

**LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES
10TH ASSEMBLY, 9TH SESSION**

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REPORT OF THE STANDING COMMITTEE OF FINANCE
AT THE 9TH SESSION OF THE 10TH ASSEMBLY

on its review of the proposed budget for the fiscal year 1987-88

RICHARD NERYSOO, Chairman

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PART ONE - THE REVIEW PROCESS

At the suggestion of the Minister of Finance, the committee scheduled its review of the 1987-88 budget for the two week period commencing January 5th, 1987. These dates changed when the committee agreed to meet jointly with the Standing Committee on Legislation January 6th to January 8th for a review of the Financial Administration Act. It was agreed that the committee would sit an additional week and conduct its review of the budget with an overview presentation by the Minister of Finance on Friday January 9th and a review by department for the two weeks January 12 to January 23.

The committee wishes to acknowledge the assistance of the Office of the Minister of Finance, especially Mr. Aumond, in working with committee staff to prepare and coordinate an agenda for our review. As a result of that assistance the meetings were conducted in a timely and efficient manner. All Ministers and their support staff were in attendance when scheduled and the meetings, with very few exceptions, kept to the proposed timetable. As in previous years the hearings were recorded for the purposes of note taking and to assist in the review and reporting process. Care was taken to respect the need for confidentiality and these minutes were given restricted circulation.

In conducting its review the committee was provided with review documents prepared by the Financial Management Secretariat from information provided by departments. These documents took the same form as in last years review. While in the report of this committee last year the FMS was given praise for the development of new documents and formats, this year the committee found itself questioning the accuracy of the information that was provided and the style in which it was prepared. In that part of this report that deals with the Secretariat some of those concerns are further discussed and recommendations made. For the purpose of this introduction it should be said that a major difficulty was experienced with the Capital documents. The presentation did not allow for easy comparison to previous years nor did it provide accurate projections of future requirements. In the Operations and Maintenance documents the committee was too often told that there were errors in the information provided, usually in the revised forecast figures for the current fiscal year.

The process of review by the committee included a comparison of the proposed budget to the budget for the current year, 1986-87. Every member was concerned that following the 1986/87 precedent-setting deficit budget that better controls over expenditures would be in place in 87/88. This budget does not provide that control. For several reasons, that will be reviewed in greater detail later, the Government once again has

proposed a deficit budget. However unlike last year when the deficit was clearly able to be covered by our cash surpluses, this budget will, for the first time ever, put this Government in a true deficit position. The surplus that we have openly enjoyed for some years will be gone and spending will exceed our resources.

The Standing Committee on Finance recognizes its unique position when compared to the other governments of this country. In no other jurisdiction is the budget of the Government presented to "ordinary" members in advance of its presentation within the Assembly. In no other jurisdiction are Ministers of the Government subject to such open and direct examination on their proposed budget requirements. The review conducted by this committee is therefore recognized as having special significance. It is this uniqueness, this special significance, that emphasizes the importance of the work of this committee. We as Members of the Standing Committee of Finance believe that in exercising an authority given nowhere else we have also to assume an additional burden of responsibility. We must ensure that our work has impact and that our review is conducted in such a way as to ensure that the government under review is both responsive to the needs of the people and responsible for the sound financial management of the affairs of government.

Members noted that in past years there has appeared to be a tendency to agree too readily with the Government, to "rubber-stamp" their budgetary requests. In recent years the Members of the Assembly, indeed all of the people of the Northwest Territories have recognized that there has existed here in the North a sound economy, in certain areas, as compared with most areas in the South. The downturn in the economy being experienced in the Beaufort, the closing of mines, the loss of the sealing industry, the high unemployment in many areas of the North have all signalled two important needs in a budget. One is to stimulate growth, infuse economic activity, and address the social implications of loss of incomes. The other calls for fiscal responsibility at a time when our good fortune of past years appears to be in jeopardy, if not lost. It was with this understanding that the committee prepared to question the witnesses appearing before it.

PART TWO - THE PRELIMINARY OVERVIEW

On Friday, January 9th, the Minister of Finance told the committee that, "This has been a very difficult budget process. Difficult for me as Minister of Finance, ..., difficult for my colleagues as Ministers of program departments being required to address new and ongoing initiatives and extremely difficult for the small FMS staff who has had to deal and produce ...very many various fiscal frameworks and targets." At this point the Minister went on to say, "The accumulated surplus in this projection is gone." This was a dramatic moment and the reason for including a recounting of it in a report such as this is to give readers a sense of the importance of the moment and the impact that that statement would have on the proceedings of the next ten days and the conclusions to be drawn by the committee in making its recommendations.

The Minister told the committee that among the reasons that the surplus was to be spent were:

- that the priorities process and programs of a few years ago have generated ongoing initiatives which have resulted in associated demands for funding that were not anticipated when those priorities and programs were implemented.
- forced growth outside of the control of government is being experienced in such areas for example as utility costs, the number of social assistance recipients, the renewed RCMP agreement, special needs education, etc. etc.
- the budget is attempting to address a serious economic need in a global sense throughout the NWT because the economic situation is very bleak; the sealing market is depressed; the mining industry has been severely hurt by world prices and supply and demand with a resultant withdrawal of exploration money in the NWT; there has been a reduction of petroleum exploration and development activity.
- The Government is carrying out the will of the Legislative Assembly - that is to say - programs being put in place are programs that have been recommended to the Government by the House; or they are new initiatives that have been suggested in discussion of previous budgets by motion.
- no new revenue initiatives are being identified.
- it was felt that to have an accumulated surplus in the year that the formula funding agreement with the Federal Government is subject to renegotiation would be detrimental to this government's bargaining position.

This last statement requires more explanation as it appears that it may be a questionable motivator for the increased spending in this fiscal year.

Formula Funding and the Surplus

The Minister of Finance has suggested, and members agree, that the funding agreement that was negotiated with the Federal Government has worked in this Government's favour. The Minister pointed out to the committee that 1987-88 is the third year of this five year agreement and that either party can exercise the right to re-negotiate the formula at the end of this fiscal year.

The concern of the Minister and his colleagues is that the Federal Government will find that our accumulated surplus is evidence that a reduction in the formula agreement is possible. It is the Government's position that the funding arrangement must be maintained as is. In fact there are regular requests for increases to our base funding position because of various federally initiated programs, such as Young Offenders. The surplus is a result of good management and of self-imposed restraint. The surplus does not reflect the real financial requirements of this government in its efforts to meet the needs of the residents, especially in a time of serious economic downturn.

The Minister told the committee, "I think increasingly as they look at that unexpended surplus, or accumulated surplus, questions are being raised by the Department of Finance and DIAND officials. ...my feeling would be that the surplus that we have enjoyed over the last ten years through good fiscal management, is very, very vulnerable." It was the feeling within the committee that this concern with vulnerability is what has prompted so much spending to be planned for this year. The committee agrees that at this time the accumulated surplus should be spent. The concern of the committee is that the government has not used that surplus to adequately address the economic downturn in a long-term way. It has not provided significant help to the sealing industry or addressed the serious downturn in the petroleum industry, in particular, the Sahtu and Beaufort areas.

THE BUDGET

The Minister had his Deputy Minister provide the committee with the dollar figures associated with this budget. Some of the important observations from his commentary are these:

- total expenditures estimated for 86/87 will be \$703,843,000.00
- total revenues for 86/87 will be \$689,152,000.00

- total deficit for 86/87 will be \$14,691,000.00
- accumulated surplus at the end of fiscal year 86/87 will be \$42,042,000.00
- total O&M in 87/88 requested will be \$624,002,000.00 - (actual O&M requirement after application of a reserve for supps. and an estimated amount of lapsed funds will be \$613,942,000.00)
- total Capital in 87/88 requested will be \$165,760,000.00 - (the actual requirement after application of a supps. reserve and an estimate of lapse funds will be \$162,727,000.00)
- total expenditures for 87/88 requested will be \$789,762,000.00 - (the actual amount expected to be incurred after application of supps. reserves and lapsed funds is \$776,669,000.00)
- total revenues for 87/88 as per documents given the committee will be \$715,171,000.00 - the figures provided by Mr. Nielsen are different and report \$721,498,000.00

NOTE: The amounts being requested will reflect total expenditures of \$789,762,000.00 and a resulting deficit of \$74,591,000.00, however, the adjusted figures presented by Mr. Nielsen predict values that result in a deficit in the fiscal year of \$55,171,000.00

- accumulated deficit based on the figures given to the committee would be \$32,549,000.00 - the accumulated deficit based on Mr. Nielsen's projections will be \$16,628,000.00

NOTE: THE ESTIMATES FIGURES BEING USED BOTH IN THE COMMITTEE DOCUMENTS AND IN THE REVISED FIGURES USED BY THE DEPUTY MINISTER DO NOT INCLUDE EXPENDITURES OR REVENUES RELATIVE TO THE YOUNG OFFENDERS PROGRAM.

Another observation made by the Deputy Minister was that in 87/88 the fiscal framework allows for a "growth factor" in O&M of \$54 million, while in 1988-89 it is projected as zero. It was generally felt by members that such a projection was unrealistic at best, and perhaps impossible. Throughout the review period members of the committee looked at the various departmental budgets and asked how such a projection could be met. The quick answer, often given, was that if the Minister of Finance directs the departments to prepare a zero growth budget they would have to comply, limiting new initiatives and controlling growth. It was a real concern of the committee that this budget is asking a future government, one that because of this election year may be substantially different, to exercise restraint and no growth. It was felt that it is impossible to direct the course of a new government and that the future fiscal plan of the current government may never be implemented.

In closing the overview presentation the Deputy Minister provided the committee with the potential impact of a few revenue producing initiatives - if they were to be implemented. No tax initiatives are being suggested, particularly in that in the current economy they would be inappropriate. New tax initiatives in the areas of sales tax, payroll tax, hotel tax, and increases in current taxes such as personal income tax, corporate income tax, tobacco tax, liquor tax would in total only realize between 20 - 25 million dollars.

PART THREE - THE DEPARTMENTAL REVIEWS

In the following section no effort will be made to reproduce all of the discussion or to repeat the figures associated with each departmental budget. Rather it will report on those items that drew considerable concern from members and which might be included in any recommendations from the members of the committee. Any recommendations to be made will be listed in Part Four - Closing Commentary.

The agenda for the review of departments was as follows:

Thursday, January 8th:

2:00 p.m.	Budget Overview	Mr. Butters
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Friday, January 9th:

10:00 a.m.	Executive	Mr. Sibbeston
2:00 p.m.	Culture & Communications	"

Monday, January 12th:

10:00 a.m.	Justice	Mr. Ballantyne
2:00 p.m.	Government Services	Mr. Curley

Tuesday, January 13th:

10:00 a.m.	Economic Development & Tourism	Mr. Curley
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Wednesday, January 14th:

10:00 a.m.	N.W.T. Housing Corporation	Mr. Ballantyne
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Thursday, January 15th:

10:00 a.m.	Health	Mr. McLaughlin
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Friday, January 16th:

10:00 a.m.	Social Services Workers' Compensation Board	Mr. McLaughlin "
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Monday, January 19th:

10:00 a.m.	Education Aboriginal Rights & Constitutional Development	Mr. Patterson "
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Tuesday, January 20th:

10:00 a.m.	Municipal & Community Affairs	Mr. Wray
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Wednesday, January 21st:

10:00 a.m.	Public Works & Highways Highway Transport Board	Mr. Wray "
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Thursday, January 22nd:

10:00 a.m.	Renewable Resources	Mr. Pedersen
	Status of Women	"
	Personnel	"
	Equal Employment Directorate	"

Friday, January 23rd:

10:00 a.m.	Finance	Mr. Butters
	Financial Management	
	Secretariat	"
	Energy, Mines & Resources	"
	Public Utilities Board	"
3:00 p.m.	Legislative Assembly	Mr. Stewart

THE EXECUTIVE

Mr. Sibbeston presented the budget estimates for the Executive Council Office, and for the Regional Operations Secretariat, the Audit Bureau, Priorities and Planning and the Office of Devolution. In brief the department is seeking \$13.7 million and 168.8 person years.

Members noted that Executive Members will receive raises in salary level both for that portion of their indemnities as MLA's and for that portion of their wages as Ministers. Ministerial Executive Assistants were given various raises, some of which were higher than the norm, in order that their pay levels might be more comparable with each other and be in line with their similar responsibilities.

A concern was expressed with the increasing costs of the Ottawa Liason Office and the function that it is performing. At the same time there was concern that the Edmonton Liason Office was not being utilized as well as it might and that funds might be better directed to it rather than to Ottawa. Concern was also expressed that funds are being directed for a contract for a Public Relations Officer in Europe.

Another concern of members was with what appears to be an unusually high salary level for employees of the Government Leaders Office, in particular, and within the Executive generally.

CULTURE AND COMMUNICATIONS

This department is seeking \$7.78 million in O&M and \$328,000.00 in Capital. It should be noted that 24 language positions are being funded under an agreement with the federal government and these costs and revenues are not shown in the budget requests of the department. The committee did ask for a forecast of the breakdown of expenditures planned in this area for 1987-88.

The committee was also concerned about the creation of an Assistant Deputy Minister position before the approval of the person year. It was suggested that this process, and which is evident in several departments, detracts from the previously accepted procedure of justifying need and then hiring after approval, rather than the reverse that seems to be the practice now.

Another concern was raised about the high costs associated with the administration of funds for various groups. In the example of the Arts Advisory Council \$104,000.00 is being spent to administer a program of \$250,000.00 in grants and contributions. It was felt that administration costs have to be dramatically reduced so that the groups can get greater benefit of the dollars being made available.

It was agreed that the small capital budget request would be dealt with in the House.

DEPARTMENT OF JUSTICE

The Minister, Mr. Ballantyne, in his opening comments referred to the several areas that were driving this budget increase, some of which are; the increase to the RCMP agreement, the computerization of the Registries function, the revision of legislation, increases in legal aid, and the newly operating court in Iqaluit.

During its review it became clear to the committee that the information that it had been provided with was inadequate for a proper analysis. The Minister gave several examples of information that was in error or that required extra explanation that would have to be provided at a later date. The Minister stated, "There is some problem that we are having with a new format with the FMSWhat we will do is provide for the committee the actual positions and where they are and an explanation. ...There is some discrepancy it seems in this new format."

The response of the committee was that more information and in clearly understood format must be available when the budget comes up in the House. One member said, "One should be able to figure out what is happening there and it is clearly confusing." Another member commented, "...surely somebody must go through these to (ensure that there are) comments. ...There is no comment. What are we supposed to do? ...Somehow, somebody has got to give us the proper information if you expect to get any kind of support for it."

Some of the committee's specific concerns were:

- The amount of money allocated for Special Constables. The committee was informed that most of the funding in this area appears in the budget under the RCMP agreement.

- The agreement with the RCMP. Members wanted to know what controls could be placed on the RCMP to ensure that they were being cost-effective especially in the area of equipment purchases and repairs. The Minister indicated that these matters can be discussed with the Force and that in this current year he did advise them that their request for funding would have to be reduced. It was by approximately \$600,000.00.

- The large increase in the Directorate task, Finance and Administration. The committee was told that this was to computerize the legal registries area to make it more efficient, faster etc. This effort is being undertaken apparently as a result of earlier motions made by this committee.

Another area of concern was the confusing nature of the allocations and requests for PY's. In the task, Revision of Legislation, there is a request for an additional person year. However when the need was questioned the committee was told, "our intention is just to fill three of those four PY's in the coming year.....in future years there will be the need probably for that PY."

Capital

This department seeks \$266,000.00 in capital funding. In order that the review stay on schedule the committee agreed to hold its examination of the capital items until Committee-of-the-Whole.

Conclusion

The committee does not feel that the presentation by this department was clear or informative enough to allow for reasonable assessments or recommendations by the committee. Several areas of confusion exist but the Minister has promised to be able to answer questions when they are raised in the House.

DEPARTMENT OF GOVERNMENT SERVICES

This department requests a total of \$14,479,000.00 in O&M and another \$9,093,000.00 in Capital. The committee was told that most of this increase is due to infrastructure (internal growth factors of departments) and price increases. It must be noted that there are three activities of this department that are not included in these estimate figures. The Petroleum Products Division, subject to the Revolving Funds Act, will require expenditures of \$43.8 million in O&M; the Liquor System \$1 million; and the Systems Chargeback Service will spend \$4.5 million (recovered from other departments from their O&M). In particular it is important to note that PY and \$ increases in these areas are not included in the totals given for overall government in the summaries of the SCOF documents. The committee was told, "in this document before you, in the standing committee on finance SCOF document, it is somewhat misleading in terms of total personnel working for the department of Government Services." The committee advises Members of the Assembly to consider this in attempting to assess the full size and scope of the Government that is being presented for approval.

Concerns

In order for the committee to better understand the needs and the revenues of the Petroleum Products Division and the Liquor System the department promised copies of their recent profit and loss statements. These documents will be requested for use in the review of the department in the House.

The committee questioned the Minister on the chargeback procedure and was particularly concerned that no one seems to address the reasonableness of departmental requests for growth. It appears that this department simply seeks approval to increase in size in direct relationship to the size and number of requests from other departments without an assessment of the need or priority. The concern is that this seems to be an operational question that can and should be addressed sooner and at a lower level than in the Legislative Assembly debate on the budget. The committee was provided with a listing of departmental requests for computer services that was used in questioning other departments when they appeared.

The committee asked and was informed that there are nine or ten vacant person years in this department.

The committee does wish to acknowledge that this department, more than any other, did provide adequate commentary on changes to the budget and on the perceived costs of decentralization.

Capital

The committee questioned the continued development of tank farms. We were told that a problem exists in providing adequate storage for new products in communities, for instance aviation fuels or unleaded versus leaded gas. It would appear that these kinds of changes will continue to require regular upgrading of facilities for some time.

After general discussion the chairman, in recognizing the need to adhere to the schedule, then asked members to continue their discussion of capital for this department in the House.

DEPARTMENT OF ECONOMIC DEVELOPMENT

The committee noted that figures provided in the review documents were misleading. The changes appear to be smaller than they are because last year's figures included the one time only increases for Expo. A more realistic comparison for this department might be those from 85/86.

A major initiative of this department is the addition of \$1.4 million for a "comprehensive marketing strategy" for tourism designed to bring more tourists and more tourist dollars to the North.

The committee was informed that community works or STEP funding that had been transferred to the NWTDC last year was back in the budget of this department for 87/88.

There was some confusion amongst members as to the financial arrangement made with the Federal Government regarding the Economic Development Agreement. Departmental officials were asked to provide an explanation to the committee before the session.

Capital

A major initiative in capital spending is the creation of a \$3,000,000.00 fund to encourage business development for "innovative renewable resource projects". This is a new fund to be administered by the department. Members noted that the \$100,000.00 request for a one-time grant to the Issitak Fish Plant might be a project helped by this fund if it is approved, making the specific allocation to the Fish Plant unnecessary.

Both the members of the committee and the Minister agreed that the allocation of capital requested for the construction of a residence for the store clerk in Nahanni Butte was too high. It was the hope of the committee that this project would be reexamined and changes suggested before the budget session.

DEPARTMENT OF SOCIAL SERVICES

This department's budget request is for \$52.7 million in O&M and \$6.2 million in Capital. It must be noted that funding related to Young Offenders is NOT included in this estimate. A supplementary appropriation for this purpose can be expected later. Of course, because of the omission of Y.O.A. figures this year, but their inclusion in the revised forecast, the estimates of change are very misleading. The actual increase is in the area of 18.5%.

Concerns

The committee is very concerned about the process of funding the Young Offenders Program by supplementary appropriations. It is a genuine concern that in developing the fiscal framework for 87/88 the Government has allowed only \$4 million in reserve for supps for the entire government. The Young Offenders program cost approximately \$6 million in 86/87. If substantial revenues are not received from Ottawa the entire fiscal framework will be out of line.

The committee also noted its concern that in the area of institutional care the Minister made note that the 1986/87 revised forecast might be small - in fact that some \$600,000 in additional need will have to be funded from within other departmental programs. This same problem also exists with the forecast for foster care. There are other examples of the inaccuracy of information given the committee which makes forming opinions and making recommendations difficult.

Capital

The committee chose, in the interest of time, to defer any review of capital until discussion in the House.

DEPARTMENT OF HEALTH

In his opening remarks the Minister told the committee that this budget does not, "reflect enhancement. Rather, increases reflect basic price and volume factors; accommodation of new initiatives would have to be within existing funds". A major factor in volume increases was the transfer of Baffin nursing stations from Health and Welfare Canada to the GNWT.

Some members of the committee questioned the Minister on the continued value of the THIS board. It was felt that considerable amount of money is being spent in an area of management that might be served by departmental officials rather than an outside board.

Capital

In discussion of the capital requirements for this department, in particular hospital renovations in Iqaluit, the committee was informed that funds were "approved but frozen". The department wants approval for \$500,000.00 to start a project totalling over \$12 million but promises not to go ahead until Health & Welfare Canada has Treasury Board approval to pay for this work. This process was apparently preferred to using a supplementary appropriation when such approval has been given. It was suggested by members that this item might be eliminated from the estimate.

WORKERS COMPENSATION BOARD

Members of the committee reviewed the operating budget of the WCB. It was noted that no funding was required from the GNWT as all programs and benefit plans are funded entirely by premium collection and investment revenues.

NORTHWEST TERRITORIES HOUSING CORPORATION

The committee received changes to the capital documentation approximately one week prior to its meetings. The Minister came with even more changes when he appeared before the committee. The changes related particularly to the allocation of social housing versus home ownership funding as well as correcting wrong totals included in the revised forecasts for person years.

The Minister stated, "I am still not 100 per cent happy with the format that you are going to see in the budget book, but I will ensure that Members of the Legislative Assembly will have a very clear picture of what we are doing".

In his opening remarks the Minister explained that the total O&M budget of the NWT HC is \$79.75 million, \$46.8 million being the GNWT share. The capital requirement is \$45.6 million, \$20.9 million being the GNWT share. It was noted the CMHC will contribute less this year for capital while the GNWT share increases. The reason given is that our emphasis has shifted from public housing to home ownership. CMHC pays a smaller contribution towards home ownership units than for public housing.

The Minister also made a commitment to the committee, "we can live with not coming to you for supps this year. ...Also, this budget will not drive O&M increases next year."

DEPARTMENT OF EDUCATION

The committee was told that the budget of this department continues to be driven by the recommendations in 1982 of the Special Committee on Education. The department has experienced increases for special needs education and for the Arctic College among others. Its budget request is for \$118 million O&M and \$37.8 million Capital.

In a response to a question the Minister informed the committee that his department is seeking an additional 20 person years for affirmative action training positions. These are reserved in a "pool" to be allocated to departments as requested. No plan for where those PYs will go is completed at this time.

The committee was told in task 1409 - Regional Administration, that the revised forecast of PYs in 86/87 is wrong. It should read 58.5 rather than 57.5 and this makes the change 4 new PYs rather than 5. A confusion relating to changes in person years continued throughout the review of this department. The Minister indicated that he would provide a report clarifying the actual person year breakdowns and comparisons.

Capital

The term "fast-track" has resulted in confusion for the committee. Several items within the budget have seen increases from what was proposed last year, some are new. Those that have dollars advanced from future year plans into this year are within the committee's perception of the term. This department, and others, sometimes uses the term to mean "not previously identified in a budget". Departmental officials indicated that a summary of items meeting the committee's definition could be provided.

DEPARTMENT OF MUNICIPAL AND COMMUNITY AFFAIRS

The committee was told that the budget for this department was an, "attempt to allocate resources in the best possible way to achieve political, administrative and physical development objectives at the community level...". To assist the committee the department provided a document entitled, "Departmental Overview" which provided comparisons to previous years in graphs and charts.

Concerns

The committee noted that this department is looking to increase its person years and has some 17 vacant positions. This department, and others, have paid for "unfunded" positions from

money available because of vacant positions. In this department, of 14.8 new PYs, 7.8 are in their positions already - being paid with money allocated for positions that are vacant. One of those positions is that of ADM which has been unfilled for several months.

The concern of the committee is that if a position can remain unfilled for such a long period - is it necessary? Rather than new PYs should old ones be reassigned?

Capital

Once again the committee found itself faced with unclear definitions being used to describe "fast tracking". In this department projects in the capital plan fit into three categories:

- (1) those with "planned" increases. These are routine changes to the capital plan because of price increases, changes to construction schedules, revised designs, etc.
- (2) fast-tracked increases. These are examples of projects within the existing capital plan for which dollars have been advanced from future year plans. These projects are going ahead faster or earlier than planned.
- (3) accelerated increases. These are projects not expected to be in this years plan (which might have been recognized and included on a "needs" list or even in a previous year) but that are accelerated into the capital plan because of extra dollars being allocated to the department by the fiscal planners.

The committee was provided with a list of accelerated projects valued at \$18,589,000.

Concerns

The committee noted that the only documents which it has at its disposal for comparison purposes are the capital estimates for 86/87 and the five-year plan provided during its review last year. It was clear however that the Minister was referring to a newer, revised capital plans and that such revisions occur periodically without the involvement of Members of the Assembly. The Minister said, "we are working off different documents. One thing that is not reflected in there is that over the last year, as a department, we have completely revamped our total capital planning process".

While it is of no benefit for the purpose of this review, the committee requested that copies of updated or revised capital plans be made available to Members in the future.

DEPARTMENT OF PUBLIC WORKS & HIGHWAYS

In his opening remarks the Minister noted, "the steady growth in government infrastructure requires a corresponding increase in operation and maintenance funds for these facilities". In the coming year the department looks for \$121.7 million in O&M. In addition the capital requirement is for \$16.5 million. It was noted also that the department also administers a substantial capital program with Federal money - approximately \$80 million in 87/88.

Concerns

A member of the committee reminded the Minister of a motion in the Assembly asking the government to reconsider one of its decisions to defer a capital project, particularly the Fort Providence Access Road. The Minister was asked, "under whose authority are these motions ignored when a political decision is made by the Assembly giving the direction to the Executive?" The response was, "First of all a motion of the Legislature is a recommendation to the Executive Council. It is not direction, it is not an order, it is a straight forward recommendation. ...under whose authority was the decision made not to accept the recommendation? It was under my authority".

The committee noted the 20 positions currently paid for out of capital funds are being converted to be recognized as salary within O&M.

Capital

The committee questioned the priority of two projects, the Victor Bay road in Arctic Bay and the Sandy Lake access road. A concern was expressed whether these projects should have priority over the Fort Providence access road project.

HIGHWAY TRANSPORT BOARD

Members questioned the Minister about the budget of this board. No specific concerns were expressed.

DEPARTMENT OF RENEWABLE RESOURCES

The Minister told the committee that there are basically no new programs and that the department is "holding the line". The committee, after its review, agreed.

Concerns

One concern raised, as with other departments, is that this department employs people (10-12 PYs) to do work on behalf of others. These PYs and costs and recoveries do not appear in the briefing material (though it will appear in the appropriation bill detail as an information item). As a result the committee members are unable, as they conduct their review, to see the total picture of the department.

It was noted that a position of ADM has been filled without an approved person year. The department is paying the incumbent with dollars available because of the vacancy rate.

Capital

It was agreed to leave discussion of this department's relatively small capital request for Committee of the Whole.

SCIENCE INSTITUTE

Members questioned the director about some of the policies and programs which the Institute is involved in. No concerns were expressed as regards the budget.

WOMEN'S SECRETARIAT

There was considerable discussion of the role of the Secretariat. The description "to provide advice" as used in our briefing documents minimized the many valuable services of this group. Committee members were concerned that here (because of the description), but generally throughout government, a very large amount of money is spent "on advice" and there is a concern about value for money.

No specific concerns regarding the budget of the Secretariat have been noted.

DEPARTMENT OF PERSONNEL

In his opening remarks the Minister noted that 10.5% of the growth in O&M for this department is due to overall growth in the public service. Capital is being reduced because fewer staff houses are being constructed.

Concerns

Perhaps the most dramatic statement made was that this department has included, in their estimate, funding for 285.9 new PYs for overall government. The summaries in the briefing documents given to the committee indicate 66.3 new PYs (plus PYs for Young Offenders). The department of Personnel figure is more than 100% higher.

Members of the Assembly should note the following breakdown of new PYs as provided to the Committee.

NEW PYs	(Department)	(Region)
Legislative Assembly	1	Headquarters 131
Executive	6	Fort Smith 39.2
NWTHC	13.9	Inuvik 29
FMS	0	Baffin 39.8
Finance	3	Keewatin 29.5
Culture & Communications	4.5	Kitikmeot 17
Equal Employment Directorate	2	
Personnel	5	
Justice	18	
Government Services	5	
Public Works & Highways	36	
Renewable Resources	4	
Municipal & Community Affairs	14	
Social Services	14	
Health	3	
Economic Development & Tourism	10.4	
Education	132.7	

It was noted that each new PY has been allocated \$4,800 or a total of \$1,496,000.00. It was further noted that these are GNWT positions not associated with work on behalf of others.

The committee also noted that the annual accrual accounting entry to set up an allowance for employee benefits is not included in this estimate. It is therefore a concern that from the \$4 million supp reserve planned in the fiscal framework a supplementary appropriation of \$2 million is inevitable.

In response to a question about the vacancy rate throughout government the department provided the committee with some startling figures. According to the "establishment report", which the committee was told is inaccurate because departments don't make necessary adjustments, there are 866 vacant positions - 423 have been vacant longer than 6 months. Both the department and the Financial Management Secretariat have indicated that they will review this report and provide accurate information to the House.

Capital

It was agreed to defer discussion of the capital estimate for the House.

LEGISLATIVE ASSEMBLY

The Legislative Assembly budget for O&M is increasing only 3%. A large increase in capital is expected to make the necessary renovations and purchase the equipment needed to meet the translation requirements of the Official Languages Act.

There were no specific concerns related to the estimates for the Legislative Assembly.

DEPARTMENT OF FINANCE

The Minister informed the committee that revenues, exclusive of the grant from Canada, were expected to be \$80 million in 87/88. The grant from Canada, determined under the formula financing arrangement, is expected to be \$520 million - an increase from \$476 million in 86/87.

Concerns

Several matters were discussed with this department that were deferred until the appearance of the FMS. No specific concerns with the budget request of this department were noted.

PUBLIC UTILITIES BOARD

Members questioned the Minister on the role and direction of the Board. No specific concerns with the budget request were noted.

FINANCIAL MANAGEMENT SECRETARIAT

There were no specific concerns noted relating to the budget request of the FMS. There were several questions put to the Minister and his officials which were related to the government's budget in its entirety. The Secretariat was the last department to be dealt with in the review process. As a result the review of the FMS allowed for a meaningful overview as a follow up to the general overview given by the Minister on the first day. The value of having the FMS last was noted as significant and the committee makes the following recommendation:

"It is recommended that at future hearings of the Standing Committee on Finance for the purpose of a budget review the Financial Management Secretariat be placed last on the agenda of witnesses".

Concerns

Members of the committee expressed their concern that the fiscal planners have presented budget estimates which exceed the accumulated surplus. The Minister responded that other Ministers had each had an opportunity to present the rationale for their budget requests and that if the committee did not feel satisfied with the explanation of a proposed need, then it could recommend reductions. This led to the additional concern about who could best suggest cuts or reductions. Members were unsure if they might look to reducing specific items, to general percentage reductions by department, or to a general reduction to the government as a whole.

Another concern related to the projections for future years in the fiscal framework. Members were reluctant to accept that zero growth was a realistic plan for the coming years, especially due to forced growth in O&M because of this year's substantial capital budget. The Minister indicated that he would pass this concern on to his Executive colleagues.

The concern with the accuracy of information related to the vacancy rate as provided by Personnel was discussed. The FMS staff agreed to work on providing accurate figures to the committee.

The committee expressed its concern with the many errors in information and the inadequate explanations for change within the briefing documents. The Minister pointed out that content is provided by departments. The committee noted that there are analysts assigned to each department who should have ensured greater accuracy. FMS witnesses did tell the committee that the FMS does review departmental submissions and suggest changes but cannot make changes on its own authority.

It was agreed that some changes to presentation and additional information may be needed for future briefing documents. The following recommendation is made:

"It is recommended that the Standing Committee on Finance and the FMS examine the briefing documents presented to the Committee for the purpose of its budget review and make appropriate changes to their format and level of information".

Another concern was expressed about the government's borrowing limit under the NWT Act. If deficit budgets require that this government borrow money to pay for programs than it was felt that our limit was too low. The Minister cautioned that a request for an increased limit based on a perceived need to cover a deficit would not likely be well received in Ottawa. However, he pointed out that there are several reasons that can be advanced to substantiate a need for increased borrowing capability.

In closing the review on the FMS the following comment made by a Member should be noted, "Notwithstanding all the negative things that we have said... I certainly am appreciative of the work that the Secretariat has done... it has been a tough three weeks but I think your people have done their work too".

ENERGY, MINES AND RESOURCES SECRETARIAT

The committee questioned the Minister about the policy and direction of the Secretariat. One suggestion was made - to examine the possibility of transferring one person year from Economic Development (non-renewable resource area) to this Secretariat and reduce, by one, the new PYs requested.

PART FOUR - CLOSING COMMENTARY

In closing the committee wishes to note that the review process is long, involved and tiring. Members and witnesses must realize that in such a process the spirit of cooperation that is intended by this review must not be forgotten. The government, as noted in the introduction, provides Members with more information than any other government in Canada. The committee members examine the budget and make recommendations to Government to assist it to make the budget realistic and acceptable to the people being governed. The committee has accepted its role with a true commitment and determination. It has resolved to be fair at all times and determined to be firm where it must.

The Deficit

The committee is disappointed that the Government has proposed a budget that in the coming fiscal year will place the GNWT, for the first time in history, in a true deficit position. Part of this disappointment stems from the realization that 1987 is an election year and that this budget may not impact on this current Assembly as much as it will on a future Assembly. It is agreed by members of this committee that this budget must be reduced. It is the feeling of the committee that the best place for reduction is from the ever-increasing Operations and Maintenance budget. The government seeks a large increase in person years while benefiting from a large vacancy rate. Vacant positions could be declared redundant and the number of new person years requested could be smaller. Allowances in budgets for travel, conferences, phones, furniture, office space, etc., among many other areas, can be reduced without dramatically hindering the ability of the Government to operate. Large salary levels for incoming employees, employee reclassification to positions of high title and subsequently high wages, high payouts to employees leaving government service - all of these can reduce costs. What follows is discussion of some of the ways this process might be realized.

Reducing the Budget

It was the committee's first hope that members of the Executive Council would respect the very real concerns of this committee of "ordinary members" and make substantial reductions in this budget before it came to the House.

Before reductions are made in the House by motion of Members, the Committee wants to provide some advice. Firstly, the committee believes that reductions in capital, with a few notable exceptions, should be avoided. Secondly, general reductions to departments must be cushioned with recommendations that certain programs or types of programs (example: spousal assault) not be subjected to cuts.

Members have the following options:

- (i) A motion that reduces a particular task by a specified dollar amount.
- (ii) A motion that reduces the total O&M request of a department by a specified dollar amount.

Note: There can be no conditions on a motion. If the committee wishes to protect the funding in a particular task or for a particular purpose, a second motion is required recommending that the reductions be made exclusive of that area being protected.

A final option exists that would have far-reaching effect. Members of the Assembly can vote against the appropriation bill. This would leave the government without an approved budget and the lawful right to make expenditures and would inevitably result in the resignation of at least some Members of the Executive Council.

Conclusion

The Standing Committee on Finance recommends that the Legislative Assembly demand reductions to the budget being proposed for 1987/88. Members of the committee will rise to move reductions throughout the debate of this bill. The committee does not go so far as to suggest the defeat of the appropriation bill. In mentioning that option the committee wishes only to emphasize the depth of feeling behind the call for a reduction to this budget.

One member of the committee expressed our concern in dramatic fashion, "...many times I walk into that Legislative Assembly and felt like saying, 'no, we cannot approve this budget, this is not right', but we went ahead and approved it anyway. I never did like doing that but I followed everyone else. ...If I am going to be involved and I am going to participate, then they damn well have to listen to me. Otherwise, I am not going to sit here and just pass it for the sake of passing it".

The Minister of Finance stated, "I do not imagine the recommendations would be received with great glee but I would assure you (the Chairman) and the Member that they would be received and given serious consideration. All the Members that have spoken today have indicated the same concern and I will certainly see that that concern is raised with my colleagues and made known to them at the first opportunity".

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