

Budget Address

2010 - 2011

NORTHWEST TERRITORIES

The Honourable J. Michael Miltenberger
Minister of Finance

**Fourth Session of the
Sixteenth Legislative Assembly
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Introduction

Mr. Speaker, this, the third Budget of the Sixteenth Legislative Assembly, demonstrates the determined progress this Assembly has made in achieving its vision, even in the face of the economic uncertainty we have experienced over the last eighteen months.

The initiatives we have pursued are on track to form a positive lasting legacy for the Northwest Territories in spite of the economic uncertainty. This Budget continues to invest in these initiatives and in others that will complement and build on our progress to date. I would like to thank my Cabinet colleagues, the Standing Committees, and all the other groups and individuals, for their input and advice.

Two years ago, we noted the storm clouds on the horizon, signs that warned us of the need for prudent budgeting on the part of our government. The measures we took in our first budget meant that we were in relatively sound fiscal shape when the storm hit in late 2008.

Last year's Budget mobilized government resources in order to help the NWT economy weather that storm. This Government, with federal support, injected a record \$485 million in capital spending into our economy in 2009-10. We made the critical decision to delay planned tax increases and expenditure cuts and prepared to incur some debt, if necessary, to provide economic stability as the private sector struggled with the downturn.

The skies are slowly brightening, and we are seeing some positive changes in the global economy, although significant risks and challenges remain. The storm has hit, the worst recession since World War II, and the clean-up will take time. With adversity also comes opportunity. We need to use this opportunity to make things better than they were before. This is our collective challenge and goal.

The Economy

The NWT economy took a number of blows in 2009. Territorial GDP is estimated to have fallen by 17 per cent, following a drop of 8 per cent in 2008. Mineral exploration dropped 80 per cent from 2008 and we expect diamond production to have declined in 2009. The employment rate, at 64 per cent, is 7 per cent lower than this time last year.

NWT private sector investment in 2009 is projected to be 46 per cent lower than in 2007. Investment intentions by the mining and oil and gas industries for 2009 were half their 2007 levels.

There is also some good news.

Diamond prices are showing some improvement. Diavik and DeBeers did not have to carry through on their planned December shutdowns. In addition, DeBeers was able to announce a production ramp-up at their Snap Lake mine that will result in increased employment.

Commodity prices are recovering and the NWT mining sector has a number of projects scheduled for 2011 and 2012 which should boost the NWT economy. A decision by the Proponents whether to proceed with construction of the Mackenzie Gas Project is scheduled for early 2012. We are pleased that the Joint Review Panel has concluded its work and has supported the pipeline, subject to a number of recommendations. The GNWT's position is that appropriately managed development of NWT resources can create long-term benefits for our people, our territory and our communities and the rest of Canada. With the right conditions, major developments such as the Mackenzie Gas Project can help to stimulate our economy, encourage further development of our resources and generate local business opportunities. If it goes ahead, the Project has the potential to make an important contribution to achieving our goals of sustained economic activity and strong and healthy communities.

The economic recovery will be slow, but it will be a recovery. We project that GDP will grow by 9.5 per cent in 2010. Our two-year capital plan, which will inject \$744 million into the NWT economy by the end of 2010-11, is providing NWT businesses and residents with needed stability. This unprecedented capital investment has allowed breathing room for individuals and businesses to search out new opportunities as the economy recovers. And, as the economy recovers, it will be in an environment of new and better roads, improved airport facilities, more and better housing, new schools, better community infrastructure, new energy infrastructure, more energy efficient public infrastructure, and better government information technology that will allow us to better serve communities and residents.

We are fully confident that the GNWT's prudent yet far-sighted planning has put the NWT economy in a better position to take advantage of future economic opportunities.

Fiscal Strategy

The global economic downturn has also negatively affected the GNWT's fiscal position, as revenues have weakened. Despite this, we have maintained our commitment to help mitigate the decline in economic activity in the NWT.

We entered the downturn in relatively sound fiscal condition but we do not have the resources to maintain current levels of investment indefinitely. Therefore, the depth and duration of the economic slowdown continue to be a main consideration in our Budget planning.

The emerging economic recovery will be slow and weak. Furthermore, the rebound in NWT employment and corporate profits, and therefore government revenues, will take even longer. As I warned in October, GNWT corporate income tax revenues for 2009-10 will be \$29 million lower than forecast last February.

Last month, the federal Minister of Finance, the Hon. Jim Flaherty, advised that payments under Territorial Formula Financing, our key transfer payment from Canada, will continue to grow in 2010-11 according to the formula set out in federal legislation. This was reassuring news, since the GNWT counts on this annual growth in the Grant to fund our ongoing spending needs. The Grant will be \$920 million in 2010-11, an increase of \$56 million from the current fiscal year.

We continue to be concerned about the declining NWT population. The NWT was the only Canadian jurisdiction to lose population last year, with a drop of almost one per cent. Although relatively small, this decline follows a decade where our population grew by only 7 per cent, compared to 11 per cent for Canada. Not only will this directly affect future Territorial Formula Financing revenues, putting at risk our ability to fund core programs and services, it causes concerns for our future economic prospects.

Our ability to raise new revenues through tax increases is limited in good economic times and is even more limited when the economic outlook is uncertain. At best, we will see very modest increases in our revenues over the medium term. At worst, we face considerable uncertainty around the effects of the downturn on our corporate income tax revenues. We must continue to budget based on best estimates of our revenues, but must be prepared to make adjustments should reality prove substantially different.

We must also budget in the best interests of NWT residents. We are prepared to incur some debt over the medium term as we address the economic slowdown, but our approach must be sustainable. Borrowing means paying interest every year, and eventually finding money to repay the debt. This puts the burden on future taxpayers. We must also be mindful that our authority to borrow is limited by the federally-imposed borrowing cap.

Our fiscal plan must include measures to return to a sustainable path. In the absence of significant expenditure reductions or tax increases, the best option is to maintain a tight rein on spending growth, and plan to reduce capital investment over time to historical levels.

- ◆ In 2010-11 total spending will increase by \$92 million, composed of \$48 million in compensation and amortization increases, \$25 million in forced growth and \$17 million in net spending on new initiatives.
- ◆ We will cap expenditure growth at 3 per cent starting in 2011-12, net of compensation increases. This represents about \$32 million for new spending each year for both forced growth and new investments. Reductions may be identified through targeted program review and could allow adjustments in these targets.
- ◆ Once we complete the projects included in the current infrastructure investment plan, starting in 2012-13 capital investment will be reduced to \$75 million per year.

Achieving these targets will be challenging. It will mean setting clear priorities, focussing on finding efficiencies and putting our dollars where they will be most effective. It will mean looking for creative new ways of doing things, being open to new ideas and being willing to challenge the status quo.

Budget Highlights

Mr. Speaker, the 2010-11 Budget proposes operating expenditures of \$1.293 billion, a 7.6 per cent increase over the 2009-10 Budget. After allowing for collective bargaining increases and amortization associated with our record level of capital investment in 2009-10, this represents an increase of 3.6 per cent.

2010-11 represents the second year of our four-year, \$60 million *Energy Priorities Investment Plan*. This Budget includes \$19 million in energy investments designed to further our goal of reducing the cost of living, mitigating climate change and reducing the NWT's dependence on diesel fuel.

In October, this Assembly approved infrastructure investments of \$222 million for 2010-11. Our capital plan continues to support the economy and our residents with investments in badly needed infrastructure.

This Budget forecasts revenues of \$1.36 billion in 2010-11, resulting in a small operating surplus of \$35 million. This follows a projected \$21 million operating deficit for the current fiscal year. We estimate that we will need to borrow \$89 million, in the short term, by the end of 2010-11. The size of our current capital investment plan means that the GNWT will carry some short term debt for the next few years. With fiscal discipline, we project we will generate the ongoing operating surpluses needed to reduce debt levels over time.

Expenditures

Mr. Speaker, this Budget continues to make the investments needed to further the goals of the 16th Legislative Assembly.

Sustainable Communities

This government is committed to the goal of achieving sustainable, vibrant and safe communities in the Northwest Territories. This Budget includes \$66 million for NWT community governments, an increase of 7.3 per cent over 2009-10 levels.

The work of the Committee on Sustainability of Rural and Remote Communities has been particularly valuable in developing an investment strategy to help improve GNWT services in small and remote communities. Drawing on the Committee's recommendations, this Budget includes investments totalling over \$3.6 million, including:

- ♦ \$950,000 for a pilot project that will establish Government Service Centres to improve community-level access to services for residents in ten small communities;
- ♦ \$600,000 to enhance early childhood programming in rural and remote communities by increasing contribution funding for early childhood education programs and increasing access to early childhood consultants;
- ♦ \$400,000 to support regional youth sporting events that increase opportunities for training, competition and healthy living for youth in rural and remote communities;

- ◆ \$450,000 for three regional Youth Officer positions to better support youth programming in rural and remote communities;
- ◆ \$400,000 for additional Settlement Maintainer positions in Wrigley, Fort Resolution and Behchokò to better manage maintenance activities. Three additional positions will be created in Tulita, Ulukhaktok, and Sachs Harbour by re-profiling existing funding;
- ◆ \$677,000 to increase funding for the Community Access Program which supports community projects that improve access to hunting, wood gathering, granular resources and recreation areas; and
- ◆ \$158,000 to support rural and remote communities in reducing drug and alcohol related crime and to provide additional training for court workers.

This Budget also invests \$350,000 to provide opportunities for youth in small communities to gain work experience through a summer employment incentive program for employers in these communities.

The stronger the language and culture of their residents, the stronger and more vibrant our communities will be. As part of the GNWT's support for the continued regular use of Aboriginal languages in NWT communities, this Budget proposes \$223,000 to establish an annual summer Language Symposium to focus on revitalization and maintenance of Aboriginal languages.

Over the past two years we have pursued a number of avenues to reduce the cost of living for NWT residents, especially in our smaller communities. The most effective way to reduce the cost of living, including food, for NWT residents and businesses is to reduce energy costs, particularly in our communities that depend on diesel-generated electrical power.

In last year's budget, we introduced a four-year plan to invest \$60 million in key energy initiatives. This budget announces the second year's investments, totalling almost \$19 million, in five strategic pillars, including:

- ◆ \$4.6 million for energy development and supply, by focussing on hydro and transmission line development and on the *NWT Hydro Strategy*.
- ◆ \$4.1 million in investments in alternative energy technologies, including biomass, wind energy, and geothermal technology.
- ◆ \$2.5 million to support energy conservation and efficiency, including support for the Arctic Energy Alliance, incentive programs, and community energy plans.
- ◆ \$4.7 million to reduce GNWT energy use through upgrades to government buildings and public housing stock. The GNWT's \$7 million investment to date in biomass, geothermal and electric heat conversion projects has decreased the GNWT's greenhouse gas emissions by an estimated nine thousand tonnes annually and has saved the GNWT an estimated \$2 million a year in reduced fuel consumption.

- ♦ \$3 million to complete and continue implementing the GNWT's energy policies. The Electricity Rate Review panel began its work last March and submitted their final report in November. The GNWT's initial response will be released this spring. Our goal is an improved NWT electricity system that reflects the values of NWT residents and provides reliable power at an affordable price.

After energy, the high cost of food comes a close second in driving our high cost of living. This Budget supports increasing the local food supply with a \$450,000 investment in the commercial harvesting, processing and marketing of NWT fish and local game to NWT consumers. We will also be investing \$250,000 in community-based agricultural development initiatives with the goal of increasing local food production to replace expensive imports.

Improving transportation access to our communities will reduce the cost of bringing in goods. This Budget provides \$250,000 for Wekweètì winter road construction and \$150,000 to accelerate construction of ice bridges in the Fort Simpson region.

We recognize the public safety concerns of our residents and have increased the funding for police services by over \$1.1 million, including more funding for the RCMP to support policing in smaller communities.

Supporting the Economy

Mr. Speaker, we see the slowdown in the NWT economy as an opportunity for government. During the recent boom years, the cost of building infrastructure skyrocketed. The decline in private sector construction has meant that we have been able to proceed with a number of needed projects. By accelerating investment with a record \$744 million injection in fiscal 2009-10 and 2010-11, we have created a more solid platform for future economic growth.

Our \$222 million capital plan for 2010-11 includes, among other investments:

- ♦ \$42 million for school replacements, renovations and additions;
- ♦ \$64 million for highways and roads across the NWT;
- ♦ \$28 million in Formula Funding for community infrastructure;
- ♦ \$24 million for upgrades and renovations to GNWT buildings;
- ♦ \$17 million for airport infrastructure improvements; and
- ♦ \$4.5 million for hospitals and health centres.

In addition, the budget I am presenting today includes \$37 million for the 2010-11 Housing Corporation capital plan.

Our two-year capital investment will not fully replace the decline in private sector investment but has played a key role in stabilizing economic activity in the NWT during the slowdown and will continue to provide business opportunities and employment for Northerners during the recovery.

However, this Budget is not just about spending money to stimulate the economy. This Budget is about providing value to NWT residents and businesses. GNWT investments in programs, services and infrastructure that reduce the cost of living will help residents and business. Further, the dollars invested to improve the education of NWT students will improve their job opportunities and our labour supply. Resources invested in improving the health of NWT residents will improve both the quality of their lives and the fiscal situation of the GNWT over the long-term. Everything the GNWT does to protect the environment ensures that our quality of life will not diminish and encourages people to live in the NWT. All these investments are good for the NWT economy.

I spoke earlier about our declining population. This causes us concerns from both a fiscal and an economic perspective. A rising population provides growth opportunities for NWT businesses and spreads the fixed costs of power generation, transportation and other key cost drivers over a larger base, lowering costs for everyone. We know from surveys that our high cost of living is a major deterrent to attracting new residents. We need to stop the outflow and let people know what a great place the NWT is to live and work. We also need to let people know this is a wonderful place to visit.

This Budget adds over \$1.3 million to promote the NWT as a great tourism destination and a preferred place to live and work. This additional funding will support the development of a *NWT Growth Strategy*, build on previous national marketing campaign activities, support the Immigrant Nominee Program and increase the number of mine employees living in the NWT under the mining workforce initiative. These initiatives will complement and support the investments made to date, including work to showcase the NWT to Canadians and to the rest of the world at the 2010 Olympics next month.

We also intend to ensure that NWT residents are properly counted in the 2011 Census. This Budget allocates \$155,000 to assist with the 2011 Census similar to the successful approach used in the 2006 Census. The amount invested to raise awareness of the Census and to ensure that every NWT resident is counted could potentially mean millions in future transfers from the federal government.

This Budget provides an additional \$300,000 for the Support for Entrepreneur and Economic Development, or SEED, program, bringing the total funding for this program to \$3.5 million. An additional \$300,000 has been targeted for the Sports Hunter Outfitter Marketing Support program to help the industry respond to events beyond its control. The arts and crafts industry will receive an additional \$425,000 to support the production, advertising and marketing of arts and crafts products.

The economic slowdown has resulted in lower employment numbers, but this is the time for Northerners to retrain and upgrade their skills to improve their future employment opportunities. This Budget includes almost one million dollars for apprentice support, Aurora College programs, and to assist adults to complete their secondary education.

Finally, the GNWT is ensuring a coordinated response to the Joint Review Panel's recommendations. We are providing an additional \$140,000 in this Budget to ensure that the GNWT's regulatory requirements for the Mackenzie Gas Project are understood and adhered to.

Investments in Children, Youth and Families

Mr. Speaker, this Budget allocates \$307 million to the programs delivered by the Department of Education, Culture and Employment. We often speak of the investments we make in our children and youth as investments in the future. In fact, previous investments in our children's education are now producing results in the form of higher graduation rates. Between 2000 and 2007, enrolment in Grades 10 to 12 and graduation rates have both increased by about 25 per cent.

We will continue to build on these successes. To narrow the gap between the graduation rates of Aboriginal and non-Aboriginal students, this Budget invests an additional \$1.3 million to improve the educational achievement of Aboriginal students. This new funding will provide a new Aboriginal Student Achievement Coordinator position, promote literacy, provide after school tutoring pilot programs, support the development of culturally appropriate orientation for new teachers and produce a long-term plan to improve Aboriginal student achievement.

The seeds of higher graduation rates are planted in the first years of schooling. This Budget adds \$600,000 for the expansion of early childhood development programs. These programs will include culturally relevant education and support for Aboriginal languages.

We will build on the *Healthy Choices Framework* with an investment of almost \$1.2 million to expand after school physical activity programs to 31 communities and to expand the *Don't be a Butt Head* anti-smoking campaign. The Budget proposes an additional \$200,000 for youth programs and an injection of \$650,000 to stabilize funding for multi-sport games such as the Arctic Winter Games and the Canada Games.

Because increasing safety awareness can reduce road-related injuries and deaths, this Budget adds \$150,000 to expand the *Drive Alive!* campaign.

We have put significant resources into programs to combat family violence but recognize that more needs to be done. This Budget includes \$110,000 to expand support services for existing family violence shelters, bringing the total support for the shelters in this budget to \$450,000. A further \$67,000 has been added to the pilot program to help men who use violence in intimate relationships to change their behaviour. This will bring the total investment for this pilot project to \$192,000 in 2010-11.

This Budget also supports families in transition by providing \$65,000 for two pilot programs: a mediation program for separating parents and an education program on parenting after separation and divorce to help couples gain the skills they need to be parents in changed circumstances.

Protecting our Environment

One of our greatest strengths as Northerners is the value we place on our land and our water. As a government, we spend over \$70 million annually on environment related activities.

We must be concerned about the future of our water supplies. The 2010-11 Budget includes \$1.1 million in new funding for water related activities such as:

- ♦ \$821,000 to finalize and begin implementation of the *NWT Water Strategy* through transboundary negotiations and partnership agreements, action plans, and research.
- ♦ \$200,000 to develop a system for measuring the health of an entire aquatic ecosystem in addition to water quality and quantity.
- ♦ \$115,000 to develop tools to help protect each community's public water supply source.

We will invest an additional \$791,000 to update and implement the *Species at Risk Act* and the *Wildlife Act* and related regulations. This will help us identify species at risk, protect habitats and put in place processes to help species recover. The end result will be more comprehensive legislation that is enforceable but respectful of Aboriginal treaty and harvesting rights.

The Budget includes almost \$1.3 million in additional funding to continue work to develop and implement the *Land Use Framework* and to support the *Protected Area Strategy*. We want to ensure decisions about land management activities are consistent and are based on timely and accurate land information.

Climate change is a serious concern for the NWT and we are continuing to take action in this area. We have committed to invest \$60 million over four years in energy conservation and alternative energy sources such as hydro, wind and biomass to replace the use of greenhouse gas-emitting diesel fuel where possible. The GNWT's *Greenhouse Gas Strategy* will require renewal in 2011. Work will begin in 2010, including consultation with the public, industry and other interested sectors, to renew the *Strategy*.

This Budget adds \$100,000 to bring 2010-11 funding for the Climate Change Adaptation Plan to \$350,000. This investment will fund further work on the geophysical permafrost survey so a Plan can be developed to help affected communities. This Budget also includes \$264,000, financed by the Building Canada Plan, for further research on climate change.

The NWT's caribou populations are declining and measures necessary to protect the herds are having a serious impact on everyone dependent on this critical resource. We are continuing to invest in the work needed to monitor the caribou populations. This work will be undertaken through ongoing investments in the upcoming year.

Finally, in our ongoing efforts to drive our "Made in the NWT" scientific agenda, we are increasing funding in this Budget by \$120,000 for the *Traditional Knowledge Implementation Strategy*, bringing the total to \$300,000 for 2010-11.

Squeezing the Most Out of Our Revenues – Refocusing Government

Mr. Speaker, there is nothing in our foreseeable future that would justify relaxing our diligence in controlling the growth in the GNWT's spending. Over the past two years we have kept a tight rein on expenditures through a combination of spending reductions and re-alignments. Maintaining this vigilance means looking for efficiencies and putting our dollars where they will be most effective. We need to look for creative new ways of doing our work and be open to new ideas. However, bringing about change in the way we operate often needs investment up front.

A key focus of this investment will be in support of our employees. A strong, capable and motivated workforce is essential for the GNWT to deliver the programs and services NWT residents have come to rely on. Last June we released *20/20: A Brilliant North – NWT Public Service Strategic Plan*. This Plan will guide the development of our public service over the next 10 years. Investments in 2010-11 will continue to implement the Plan with \$1.5 million allocated in this Budget for training and development, diversity, health and wellness, performance management, intern and student employment, and marketing and recruitment.

The *Public Service Strategic Plan* applies to all orders of public service in the NWT. For this reason, we are proposing \$1 million in this Budget to improve community capacity in providing community government administration and governance. This funding will be used for training and mentorship programs.

This Budget includes over \$39 million to implement the provisions of the Collective Agreements negotiated in 2009-10. Maintaining competitive compensation helps us recruit and retain the people we need to deliver our programs.

Information technology can help us make government more efficient and help us deliver more and better services to the public, especially remote communities where direct access to government offices is not possible. The GNWT is working to achieve more effective use of new technologies. We will do this through:

- ♦ development of a *Knowledge Management Strategy* that will guide our investments in and use of information systems and technology;
- ♦ a \$106,000 investment that will allow work to begin on a separate dedicated internet delivery system for the Department of Education, Culture and Employment to provide for more distance education and wider variety of courses and professional development for teachers;
- ♦ an additional \$247,000 for expanded on-site lab and diagnostic imaging at the consolidated health clinics in Yellowknife. This will allow physicians and patients to get lab tests done at the clinics, for the first time, and get the results faster; and,
- ♦ a further \$99,000 proposed for electronic medical records and imaging that will help increase the administrative efficiency of our health care system and increase the quality of patient care.

The Budget includes \$298,000 to implement our recently tabled science agenda that will allow the GNWT to better set the priorities and agenda for research activities carried out in the NWT and ensure that northern participation is increased as interest in the NWT by academic institutions and business continues to grow.

We continue to work to make the machinery of government as efficient and effective as possible. Last fall, we successfully replaced the GNWT's 28 year old financial information system with our System for Accountability and Management, or SAM. The next key component of our *Financial Renewal Strategy*, supported with an investment of \$250,000 in this Budget, involves the implementation of shared financial administration and procurement services by April 2011. This will standardize practices and processes, consolidate specialized skills, knowledge and technology and allow departments to focus on program delivery by merging administrative support functions.

This Budget consolidates responsibility for GNWT-wide building maintenance and utility costs within the Department of Public Works and Services. Consolidation will permit better tracking of utility costs and consumption so that we can better manage the GNWT's energy needs, help in efforts to reduce our greenhouse gas emissions, and identify investment opportunities for the Government's Capital Asset Retrofit Program. It will help us standardize the operation and preventative maintenance of government buildings and will help us address our growing deferred maintenance challenge.

In 2009, the GNWT's Program Review Office led a comprehensive review of the government's approach to acquiring general purpose office space. The review concluded that the GNWT could achieve considerable long-term savings, as much as \$100 million over 40 years, from acquiring new, owned spaced in Yellowknife. We will be seeking supplementary funding in 2009-10 to complete a planning study for rebalancing the portfolio of GNWT-owned and leased office space in Yellowknife. This initiative builds on the work that led to the decision to construct a government-owned office building in Inuvik.

The work to improve our relationship with our service delivery boards is continuing. We are looking at the barriers that limit service integration, we want to expand the use of inter-agency committees in communities, and work towards improving the accountability mechanisms between the GNWT and our boards. This improved accountability will include clearly defined roles and responsibilities and reporting mechanisms. This accountability work will lead to the development of standardized contribution agreements with existing boards by April 2011.

Stabilizing the Health Care System

We must reduce the cost pressures in our health care system if it is to be sustainable. At \$326 million, health and social service expenditures are 25 per cent of GNWT's operating budget, however, they make up over 30 per cent of the forced growth.

We are not alone in this concern. Every jurisdiction in Canada faces similar challenges with respect to health care costs, but we face some unique northern challenges. Change is no longer a choice. But change must be planned, managed and take a system-wide approach. We will maintain our primary focus on quality basic care and services. We will continue to build on our strengths, ensuring a territorial system that supports regional and community health and social service delivery and that is sustainable in the long term.

We are seeking to better address these challenges through the elements of the *Foundation for Change* plan. This system-wide approach is intended to address cost pressures while still ensuring that we are delivering the right health care services to the right people in the right way. The Department of Health and Social Services, with the Authorities, is formulating a plan to ensure dependable, equitable and timely access to health care, improve the well-being of NWT residents, and put the system on a sustainable, long-term footing. This is a daunting task. The approach will require a significant commitment by the government and health agencies and will include accountability improvements, such as stream-lined financial systems, and implementation of contribution agreements with the Authorities.

Changes to the way we deliver health care services in the NWT must be made in conjunction with reinforcing people's personal responsibility for their own health, by eating a healthy diet, exercising, and not smoking or abusing alcohol. The alternative is to see ever-rising health care costs that erode our ability to invest in other, equally important, areas.

While we need to reduce the growth in health care expenditures, we recognize that we still have vital investments to make in our health care system. For example, this Budget proposes \$530,000 for the Consolidated Primary Care Clinic in Yellowknife, \$2 million to fund operational costs associated with the Territorial Dementia Facility in Yellowknife and \$1.4 million for ongoing operational costs of the Territorial Supported Living Campus in Hay River.

Revenues

This Budget includes no new taxes. We are keenly aware that the economic recovery will be slow and do not want to jeopardize its progress. However, we need to ensure that our revenues do not lose ground. Therefore, effective April 1, 2010 we will be introducing policies to ensure that property tax rates, liquor mark-ups, and tobacco tax rates keep up with inflation. We intend to extend these policies to other fees charged for government services by April 1, 2011.

The GNWT must take a longer-term view of its tax policies. How revenues are raised can have significant consequences for individuals, families, and businesses. An approach that is not well thought out can hurt the economy, discourage investment, and even push people into leaving the territory. So it is important that we take a measured and balanced approach that is consistent with the NWT's long-term vision and goals.

In October 2009 we held a second roundtable on these longer-term tax and fiscal issues and also invited the public to give us their ideas. We heard support for a long term focus on investments in our future as a territory, including support for proactive investments to encourage reduced fuel use and the exploration of cost-effective energy alternatives. We heard an openness to support changes in the tax mix to better balance the tax burden, provided there was a corresponding creative search for opportunities to diversify the NWT economy and address our high cost of living. These ideas will guide longer term work on the tax and fiscal structure of the NWT. Proposals for significant change to the NWT tax system will require considerable research and analysis and further consultation before any changes are brought forward and implemented. This work will be undertaken in the upcoming fiscal year.

Looking Forward

Mr. Speaker, there are less than two years left in the mandate of this Legislative Assembly. We must ensure that the initiatives that we have already put in motion towards achieving our common vision have the resources and the commitment to get the work done.

One of the priorities of the 16th Legislative Assembly is to “work toward a common vision for the political development of the NWT.” The challenges and opportunities of the North are receiving increasing national and international attention. We need to make it clear to all that discussions and decisions about the North need to be made in the North, by Northerners for Northerners. It is our collective responsibility to ensure Northern voices and interests are heard and recognized by those that do not live here. This Budget proposes one-time funding of \$864,000 in 2010-11 to support the work of the Northern Leaders’ Forum. This funding will be used for engagement with NWT residents, public consultations and research projects in the areas of capacity building and governance. Through the work of the Northern Leaders’ Forum we hope to provide a unified Northern voice which clearly communicates our common vision to the federal government and other non-Northern decision makers, so we can successfully advance key priorities of Northern governments.

In this same regard, we need to continue to press for completion of an agreement in principle on devolution. While the resource revenues that are associated with a devolution agreement are important, we must not lose sight of the broader goal: to achieve the long overdue transfer of authority over our lands and resources from Ottawa to the North. Without this authority we have little power to influence or control NWT land management decisions. Over the past several months we have been working with the federal government to narrow the gaps and hope to soon be in a position to resume trilateral negotiations with Canada and the Aboriginal governments aimed at finalizing an agreement in principle.

The Budget includes \$210,000 to advance devolution discussions and to continue work to finalize and implement land, resource and self government agreements.

During last fall’s revenue consultations we heard from many respondents that the NWT needs a Heritage Fund in anticipation of achieving control over our non-renewable natural resources.

The NWT is blessed with a vast treasure of non-renewable resources. However, once these resources are taken out of the ground they are gone forever. Our challenge is to ensure that the transformation of our non-renewable resources to dollars provides a lasting legacy for NWT residents.

A Heritage Fund is a way to save for future generations. Before we establish a Fund, we need to determine how much to save and what form these savings should take. During this Session, I will be releasing a public discussion paper on the establishment of a NWT Heritage Fund. If there is broad consensus, I commit to introducing, for passage, legislation to create a Heritage Fund by the end of 16th Legislative Assembly.

Mr. Speaker, our government is focussed on ways that we can improve the delivery of housing programs and services to Northerners. As an important step in this process, we

plan to make changes in the administration of the Public Housing program. We intend to move responsibility for income assessments back to the Local Housing Organizations. Moving responsibility for assessments back to Local Housing Organizations will improve client service while maintaining the need for fair and equitable treatment of clients. We will also increase the certainty of operating funding for Local Housing Organizations. Although not reflected in this Budget, formal proposals for change will be developed in consultation with Regular Members, with a view to implementation during the 2010-11 fiscal year.

We want to look for other opportunities to improve the way we deliver housing programs, including divesting a number of older units and looking for efficiencies in how we maintain our housing stock through improved linkages at the community level between Local Housing Organizations and the Department of Public Works and Services.

Mr. Speaker, the NWT has a significant infrastructure deficit. Only seven of our communities are connected by all season roads twelve months of the year. As a territory, we generate 225 kilotonnes of greenhouse gas emissions every year burning diesel fuel to generate electricity. Surveys of industry consistently report the lack of infrastructure as a deterrent to investment in our territory.

Addressing this deficit is a priority for this government, as it has been for previous governments, and will continue to be in the future. Three extraordinary projects are a priority:

First, the Deh Cho Bridge is the largest public infrastructure project undertaken in the NWT. When completed, it will ensure year-round highway access for half our territory's population. The project is 50 per cent complete, with the most difficult phase of construction out of the way. The bridge is now on track for a completion date in late 2011. We are committed to seeing this project through to a successful conclusion.

Second, the Taltson Hydro Expansion project is in the environmental review phase. If given regulatory approval, this project, once completed, could displace up to 100 million litres of diesel fuel a year, and reduce greenhouse gas emissions in the NWT by 15 per cent. With an estimated cost of more than \$500 million, the project is beyond the capacity of this government to finance on our own. However, if the project gets regulatory approval, given its importance to our economy and to our environment, we must ensure that it goes ahead.

We have sought Canada's participation through federal infrastructure programs, but even if our requests are approved, additional financing will be needed. Therefore, we are prepared to look for partners with the fiscal resources to help us get this project built.

Third, the Mackenzie Valley Highway is an essential component of our vision for the NWT. Connecting all the communities of the Mackenzie Valley with an all-weather road would reduce living costs for residents and open up the rest of the Mackenzie Valley, where the current seasonal ice road access is unpredictable. Completion of the entire road between Wrigley and Tuktoyaktuk would cost an estimated \$1.8 billion and therefore it will take time to see the project through to conclusion. However, progress has been, and continues to be, made. Over the last 10 years, \$55 million has been invested by Canada and the GNWT in the construction of winter road bridges and the Tuktoyaktuk gravel access road.

Canada and the GNWT have been working together to assemble the information needed to plan construction of an all-weather road from Inuvik to Tuktoyaktuk. We are prepared to do our part to complete the Project Description Report for the entire length of the Mackenzie Valley and have already included \$2 million in our current capital plan to begin this work. This Project Description Report is a critical piece that must be completed before any further development can take place. We are confident that Canada will partner with us in this important work. We must keep working toward our goal of an all-weather road from the Alberta border to the Arctic Ocean.

Conclusion

Mr. Speaker, the GNWT recognized the need to put ourselves on a sound financial footing before the global financial crisis broke. Our preparations placed us in a good position to respond and we did so with a deliberate plan to be a source of stability for our economy during this very difficult time. We did this by maintaining our service levels and by making record investments in infrastructure. Our plan has not only lessened the impact of the slowdown on the NWT economy. It has also resulted in needed infrastructure that will benefit NWT residents and create a positive environment for future economic activity.

Mr. Speaker, we should be pleased with the work that has been started since this Assembly was elected. We are committed to ensure that the work is completed. This mid-point in our term provides an opportunity to check our course. This Budget seeks to ensure that the strategic initiatives started in previous budgets have sufficient resources to progress during the final two years of this Assembly.

We have had to make adjustments to our plans to respond to global economic events but we are confident that our actions have helped the NWT weather the economic storm. Furthermore, the opportunities we have seized during this period will pay dividends that will last far beyond the end of the 16th Assembly.

Mr. Speaker, our job is only half done. We have a plan, much work is underway but much work remains. We all must recommit our efforts and apply ourselves fully to complete the work this Legislative Assembly has laid out. We and the people we represent should expect no less.

Thank you, Mr. Speaker.

Budget Address

2010 - 2011

NORTHWEST TERRITORIES

BUDGET PAPERS

A ♦ Economic Review

B ♦ Fiscal Review

January 28, 2010

ECONOMIC REVIEW

Outlook

The Northwest Territories (NWT) economy is expected to end its two-year decline in 2010, as real¹ gross domestic product (GDP) is forecast to increase by 9.5 per cent from 2009. The principal economic driver of the NWT recovery is the strengthening diamond industry. Diamond prices have started to recover and are projected to make further gains as the economies of the industry's primary markets strengthen.

There are many encouraging signs of growth in industrialized countries. Most of this recovery, and the prevention of a worse global recession, resulted from the very significant financial support and expansionary monetary and fiscal stimulus that governments poured into their economies. Canada's federal government chose to run temporary deficits to create employment through infrastructure investments. With federal support, the Government of the NWT (GNWT) will inject a record \$744 million in capital spending over the 2009 to 2011 period to soften the impact of the slowdown in the NWT resource industries. The International Monetary Fund cautions that the world-wide growth was driven by government stimulus measures and countries risk a return to recession if anti-crisis measures are withdrawn too soon.

The Report of the Joint Review Panel (JRP) for the Mackenzie Gas Project was completed in December 2009 and submitted to the National Energy Board (NEB). The JRP recommended that the project proceed, subject to 176 specified recommendations. The NEB will hear final arguments from each of the parties beginning in April 2010.

A number of mine projects are at advanced stages of development. These include Tyhee Development's gold mine north of Yellowknife, Fortune Minerals' NICO cobalt-gold-bismuth mining project near Whatì, and Gahcho Kué, a proposed diamond mine under development by De Beers Canada and Mountain Province Diamond. The Dezé Energy Corporation is proceeding with public hearings for expansion of the Taltson Hydroelectric Project.

Employment of NWT residents is expected to increase by 700 persons, from 20,800 in 2009 to 21,500 in 2010. Average weekly earnings are forecast to increase by 2.1 per cent from 2009 to 2010.

Consumer price inflation in Yellowknife (NWT-wide figures are not available) increased 0.5 per cent from December 2008 to December 2009; and is projected to remain below 2 per cent in 2010.

¹ Measured in chained 2002 dollars

Northwest Territories Economic Outlook

Indicator	2007	2008	2009e	2010f
Gross Domestic Product, chained 2002 \$ millions	3,900	3,589	2,998	3,284
% change	10.2	(8.0)	(16.5)	9.5
Total Investments, chained 2002 \$ millions	1,743	1,544	1,203	1,244
% change	2.7	(11.4)	(22.1)	3.4
Personal Expenditures, chained 2002 \$ millions	1,207	1,233	1,225	1,236
% change	4.3	2.2	(0.6)	0.9
Government Expenditures, chained 2002 \$ millions	1,192	1,191	1,209	1,202
% change	1.2	(0.1)	1.6	(0.6)
Exports, chained 2002 \$ millions	2,891	2,617	2,235	2,538
% change	16.9	(9.5)	(14.6)	13.6
Imports, chained 2002 \$ millions	3,148	3,031	2,866	2,925
% change	7.0	(3.7)	(5.5)	2.1
Employment, number of persons	22,600	22,000	20,800	21,500
% change	(0.9)	(2.7)	(5.5)	3.4
Average Weekly Earnings, dollars	1,005	1,081	1,149	1,173
% change	3.2	7.6	6.2	2.1
CPI All-Items (Yellowknife, 2001 = 100)	110.8	115.2	115.9	118.0
% change	2.9	4.0	0.6	1.9

Source: Statistics Canada and the NWT Bureau of Statistics

(e) estimate

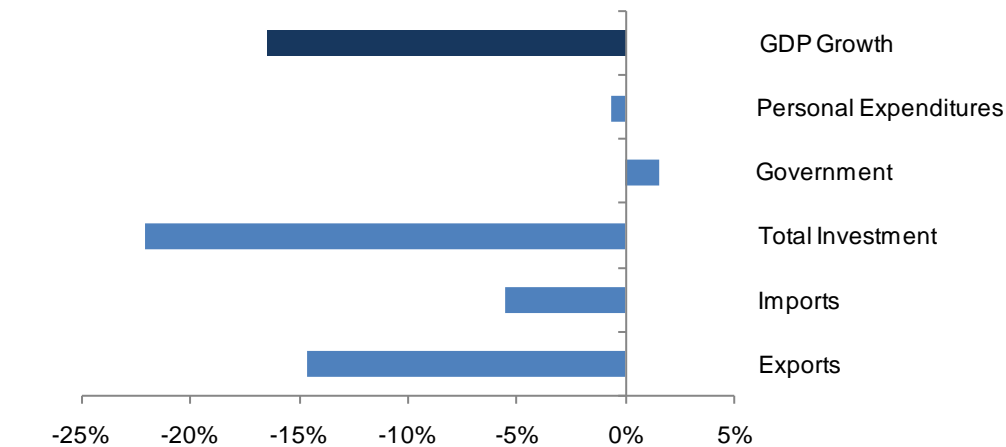
(f) forecast

2009 Economic Performance

Real GDP in the NWT fell 16.5 per cent from 2008 to 2009. From 2007 to 2009, the economy of the NWT declined 23 per cent, the largest decline in GDP of any province or territory in Canada.

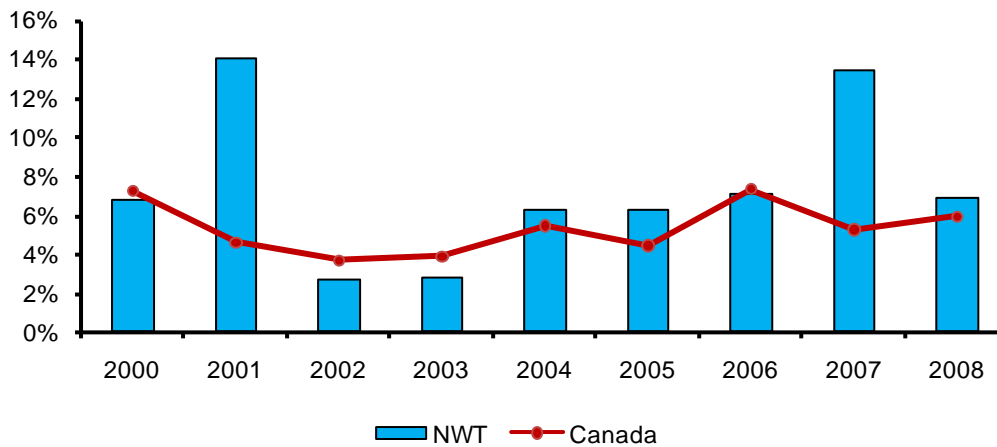
The decline was led by a drop in the value of exports, principally diamonds, as NWT mining companies curtailed production in the wake of lower global demand, most notably in the American market. The value of exports decreased 14.6 per cent from 2008 to 2009, and 22.7 per cent from 2007 to 2009. Investment also declined in response to market conditions and the credit crisis, falling 22.1 per cent from 2008 to 2009 and over 30 per cent from 2007 to 2009.

Contributions to Percentage Change in NWT GDP, 2009e



Source: Statistics Canada
(e) estimate

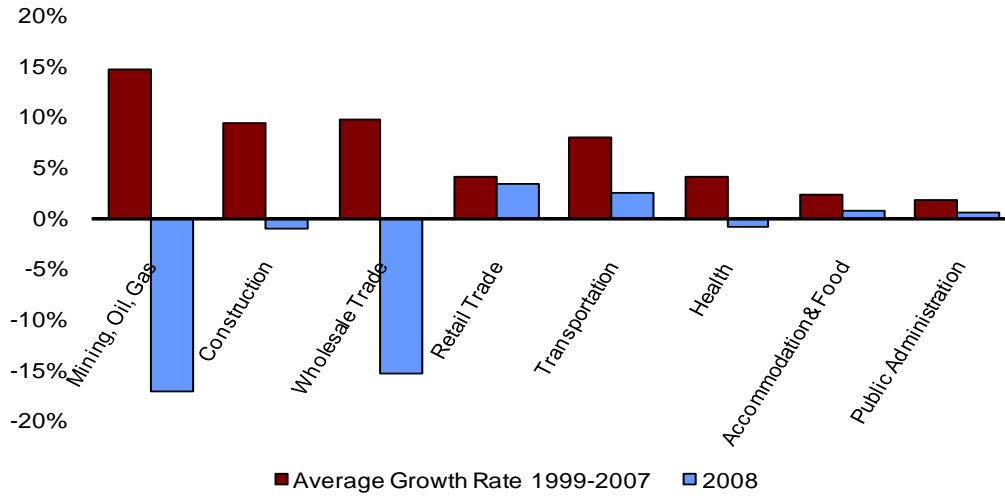
Annual Percentage Change in Personal Disposable Income, NWT and Canada



Source: Statistics Canada

Mining, oil and gas is the leading growth sector of the NWT economy. In 2008, this sector declined by more than 17 per cent from 2007. Indications are that this sector continued its marked decline in 2009. Wholesale trade grew an average annual rate of 10 per cent from 1999 to 2007 but fell 15 per cent in 2008. Preliminary 2009 data suggest that wholesale trade continued to fall in 2009.

Annual Real Growth Rates of Selected NWT Industries, chained (2002) dollars



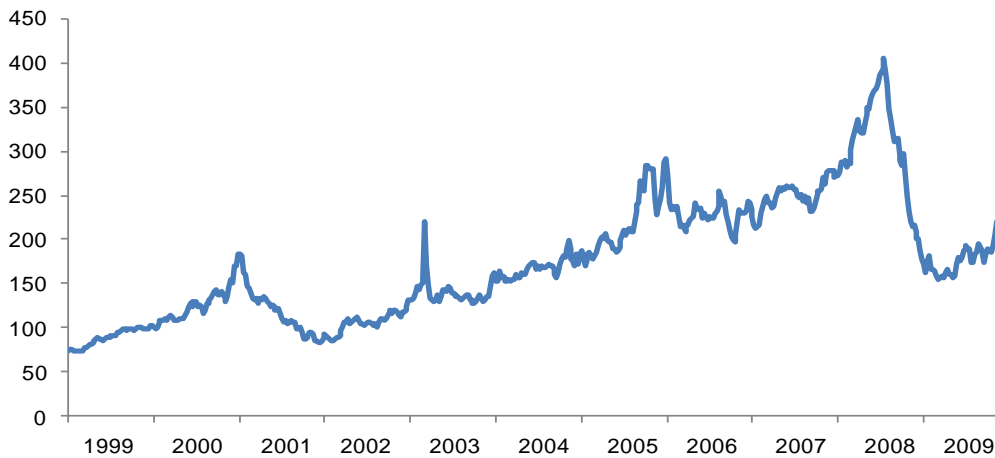
Source: Statistics Canada

Growth in public administration, particularly in capital spending, is estimated to have increased by above average rates in 2009, helping to mitigate the economic downturn in the NWT.

The NWT’s economy is integrated with the global and national economies. The largest private sector component of the NWT economy is the non-renewable resource sector, where prices are established in world markets. The International Monetary Fund estimates that the GDP in advanced economies fell 3.4 per cent from 2008 to 2009 and that the volume of international trade for advanced economies, reflecting reduced production and demand for commodity inputs, fell by over 13 per cent.

Economic growth turned positive in advanced economies in the second half of 2009. Commodity prices dropped precipitously from July 2008 to May 2009, but then recovered over the rest of 2009.

TD Commodity Price Index, 1997=100

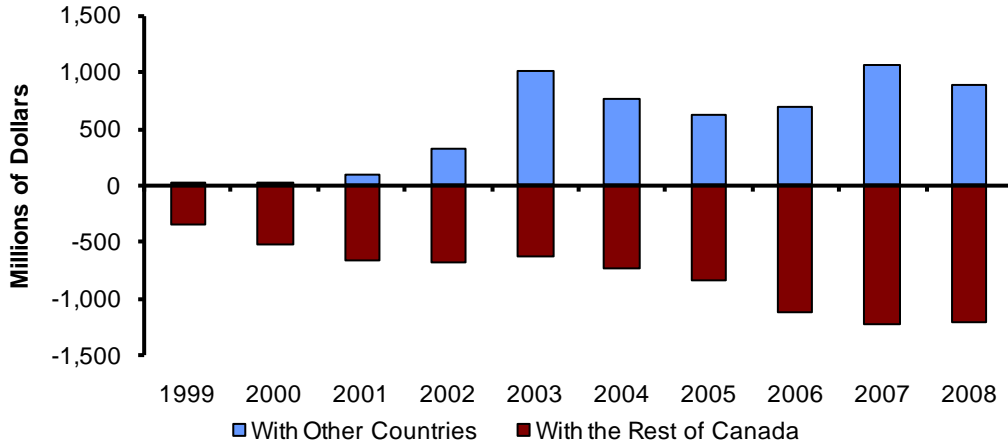


Source: TD Bank Financial Group

Trade

The NWT economy depends on trade with other countries and with the rest of Canada. The NWT’s trade surplus with other countries grew markedly during the first part of the decade, primarily driven by diamond exports. In 2008, the NWT’s trade surplus with other countries fell 16 per cent from 2007. The NWT has a trade deficit with the rest of Canada since most of the goods used in the territory, including machinery and consumer products, are imported from southern Canada. In 2008, the trade deficit with the rest of Canada did not change.

NWT Balance of Trade, chained (2002) dollars



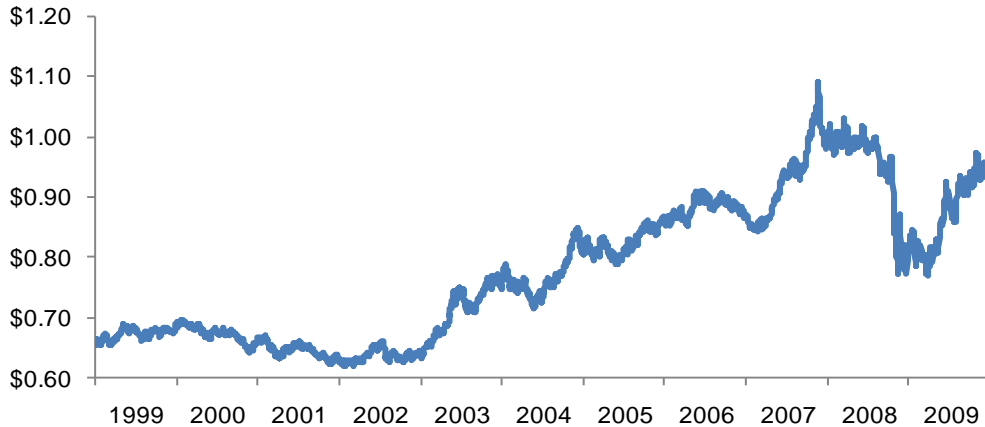
Source: Statistics Canada

Exchange Rate

The NWT’s international trade surplus is important to the health of the economy. A strengthening Canadian dollar means that NWT businesses get paid less in Canadian dollars after the currency conversion, although it also means that capital equipment and other productivity-enhancing capital goods imported into Canada are less expensive. When the Canadian dollar declines, the effects are the reverse: NWT businesses get paid more for their products after currency conversion, while imports cost more.

The Canadian dollar averaged 80 cents US in the first three months of 2009 before rising to an average of 95 cents US by the last three months of the year.

US-Canada Exchange Rate (\$US/\$C)

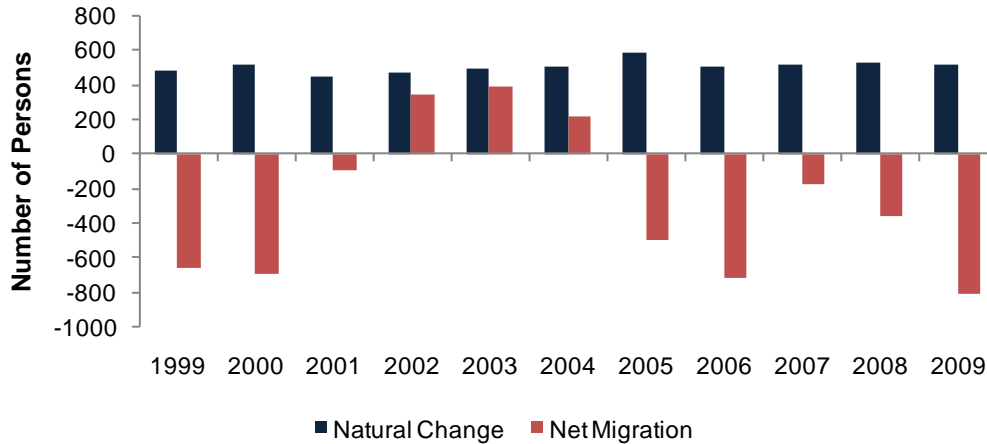


Source: Bank of Canada

Population

The NWT population was estimated at 43,439 on July 1, 2009, a decline of 281 persons from July 1, 2008. The population decline is attributable to an increase in the number of persons leaving the NWT. In 2009, 808 more persons emigrated to other provinces and other countries than moved to the NWT, compared to a net outflow of 356 persons in 2008. Natural population change, the difference between births and deaths, has remained stable in recent years, averaging 513 persons per year since 1999.

Changes in the NWT Population, 1999 - 2009



Source: NWT Bureau of Statistics

Labour

During 2009, NWT employment averaged 21,000 persons, a 5 per cent decline from 2008. This represents a labour force (population 15 years of age or older) participation rate of 71 per cent, down from 75 per cent in 2008.

The NWT's unemployment rate was stable at 6.1 per cent in 2009, the same rate as 2008, largely because more persons left the labour force.

Selected NWT Labour Force Indicators, 2001 to 2009

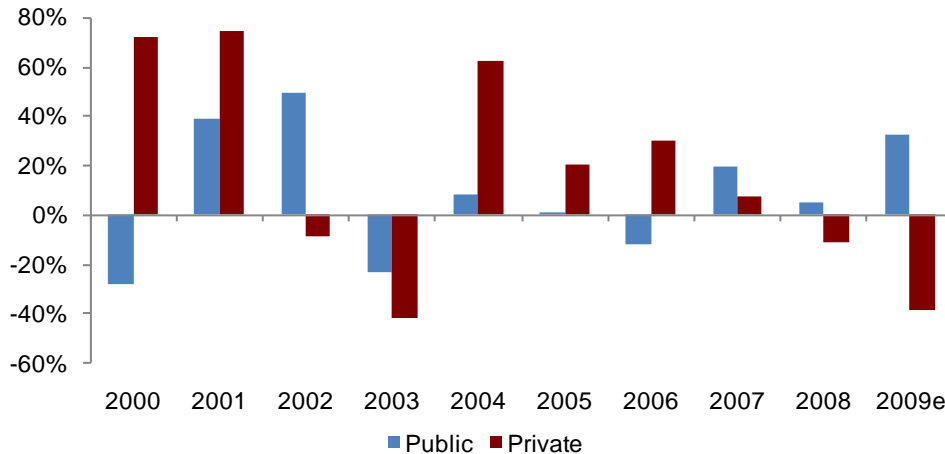


Source: NWT Bureau of Statistics

Investment

Total 2009 capital investment intentions were down one-third from 2008 levels and almost 40 per cent from 2007, declining from \$1,800 million in 2008 to \$1,215 million in 2009. In the fall of 2008, public sector capital investments was expected to increase by one-third from 2008 to 2009; however, this forecast does not include the GNWT and federal stimulus funding.

Annual Percentage Change in Public and Private Capital Investment



Source: NWT Bureau of Statistics and NWT Finance
(e) estimate

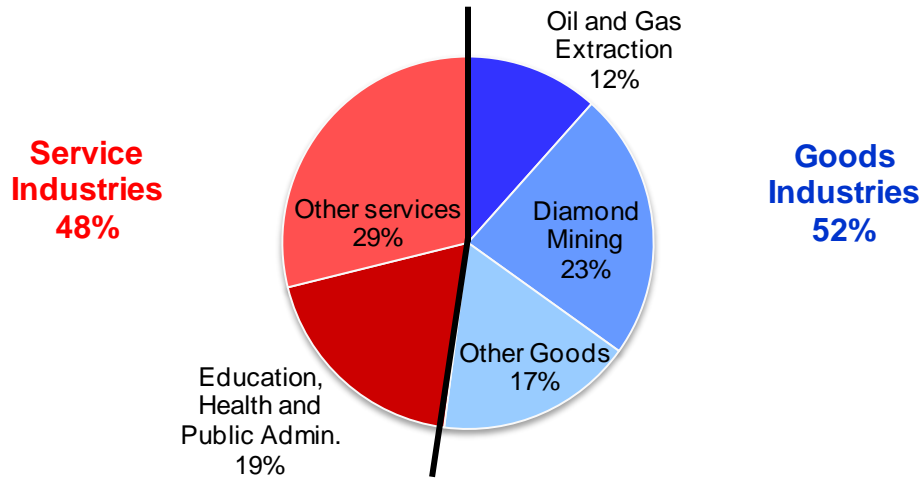
Economic Performance by Sector

The NWT economy is comprised of goods-producing and service-producing industries. Goods-producing industries use more capital investment per unit of output than service-producing industries. The service sector accounted for over 80 per cent of the employment in 2009.

Goods-Producing Industries

The goods-producing sector accounts for slightly more than one-half of the NWT economy, compared to only one-third of Canada's economy. Resource extraction industries dominate the goods-producing sector. The diamond industry was responsible for almost one-quarter of 2006 NWT GDP and the oil and natural gas extraction industries accounted for another 12 per cent. Renewable resources, construction, utilities and manufacturing accounted for the remainder.

Structure of the NWT Economy, 2006



Source: Statistics Canada

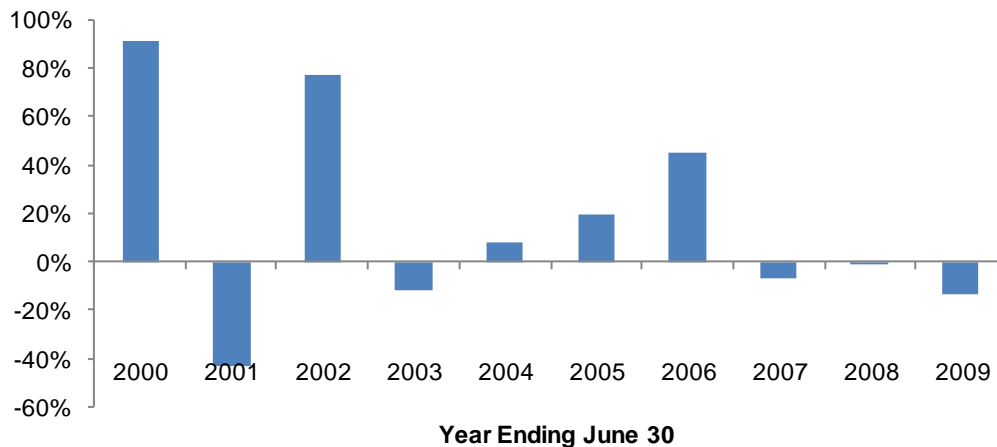
Renewable Resources

The renewable resource sector includes trapping, fisheries, agriculture and forestry. Many NWT residents participate in traditional harvesting by trapping, fishing and hunting. In 2009, hunting restrictions were introduced to conserve the size of caribou herds. Caribou is an important part of the diet of many NWT residents.

Fur Harvest

Trapping remains an important source of income for many people in the NWT, especially in the smaller communities, and allows for a connection with the land that is not possible in most other occupations. For the year ending June 30, 2009, the value of fur sales was \$1.1 million, a decline of 13 per cent from the previous year. Price declines offset increased harvest volumes of marten and lynx.

Annual Percentage Change in the Value of the NWT Fur Harvest, 2000 to 2009



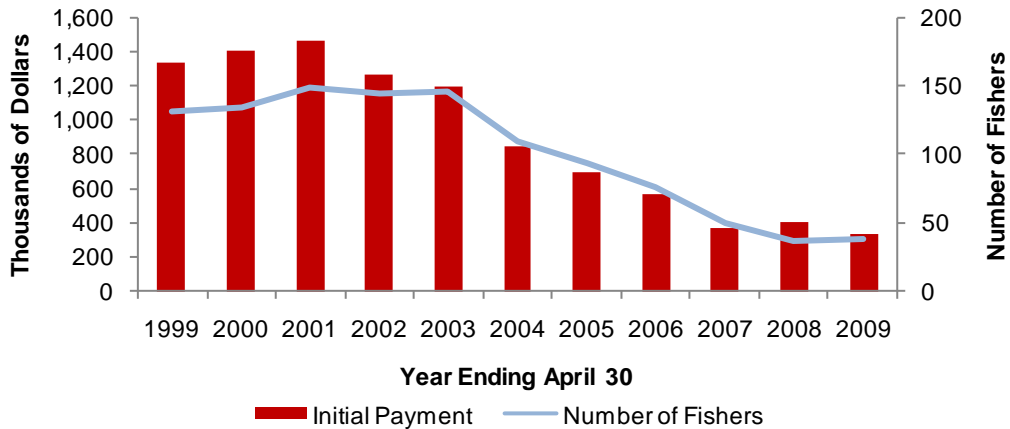
Source: NWT Bureau of Statistics

Commercial Fishery

The NWT’s commercial fishery is a small but valued part of the territory’s economy. The Freshwater Fish Marketing Corporation, a federal Crown corporation, is the buyer, processor and marketer of freshwater fish sold across provincial and international borders from Northwestern Ontario, the three Prairie provinces and the NWT.

Initial payments to NWT fishers – on a delivery-point, net-of-freight basis – declined to \$0.3 million in 2009 from \$0.4 million the previous year.

NWT Export Fishery: Sales and Number of Fishers



Source: Freshwater Fish Marketing Corporation
 Note: Includes only fish sold outside of the NWT

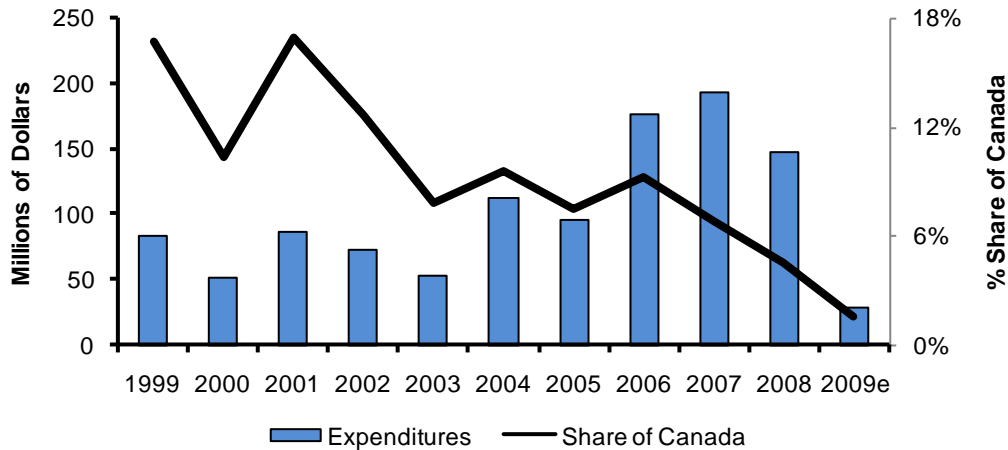
Non-Renewable Resources

Non-renewable resource industries form the largest component of the NWT GDP.

Exploration and Deposit Appraisal

Exploration expenditures include work on a range of mining activities, including field work, overhead costs, engineering, economic and pre-production feasibility studies, and environmental and land access costs. Exploration expenditures in 2009 are estimated to have been \$28.7 million, down almost 80 per cent from 2008. Exploration and deposit appraisal expenditures fell nationally by 44 per cent as the global commodity markets weakened. NWT exploration expenditures, as a share of total Canadian spending, have fallen from 17 per cent in 2001 to 2 per cent in 2009.

NWT Mineral Exploration Expenditures



Source: Natural Resources Canada
(e) estimated

Precious Metals

Precious metals include gold and silver. After many decades of gold mining in the NWT, the last of the territory's gold mines were shut down by 2004. However, recent increases in gold and other precious metal prices have led to increased exploration activity.

Price of Gold



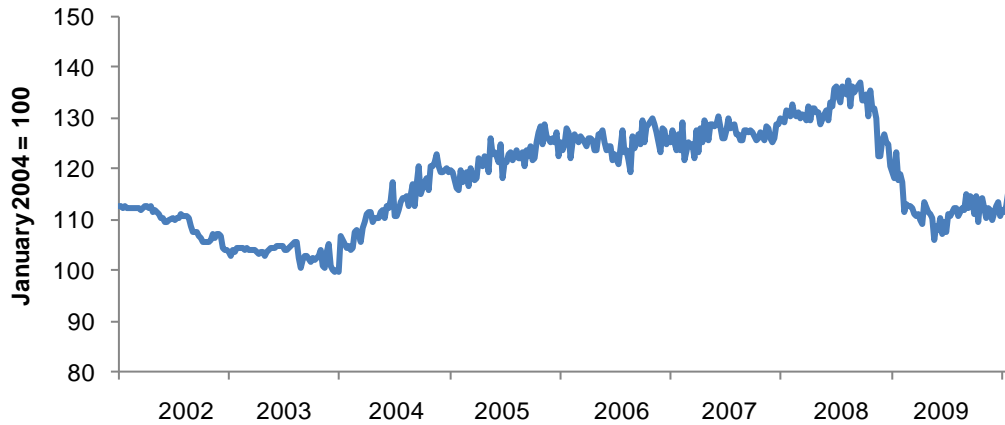
Source: Gold Insight

Diamond Mining

The main economic driver of the NWT economy is the diamond industry, with three producing diamond mines (Ekati Mine in 1998, Diavik in 2003 and Snap Lake in 2008). The owners of a fourth proposed mine, Gahcho Kué, are conducting a feasibility analysis.

The world's diamond industry suffered from the global economic downturn as diamond prices continued to fall precipitously into the second quarter of 2009. During the last half of the year, diamond prices stabilized, then recovered modestly.

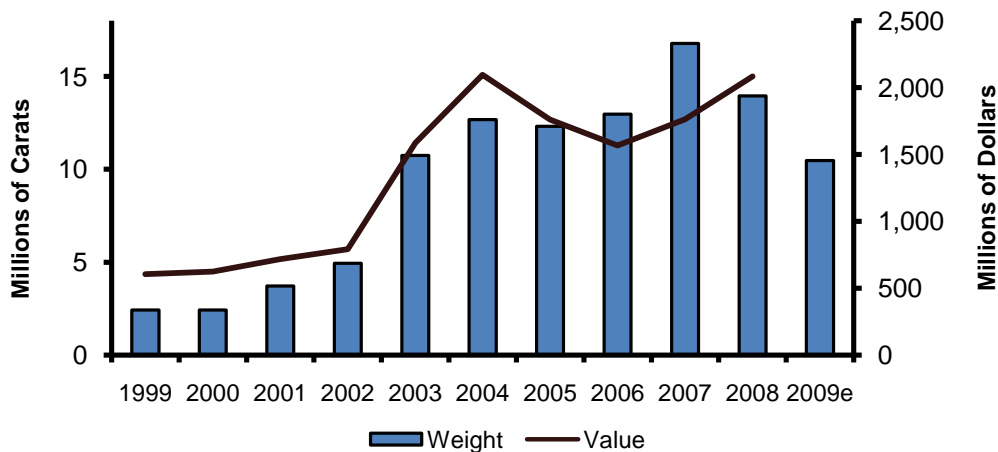
Polished Diamond Prices Index, Overall



Source: PolishedPrices.com

As a result of the economic downturn and credit crisis, NWT diamond producers postponed planned investments and scheduled temporary mine shutdowns in 2009. Mine production is estimated to have fallen by one-third from 14 million carats in 2008 to an estimated 9 million carats in 2009.

NWT Diamond Shipments: Weight and Value

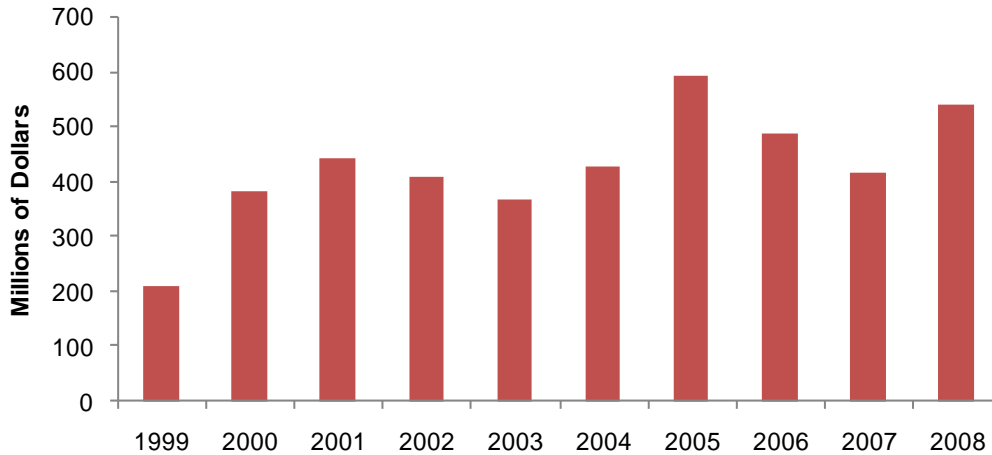


Source: NWT Bureau of Statistics and NWT Finance
(e) estimate

Oil and Natural Gas

Expenditures on oil and gas activities in the NWT have been stable in recent years. Expenditures include costs of exploration and development drilling, well completion and abandonment, and geophysical programs. Exploratory drilling in 2008 focused on the Mackenzie Delta and the central Mackenzie Valley.

Net Cash Expenditures by the Petroleum Industry: NWT and the Arctic Islands

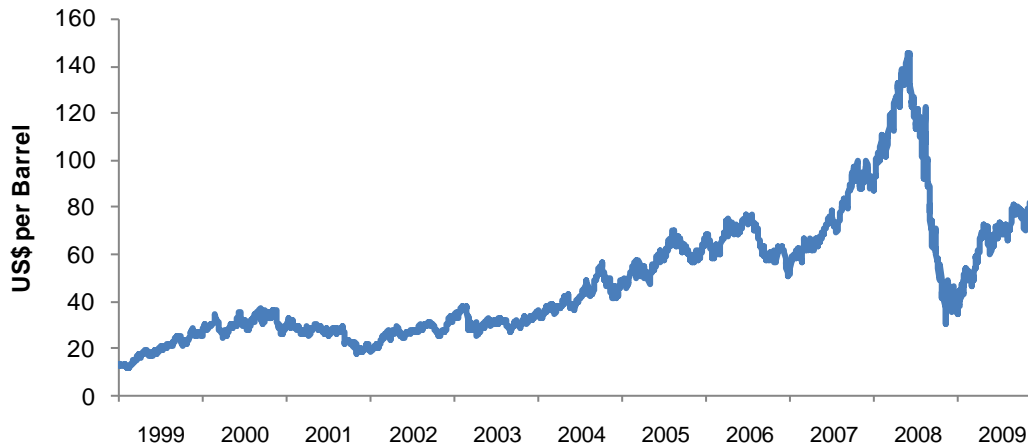


Source: Canadian Association of Petroleum Producers

Crude oil prices peaked on July 3, 2008 at US\$145 per barrel. Prices then collapsed to US\$30 by December 23, 2008. Crude oil prices almost doubled in 2009, with West Texas Intermediate averaging US\$41 per barrel during January and ending with a December average price of US\$75 per barrel.

Oil and gas production in the NWT has been gradually decreasing due to the depletion of reserves. Growth in production requires new discoveries and new field developments to replace depleted wells. If the Mackenzie Gas Project goes ahead, substantial oil and gas exploration and production would likely take place in the Mackenzie Delta and Beaufort Sea areas, making the NWT a major exporter of energy resources.

Price of Oil: West Texas Intermediate

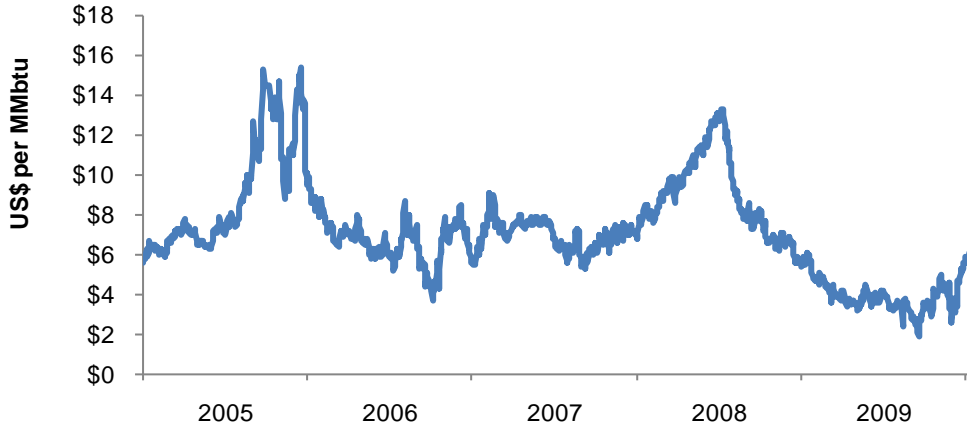


Source: U.S. Department of Energy

The following chart shows the volatility of spot market natural gas prices. Much of this volatility results from the fixed level of short-term supply and weather-sensitive changes in demand. At the beginning of 2010, the spot price for natural gas and its near-term futures price were converging at approximately US\$6 per mmBTU. Because of the volatility of spot natural gas prices, they are a less reliable indicator of the future health of the natural gas industry than futures prices, which reflect current expectations of

future North American demand and supply conditions. Futures prices have not increased since the summer of 2009. Most gas is sold on long-term contracts, not the spot market.

Price of Natural Gas: Henry Hub Spot Price

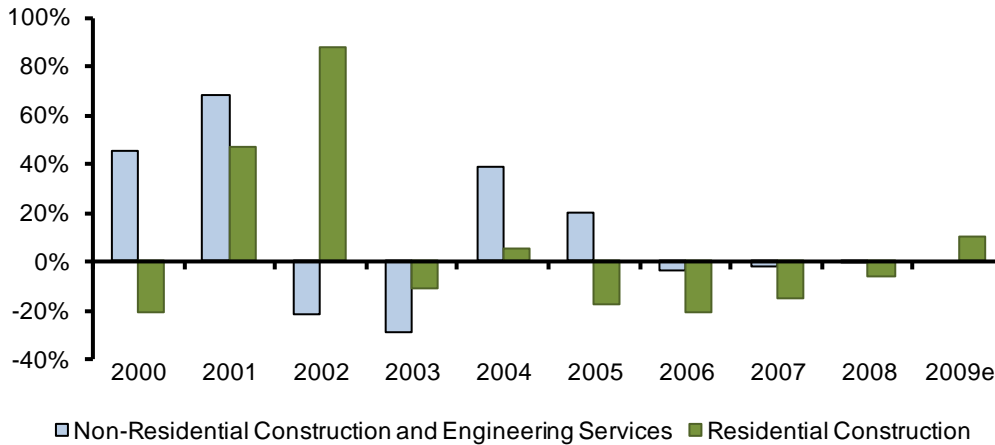


Source: U.S. Department of Energy

Construction

The construction industry includes residential and non-residential construction and engineering services. In 2006, the construction sector accounted for 11.3 per cent of the NWT GDP.

Annual Percentage Change in the Contribution of NWT Construction Activity to GDP, chained (2002) dollars



Source: Statistics Canada
(e) estimate

The value-added of residential construction is projected to increase 10 per cent in 2009. From a peak in 2002, the value of residential construction activity fell by one-half through 2008. Other construction activities have been stable since 2006, recording a decrease of less than one per cent in 2008. No estimates are available for 2009.

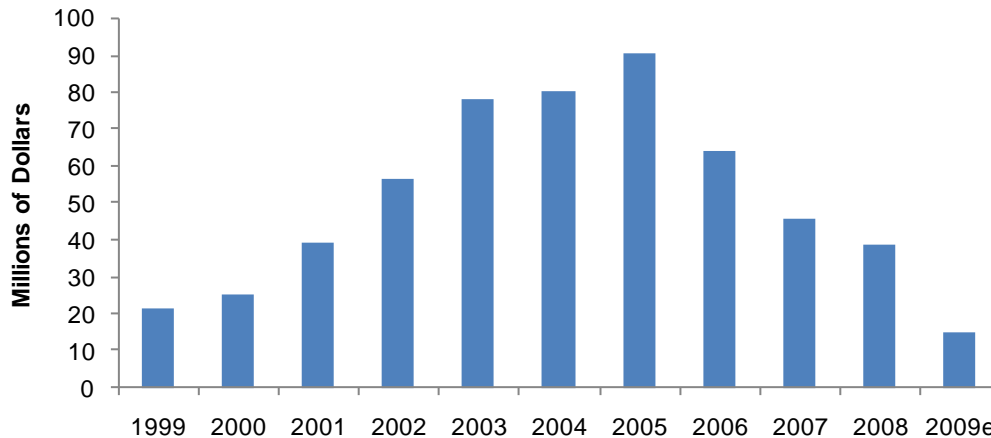
The GNWT increased its capital budget from \$181 million in 2008-09 to \$426 million in 2009-10 to help mitigate the impact of the slowdown in the NWT economy. This increase is not included in Statistics Canada's preliminary estimates for 2009.

Manufacturing

The NWT's manufacturing sector includes a variety of businesses such as food processors, cement and concrete producers, jewellery artisans and diamond processors. Prior to 2005, NWT manufacturers and wholesalers benefited from the strong economic growth of the diamond-mining industry.

The value of sales by manufacturers has fallen every year since peaking in 2005. Based on reported value of shipments for the first nine months of 2009, sales are projected to fall by more than half from 2008. Information on specific manufacturing industries is not released due to confidentiality concerns.

Value of NWT Shipments by Manufacturers, All Industries



Source: NWT Bureau of Statistics
(e) estimate

Service Industries

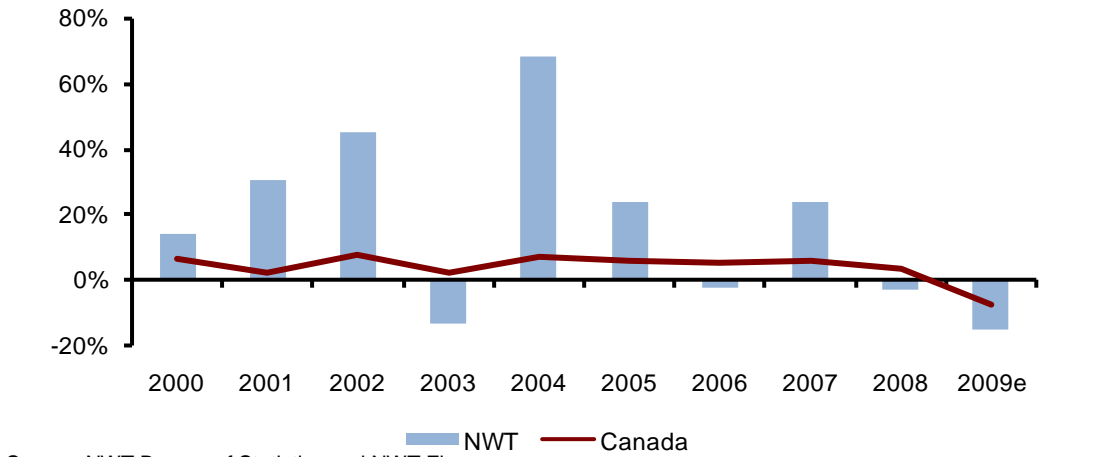
In 2009, service industries accounted for 48 per cent of the NWT economy, compared to 67 per cent nationally. The service sector includes a wide range of industries such as wholesalers, banks, retailers and hotels. The broad public sector is also included in the service sector: schools, hospitals, police and fire services, federal and territorial departments, as well as local and Aboriginal governments.

Wholesale Trade

Wholesalers handle the distribution of merchandise to retailers, business, and institutional customers, including the supply of equipment and capital goods. The sector is strongly influenced by capital investment and business activity.

Wholesale trade is estimated to have fallen 15 per cent from 2008 to 2009, following a one per cent drop from 2007 to 2008.

Annual Percentage Change in the Value of Wholesale Trade, NWT and Canada

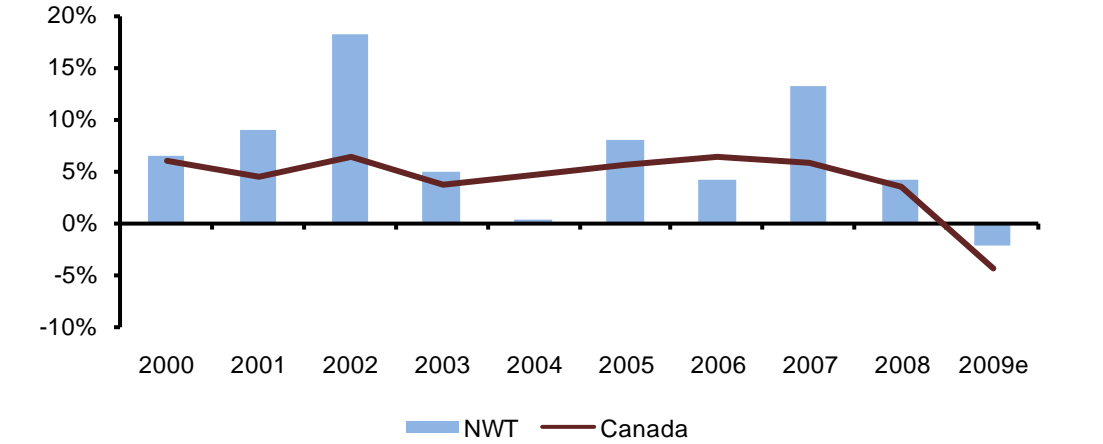


Source: NWT Bureau of Statistics and NWT Finance
(e) estimate

Retail Trade

Retail sales are sales to the final consumer and include the full range of consumer services. The economic downturn impacted the NWT’s retail sector from the last quarter of 2008. Based on the first ten months of 2009, retail sales are projected to decline 2 per cent from 2008. Nationally, the drop in retail sales was more severe, with an estimated 4 per cent decrease from 2008 to 2009.

Annual Percentage Change in the Value of Retail Trade, NWT and Canada



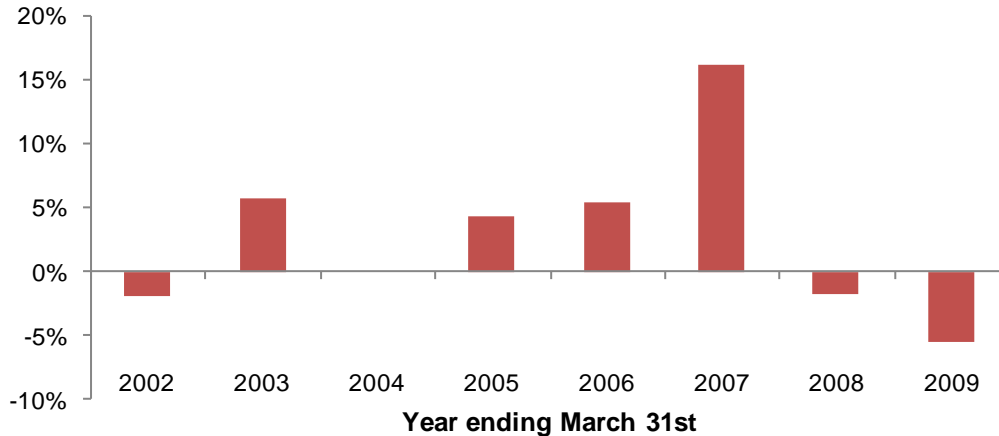
Source: NWT Bureau of Statistics and NWT Finance
(e) estimate

Tourism

Tourism is an important part of the NWT’s economy, with large untapped potential. There are four components to the territory’s tourist trade: eco-tourism, hunting and fishing lodges, leisure travel and business travel.

Total spending by visitors peaked in 2007, reaching \$140 million. It fell in each of the next two years, for a total decrease of almost 8 per cent. Business traveller spending moderated the decline with a 5.4 per cent decrease in expenditures from 2007 to 2009, compared to a 10 per cent decrease in leisure visitor expenditures.

Annual Percentage Change in Total Expenditures by Leisure and Business Travellers to the NWT



Source: NWT Industry, Tourism and Investment

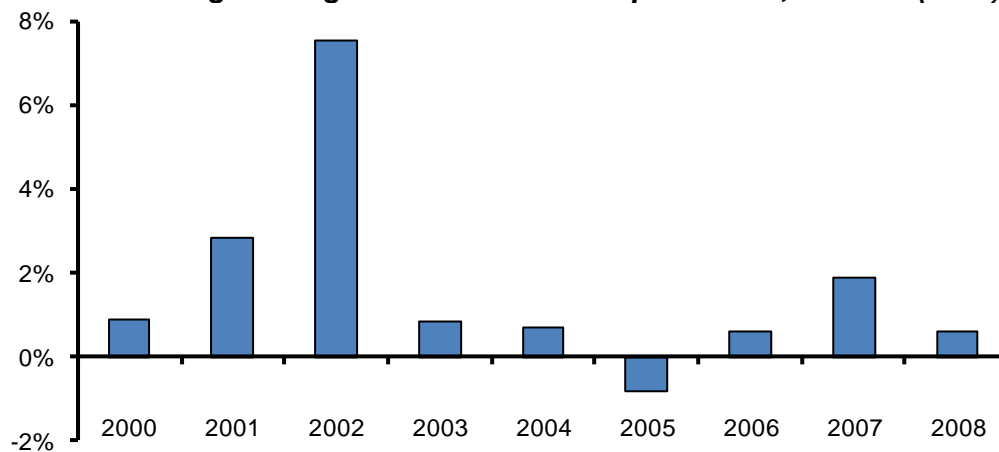
Public Administration

Public administrative services includes all levels of government in the NWT (federal, territorial, local and Aboriginal). This includes the courts, policing and correction services, fire protection, defence and public program administration, but excludes the health, social services and education sectors.

Public administration is measured in terms of its contribution to NWT GDP. This avoids double-counting government expenditures, a particular problem when money is transferred from one level of government and spent by another level of government.

Public administration increased by 0.6 per cent from 2007 to 2008. This was well below the average annual growth rate of 1.7 per cent since 1999, but equal to the average annual growth rate since 2002.

Annual Percentage Change in Public Sector Expenditures, chained (2002) dollars



Source: Statistics Canada

FISCAL REVIEW

The 2010-11 Budget continues the work of the first two budgets of the 16th Legislative Assembly toward achieving the vision of the Assembly while maintaining a stable fiscal position. This Budget continues to respond to the economic challenges facing the NWT.

The plan that the GNWT began to put in place two years ago meant the GNWT was well positioned to address the challenges posed by world economic conditions.

Previous NWT budgets made investments in education and training; lowering the cost of living; supporting children, youth, families and seniors; promoting healthy lifestyles; growing and diversifying the NWT economy; addressing climate change; and, changing the way government does business.

The 2010-11 capital budget, approved in October 2009, plans to invest \$222 million in territorial and federal funding in public infrastructure and \$37 million in housing. Together with a record \$485 million investment in 2009-10, this represents a two-year \$744 million investment in roads, bridges, schools, houses and other critical infrastructure. Just as important, this investment is providing needed stability for the NWT economy during the slowdown in private sector activities.

The 2010-11 Budget includes the second year of the GNWT's four-year plan to invest \$60 million in energy programs and infrastructure that will help lower the costs of energy in the NWT and reduce the territory's reliance on fossil fuels.

Fiscal Situation

The GNWT faces a number of fiscal challenges that are exacerbated by the ongoing economic uncertainty:

- ◆ Revenue-raising initiatives are limited by the NWT's small tax base and the need to be competitive with other jurisdictions.
- ◆ Corporate income tax revenues in 2009-10 are projected to be \$29 million lower than forecast in the 2009-10 Main Estimates. Corporate income tax revenues are volatile and the Territorial Formula Financing arrangements are slow to respond to changes in own-source revenues.
- ◆ The NWT population declined by 281 people from 2008 to 2009 and has only increased by 241 persons between the 2006 Census and 2009.

- ◆ Pressures on expenditures from ongoing demands for government programs and services present challenges for keeping expenditure growth at moderate levels. While program reviews will identify some cost savings, choices will be required to control the growth in operating expenditures.
- ◆ Operating surpluses are required to fund the GNWT's infrastructure investments in keeping with the *Fiscal Responsibility Policy*, which requires operating surpluses to be generated to finance at least half of the government's infrastructure investments.

On the positive side:

- ◆ Territorial Formula Financing arrangements are enacted in federal legislation, with regulations for calculating Territorial Formula Financing Grants effective until March 31, 2014. It is not expected that there will be significant changes or enhancements to Territorial Formula Financing over the forecast period.
- ◆ The GNWT carries no long-term direct debt and relatively little short-term debt and therefore faces a limited interest expense burden.
- ◆ The GNWT has a sound Aa1 credit rating from Moody's Investors Service.

Fiscal Strategy

The GNWT remains committed to keeping its expenditure growth in line with revenue growth and adhering to the *Fiscal Responsibility Policy*. The GNWT is prepared to incur an affordable level of debt over the medium term to make investments that support the NWT economy during the economic slowdown. However, these expenditures must be sustainable over the longer term.

The fiscal strategy introduced by the GNWT two years ago included making significant expenditure reductions and introducing new tax revenues. These measures were meant to stabilize the government's fiscal position and make funds available for investment in priority areas. Changing economic circumstances have meant postponement or revisions to that strategy. Significant tax measures have been deferred and the size of spending reductions curtailed. Investment in infrastructure has been greatly expanded. However, in the absence of further expenditure reductions or significant tax increases, tight control must be exerted over expenditure growth and capital investment must decline to historical levels in order to keep the fiscal plan sustainable. Through the efforts of GNWT departments, expenditure growth has averaged 3.6 per cent annually since 2007-08, down from an average of 5.9 per cent over the previous four years. The 2010-11 Budget continues the consolidation of some government processes, which is expected to produce more savings and efficiencies.

The revised Fiscal Framework that is incorporated in the 2010-11 Main Estimates includes the following components.

- ◆ In 2009-10:
 - Forced growth was capped at 3 per cent, excluding Collective Agreement adjustments,
 - Tax measures generating an estimated \$7.3 million were imposed, and
 - \$44 million in new investments were added to the operating base.

- ◆ In 2010-11, expenditure growth from the 2009-10 Main Estimates will increase \$92 million, composed of \$48 million in compensation and amortization increases, \$25 million in forced growth and \$17 million in net spending on new initiatives.
- ◆ Starting in 2011-12, expenditure growth, net of compensation increases, will be capped at 3 per cent, or about \$32 million, for new spending each year for both forced growth and new investments. Reductions may be identified through program reviews and could allow adjustments to these targets.
- ◆ Once the current infrastructure investment plan projects are completed, capital investment will be reduced to \$75 million per year, starting in 2012-13.

2010-11 Budget

The 2010-11 Budget proposes operating expenditures of \$1.29 billion and forecasts revenues of \$1.36 billion. After taking into account infrastructure contributions and supplementary reserve requirements, an operating surplus of \$35.3 million is forecast.

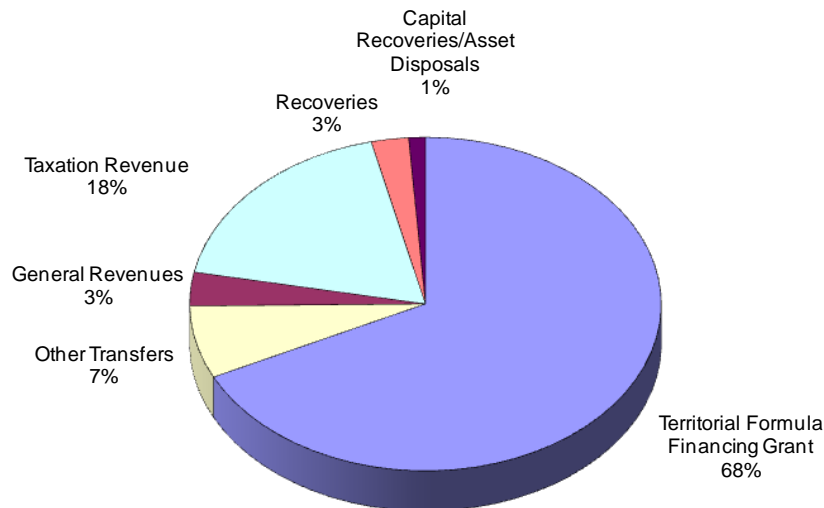
Infrastructure investments for 2010-11 approved in October 2009 are \$221.8 million.

The large capital investments underway for 2009-10 and planned for 2010-11 will result in the GNWT incurring short-term direct debt of \$89 million on March 31, 2011. Other GNWT debt consists of \$190 million in guaranteed debt of the NWT Power Corporation, the NWT Energy Corporation, the NWT Housing Corporation and the Yellowknife Public Denominational District Education Authority. The federal government limits total debt of the GNWT and its corporations and agencies to \$500 million.

Revenues

Total 2010-11 revenues are forecast to increase \$65 million, or 5 per cent, from a projected \$1.29 billion in the 2009-10 Revised Estimates to \$1.36 billion.

2010-11 GNWT Revenues by Source



The Territorial Formula Financing Grant will increase by \$56 million from 2009-10. Other transfers from Canada are forecast to be \$95 million, a \$27 million decrease from the 2009-10 Revised Estimates. The decrease is primarily due to the winding up of Building Canada projects.

Taxation revenues are forecast to grow by 16 per cent, or \$35 million, from the 2009-10 Revised Estimates, reflecting expected growth in the territorial economy. The main components of the expected increase are:

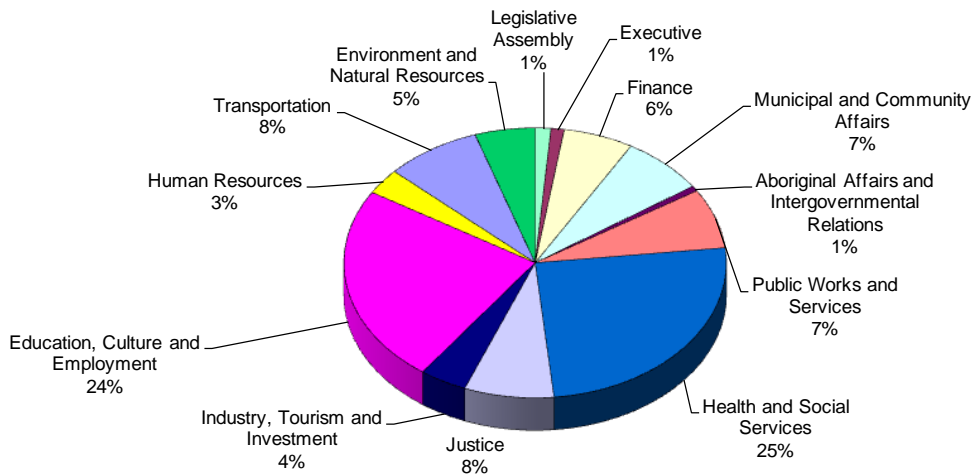
- ◆ \$26 million increase in corporate income tax revenues, and
- ◆ \$6 million increase in personal income tax revenues.

Expenditures

The 2010-11 Budget proposes \$1.29 billion in operating expenditures.

Budgeted operating expenditures are forecast to increase \$92 million from the 2009-10 Main Estimates, or 7.6 per cent (5.7 per cent increase from the 2009-10 Revised Estimates). Excluding collective bargaining increases and amortization expenses associated with the record capital investment in 2009-10, expenditures will increase by 3.6 per cent over the 2009-10 Main Estimates. Concerted effort is being made to hold expenditure growth to a sustainable level. Expenditures increased 2.2 per cent from 2007-08 to 2008-09 and 1.5 per cent from 2008-09 to 2009-10.

2010-11 Operations Expenditures by Department



Initiatives

The 2010-11 Budget continues the investments set out in the 2008-09 and 2009-10 Budgets. Over the long term, expenditures under these initiatives will improve the lives of NWT residents by supporting sustainable communities, lowering the cost of living, encouraging economic development, better preparing the GNWT to protect NWT lands and waters and improving the efficiency of the GNWT in delivering programs and services.

Supporting Sustainable Communities

The goals of the 16th Legislative Assembly include achieving sustainable, vibrant and safe communities in the NWT.

The GNWT's investments in programs to enhance community capacity for capital planning and investments have increased economic activity in many NWT communities. Funding for community governments has increased 7.3 per cent to \$66 million in the 2010-11 Budget.

The Committee on Sustainability of Rural and Remote Communities has developed an investment strategy to help improve GNWT services in small and remote communities. The 2010-11 Budget includes \$3.6 million in investments to implement the Committee's recommendations, including:

- ◆ \$950,000 for a single service window centres pilot project to provide services and support to residents in rural and remote communities and help them access services that are currently only provided at the regional or territorial level.
- ◆ \$677,000 to expand the number and size of community access road projects for hunting, wood gathering and recreation, and to include the development of granular access roads and marine facilities for local boating in the program.
- ◆ \$600,000 for early childhood small communities' initiatives including expanding staffing and providing funds to enhance licensed early childhood programs in small and remote communities.
- ◆ \$400,000 for settlement maintainer positions in Wrigley, Fort Resolution and Behchokò to increase the number of qualified maintenance employees operating in these communities.
- ◆ \$450,000 to fund additional regional youth officer positions in the North Slave, Sahtu and South Slave regions to support youth, youth serving organizations and community governments.
- ◆ \$400,000 for a contribution program to help host regional youth sports events.
- ◆ \$135,000 to support community-based efforts to implement the *Crystal Meth and Associated Drugs Strategy*.
- ◆ \$23,000 to expand court workers' skills to better serve clients.

As a separate initiative, the 2010-11 Budget includes \$223,000 to establish an annual summer Language Symposium to help ensure the continued, regular use and revitalization of Aboriginal languages.

Other initiatives targeted at making NWT communities safer through crime prevention and enhanced policing and more economically sustainable by reducing the cost of living are:

- ◆ \$121,000 to increase regular RCMP patrols in communities without resident RCMP detachments.
- ◆ \$987,000 to increase the size of smaller RCMP detachments as part of the implementation of the RCMP back-up policy.
- ◆ \$58,000 to hire new apprentices in designated trades and occupations to address the need to train skilled tradespersons in rural and remote communities.

2010-11 Support for Sustainable Communities (thousands of dollars)**More Efficient Government Services**

Single Window Service Centres pilot project	950
Community Access Roads Program	677
Early Childhood Small Communities' Initiative	600
Settlement Maintainer positions in Wrigley, Fort Resolution and Behchokò	400
Regional Youth Officer positions in Fort Smith, Norman Wells and Yellowknife	450
Regional Youth Sports Events	400
Enhanced Crime Prevention	135
Annual Court Worker Training	23
	3,635

Crime Prevention and Policing

RCMP in Smaller Communities	121
Enhancing Police Services	987
	1,108

Employment Opportunities

Hiring New Apprentices in Designated Trades and Occupations	58
Small Community Employment Supports	350
	408

Reducing the Cost of Living

Update the Cost of Living Rent Reduction	160
Develop a NWT Nutritious Food Plan	400
Commercial Harvest Processing and Fish and Meat Marketing Promotion and Support	450
Agriculture Development Infrastructure	250
Wekweèti Winter Road Construction	250
Fort Simpson Region Ice Bridge Construction Acceleration	150
Operations Related to Runway Extensions in Fort Good Hope and Tulita	18
	1,678

Other

Official Languages Implementation	223
	223
	7,052

- ◆ \$350,000 to provide opportunities for youth in small communities to gain work experience through a summer employment incentive program for employers in these communities.
- ◆ \$160,000 to update the cost of living rent reduction. The cost of living rent reduction reduces the cost of rent payable for tenants in public housing.
- ◆ \$400,000 to develop a nutritious food education plan.
- ◆ \$450,000 to promote and support the commercial harvest processing and marketing of fish and meat in the NWT through investments to support packaging, distribution and promotion of northern fish and meat products to NWT consumers.
- ◆ \$250,000 for investment in community-based agricultural development initiatives and the expansion of existing operations to increase yields in a cost effective, energy efficient manner.
- ◆ \$250,000 for Wekweèti winter road construction.
- ◆ \$150,000 to accelerate the construction of ice bridges in the Fort Simpson region through increased flooding and spraying, allowing earlier opening and later closing of ice roads in the region.
- ◆ \$18,000 for operations related to runway extensions in Fort Good Hope and Tulita.

Supporting Our Economy

The 2010-11 Budget continues investments in key priorities that maximize opportunities from economic development and also support the economy during the current slowdown. These investments will be made with the expectation that support for employment training and economic diversification will produce, in the long run, a balanced, diversified and sustainable NWT economy. The 2010-11 Budget includes \$3.5 million in new funding for the following investments:

- ◆ \$255,000 to promote population growth by building on current initiatives under the *NWT Growth Strategy*.
- ◆ \$560,000 to build on previous national marketing campaign activities to promote the NWT as a great tourism destination and a preferred place to live and work.
- ◆ \$250,000 to increase the number of mine employees living in the NWT under the mining workforce initiative.
- ◆ \$150,000, for a total of \$200,000, to address increased operations and maintenance costs at, and support new capital initiatives in, NWT parks.
- ◆ \$80,000 to start planning to host the 2011 Western Premiers' Conference as an opportunity to showcase the NWT's economic and tourism potential.
- ◆ \$200,000 in additional support for apprentices to help them complete apprenticeship or occupational certifications.
- ◆ \$650,000 for Aurora College programs (\$400,000 for enhanced labour market programs, \$100,000 for a student wellness coordinator, and \$150,000 for the office administration certificate program).
- ◆ \$100,000 to support adults with the application and documentation processes needed to obtain a high school diploma.
- ◆ \$300,000 in additional funding for the *Support for Entrepreneur and Economic Development (SEED)* program, bringing total 2010-11 support to \$3.5 million.
- ◆ \$300,000 for the *Sports Hunter Outfitter Marketing Support* program to provide additional help to the industry to market existing products or to develop new products, bringing the total contribution for 2010-11 to \$600,000.
- ◆ \$125,000 to implement specific activities in the *NWT Arts Strategy* to further support the promotion of NWT arts and crafts production.
- ◆ \$100,000 to assist NWT artists with the production, advertising and marketing of their products.
- ◆ \$200,000 to increase support for NWT arts and culture with increased grants to individuals and organizations to promote the NWT and to create employment in arts and culture industries.
- ◆ \$140,000 in Mackenzie Gas Project investments to ensure that the GNWT's regulatory requirements for the Project are understood and adhered to.
- ◆ \$50,000 for feasibility studies and financial and economic analysis for the potential construction of a seasonal overland route in the Slave Geological Province.

2010-11 Support for the Economy (thousands of dollars)***Promoting the NWT as a Great Place to Live and Work***

Developing and Implementing <i>NWT Growth Strategy</i>	255
National Marketing Campaign	560
Maximizing Northern Residency - Mining Workforce Initiative MOU	250
Enhanced O&M for Parks Renewal	150
Hosting 2011 Western Premiers' Conference	80
	1,295

Training

Additional Support for Apprentices	200
Aurora College Programs	650
Promotion of Secondary School Diploma for Adults	100
	950

Support for Business

New SEED policy and enhanced funding	300
Sports Hunter Outfitter Marketing Support	300
Promote Arts and Crafts Production	125
Promote NWT Artists	100
Increased Support for the Arts	200
MGP Strategic Investment	140
Construction of a Seasonal Overland Route in Slave Geologic Province	50
	1,215
	3,460

Protecting Our Environment

A total of \$3.9 million in new initiatives will be provided in 2010-11 to ensure that NWT land and water resources are used in ways that protect these resources for future generations. Funding includes:

- ◆ \$782,000 in additional funding to continue work on developing and implementing a *Land Use Framework*.
- ◆ \$227,000 to continue supporting work on critical wildlife areas for Protected Areas.
- ◆ \$250,000 for the creation of a Protected Areas Strategy Analyst position in the Deh Cho region to work directly with the Wrigley and Jean Marie River communities to create a new territorial park through the *Protected Areas Strategy* process.
- ◆ \$821,000 to finalize the *NWT Water Strategy* through public consultation and to begin implementation of the strategy through transboundary negotiations and partnership agreements, action plans and research.
- ◆ \$200,000 for development of aquatic ecosystem indicators including research, ongoing monitoring, pilot projects for community monitoring and ongoing evaluation.
- ◆ \$115,000 for development of a watershed decision-support tool to protect each community's public water supply source, focusing on elements with the highest potential risk to the current supply or reasonably foreseeable future water supply.
- ◆ \$100,000, above the already allocated \$250,000, for additional work on the *Climate Change Adaptation Plan* to refine climate scenarios, initiate a geophysical permafrost survey, identify permafrost vulnerabilities and implement the Plan through outreach to affected communities.
- ◆ \$591,000 to implement the *Species at Risk Act*.

- ◆ \$200,000 in incremental funding, for a total of \$400,000, to update the 30-year old *Wildlife Act* and *Regulations* to better protect and manage wildlife in the NWT.
- ◆ \$120,000, for a total of \$300,000, for the *Traditional Knowledge Implementation Strategy*.
- ◆ \$5,000 for water supply system upgrades, training and support.
- ◆ \$264,000 financed by the *Building Canada Infrastructure Plan* for research into climate change impacts on infrastructure.
- ◆ \$130,000 to continue work to finalize and implement land, resources and self-governments.
- ◆ \$80,000 to advance devolution discussions.

2010-11 Protecting Our Environment (thousands of dollars)

Environmental Stewardship

Develop and Implement a <i>Land Use Framework</i>	782
Supporting Work on Critical Wildlife Areas for Protected Areas	227
Protected Area Strategy Analyst	250
NWT Water Strategy Development	821
Development of Aquatic Ecosystem Indicators	200
Development of Watershed Decision-Support Tool	115
Additional Work on Climate Change Adaption Plan	100
Implementing the <i>Species at Risk Act</i>	591
Development of the <i>Wildlife Act</i>	200
Traditional Knowledge Implementation Strategy	120
Water Supply System Upgrades, Training and Support	5
Building Canada Infrastructure Plan (Research & Development of Climate Change)	264
	3,675

Governance Development

Continue work to finalize and implement land, resources and self government	130
Advance devolution discussions	80
	210
	3,885

Investing in Children, Youth and Families

The 2010-11 Budget provides \$770 million in spending for programs directed at education, health care, housing and policing services.

A total of \$4.6 million in new funds will be provided for actions that focus on children and youth, promote healthy choices, address addictions, support families and seniors, and increase the safety and security of individuals and communities, including:

- ◆ \$1.3 million to improve the educational success rate of Aboriginal students through the creation of an Aboriginal Student Achievement Coordinator position, literacy promotion, afterschool tutoring pilot programs and the development of culturally appropriate orientation for new teachers.
- ◆ \$650,000 in annual contributions to fund Team NWT's participation in multi-sport events such as the Arctic Winter Games and the Canada Winter and Summer Games.

Investments in Children, Youth and Families (thousands of dollars)

Aboriginal Student Achievement	1,300
Multi-sport Games	650
Youth Programs	200
Enhanced Implementation of the <i>Healthy Choices Framework</i>	1,150
Stabilize Existing Family Violence Shelters	110
Program for Abusers Related to Family Violence	67
Expansion of Early Childhood Development Programs	600
Expanding the <i>Drive Alive!</i> Program	150
Family Law Reform	65
Enhance Community Services	22
Human Rights Commission - Self Represented Clients	50
Review of Child and Family Services Act (one-time)	198
	4,562

- ◆ \$200,000 to continue funding pilot programs for youth, including *Take a Kid Trapping*, Youth Ambassadors Program, Northern Youth Abroad, Youth forums, wilderness education programs and National Aboriginal Achievement Awards.
- ◆ \$1.15 million for continued implementation of the *Healthy Choices Framework*, including increased funding to expand afterschool physical activity programs to 31 communities and expansion of the *Don't be a Butt Head* non-smoking campaign.
- ◆ \$110,000, for a total of \$450,000, to expand the support services for existing family violence shelters, increase the capacity of existing staff and implement consistent policies and procedures within the NWT health and social services system.
- ◆ \$67,000 in additional funding, for a total of \$192,000, to pilot a program to help men who use violence in intimate relationships to change their behaviour. This is part of Phase II of the Family Violence Action Plan.
- ◆ \$600,000 to expand access to, and improve the quality of, early childhood development programs through the support of culturally-relevant programs, the training of early childhood workers and family literacy coordinators, and improving transitions to Grade One.
- ◆ \$150,000 to expand the *Drive Alive!* campaign. This program puts all surface transportation safety campaigns under a single program to reduce administration costs while more effectively increasing public transportation safety awareness, thereby reducing surface transportation-related injuries and deaths.
- ◆ \$65,000 to implement two pilot programs: a mediation program for separating parents and an education program on parenting after separation and divorce to help couples gain the skills they need to be parents in changed circumstances.
- ◆ \$22,000 in additional funding to increase support services for women and children who experience family violence. This brings additional support in 2010-11 to \$482,000.
- ◆ \$50,000 in additional funding for the Human Rights Commission to provide self-represented clients with legal support.
- ◆ \$198,000 for a review of the *Child and Family Services Act*.

Creating Affordable Government

The GNWT is committed to the delivery of programs and services in the most efficient way. Work is also ongoing to change the way the GNWT plans and delivers infrastructure, improve human resource management, implement changes to GNWT boards and agencies, ensure effective service delivery in smaller NWT communities, and stabilize the GNWT's relationship with non-government organizations.

A total of \$6.1 million in new initiatives will be provided in 2010-11 to improve the way government does business, including:

- ◆ \$2 million to implement *20/20: A Brilliant North – NWT Public Service Strategic Plan*, including training and development, management support, intern and student employment, marketing, and recruitment.
- ◆ \$1 million to improve community capacity through a local government employee trainee program, community human resource assessments, mentorship programs and professional workshops.
- ◆ \$200,000, for a total of \$500,000, in 2010-11 to prepare a knowledge management strategy to achieve more effective and economical use of information technologies.
- ◆ \$250,000 to complete planning, design and transition activities to implement the financial shared services centre and a shared services and procurement model.
- ◆ \$134,000 to manage the GNWT's corporate planning process.
- ◆ \$99,000 to support electronic health, medical records and imaging management systems.
- ◆ \$247,000 to fund staffing and maintenance costs for expanded on-site lab and diagnostic imaging (x-ray and ultrasound equipment) at the consolidated health clinics in Yellowknife, resulting in faster turnaround times to inform physicians and patients of lab and test results.
- ◆ \$106,000 in one-time funding to build a separate, dedicated internet delivery system for the Department of Education, Culture and Employment to provide greater capacity for internet use by the education system, including the electronic student information system, distance education, professional development for teachers and a wider range of courses for students.

Affordable Government (thousands of dollars)

Implement " <i>20/20: A Brilliant North - NWT Public Service Strategic Plan</i> "	2,017
Improve Community Capacity	1,000
Knowledge Management Strategy Renewal	200
Financial Shared Services and Procurement	250
Corporate Capital Planner	134
Electronic Health, Medical Records and Imaging	99
Consolidated Health Clinics in Yellowknife	247
Enhanced Support for Internet Use by Education System	106
Science Agenda Implementation	298
2011 Census Support	155
Coroner Service	99
Commercial Transportation & Licence Plate	500
Funding gap identified in the transfer of building preventive maintenance funding	1,003
	6,108

- ◆ \$298,000 for the preparation of a science agenda that describes the GNWT's interests, provides direction on addressing these interests and allows the GNWT to set the priorities and agenda for research activities carried out in the NWT and to ensure that northern participation in research activities is increased.
- ◆ \$155,000 to continue the successful strategy used in the 2006 Census to maintain and improve data quality and coverage in the 2011 Census.
- ◆ \$99,000 to return the position of Chief Coroner to the public service and to promote a stable, skilled NWT Coroner Service.
- ◆ \$500,000 to re-organize the responsibilities of Highway Transportation Officers to increase the focus on enforcement and inspections and to adopt a new licence plate with reflective properties.
- ◆ \$1 million to increase funding for preventive maintenance in GNWT buildings.

Other Initiatives

This Budget proposes one-time funding of \$864,000 in 2010-11 to support the work of the Northern Leaders' Forum. This funding will be used to fund conferences, public consultations and research projects in the areas of capacity building and governance.

The GNWT is working to control expenditure growth, particularly in the fastest growth areas such as health care. There are, however, necessary ongoing health care investments that have been added to the 2010-11 Budget including:

- ◆ \$530,000 to fund the additional lease costs of the Consolidated Primary Care Clinic in Yellowknife,
- ◆ \$2 million to fund operational costs associated with the Territorial Dementia Facility in Yellowknife, and
- ◆ \$1.4 million for ongoing operational costs of the Hay River Territorial Supported Living Campus.

The 2010-11 Budget also allocates \$3.7 million in one-time funds to cover the demolition costs of the Chief Albert Wright School in Tulita and the Deh Cho Hall in Fort Simpson. These buildings have been replaced.

Looking Forward and Other Initiatives (thousands of dollars)

Development of a common vision for the political development of the NWT	864	864
Investments in Health Care		
Consolidated Primary Care Clinic (Approved in principle)	530	
Territorial Dementia Facility	2,041	
Hay River Territorial Supported Living Campus	1,395	3,966
One-time Initiatives		
Demolition of Chief Albert Wright School, Tulita	810	
Demolition of Deh Cho Hall, Fort Simpson	2,875	3,685
		8,515

Energy Investments

In the 2009-10 Budget, the GNWT committed \$60 million over four years to advance the *GNWT Energy Investment Plan*. This Plan is used to find energy alternatives that reduce the NWT's reliance on diesel fuel and ultimately reduce the cost of living in the NWT. The 2010-11 Budget includes the previously announced *Energy Investment Plan* commitments for 2010-11 of \$15.8 million and adds a further \$3.3 million, for a total of \$19.1 million in 2010-11.

	2010-11 Amounts (Previously Committed)	Increase in 2010-11 Budget	2010-11 Total
Hydro			
Taltson Hydro Expansion Project	200	-	200
NWT Hydro Strategy	1,500	-	1,500
Lutselk'e Mini-Hydro Facility	250	200	450
Whati Mini Hydro / Transmission Line	250	-	250
Fort Providence Transmission Line	400	200	600
Bear River Feasibility	1,000	500	1,500
In-stream Hydro Project	50	-	50
Alternative Energy and Emerging Technologies			
Beaufort Wind Energy Supply	100	-	100
Biomass Strategy Development and Implementation	2,000	1,000	3,000
Support for Geothermal Technology	150	-	150
Support to Arctic Energy Alliance to develop the Alternative Energy Mapping Project	550	-	550
Wind monitoring in the NWT	-	200	200
Solar Hot Water Heating Systems for Community Pools	-	100	100
Energy Conservation and Efficiency			
Expansion of Residual Heat	1,000	800	1,800
Energy Efficiency Incentive Program Enhancement	350	-	350
Completion of Energy Plans for each NWT community	150	-	150
Funding for Arctic Energy Alliance for a Regional Energy Pathfinder position	-	178	178
Initiatives to Reduce GNWT Energy Costs			
Capital Asset Retrofit Fund	3,500	150	3,650
Energy Retrofits of NWT Housing Corporation Assets	1,000	-	1,000
Policy			
Territorial Power Subsidy Program Enhancement	3,000	-	3,000
Electricity Review	50	-	50
Other			
Natural Gas Conversion Feasibility	300	-	300
	15,800	3,328	19,128

Infrastructure

The 2010-11 capital budget was approved on October 21, 2009. In total, \$178 million will be invested in infrastructure and \$44 million in infrastructure contributions in 2010-11 including:

- ◆ \$42 million for school replacements, renovations and additions,
- ◆ \$64 million for highways and roads across the NWT,
- ◆ \$28 million in Formula Funding for community infrastructure,
- ◆ \$4.5 million in health infrastructure investments,
- ◆ \$5 million for information system technology upgrades and replacements,
- ◆ \$24 million for upgrades and renovations to GNWT buildings,
- ◆ \$17 million for airport infrastructure improvements,
- ◆ \$1.9 million for parks infrastructure, and
- ◆ \$1.3 million for tank farm upgrades and capacity increases.

Included in the *2010-11 Main Estimates* is \$37 million in housing investments delivered through the *2010-11 Capital Plan* of the NWT Housing Corporation.

The two-year (2009-10 to 2010-11) capital investments of \$744 million includes a federal contribution of \$230 million.

Revenue Measures

The 2010-11 Budget contains no new revenue measures and no increases in tax rates. However, effective April 1, 2010, policies will be implemented to ensure that property tax rates, liquor mark-ups and tobacco tax rates will increase each year at the rate of inflation.

The NWT Department of Finance hosted a two-day roundtable meeting on the NWT tax system and fiscal strategy in Yellowknife in October 2009. The purpose of the roundtable was to seek input from NWT stakeholders on the appropriate mix of taxes and other revenue-raising options to help ensure that the NWT tax system is competitive, is able to fund essential programs and services, and works to achieve the goals set out by the 16th Legislative Assembly.

The outcome of the consultations indicated support for long-term investments in the NWT, including investments in infrastructure, human capital and proactive investments to encourage reduced energy consumption. Participants also stated an openness to consider changes in the tax mix to better balance the tax burden as long as there were corresponding investments to diversify the economy and address the high cost of living in the NWT.

Many of the recommendations made during the 2009 consultation align with initiatives that the GNWT is currently pursuing. The recommendations will be considered by the Department of Finance and will be used to help guide the GNWT's decisions about its tax and fiscal strategies. The ideas received will guide longer-term work on the fiscal structure of the NWT. Proposals for significant change to the NWT tax system will require considerable research and analysis and further consultation before any changes are brought forward and implemented. This work will be undertaken in 2010-11.

Looking Ahead

The GNWT continues to monitor its fiscal situation and will make necessary adjustments to ensure that expenditure growth is sustainable within the GNWT's fiscal realities.

The GNWT will continue to pursue completion of an agreement in principle on devolution and resource revenue sharing with the Government of Canada and NWT Aboriginal governments. The GNWT and other NWT governments need control over the management of the NWT non-renewable resources so that NWT residents are the principal beneficiaries of these resources. It is recognised that the resource revenues that Canada is prepared to share with NWT governments will not make NWT residents the principal beneficiaries in a financial sense. However, the broader goal is to achieve the transfer of authority over NWT lands and resources from the federal government to the North so that NWT residents have the power to influence and control NWT land management decisions.

The GNWT has received support from many NWT residents for a Heritage Fund once NWT governments obtain control over NWT non-renewable natural resources. A public discussion paper on the establishment of a NWT Heritage Fund will be released in 2010. If there appears to be a broad consensus for a Heritage Fund, the government will commit to introducing legislation to create a Heritage Fund by the end of the 16th Legislative Assembly.

Although the 2010-11 Budget does not include funding for initiatives to improve the delivery of public housing, formal proposals for changes to public housing administration will be made during 2011-12, for implementation that same year. This will include moving responsibility for income assessments to Local Housing Organizations. Local assessments will be made more convenient for tenants. Other opportunities to improve the delivery of housing programs may include divesting a number of older units and looking for maintenance efficiencies.

Addressing the NWT's significant infrastructure deficit continues to be a priority for the GNWT. The following three major projects are priorities.

- ◆ The Deh Cho Bridge is the largest public infrastructure project undertaken in the NWT. The bridge will ensure year-round highway access for half of the NWT's population. The most difficult phase of construction is completed and the bridge completion date remains late 2011.
- ◆ The Taltson Hydro Expansion project is in the environmental review phase. The \$500 million project could displace up to 100 million litres of diesel fuel a year and reduce greenhouse gas emissions in the NWT by 15 per cent. However, the project is beyond the financial capacity of the GNWT to finance on its own and therefore, if the project gets regulatory approval, the GNWT will seek federal participation through federal infrastructure programs and additional financing with other partners.
- ◆ The Mackenzie Valley Highway, with an estimated cost of \$1.8 billion from Wrigley to Tuktoyaktuk, would provide all the communities of the Mackenzie Valley with an all-weather road; reduce living costs for residents; and, open up the rest of the Mackenzie Valley, where the current seasonal ice road access is unpredictable. The federal government has agreed to fund a Project Description Report for the

construction of an all-weather road from Inuvik to Tuktoyaktuk and the GNWT has set aside funds to extend the Report to the entire Mackenzie Valley.

The GNWT continues to work towards improving its relationship with service delivery boards. Consideration is being given to removing barriers that limit service integration, to expanding the use of inter-agency committees in communities, and to improving accountability mechanisms between the GNWT and its boards. This work will lead to the development of standardized contribution agreements with existing boards by April 2011.

As a follow-up to the 2009 Roundtable on Revenues, a further Roundtable will be held in 2010 to discuss revenue options for implementation in the 2011-12 Budget.

Medium-Term Outlook

The following table shows the GNWT's medium-term outlook, given current fiscal projections. The outlook includes all components of the fiscal strategy. Despite having to borrow to fund the recent large infrastructure investments, restrictions in expenditure growth and a reduction in infrastructure investments will reduce debt over the medium term.

Medium-Term Outlook (\$ millions)

	2008-09 Actuals	2009-10 Revised Estimates	2010-11 Main Estimates	2011-12 Forecast	2012-13 Forecast
Revenues	1,256	1,292	1,357	1,418	1,488
Expenditures	(1,297)	(1,314)	(1,322)	(1,354)	(1,408)
Operating Surplus (Deficit)	(41)	(22)	35	64	80
Capital Investment Requirements	140	203	178	133	75
Accumulated Cash Surplus (Deficit) as of March 31	39	(34)	(89)	(206)	(192)
Total Debt ¹	(182)	(210)	(279)	(393)	(381)
Total Borrowing Authority	500	500	500	500	500
Available Borrowing Authority	318	290	221	107	119

¹ Includes NWT Power Corp., NWT Energy Corp., NWT Housing Corp., and Yellowknife Public Denominational District Education Authority.

Risks to the Medium-Term Outlook

Because the Territorial Formula Financing (TFF) Grant forms about 70 per cent of the GNWT's revenues, revenue risks to the GNWT's medium-term revenue forecast focus on changes in the TFF Grant. The Grant is calculated according to a formula set in federal legislation, and is based on a number of variables, such as population growth, the GNWT's own-source revenues and spending by provincial and local governments.

However, because the Grant for any given year is fixed, changes in own-source revenues, particularly corporate income tax revenues, can pose significant short-term risks to total revenues. The lack of responsiveness in TFF over the short-term to changes in own-source revenues makes the volatility in these revenues an important consideration in forecast of revenues and cash for planning purposes. Over time, however, TFF Grant entitlements do respond to changes in the GNWT's own-source revenues.

In the longer-term, declines in the NWT population or provincial government spending are risks, as growth in these variables are used to calculate the Grant. Furthermore, a decline in the NWT's population may erode the NWT's own-source revenue base.

Own-source revenues comprise over 25 per cent of GNWT revenues and taxation revenues represent over 70 per cent of own-source revenues. Changes to taxation revenue carry a significant risk to the medium-term forecast as declines in own-source revenues are only partially offset by increases in the TFF Grant.

Revenues from personal income tax, payroll tax, and fuel taxes may decline in the event of an economic slowdown; however, declines in these taxes can usually be reliably forecast and fiscal plans adjusted accordingly. Corporate income tax, however, is the GNWT's most volatile revenue source and the potential for large swings in corporate income tax brings uncertainty to the medium-term outlook.

Summary of Operations

	(thousands of dollars)			
	2010/2011 Main Estimates	2009/2010 Revised Estimates	2009/2010 Main Estimates	2008/2009 Actuals
REVENUES	1,357,228	1,292,428	1,300,803	1,256,117
OPERATIONS EXPENSE				
Compensation and Benefits	269,687	250,421	240,352	240,709
Grants and Contributions	585,297	582,987	571,283	576,773
Other Expenses	367,659	328,000	328,353	332,148
Amortization	70,463	62,263	61,604	55,694
TOTAL OPERATIONS EXPENSE TO BE VOTED	1,293,106	1,223,671	1,201,592	1,205,324
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	64,122	68,757	99,211	50,793
INFRASTRUCTURE CONTRIBUTIONS	(43,790)	(116,120)	(46,585)	(91,854)
ESTIMATED SUPPLEMENTARY REQUIREMENTS				
Operations Expenditures - Regular	(10,000)	(16,000)	(20,000)	-
ESTIMATED APPROPRIATION LAPSES				
Infrastructure Contributions	10,000	25,000	10,000	-
Regular Operating Activities	15,000	17,000	15,000	-
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	55,459	77,177	56,754	56,907
Expenditures	(55,459)	(77,177)	(56,754)	(56,907)
OPERATING SURPLUS (DEFICIT) FOR THE YEAR	35,332	(21,363)	57,626	(41,061)
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR	823,424	844,787	901,356	885,848
ACCUMULATED SURPLUS AT THE END OF THE YEAR	858,756	823,424	958,982	844,787

Summary of Revenues

	(thousands of dollars)			
	2010/2011 Main Estimates	2009/2010 Revised Estimates	2009/2010 Main Estimates	2008/2009 Actuals
GRANT FROM CANADA	919,872	864,161	864,161	804,858
TRANSFER PAYMENTS	95,430	122,574	101,206	113,927
TAXATION REVENUE				
Personal Income Tax	67,965	62,178	65,910	78,847
Corporate Income Tax	79,574	53,429	82,235	61,146
Tobacco Tax	16,444	16,432	14,651	13,931
Fuel Tax	16,207	16,026	17,487	15,849
Payroll Tax	38,288	37,404	38,976	38,292
Property Tax and School Levies	24,414	23,940	20,143	21,050
Insurance Taxes	4,700	3,500	3,500	4,384
	247,592	212,909	242,902	233,499
GENERAL REVENUES				
Revolving Funds Net Revenue	24,226	23,286	22,879	23,024
Regulatory Revenues	16,856	16,070	16,045	14,197
Investment Income	2,109	2,315	3,359	7,103
Other General Revenues	907	1,066	1,276	2,778
	44,098	42,737	43,559	47,102
OTHER RECOVERIES				
Lease and Accommodations	947	913	913	1,206
Service	1,847	1,723	1,768	838
Program	27,812	27,498	26,384	30,167
Commodity Sales	84	81	80	140
Insurance Proceeds	60	60	60	22
Other Miscellaneous Recoveries	220	35	205	142
Recovery of Prior Years' Expenditures	3,000	3,000	3,000	7,855
	33,970	33,310	32,410	40,370
GRANTS IN KIND	762	1,401	1,401	762
CAPITAL				
Other	-	340	170	77
Deferred Capital Contributions	15,504	14,996	14,994	15,522
	15,504	15,336	15,164	15,599
TOTAL REVENUES	1,357,228	1,292,428	1,300,803	1,256,117

Summary of Operations Expenditures by Department

	(thousands of dollars)			
	2010/2011 Main Estimates	2009/2010 Revised Estimates	2009/2010 Main Estimates	2008/2009 Actuals
Legislative Assembly	17,239	15,811	15,650	14,849
Executive	14,306	12,396	11,891	12,863
Human Resources	40,073	35,063	35,079	33,849
Aboriginal Affairs and Intergovernmental Relations	8,180	6,999	6,807	6,138
Finance	76,528	75,866	74,875	92,487
Municipal and Community Affairs	91,288	86,053	86,229	82,209
Public Works and Services	92,764	57,137	56,136	57,495
Health and Social Services	325,825	324,982	313,027	319,089
Justice	97,992	95,526	93,488	90,952
Education, Culture and Employment	306,888	303,222	299,631	294,444
Transportation	104,511	99,230	97,060	94,850
Industry, Tourism and Investment	51,752	50,444	50,870	45,634
Environment and Natural Resources	65,760	60,942	60,849	60,465
TOTAL OPERATIONS EXPENDITURES	1,293,106	1,223,671	1,201,592	1,205,324

Summary of Infrastructure Investment by Department

	(thousands of dollars)			
	2010/2011 Main Estimates	2009/2010 Revised Estimates	2009/2010 Main Estimates	2008/2009 Actuals
Tangible Capital Assets				
Legislative Assembly	1,400	384	130	219
Human Resources	715	-	-	59
Finance	630	10,565	5,152	6,857
Municipal and Community Affairs	-	-	-	4,665
Public Works and Services	27,260	40,724	29,525	11,315
Health and Social Services	6,928	49,736	24,474	21,172
Justice	1,034	2,892	921	824
Education, Culture and Employment	54,570	79,024	60,878	34,560
Transportation	81,439	119,868	75,806	48,075
Industry, Tourism and Investment	1,930	4,528	2,961	2,014
Environment and Natural Resources	2,160	1,755	1,168	1,861
Total Tangible Capital Assets	178,066	309,476	201,015	131,621
Infrastructure Contributions				
Municipal and Community Affairs	40,140	94,968	28,090	34,009
Education, Culture and Employment	2,150	16,789	16,011	15,485
Transportation	1,500	4,687	2,500	-
Infrastructure Contributions	43,790	116,444	46,601	49,494
TOTAL INFRASTRUCTURE INVESTMENT	221,856	425,920	247,616	181,115

Summary of Cash Flows

	(thousands of dollars)			
	2010/2011 Main Estimates	2009/2010 Revised Estimates	2009/2010 Main Estimates	2008/2009 Actuals
OPERATING TRANSACTIONS				
Cash Received From:				
Canada	1,102,502	1,029,562	1,066,114	1,189,369
Other Revenues	269,280	285,471	227,340	494,867
	1,371,782	1,315,033	1,293,454	1,684,236
Cash Paid For:				
Operations Expenses	(1,252,907)	(1,252,258)	(1,189,903)	(1,288,737)
Projects Performed for Others	-	-	-	(330,227)
	118,875	62,775	103,551	65,272
CAPITAL TRANSACTIONS				
Capital Investment (current year)	(186,893)	(209,656)	(194,141)	(126,479)
Capital Investment (prior year)	(9,169)	(5,515)	(7,603)	-
Proceeds from Disposal of Capital Assets	-	-	-	-
Capital Contributions Received and Deferred	31,187	82,877	18,500	17,353
	(164,875)	(132,294)	(183,244)	(109,126)
INVESTING TRANSACTIONS				
Designated Cash and Investments Purchased	-	-	-	1,079
Loans (Net of Repayments)	(4,200)	(2,200)	(2,200)	(77)
	(4,200)	(2,200)	(2,200)	1,002
FINANCING TRANSACTIONS				
Repayment of Capital Lease Obligations	(4,730)	(1,730)	(1,730)	(1,226)
	(54,929)	(73,449)	(83,623)	(44,078)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash and Cash Equivalents at the Beginning of the Year	(34,251)	39,198	2,367	83,276
	(89,181)	(34,251)	(81,256)	39,198

Summary of Total Debt and Estimated Borrowing Capacity

	(thousands of dollars)			
	2010/2011 Main Estimates	2009/2010 Revised Estimates	2009/2010 Main Estimates	2008/2009 Actuals
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(89,181)	(34,251)	(81,256)	39,198
GUARANTEED DEBT				
NWT Power Corporation	(135,288)	(120,059)	(102,905)	(127,179)
NWT Energy Corporation	(23,664)	(24,258)	(20,758)	(21,297)
NWT Housing Corporation	(25,778)	(26,931)	(25,414)	(28,019)
Yellowknife Public Denominational District Education Authority	(4,890)	(5,511)	(6,651)	(6,099)
TOTAL GUARANTEED DEBT	(189,620)	(176,759)	(155,728)	(182,594)
TOTAL (DEBT) SURPLUS	(278,801)	(211,010)	(236,984)	(182,594)
AUTHORIZED BORROWING LIMIT	500,000	500,000	500,000	500,000
AVAILABLE BORROWING CAPACITY	221,199	288,990	263,016	317,406

Any further guarantees of NWT Power Corporation Debt may require a review of the GNWT's overall borrowing capacity with the Government of Canada.

Provincial and Territorial Tax Rates as of January 1, 2010

	Combined Top Marginal PIT Rate ^(a) (%)	Retail Sales Tax (%)	Fuel Tax ^(b)		Tobacco Tax on Cigarettes (\$/ carton) ^(c)	Payroll Tax ^(d) (%)	Corporate Income Tax		Capital Tax ^(e) (%)
			Gas (¢/ litre)	Diesel (¢/ litre)			Small (%)	Large (%)	
Northwest Territories	43.05	-	10.7	9.1	53.60	2.00	4.0	11.5	-
Nunavut	40.50	-	6.4	9.1	42.00	2.00	4.0	12.0	-
Yukon	42.40	-	6.2	7.2	42.00	-	4.0	15.0	-
British Columbia	43.70	7.0	14.5	15.0	37.00	-	2.5	10.5	0/1.0
Alberta	39.00	-	9.0	9.0	40.00	-	3.0	10.0	-
Saskatchewan	44.00	5.0	15.0	15.0	36.60	-	4.5	12.0	0/3.25
Manitoba	46.40	7.0	11.5	11.5	37.00	2.15	1.0	12.0	0.2/3.0
Ontario	46.41	8.0	14.7	14.3	24.70	1.95	5.5	14.0	0.15/0.45
Quebec	48.22	7.5	15.2	16.2	20.60	4.26	8.0	11.9	0.12/0.24
New Brunswick	43.30	8.0	10.7	16.9	23.50	-	5.0	12.0	0/3.0
Nova Scotia	48.25	8.0	15.5	15.4	43.04	-	5.0	16.0	0/4.0
Prince Edward Island	47.37	10.0	13.2	19.2	44.90	-	2.1	16.0	0/5.0
Newfoundland	44.50	8.0	16.5	16.5	36.00	2.00	5.0	14.0	0/4.0
Weighted average ^(f)	45.53	6.7	14.1	14.3	28.66	1.86	5.2	12.5	

Notes:

- (a) Combined federal-provincial/ territorial highest 2010 personal income tax rates and, surtax, as applicable.
- (b) New Brunswick, Newfoundland, Nova Scotia and Quebec apply sales tax to fuel. The NWT's off-highway gasoline tax rate is 6.4 cents/litre.
- (c) Manitoba, New Brunswick, Newfoundland, Nova Scotia and Saskatchewan apply sales tax to tobacco products.
- (d) NWT and Nunavut levy payroll taxes on employees. Other provinces that levy payroll taxes provide exemptions for small business and/or rates vary depending on payroll size.
- (e) Capital tax rates are for large corporations and for financial institutions in the order shown. Tax bases differ for the two types of companies.
- (f) Average weighted by provincial/territorial populations at July 1, 2009.
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