own-source revenues annually.
- Corporate income tax has been fairly stable over the past several years. However, it has been considerably more volatile in the past, reaching as high as 26 percent of own-source revenues in 1992-93. The volatility stems from the fact that a large share of corporate income taxes are paid by a few major players in the resource sector.
- Recoveries include mainly rental income, sales of government assets, and sales of goods and services. Because they include the sale of capital assets, recoveries can vary widely from year to year. In 1997-98 they will comprise about 17.6 percent of territorial own-source revenues, compared with 24.4 per cent in 1996-97.
- The largest single item included in recoveries is revenue from the sale of staff housing, which is forecast to be \$17 million in 1997-98. Other capital recoveries are forecast to be \$1.7 million in 1997-98 and O&M recoveries are forecast to be \$22 million in 1997-98.

## EFFECT OF FEDERAL CUT ON FORMULA FINANCING GRANT

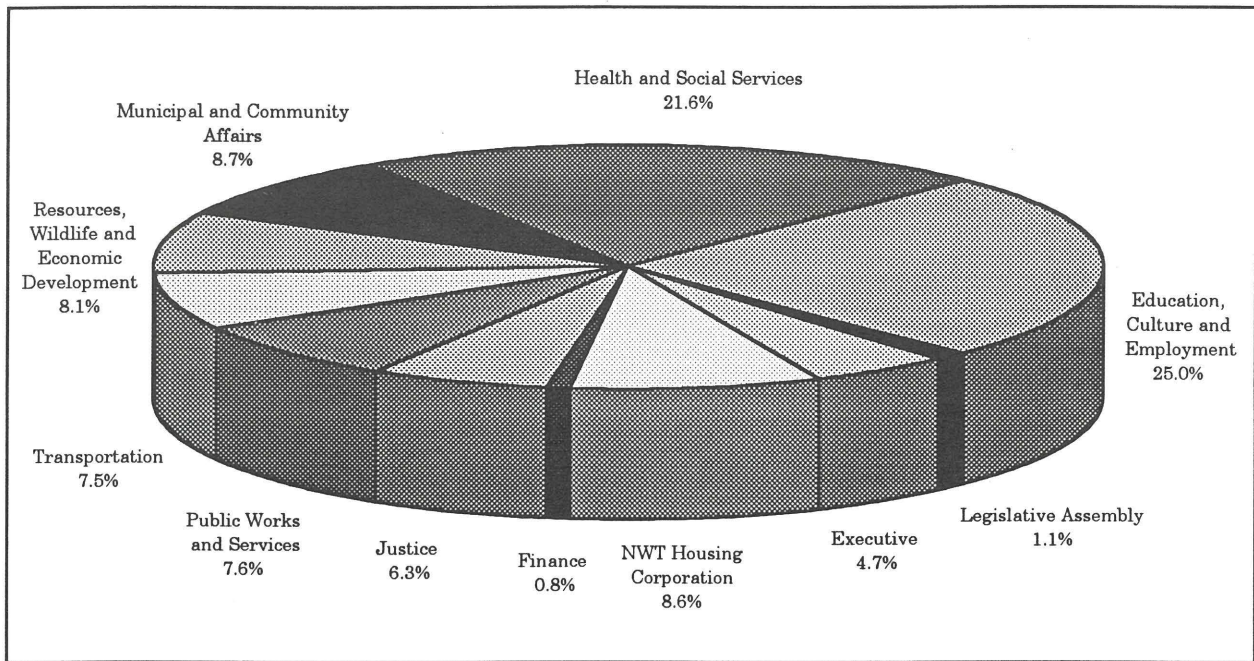


(P) Projected

Source: Department of Finance

- In its 1995 budget, the federal government announced that the 1995-96 Formula Financing Grant would be frozen at its 1994-95 level and a cut of 5 percent would be applied to the Formula's Gross Expenditure Base in 1996-97.
- The effect of this cut is to reduce the Grant by about \$56 million in 1996-97.
- Because it is applied to the Gross Expenditure Base, the effects of this cut will carry forward into future years. Over the three years from 1996-97 to 1998-99, this measure will cost the GNWT \$167 million.
- The growth in the Gross Expenditure Base is tied to the level of provincial and local government spending. Therefore, the Grant would have had virtually no growth from 1995-96 through 1998-99 even in the absence of a federal cut.
- The increase in the Grant between 1994-95 and 1995-96 is due mainly to the transfer of responsibility for Arctic 'A' Airports from the federal government to the GNWT. In the absence of this program transfer, the federally imposed freeze would have kept the Grant at a constant level.

## GOVERNMENT EXPENDITURES BY DEPARTMENT 1997-98

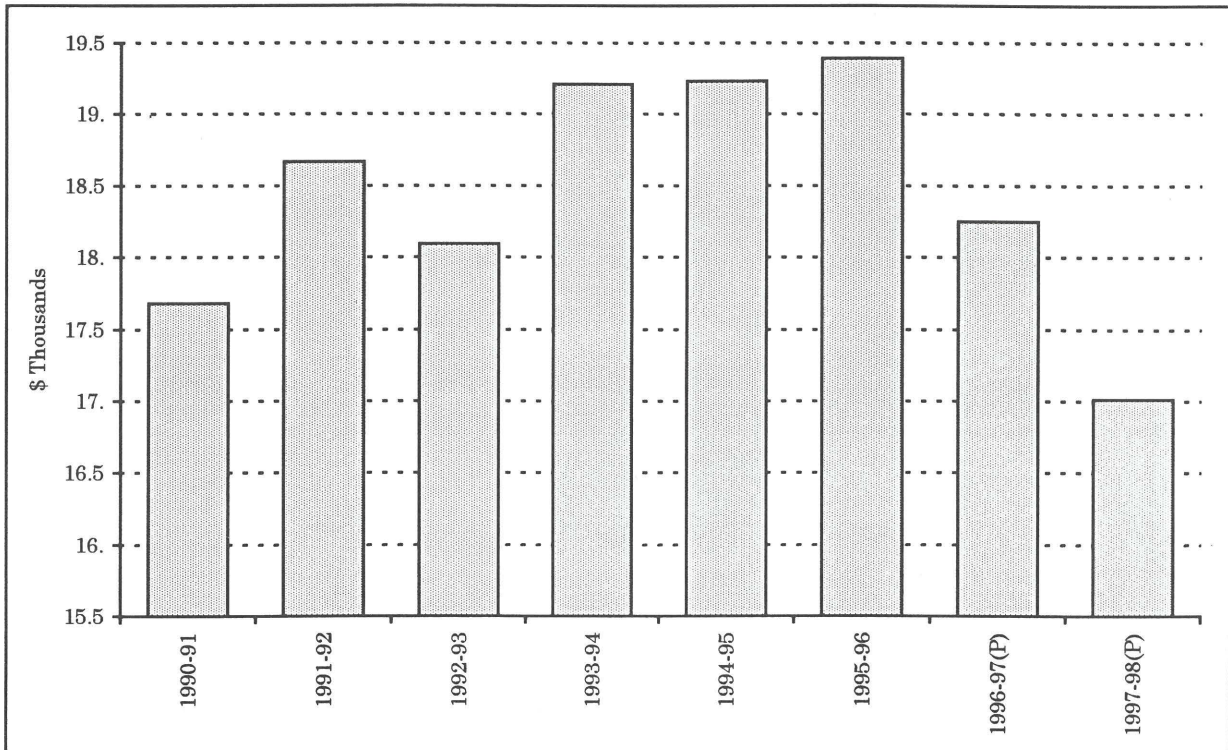


Source: 1997-98 Main Estimates

- The bulk of territorial spending is in the areas of education, health and social services. Between them, the departments of Education, Culture, and Employment and Health, and Social Services are responsible for nearly half of all territorial expenditures.



## GOVERNMENT EXPENDITURES PER CAPITA

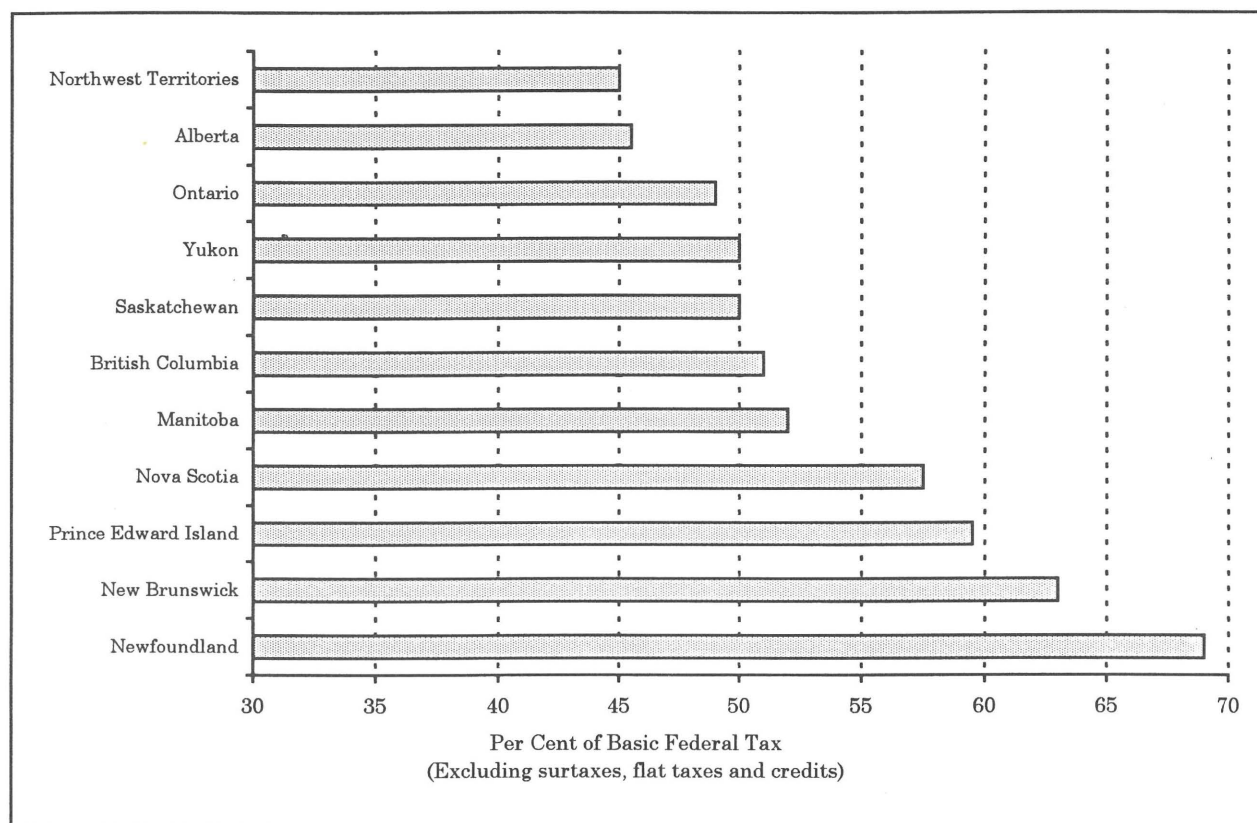


(P) Projected

Source: Department of Finance

- Expenditures by the Government of the Northwest Territories grew from \$17,700 in 1990-91 to a high of \$19,400 in 1995-96 for each person living in the Northwest Territories. The historical average for these years is \$18,700.
- Expenditure restraint measures will result in per capita expenditures declining to \$18,200 in 1996-97 and to \$17,000 in 1997-98.

## PERSONAL INCOME TAX RATES, JANUARY 1997

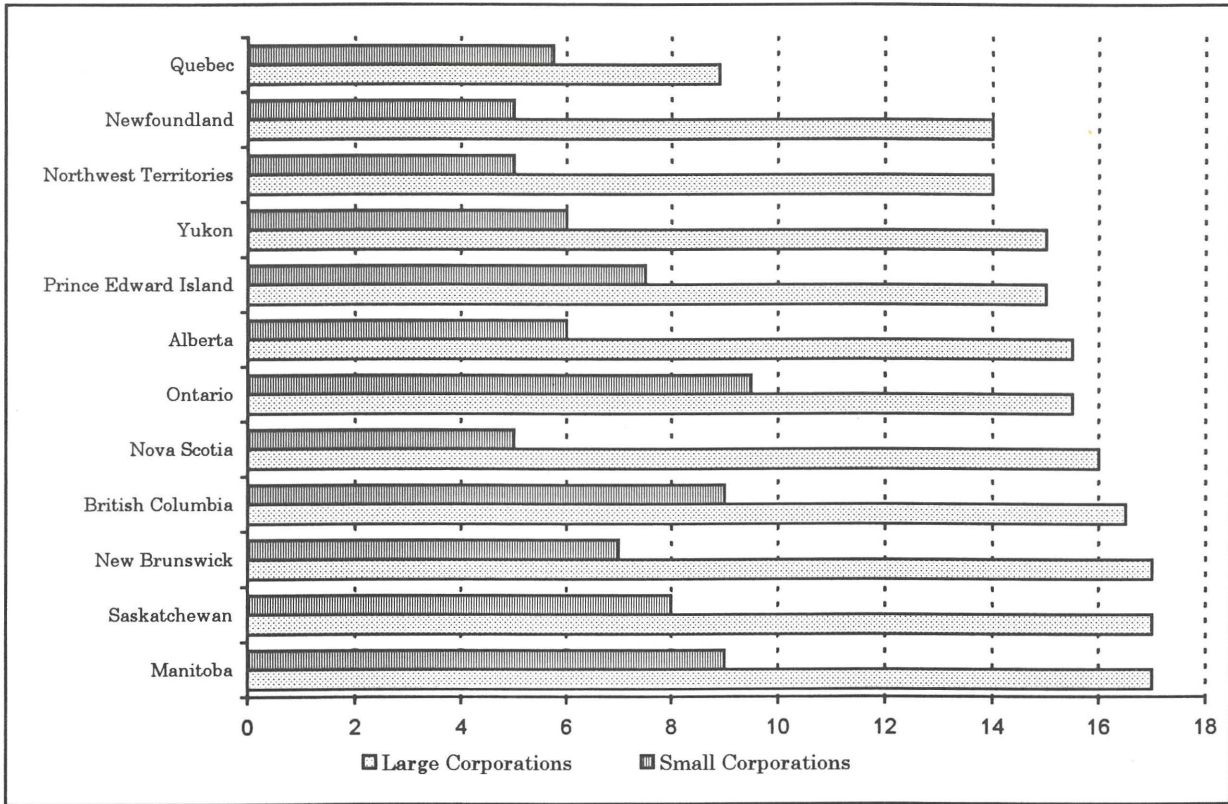


Source: Department of Finance

Note: Quebec does not levy its personal income tax as a per cent of federal tax.

- The Northwest Territories continues to have the lowest personal income tax rate of any province or territory in Canada. In addition, it does not impose any flat taxes or surtaxes.
- Despite lower tax rates, Northwest Territories residents pay about the same percentage of their income in income taxes as other Canadians. Higher incomes are required in the north in order to compensate for the higher cost of living. These higher incomes, combined with the progressive income tax structure, mean taxpayers pay a higher amount and a higher percentage of income in income tax.
- The Northwest Territories is one of three jurisdictions in Canada without a provincial/territorial sales tax.

## CORPORATE INCOME TAX RATES, JANUARY 1997



Source: Department of Finance

- The Northwest Territories continues to maintain a low and predictable taxation regime for corporations.
- The Northwest Territories has the lowest income tax rate for small Canadian controlled corporations in Canada.
- The Northwest Territories' corporate income tax rate is among the lowest in Canada.
- The Northwest Territories has no corporate capital tax.

**PROVINCIAL AND TERRITORIAL TAX RATES**  
as of January 1, 1997

	Personal Income Tax  (%)of federal tax	Retail Sales Tax  %	Fuel Tax			Tobacco Tax		Annual Health Care  (r) \$	Payroll Tax  (s) (%)	Corporate Income Tax Small Large		Capital Tax  (t) (%)
			Gasoline Unleaded  ¢/litre	Diesel  ¢/litre	Aviation  ¢/litre	Cigarettes  \$/carton	Tobacco  ¢/gram			(%)	(%)	
Northwest Territories	45		10.5 (n)	8.9	1.0	24.80	9.20		1.00	5	14	
Yukon	50 (b)		6.2	7.2	1.1	16.40	2.92			6	15	
British Columbia	51 (c)	7	11.0	11.5	3.0	22.00	8.40	432/864		9	16.5	0.3/3.0
Alberta	45.5 (d)		9.0	9.0	5.0	14.00	4.00	408/816		6	15.5	0.0/2.0
Saskatchewan	50 (e)	9	15.0	15.0	3.5	16.00	5.30			8	17	0.6/3.25
Manitoba	52 (f)	7	11.5	10.9	4.2	16.00	5.30		2.25	9	17	0.3/3.0
Ontario	49 (g)	8	14.7	14.3	2.7	4.70	2.05		1.95	9.5	15.5	0.3/1.12
Quebec	N/A (h)	6.5	15.2 (o)	15.2	3.0	5.06	0.99		4.26	5.75	8.9	0.64/1.12
New Brunswick	63 (i)	11	10.7	13.7	2.5	7.30	2.74			7	17	0.0/3.0
Nova Scotia	57.5 (j)	11	13.5	15.4	0.8	10.58	3.89			5	16	0.0/3.0
Prince Edward Island	59.5 (k)	10	12.0	12.5	0.7	11.35	3.01			7.5	15	0.0/3.0
Newfoundland	69 (l)	12	16.5 (o)	16.5	0.7	20.56	6.85		2.00	5	14	0.0/4.0
Canadian Average (a)	50.5 (m)	7.0	13.6	13.6	3.0	9.34	3.21		1.91	7.8	14.1	0.3/1.8
Average incl sales tax			14.4 (p)	13.8		10.89 (q)	3.84 (q)					

- (a) Average of all provincial and territorial rates, weighted by population.
- (b) In addition, Yukon imposes a surtax of 5% of provincial tax over \$6,000.
- (c) In addition, British Columbia imposes a surtax of 30% of provincial tax between \$5,300 and \$8,745 and 54.5% of tax over \$8,745, reduced by a credit of \$50 per dependent.
- (d) In addition, Alberta imposes a flat tax of 0.25% of taxable income and a surtax of 8% of provincial tax over \$3,500.
- (e) In addition, Saskatchewan imposes a flat tax of 2% of net income and a surtax of 15% of provincial tax over \$4,000. An additional 10% surtax is applied to the aggregate of an individual's basic Saskatchewan tax and flat tax. The surtax is reduced by \$150 for single taxpayers and \$300 for those with dependents.
- (f) In addition, Manitoba imposes a flat tax of 2% of net income and a surtax of 2% of net income over \$30,000 with additional offsets for the taxpayer and dependents.
- (g) In addition, Ontario imposes a surtax of 20% of provincial tax between \$4,650 and \$6,360, and 44% of tax over \$6,360.
- (h) Quebec levies a personal income tax directly against taxable income.
- (i) New Brunswick imposes a surtax of 8% of provincial tax over \$13,500.
- (j) Nova Scotia imposes a surtax of 10% of provincial tax over \$10,000.
- (k) Prince Edward Island imposes a surtax of 10% of provincial tax over \$12,500.
- (l) Newfoundland imposes a surtax of 10% of provincial tax over \$7,900.
- (m) 50.5% is the weighted average of the basic rate in the nine provinces and two territories which have tax collection agreements with the federal government. The average effective rate (total provincial/territorial tax, including surtaxes, flat taxes, and credits, as a percentage of basic federal tax) for all twelve jurisdictions is 55.5%.
- (n) A lower rate of 6.3 cents applies to communities not served by the highway system in the Northwest Territories.
- (o) Lower rates apply to some areas of the province: Quebec - border areas; Newfoundland - remote areas.
- (p) Quebec applies sales tax to fuel.
- (q) Average includes provincial sales taxes of Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Newfoundland applicable to sales of tobacco.
- (r) Rates shown for health care premiums are for single individuals and families of three or more.
- (s) Other than for Northwest Territories, rates shown are for payrolls over \$400,000. The Northwest Territories payroll tax is levied on employees.
- (t) Rates shown for capital tax are for large corporations and for financial institutions in the order shown. The bases are different for different type of companies.

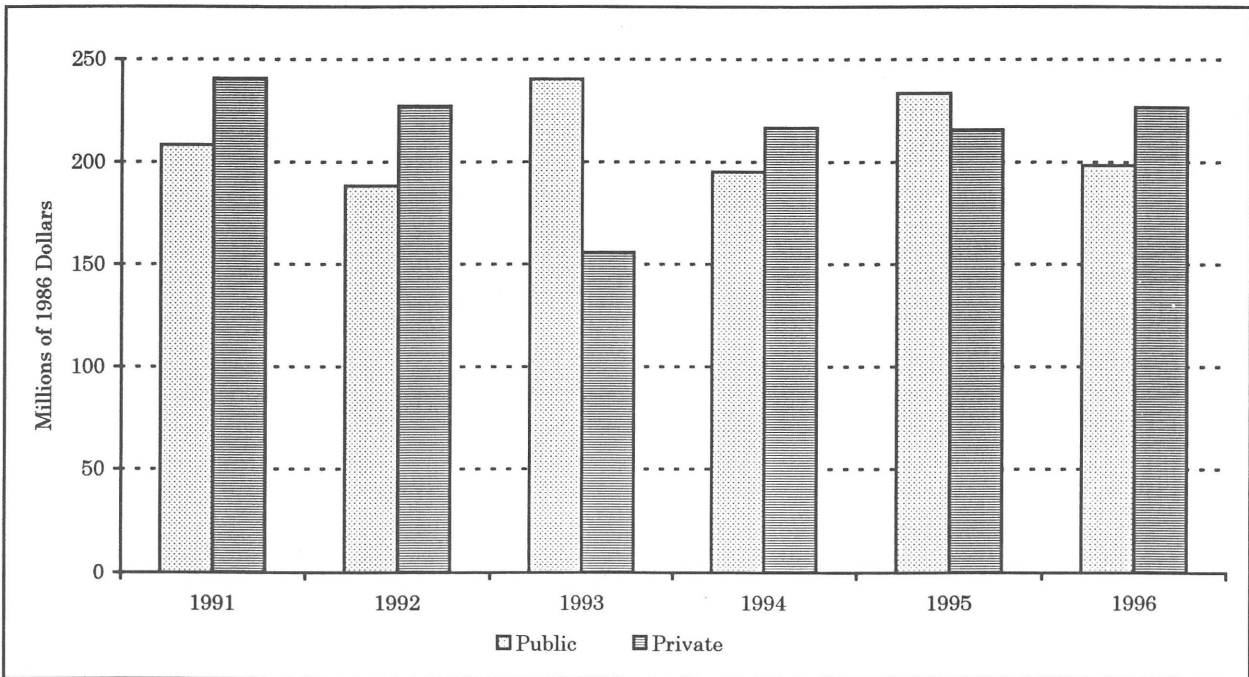
## NORTHWEST TERRITORIES ECONOMIC INDICATORS: 1992-1998

INDICATOR	1992	1993	1994	1995	1996(E)	1997(F)	1998(F)
Final Domestic Demand (Mil. of 1986 \$)	2,031	2,068	2,078	2,118	2,065	2,009	2,079
(% Change)	2.7	1.8	0.5	1.9	(2.5)	(2.7)	3.5
Total Investment (Mil. of 1986 \$)	379	405	436	489	463	450	554
(% Change)	(6.7)	6.9	7.7	12.2	(5.4)	(2.8)	23.1
Consumer Expenditures (Mil. of 1986 \$)	644	657	677	686	673	676	683
(% Change)	1.6	2.0	3.0	1.3	(1.9)	0.5	1.0
Government Expenditures (Mil. of 1986 \$)	1,008	1,006	965	943	929	883	842
(% Change)	7.5	(0.2)	(4.1)	(2.3)	(1.5)	(5.0)	(4.7)
Employment (000's)	20.5	20.9	21.9	23.0	23.2	23.5	24.1
(% Change)	0.8	2.1	4.3	5.1	0.9	1.4	2.3
Avg. Weekly Earnings (\$)	715.0	705.5	704.4	706.5	712.1	719.2	724.2
(% Change)	1.3	(1.3)	(0.2)	0.3	0.8	1.0	0.7
CPI (Yellowknife)	124.5	126.6	128.9	132.6	134.7	137.1	139.8
(% Change)	1.1	1.7	1.8	2.9	1.6	1.8	2.0

E = Estimate and F = Forecast by NWT Department of Finance

Source: Statistics Canada  
NWT Department of Finance

## PUBLIC AND PRIVATE INVESTMENT, NWT

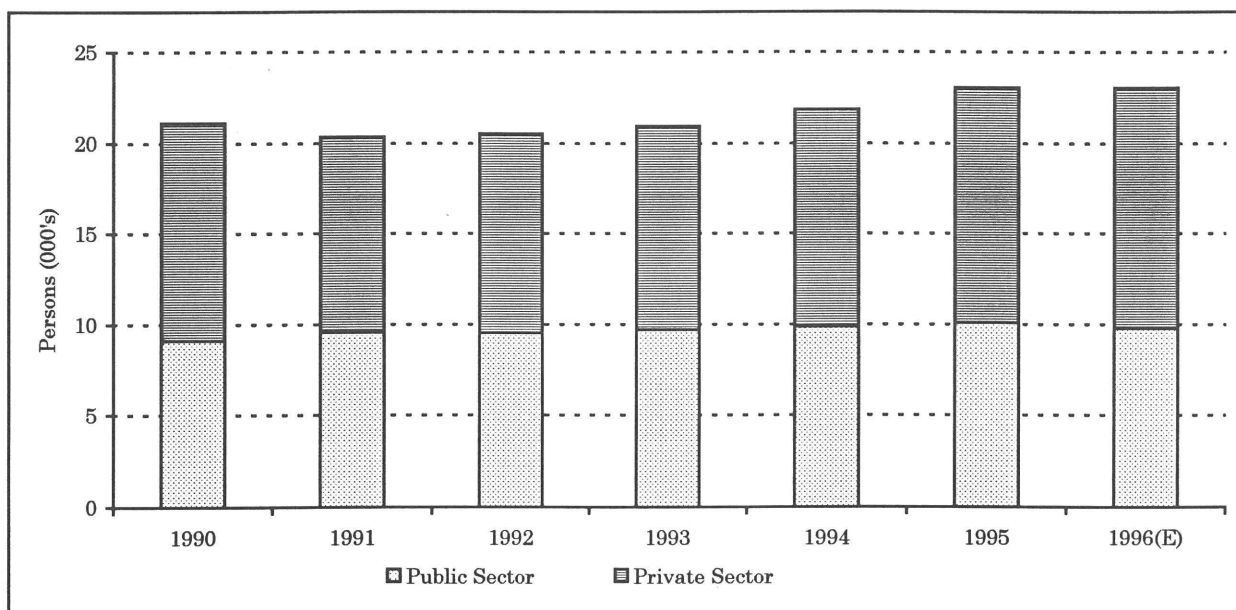


Source: Statistics Canada

Note: 1991 to 1994 figures are actual, 1995 figures are preliminary actual, 1996 intentions are revised.

- Reduced capital spending is responsible for the decline in public sector investment in 1996. However, public sector investment has been lower in previous years.
- Private sector investment is expected to grow in 1996. Total private and public investment will decline slightly.
- Compared with Canada as a whole, government in the NWT contributes proportionately more to total investment. This reflects the large demand for infrastructure in areas such as education, health, transportation and communications.

## EMPLOYMENT – PUBLIC AND PRIVATE SECTORS, NWT

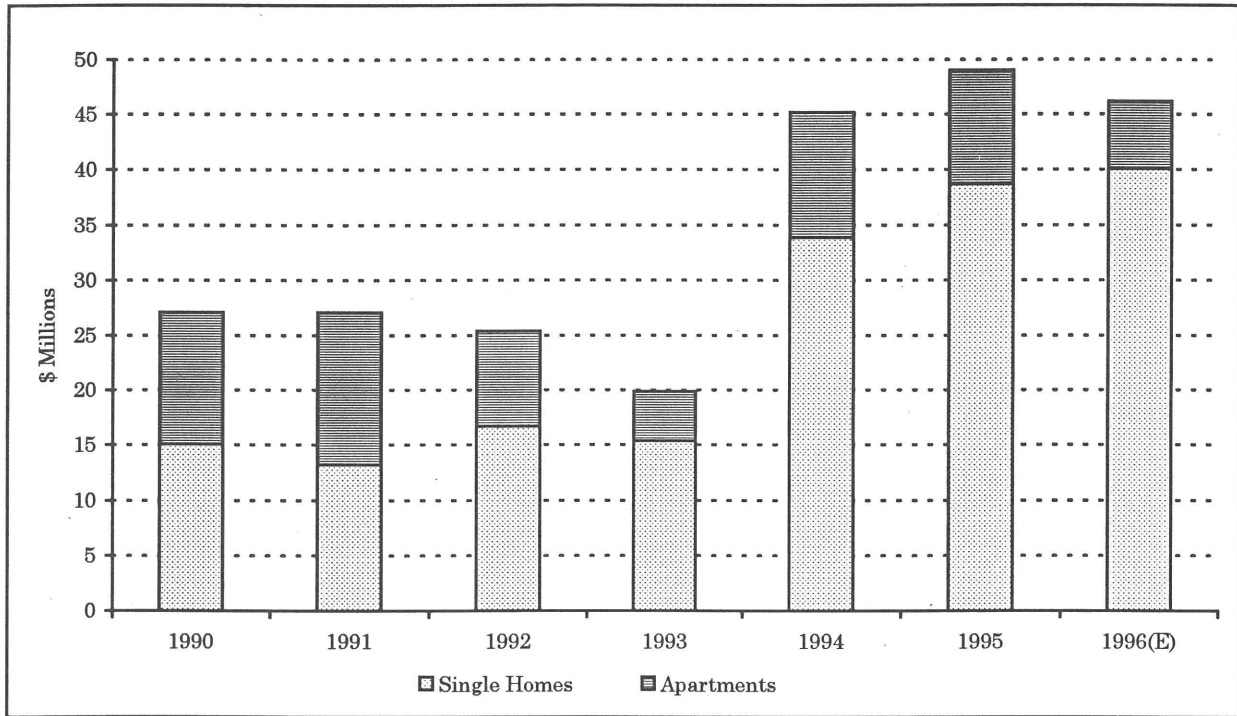


Sources: Statistics Canada, Survey of Employment, Payroll and Hours  
 NWT Department of Finance Estimate

Note: *Public Sector: Public Administration, Education and Related Services, Health and Social Services*

- Most of the employment growth in the last four years has come from the private sector. Since 1992, an estimated 2,500 jobs have been created in the Northwest Territories.
- Construction of the Lac de Gras diamond mine is estimated to create an additional 900 private sector jobs in 1997 and a further 100 jobs in 1999.

## NEW HOUSING CONSTRUCTION, NWT



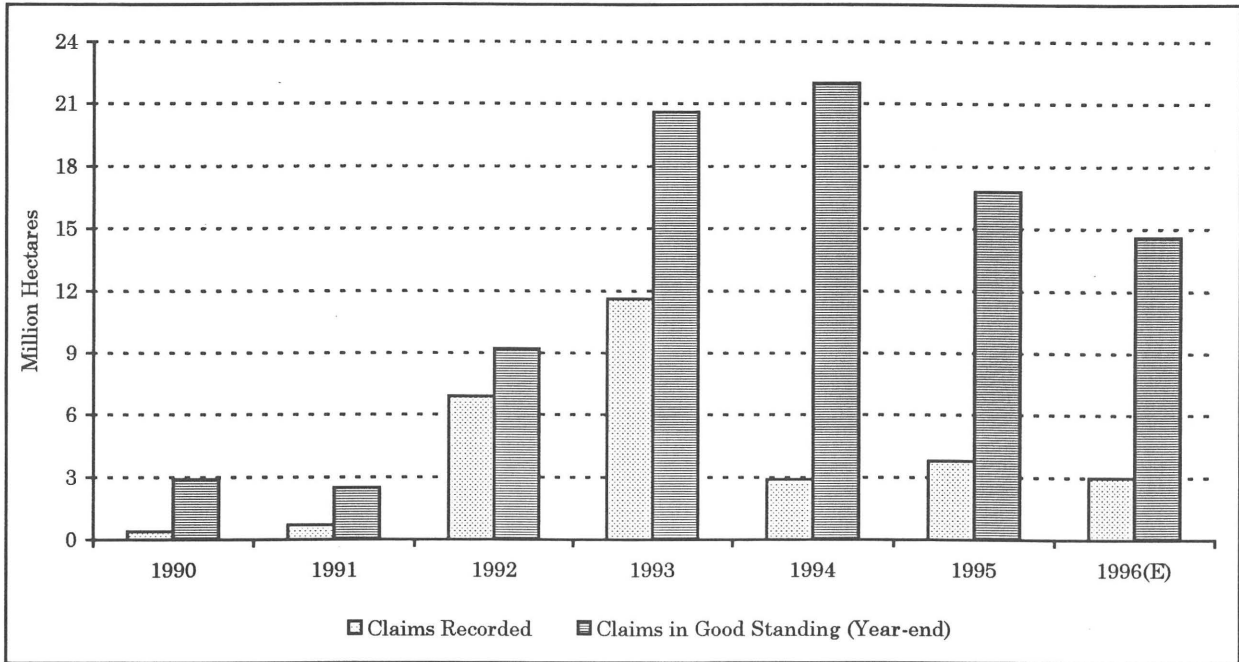
Source: Statistics Canada  
NWT Department of Finance Estimate

Note: Revision to 1995 Actuals by GNWT Bureau of Statistics, December 6, 1996.

- The value of new housing construction rebounded in 1994 and remained strong in 1995 after four years of decline.
- The value of new housing construction is estimated to decrease by 5.9 per cent in 1996. This is due, in part, to the decline in the delivery of new social units resulting from CMHC funding cutbacks. Lack of consumer confidence in the economy has meant reduced investment in housing.
- In 1995 and 1996, most of the construction was in the single homes category.



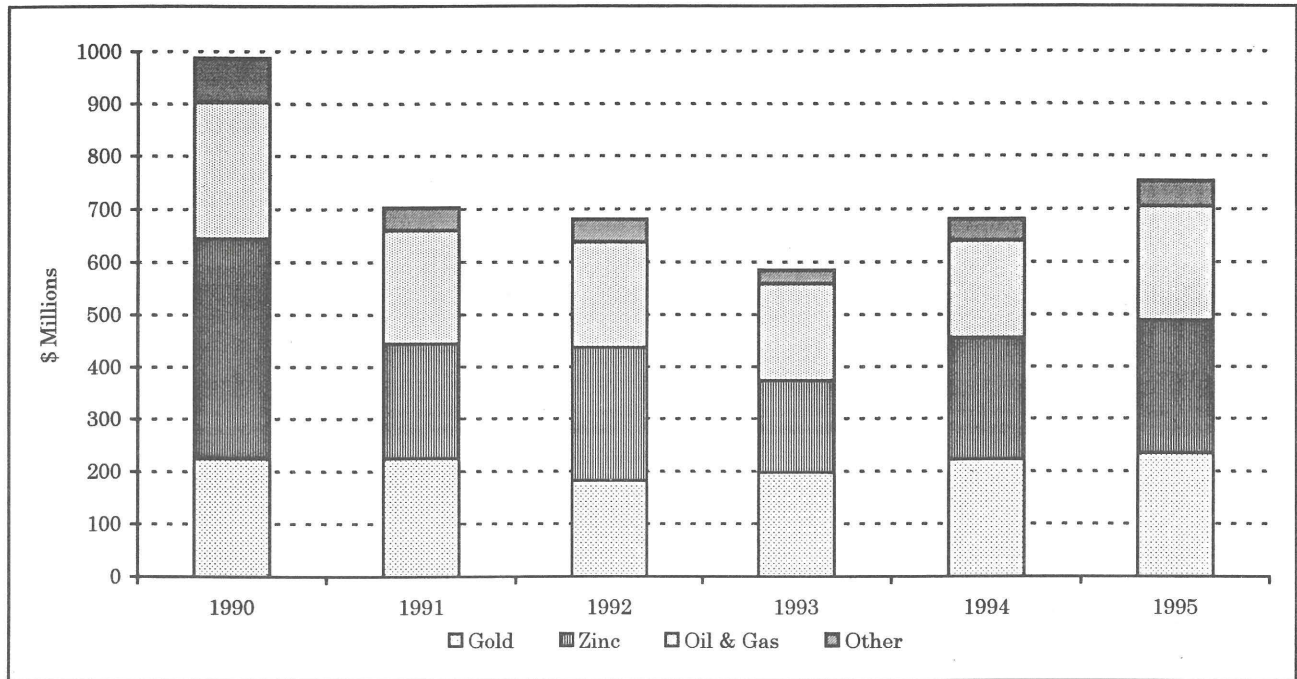
## MINING EXPLORATION, NWT



Sources: Statistics Canada  
NWT Department of Finance Estimate

- Claims recorded increased to 3.9 million hectares in 1995. Claims in good standing were 16.8 million hectares. Most of the increase was spurred by the potential for diamonds.
- Although claims recorded are estimated to decline in 1996 to 2.9 million hectares, the level of activity remains well above that experienced prior to 1992.
- Estimated exploration expenditures in the Northwest Territories for 1995 amounted to \$190 million - higher than in any other Canadian province or territory. Natural Resources Canada expects 1996 expenditures to reach \$188 million.
- With the approval of the BHP diamond project at Lac de Gras, seventy-two per cent of exploration activity in 1996 is expected to focus on diamonds. Activity related to gold and base metals is expected to represent twenty-six per cent of the annual total.
- There are a number of other promising diamond and gold projects in the North Slave region, some of which are in an advanced stage of exploration.

## VALUE OF MINERAL PRODUCTION, NWT



Source: Statistics Canada

- Recent increases in the value of mineral production are mainly due to higher world prices for metals and oil and gas.
- However, production levels for gold have remained fairly stable over the past few years despite a slight increase in the price of gold.
- Zinc production levels fell sharply in 1991 following the closure of the Pine Point mine, and fell again in 1993. Since then, production levels and prices have moderated.
- Most existing NWT mines are in their mature phase of operation. If increases in Northwest Territories mineral production are to be sustained, new mines will have to be developed.
- The construction phase of the Lac de Gras diamond mine begins in 1997, with production beginning in 1999 and operation at full capacity by 2002. At full capacity, production at the Lac de Gras mine is projected to reach \$500 million per year.