

Budget Address

2022-2023

NORTHWEST TERRITORIES

The Honourable Caroline Wawzonek
Minister of Finance

**Second Session of the
Nineteenth Legislative Assembly**

February 22, 2022

Introduction

This is the third budget of the 19th Assembly. It is an opportunity to restate, and reset, our vision for the economic future of the Northwest Territories.

The first budget came only months after this government was sworn in and was an occasion to describe our approach to managing the Government's finances and, more important, our vision for how we would work to improve the overall fiscal outlook for the Northwest Territories. Before that first budget session was even concluded, the COVID-19 pandemic began.

Our second budget in 2021-22 was focused on stability: both in terms of supporting the health and well-being of residents and the economy through the pandemic but also by ensuring that government continued to do all the many and varied things that are expected and needed of us during times of uncertainty.

I would ask you to think back to those pre-COVID days, and to the vision delivered in the first budget when we committed to being open to taking risks and promised to promote a spirit of creativity and innovation in the way we deliver government programs and services.

Finding comfort with risk, seeking and supporting innovation, and building a culture of collaboration and value-driven efficiency in the delivery of government programs and services is what we were striving for, what we have begun and what we will continue to do with this Budget.

Keeping to, and delivering on, that vision has not been easy in the last two years.

We have, and will, continue to support residents and businesses through times of crisis. We have worked with the federal government to identify needs and secured flexibility in federal funding programs. Moreover, we have filled gaps not addressed by federal funding through creative and unique programming. In doing this, we have assisted residents and businesses through a pandemic that has been unprecedented in my lifetime. At the same time, we have supported communities through a devastating flood season.

Even while providing relief and recovery from a once in a generation crisis, we have also managed to maintain the vast breadth of government services across all regions and communities. As well, despite these unprecedented challenges, all departments are largely on target to advance and achieve the mandate priorities of the 19th Assembly.

Mr. Speaker, the GNWT will continue to be bold when it comes to supporting our people, communities and businesses. However, bold does not necessarily always mean easy or popular. Nor does it necessarily mean immediate.

Making flashy announcements hoping that new money will solve long standing problems is often the easier political path. But what sometimes most needs doing takes time: changing an organization the size of a provincial or territorial government takes time, changing a society takes even longer. The goal is not headlines to last the next few days or the term of this government. The goal is to influence the path of the Northwest Territories for the next five or even ten years.

This Budget is not flashy, but it offers stability in a time of continued uncertainty. With that stability, we will continue to deliver on our original promises of building, fostering and supporting innovation, creativity and efficiency both within government and the private sector. One might say that the themes of this budget are consistency and patience – but that is only true because those values allow us to continue to pursue the core values I have spoken of in the two previous budgets: using innovation and creativity to find efficiencies and also to build a strong economic future that benefits Northwest Territories residents.

Today's budget address will provide examples of where we continue to build on key initiatives for the future while also remaining present in the needs of today.

This Budget includes operations spending of \$2.1 billion. This is an increase of 3 per cent from 2021-22. Additionally, the Legislature approved a Capital Plan in December that included \$502 million in capital spending for 2022-23. Revenues are projected to be \$2.3 billion in 2022-23. This is an increase of 2.3 per cent from what is projected for 2021-22. After including the supplementary reserve and other adjustments, the 2022-23 Main Estimates show a projected operating surplus of \$131 million.

In addition to the Budget, I am also pleased to present an Economic Review. This review shows our economy is poised to experience modest growth in the coming years as we emerge from the COVID pandemic. However, economic risks which may dampen economic success need to be managed.

Mr. Speaker, in this address I intend to outline our plan to use this government's third budget to build on the work we have already undertaken to fulfil our mandate priorities while also managing and providing relief from many unforeseen challenges.

I will first provide an overview of the economic outlook, then outline how the economic indicators will affect our fiscal results and, finally, I will outline some of the specific initiatives this government will undertake in 2022-23 to both fulfill our mandate and ensure the long-term vitality of the Northwest Territories.

Economic Outlook

Our short-term economic indicators are positive: preliminary projections suggest that the Northwest Territories grew 7.3 per cent in 2021 and we are forecasting the economy to remain close to this level in 2022-23. Moreover, investment in the economy is increasing. New investment in the territory was 13 per cent higher in 2021 than in 2020 with private investment rising 18.8 per cent and public investment increasing 11.5 per cent.

The employment rate also continues to trend upwards, rising 5 per cent in 2021. The unemployment rate decreased from 8.5 per cent in 2020 to 5 per cent in 2021. Residents earned more in 2021 as well. Average weekly earnings remained high compared to the national average with Northwest Territories employees earning on average 35 per cent more than other Canadians. Average household incomes continue to be higher in the Northwest Territories than in any other jurisdiction.

However, there are near-term difficulties that threaten economic growth. Although the Northwest Territories is rebounding, the recovery has been uneven across sectors, industries, and demographics. Industries such as retail, construction, and public administration have all returned to pre-pandemic levels, while hard-hit sectors such as tourism, hospitality, mining, and wholesale trade continue to struggle.

Long-term challenges such as maturing diamond mines, an aging population, a lack of economic diversification and declining private sector activity will depress future growth unless there are substantial changes. Most pressing of these long-term challenges is that the diamond mining industry, which has been the engine of the private sector economy for the last two decades, may see all existing diamond mines close by 2030.

We cannot let the fact that these challenges are still in the medium to long term allow us to not begin responding to them today. Rather, the fact that there are these challenges on the horizon should motivate action and innovation. The Northwest Territories has the potential to grow and contribute to economic resilience within the rest of Canada. Indigenous governments within the territories' boundaries are poised to play expanded roles in economic diversification and infrastructure development; Environmental, Social and Governance are already factors in the way the Northwest Territories resource industry does business; and, the fact that our territory is on the front lines of climate change makes us an obvious place for research and investments in initiatives that can help green economies.

Potential is just that; it will be realized and flourish sooner and stronger within healthy and well-educated communities. These communities support opportunities for the opening of new businesses, foster the growth of local enterprise, nurture a healthy and well-trained domestic labour force and encourage overall investor confidence. Mr. Speaker, all of these goals are reflected in the priorities and mandate of the 19th Assembly. That is why it has been important to ensure not only relief and recovery but to also keep a steady eye on achieving our mandate priorities.

Fiscal results and outlook

Mr. Speaker, last year I said that I was cautiously optimistic about our longer-term fiscal outlook. As I just observed, there are significant challenges that we need to be prepared for, but so far I believe my optimism has been justified as we saw our economy grow and employment rebound.

This positive economic outlook is reflected in our fiscal situation. We closed 2020-21 with a \$67 million operating surplus instead of the \$31 million deficit projected last year due primarily to improved revenues from federal supports and savings in program delivery.

For the current fiscal year, direct federal supports to businesses and individuals have greatly improved our own source revenues, which are \$86 million higher than we forecasted in the 2021-22 Budget. Although there were additional costs related to emergency support, an operating surplus of \$28 million is projected for the current fiscal year.

We are forecasting a surplus of \$131 million in 2022-23 and continued surpluses going forward to 2025-26.

We plan to use these operational surpluses to help fund planned capital investment of \$1.34 billion between now and 2025-2026. However, the surpluses won't be sufficient to pay for all this needed infrastructure. We will continue to need to borrow. We expect to end 2021-22 with total debt of \$1.5 billion, \$345 million under the federally-imposed borrowing limit. This debt is expected to grow to \$1.7 billion by the end of 2022-23.

Good fiscal governance comes from deliberate actions, not *ad hoc* reactions to a snapshot in time. We still need careful expenditure management. In our fiscal planning for 2023-24, we are proposing to limit forced growth to \$10 million and new initiatives to \$5 million annually. If we want to do more, we will be calling on departments to find the means from within existing resources.

I am optimistic that we can control future spending through internal savings and continuing to find more value from the \$2.1 billion that we spend without having to reduce programs and services. This has been the fiscal goal since our first year in the 19th Assembly and is the cornerstone of our government renewal work. I look forward to continuing to work with all Members of the 19th Assembly to find creative and effective solutions to the fiscal challenges we face together.

Revenue Initiatives

Mr. Speaker, we are not introducing new taxes in the 2022-23 Budget. In keeping with past practice, property tax rates will be increased with inflation. We will undertake the scheduled five-year fee review which could yield changes in fee amounts for 2022-23.

The financial hardship faced by many residents and businesses and the ongoing economic uncertainties owing to the fall out of COVID-19 make this not a time for increasing income taxes to improve our fiscal situation. We will continue to monitor the data on who is paying taxes in the territory and on what kinds of income. At the moment, we have only a small number of individuals who could potentially be in a higher tax bracket. This will bring minimal benefit to the government but substantial risk to our competitive position compared to other jurisdictions who also compete for skilled labour.

We will honour our commitments under the *Pan-Canadian Framework on Clean Growth and Climate Change* and raise the carbon tax rate to \$50 per tonne of greenhouse gas emissions on July 1, 2022. Our current carbon pricing system was implemented to encourage the reduction of fossil fuel use while not adding to the cost of living or providing barriers to economic development. These carbon tax rate increases also come with an increase to the Cost of Living Benefit of \$260 per adult and \$300 per dependent under the age of 18 years effective July 1, 2022. Further \$5.9 million will go to rebates on heating fuel, diesel used to generate electricity for distribution and for the large emitter program.

Expenditures

The 2022-23 Budget continues our commitment to using our resources efficiently to deliver needed programs and services in times of uncertainty while keeping an eye to ensuring that we unlock the strong future potential of the Northwest Territories. Our \$2.1 billion operating budget includes new funding of \$95 million which will go to the key mandate priorities.

Before I provide the details of new spending, I want to talk about how the other \$2 billion in proposed spending in the 2022-23 Budget provides stability and encourages innovation. Not all things that we do, and should do, need new money. To make this point, I want to first highlight, not the biggest expenditure items in this Budget, but rather some of the changes we have been quietly making to improve without incurring significant or new expenditure lines.

We are already seeing notable progress under the Government Renewal Initiative announced in the first budget. Departments have been coordinated in their efforts to gather the information that decision makers need to be able to effectively allocate limited resources in a way that provides more value for the dollars we spend. Largely funded internally, the Government Renewal Initiative is already producing meaningful evidence for decision makers to make better choices about how to allocate government resources. More important, this information gathering stage is paying dividends in changing how we think about service delivery government-wide.

Movement towards greater whole-of-government thinking is perfectly exemplified by the Integrated Service Delivery initiative. Integrated Service Delivery makes government services accessible in a timely and flexible manner, recognizes that not everyone starts from the same point, and ensures all members of the community are treated with dignity

and respect. Multiple departments are advancing this work together without new resources by trying to find ways to work together differently and put Northwest Territories residents at the centre of service delivery. Making it easier for people to access services allows for greater support for people and families and more effective and efficient service delivery of GNWT programs.

How we use the half a billion in capital dollars is as important as the capital budget itself. We are working on our mandate promise to ensure that GNWT spending maximizes benefits to Northwest Territories residents and businesses by reviewing our procurement policies and practices. We are also working with Indigenous government partners to increase their opportunities for equity participation in future territorial projects so that together we can encourage the development of northern skills and trades and provide more opportunities for local contractors. This collaboration without new spending will help achieve the end goal of ensuring that more of GNWT infrastructure spending stays in the North.

The Red Tape Reduction Working Group has provided some recommendations that do not require more financial resources to help reduce the regulatory barriers that cost businesses time and money. I am pleased with departments' acceptance of these recommendations and proud of the way they have embraced an examination of their program delivery from the end user perspective. For example, one department agreed to change the way it processes different types of applications to speed up the time in which the end user gets their certificate. The GNWT has also launched an eServices portal for greater online access to government services and is working to develop the necessary policies and assess the technical solutions required to enable electronic signatures within our programs and services.

The Missing and Murdered Indigenous Women and Girls initiative was from the outset a truly collaborative effort and an example of what we can accomplish when we work together. We are working with Indigenous governments and organizations, communities, non-government organizations and people with lived experience to develop an action plan. This plan makes the Calls for Justice an integral part of how we operate as a public service and begins the necessary process of addressing colonialism and racial and gendered discrimination from all levels of government and public institutions. This will result in meaningful change, again without new funding but rather a change in how we approach what we do and why we do it.

Implementing the *Public Lands Act* involves every Department of Lands' employee and a temporary reassignment of nine staff to a dedicated project team to bring the legislation into force. The Department is also reorganizing the Land Administration Division. Both of these initiatives will be achieved without additional dollars. By the time they are done at the end of this year, they will have rolled up a lot of red tape by merging the territorial and Commissioner land administration units and establishing quality customer service standards for land authorization transactions.

I would be remiss if I neglected to state my deep appreciation for the ways departments covered additional demands for COVID supports from within budgets and while doing their regular jobs as well. For example, the departments of Environment and Natural Resources and Health and Social Services worked together to use existing staff and facilities to conduct COVID wastewater testing in addition to their regular duties. Similarly, public servants from across departments accepted transfer assignments, voluntary redeployments and cross appointments to help us respond to COVID-19 such as Renewable Resource Officers stepping up to be Public Health Officers. The Wage Top-Up program, which provided temporary financial assistance for over 3,800 low-wage workers between April 2020 and August 2021, was delivered by a few people in the Department of Finance in addition to their regular duties. The Department of Industry, Tourism and Investment amended its entrepreneur and business support programs so businesses could quickly pivot to safe operations during COVID restrictions and prepare for success after the pandemic recedes. The Department also increased the flexibility of the Mining Incentive Program to make it easier for exploration work to continue.

Mr. Speaker, improvements from within, and without new money, has been our approach as a first resort. This is the kind of creativity combined with efficiency I have spoken about in previous years that is starting to bear fruit. One benefit is that even in times of fiscal uncertainty we have the flexibility to spend money to protect our existing programs and services and to make enhancements to better serve Northerners. For starters, we cannot deliver government programs and services without excellent and conscientious public servants. To properly compensate our public service and maintain the Government of the Northwest Territories' reputation as an employer of choice, we have included \$20 million in this Budget to address wage and benefit increases under collective bargaining agreements for public service employees and increased remuneration for judges.

Taking Action on Climate Change and Protecting our Environment

Using Northwest Territories land and water resources sustainably and protecting these resources for future generations is a key priority of this government. We propose to spend over \$120 million, or 6 per cent of our annual budget, next year to manage Northwest Territories' natural resources.

Adapting to climate change is woven into everything we do from maintaining and improving existing capital assets to building new infrastructure. We are aided in our efforts by federal funding under the Low Carbon Economy Leadership Fund since 2018. In next year's Budget we propose to use \$4.7 million to further the various programs under this initiative. Some of this funding is reallocated from previous years when projects were delayed.

The drastic decline in the Bathurst and Bluenose barren-ground caribou herds since 2015 is a major concern. The GNWT is working closely with its co-management partners to support recovery of these herds using the best available scientific, local and traditional knowledge. In this Budget we propose to add \$1 million to support recovery of these herds

through actions on harvest, predator and habitat management, protection of important caribou habitat, and enhanced research and monitoring.

Ensuring the health and wellbeing of our people

We spent \$31 million last fiscal year and expect to spend a further \$34 million by the end of this fiscal year on our COVID response. We are pleased that the COVID Secretariat is expected to spend \$6 million less than budgeted this year, but naturally are disappointed that our hopes that the pandemic would be over in 2021-22 are unlikely to be realized. The COVID Secretariat budget for 2022-23 is \$11.9 million. We continue to hope that this year the coronavirus will fade from pandemic to endemic and become more like an illness that we can guard against with vaccines, treatments and improved capacity in the health care system to respond to case demand. We will assess what resources this shift to endemic may require over 2022-23. Federal funding of \$265,000 under the Health Services Agreement will provide additional support for activities related to COVID-19 related immunization activities including increased vaccine coverage.

We are all aware of human resource and financial pressures on our health and social services system that existed before the pandemic and will continue after it ends. Excluding the COVID Secretariat and pandemic related measures, next fiscal year we propose to spend \$569 million on health and social services to provide a stable system that can deliver programs whenever they are needed.

This dedication to our residents' health is evidenced by our proposal in this Budget to include \$23 million in additional resources for our health and wellness priorities and to reduce pressures in the health care system. We have allocated an additional \$1.7 million for mental health and addictions that will enhance funding for external organizations to hire counsellors and continue to support activities that are being designed to reflect unique community needs. New funding of \$2.9 million under the Northern Wellness Agreement and \$1.4 million for Indigenous wellness and patient advocate services will also help support this priority in different ways. This Budget will also advance progress on our priority to help seniors age in place. Recommended in this Budget is an additional \$645,000 for increased demand for the senior citizen supplementary benefit and \$884,000 for various services for seniors in home and community care, respite and elder day programs and chronic disease management.

This Budget also proposes \$5 million to further our objective of increasing resident health care professionals by at least 20 per cent, including \$1.33 million for additional physician specialists to ensure that life sustaining internal medicine, general surgery, obstetrics and paediatrics services are available in territory. Additionally, \$1.03 million is allocated to maintain four territorial positions and related services for cancer prevention and care; and, \$1 million is committed to support adding new midwife positions in Hay River, Fort Smith and Yellowknife.

We are fortunate to have \$7.1 million in federal funding under the Territorial Health Investment Fund to help close special health care gaps and address challenges faced by the

territory for medical travel, primary health care reform, and system sustainability. The Fund will deliver system sustainability to transform the territorial health and social services delivery system into a well-functioning system focussed on continuous improvement of quality service delivery at affordable cost.

Keeping our residents and communities safe

In November 2019 the 9-1-1 system went live in all 33 Northwest Territories communities and although telephone subscribers are charged a monthly fee we are still subsidizing the program. We propose additional one-time funding of \$507,000 to assist with cost pressures in the 9-1-1 system pending a review of long-term needs.

The Royal Canadian Mounted Police are key partners in supporting safe communities. We are asking for almost \$1.9 million in this Budget to provide the RCMP with additional officers in Behchokò and Tuktoyaktuk. We are also directing more resources to the Internet Child Exploitation Unit and have increased funding for the *NWT Guns and Gangs Strategy* by \$150,000.

Recent enhancements to service delivery in Legal Aid have increased demand for services beyond the ability to provide with current resources. This Budget includes \$442,000 for additional positions in Legal Aid and Court Services to address increased workloads.

There is a request in this Budget for \$478,000 to buy more winter road salt and \$135,000 for an additional highway transport officer to help improve road safety.

Reduce the municipal funding gap

Mr. Speaker, included in our mandate is the commitment to reduce the municipal funding gap by \$5 million by the end of this Assembly. We are working towards this goal by proposing to add \$922,000 to our contribution base funding to community governments in Budget 2022-23. This will bring total community contribution funding for operations and maintenance to \$57.6 million, leaving us to find another \$744,000 during the term of this Government to achieve the total \$5 million increase.

Supporting vulnerable populations

Mr. Speaker, this Budget also gives us further resources to reduce poverty. We are asking for \$860,000 in additional funding to combat poverty through the Anti-Poverty Fund. We are committed to the success of our programs to support healthy families and are recommending \$984,000 more in this Budget to expand the Healthy Family program into two more communities, address increased demand for services in the Office of the Public Guardian, and for child and family legal services. Enhanced programs at day shelters and sobering programs pay dividends by reducing the demand for other government services. We are proposing \$1 million in enhanced funding for shelters in Yellowknife, Hay River and

Fort Simpson. The \$260,000 requested in this Budget for enhancements to the hunters and trappers disaster compensation program will help support harvesters when natural disasters happen.

This Budget includes \$11 million in capital funding to help the Northwest Territories Housing Corporation continue its work in support of the 19th Legislative Assembly priority to increase the number of affordable homes and reduce the core housing need along with other actions related to housing. We are also proposing \$947,000 in increased funding to the Corporation for increased operations and maintenance costs for the new federally-funded public housing units.

Supporting work to increase student education outcomes

Mr. Speaker, education in all its forms has always been the key ingredient in ensuring viable futures for Northwest Territories residents to fully participate in a vibrant and diversified society. Access to education is critical if residents are to take advantage of higher-paying, quality employment. We need to continue to improve education attainment levels to ensure our children have every opportunity to lead fulfilling and productive lives.

We propose to spend \$211 million directly on education-related programs in next year's budget including \$7.3 million in new funds. We cannot educate our children for their futures without teachers. This budget includes \$4.7 million for increased teachers' salary and benefits. We are also allocating funding for training for teachers to teach multi-grade classes and for enhanced supports for principals in small schools. Furthermore, we have committed \$1.8 million for inclusive schooling and education for children with complex needs and for modernizing the K to 12 Curriculum.

Investments in Early Childhood Education and Care

Mr. Speaker, we know from experience that investments in affordable and quality early childhood care and education reaps multiple benefits. It helps prepare children for K-12 education, enhances equality of access to educational opportunities and gives parents improved employment options. It also increases economic growth and productivity. For that reason, we are also proposing an additional \$500,000 to increase access to child care spaces and \$298,000 to improve the quality of learning for our youngest children who use these child care spaces. This is part of a broader strategy to move toward universal \$10 per day child care in the Northwest Territories within five years.

Economic Growth and Innovation

Mr. Speaker, I believe that the fundamentals of the Northwest Territories economy can be made solid over the long-term by the investments we are making now. There is no doubt that an economic recovery is underway but continuing global economic uncertainty suggests that our attention now should be on supports to help the economy grow for the

benefit of Northerners. Taking care of what we can do with certainty now will continue to pave the way for more strategic actions in the future.

We are asking for \$1.1 million for the *Tourism 2025 Roadmap to Recovery Strategy* to help the tourism industry get ready to welcome back travellers on March 1. The tourism industry has experienced unprecedented challenges over the last two years and this strategy lays out the road map to assist with the sector's recovery. This investment will provide support for Community Tourism Coordinators in four additional community governments and strengthen tourism capacity in these communities.

Along with more resources for the tourism strategy itself we propose to add \$169,000 to the base funding for utility costs at territorial parks so that our parks continue to be a welcoming place for visitors.

The Makerspace YK in Yellowknife and the Arts, Crafts and Technology Micro-manufacturing Centre in Inuvik have proven their value and we propose to add \$389,000 to extend Makerspace services to other communities. These funds will also support an action plan to guide building the knowledge economy through research, entrepreneurship, connectivity infrastructure, collaboration, and capacity building.

We are taking action on our priority to increase food security through locally produced, harvested and affordable food by including an additional \$188,000 to increase our participation in the Canadian Agricultural Partnership program.

We are unwavering in our commitment to support resource development in a responsible way. This support starts with attracting interest in mineral exploration. To further the *Mineral Development Strategy* we are asking for \$100,000 to support Indigenous capacity building and participation in the resource sector. We also propose to expand the Mining Incentive Program with an additional \$300,000 to attract and increase support for early-stage and advanced exploration projects.

Our support for resource development includes clear and transparent rules to ensure that we work together to maintain a sustainable industry. We will continue our work to develop a modern suite of regulations and systems to effectively implement the *Mineral Resources Act* and are including \$304,000 in this Budget to respond to federal policy initiatives, including regulatory changes under the *Mackenzie Valley Resource Management Act*.

The Budget includes the first \$12.2 million for annual services payment for the Tłı̄chǝ All-Season Road Public-Private Partnership. These annual payments will pay for the road's construction over time and annual maintenance for the next 25 years. Building the Tłı̄chǝ All-Season Road was an innovative partnership and proof positive of our commitment to use our capital dollars as an opportunity to build capacity in the Northern labour force.

We intend to further strengthen our efforts to bring innovation into our investments in the economy. We are advancing three critical infrastructure projects: the Taltson Hydro Expansion, Mackenzie Valley Highway, and the Slave Geological Province Corridor. The 2022-23 Capital Plan approved last December includes \$463 million for the Government's

own investments and \$29 million for community infrastructure investments. When we include the \$11 million in this Budget for the NWT Housing Corporation investments, our total planned infrastructure investment in the next fiscal year will be over one-half billion dollars.

The 2022-23 Capital Plan also includes infrastructure investments that support program delivery. This includes \$47 million for long-term care facilities, health centres and the Stanton Legacy Building renovations and \$22 million for investments in schools.

Conclusion

Mr. Speaker, I want to thank my Cabinet colleagues, the Standing Committees, the business community, non-profit organizations and all the other groups and Budget Dialogue participants, for the input and advice they have provided in putting the Budget together. It is with this kind of civil engagement and dialogue that we continue to define ourselves as a consensus government.

The territorial economy is poised to emerge from the COVID pandemic different but stronger and this Budget serves to help manage the uncertainty that may dampen future economic success. We are not including flashy new initiatives but rather holding to our pledge that the investments we do make build on the work we have already undertaken to fulfil our mandate priorities and our demonstrated commitment to provide relief from many unforeseen challenges.

The Northwest Territories is, ultimately, a small community of people although spread across one of the largest geographic regions of Canada, made up of different nations, and cultures, with 11 official languages.

These times of crisis have put potential challenges faced in this territory front and centre in everyone's minds. It has also shown us that it is possible to come together as communities and as a government to adapt quickly and take measured risks in the face of uncertainties. It is time to use that motivation and that confidence to work together to ensure the Northwest Territories remains a place that is dynamic, full of opportunity and committed to equity, compassion, and reconciliation.

Thank you, Mr. Speaker.

Budget Papers

2022-2023

NORTHWEST TERRITORIES

A ◆ Economic Review
B ◆ Fiscal Review

February 22, 2022

ECONOMIC REVIEW

The Northwest Territories (NWT) economy is experiencing a V-shaped recovery from the COVID-19 pandemic. Recovery from the immediate negative drop in economic activity in early 2020 was well underway by the end of the year and the level of jobs and economic output in 2021 is similar to 2019. Service sector employment has nearly returned to pre-pandemic levels because of recovery and expansion of jobs in public administration, health care, and other sectors that became more important with the lockdown mandates, like management services. Meanwhile, service sectors, such as accommodation and food services, construction, transportation, and warehousing, continue to struggle. Public health measures worldwide that closed borders and consumer reluctance to travel resulted in NWT tourism and many regional airline routes disappear virtually overnight. These risks have continued into 2022.

Global financial, economic, and political uncertainty continues to stem from the global pandemic. These disruptions to the economy combined with the continued brittleness of an economy concentrated in the non-renewable resource export sector and a large, non-competitive government sector, creates significant risk for private-sector investment and employment for Northerners, and has limited the ability of the Government of the Northwest Territories (GNWT) to generate revenues from its tax bases, further increasing its reliance on federal transfers and hindering its ability to support economic self-sufficiency.

There are also signs that the recovery may be slowing, and that some economic gains may lose momentum or reverse. As COVID cases exponentially increase in early 2022, the public health responses by Canadian governments increase the risk that the national economy will not recover as rapidly, which may create significant risks for the NWT economy.

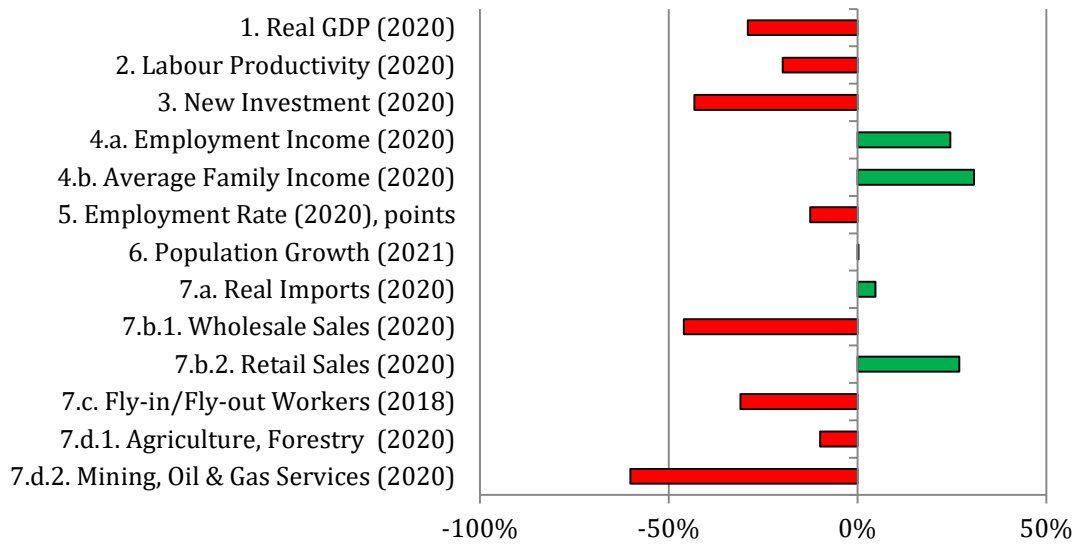
RECENT ECONOMIC PERFORMANCE

The recent performance of the NWT economy is evaluated using the 13 *Macroeconomic Policy Framework* performance indicators. These indicators were designed to capture broad measures of economic wellbeing and provide an indication of the effectiveness of the GNWT's investments to grow and diversify the economy. The performance indicators compare current indicator values to their 2007 baseline levels.

Parts of the economy are recovering and although challenges remain, attention is turning towards creating a more diverse economy for the benefit of all NWT residents. This requires addressing structural deficiencies in the economy.

Eight of the 13 indicators are negative, with the key drivers of GDP and productivity signalling economic decline. In the following figure, the indicators with red bars show a negative percentage change in their values and the indicators with green bars show a positive percentage change in their values since benchmark year of 2007. However, these indicators do not necessarily provide an accurate measure of the economy since 2020 data is from the lowest point in the pandemic is compared to 2007, when the territory's fourth diamond mine was being constructed and there was much more activity in the NWT economy. All performance indicators reflect the most current data available.

Macroeconomic Policy Framework Performance Indicators

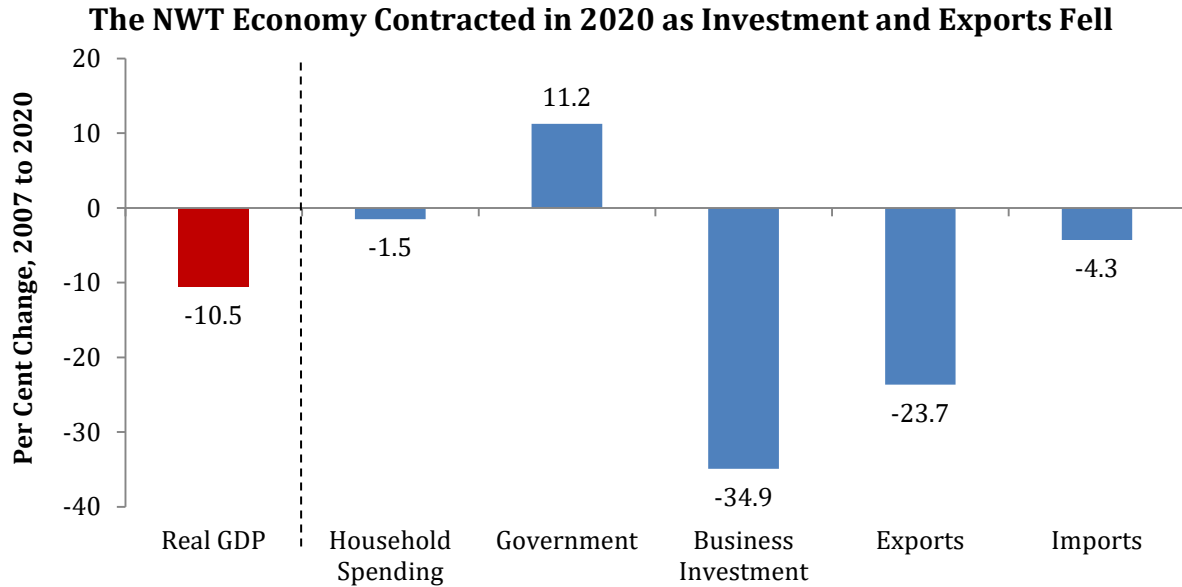


Source: Statistics Canada, NWT Bureau of Statistics, and NWT Finance

Two contributing factors to the territory's low level of economic resiliency are the dependence on the extractive resource industry (mainly diamonds), and the openness of the NWT economy, with people and capital free to move to other jurisdictions when faced with economic challenges at home. The challenge for the GNWT is to identify and advance investment opportunities that will generate sustainable benefits in the context of the global economic environment in which NWT businesses compete.

The Size and Growth of the Economy – *Real GDP*

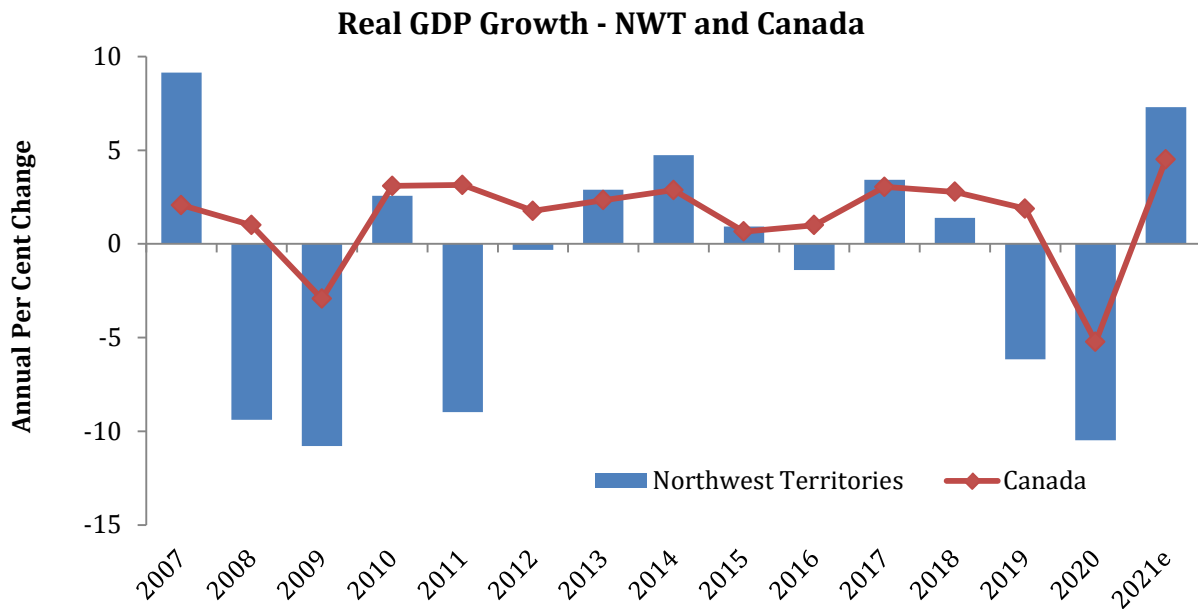
The NWT economy was 10.5 per cent smaller in 2020 than it was in 2019, reflecting a 35 per cent decline in real business investment, and a 24 per cent decline in real exports. Without large gains in government spending during the pandemic, the NWT economy would be even smaller.



Source: NWT Bureau of Statistics and NWT Finance

While much of the decrease in economy activity in 2020 can be attributed to the pandemic-related causes, the NWT economy has experienced several years of slow or zero growth before the COVID-19 pandemic including a GDP reduction of 6.2 per cent in 2019.

This decline in real GDP is reflected in a fall in real exports, partially due to the shutdown at the Ekati diamond and the lack of global demand for diamonds, the NWT’s primary export. The NWT is recovering however, and the decline in 2020 real GDP is at least partially mitigated by an estimated 7.3 per cent recovery in 2021.



e: estimate

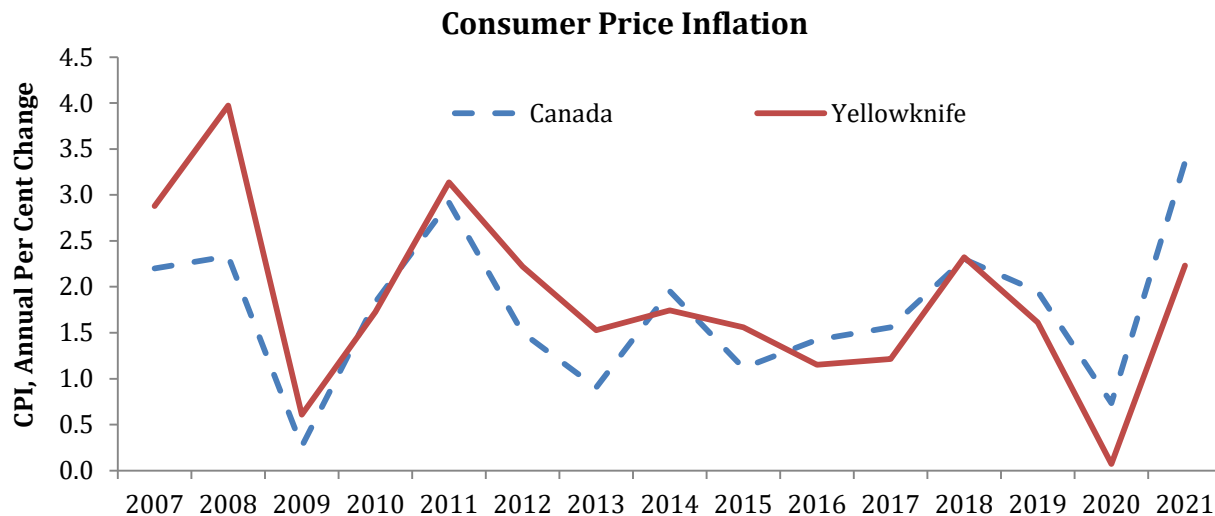
Source: NWT Bureau of Statistics, Bank of Canada and NWT Finance

Productivity – Labour Productivity and Consumer Costs

Productivity is a key performance benchmark for government and economic health. Labour productivity, the most common measure of productivity, measures the efficiency with which labour is used to produce goods and services. Productivity fell 8.7 per cent in 2020, following a 10.8 per cent decrease in 2019. The decrease was due to a scaling back of activities in mining—an industry with high productivity levels. This is a concern because rising productivity is related to increased profitability, sustained competitiveness, and lower costs.

The costs of living and doing business are high in the NWT relative to other jurisdictions due to remoteness, harsh climate, and a sparsely populated large territory, making inflation (an increase in the overall price level, resulting in reduced purchasing power) an indicator of quality of life for NWT residents.

Inflation, as measured by the Yellowknife Consumer Price Index (CPI), was relatively unchanged from 2019 to 2020, rising by just 0.1 per cent. The Canadian CPI rose by 0.7 per cent over the same period. Inflation started to increase in 2021 and the annual change in Yellowknife CPI is projected to be 3.4 per cent. This has been caused by supply chain issues that occurred in the second half of 2021, where a variety of different events and policies have disrupted production, transportation, and demand for products. This rise in CPI in 2021 cancels out the low rate in 2020, leading to an annual average of 2 per cent, comparable to the Bank of Canada’s targeted core inflation rate.



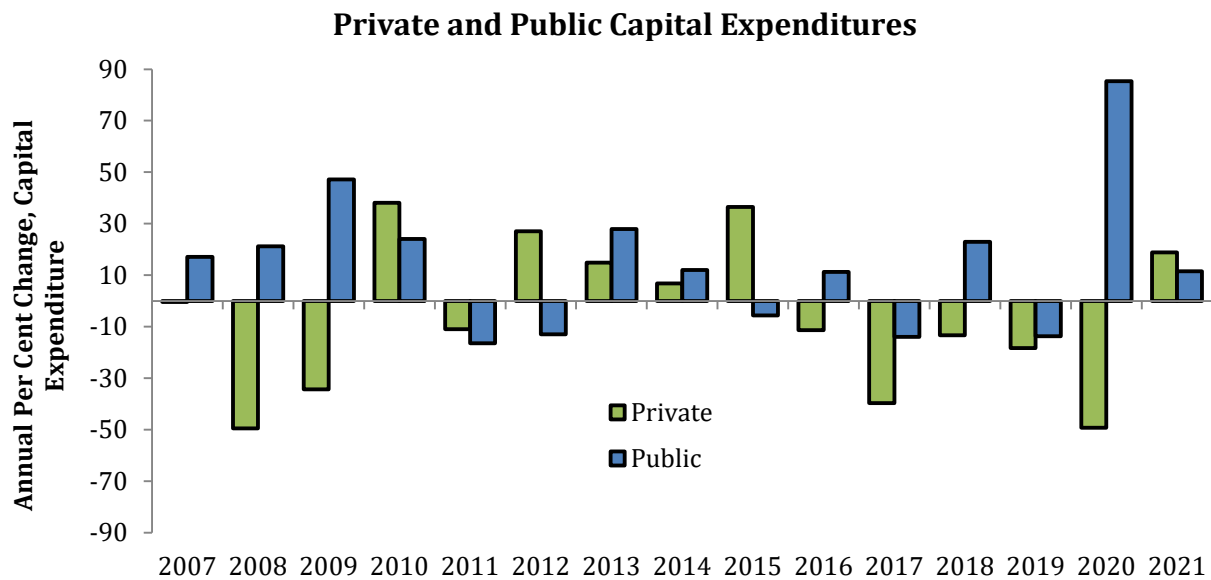
Source: Statistics Canada

New Investment – Capital Expenditures

New investment is a leading indicator of economic growth that measures how well the economy is expected to perform in the future. New investment was roughly 13 per cent higher in 2021 than it was in 2020, caused by large public expenditures and a rebounding economy. Business investment (the portion of investment made by the private sector) rose 18.8 per cent from 2020 to 2021. Public (all governments) investment over the same period grew 11.5 per cent compared to 2020 when public expenditure soared by 85 per cent. The stronger than previous years but still weak business

investment, estimated at \$247 million in 2021, reflects a decline in mining capital investment that peaked in 2015 with the construction of the Gahcho Kué diamond mine. Since that time, no new private sector investment projects of similar magnitude have occurred or been announced.

Public sector capital expenditures are estimated to be \$649 million in 2021, with over a quarter of this investment for the \$185 million Tłı̄chǫ All-Season Road. Since 2015, private investment has trended downward while public investment has trended upward.



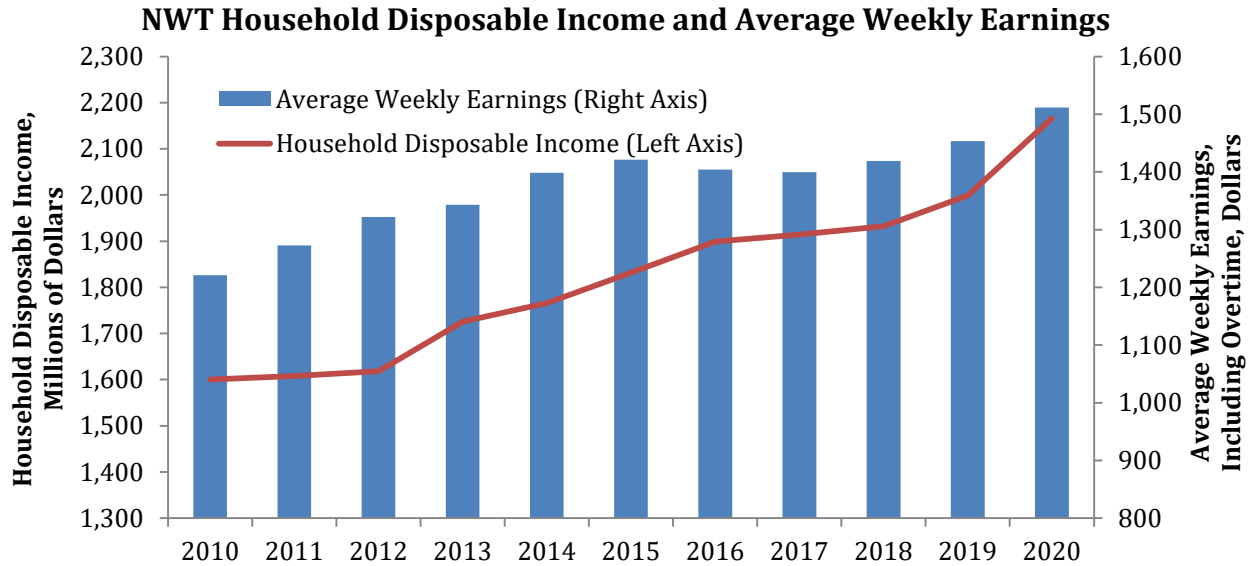
Source: NWT Bureau of Statistics and Statistics Canada

Income – *Employment Income*

Employment income is the largest component of territorial household income from all sources and indicates how well NWT workers are benefitting from economic growth. Employment income rose 4 per cent between 2019 and 2020 to over \$2 billion. Employment income is over 64 per cent of total household income from all sources and its growth helped support consumer spending and government tax revenues.

Similar to employment income, personal disposable income (the after-tax income earned by households from all income sources) is an indication of how well employees are benefitting from economic growth. NWT disposable income grew 8 per cent to nearly \$2 billion from 2019 to 2020. This helped strengthen household consumer spending, which accounts for almost a third of the territory’s GDP. Increasing consumer spending is a noticeable contributor to NWT economic growth.

Average weekly earnings, including overtime, also improved in 2021, estimated to have increased 0.7 per cent from \$1,512 in 2020 to \$1,532 in 2021. Wages and salaries earned by NWT employees are the highest in the country and are well above the national average. Canadian average weekly earnings, including overtime, was \$1,134 in 2021, one-third lower than the NWT average.



Source: NWT Bureau of Statistics and Statistics Canada

Income – Average Household Income

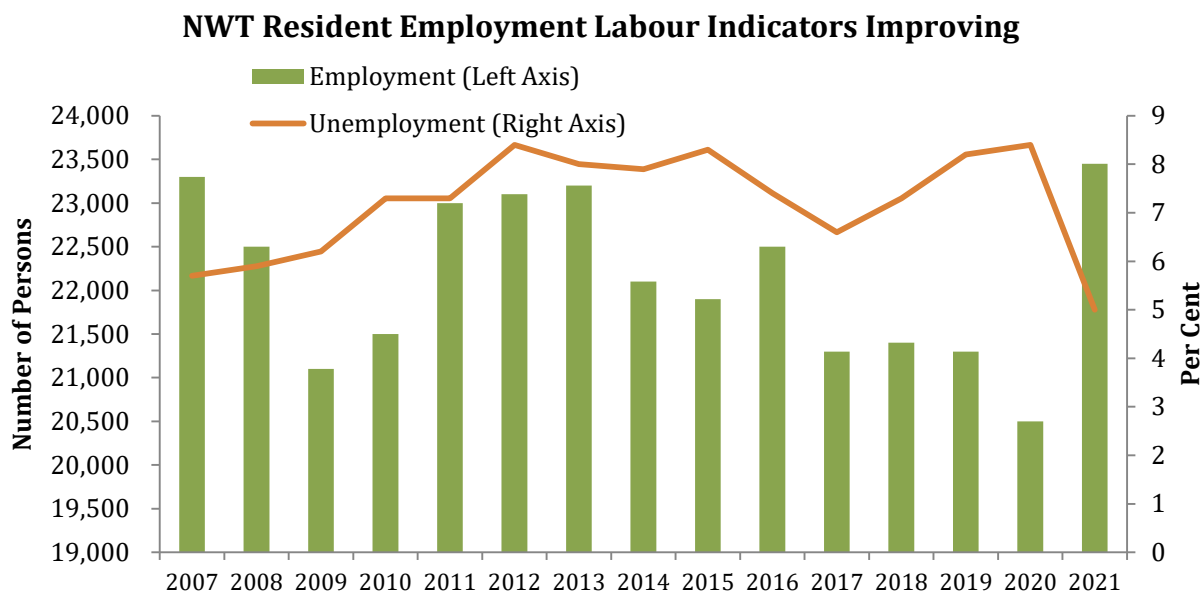
Average household income provides information about the quality of jobs of NWT residents and how much they are benefitting from economic growth. Annual average family income rose 2.0 per cent from \$136,000 in 2018 to \$140,000 in 2019. The number of single parent households is also increasing over the past three years, from 23.7 per cent in 2017 to 25.6 per cent of all NWT families.

Economic Participation – Employment Rate

The ability of NWT residents to actively participate in economic growth is key to an equitable and balanced economy. The employment rate (the share of working age residents that are employed) provides insight into the NWT population's ability to take part in the market economy and to benefit from the production of goods and services. The employment rate also provides some insight into the benefits for communities without mines.

The 2021 NWT employment rate was 69 per cent, a 5.2 percentage point increase from 2020. The rise is partly due to relaxation of coronavirus pandemic policies but also from the injection of funds from the federal and territorial governments to support businesses and individuals during the economic disruption caused by pandemic-related restrictions. More information is needed to differentiate between transitory additional employment to implement public health measures and more permanent employment through increased investment.

In 2021, NWT resident employment was 23,450, an increase of 3,050 persons from 2020 and comparable to 2007 when there was large private construction occurring. The employment rate is still below the 73.7 per cent employment rate in 2007, the highest in recent history and the *Macroeconomic Policy Framework* baseline. The unemployment rate decreased from 8.5 per cent in 2020 to 5.1 per cent in 2021, mainly because the number of residents who chose not to be in the labour force (meaning they were neither employed nor looking for work) fell back to 2019 levels.

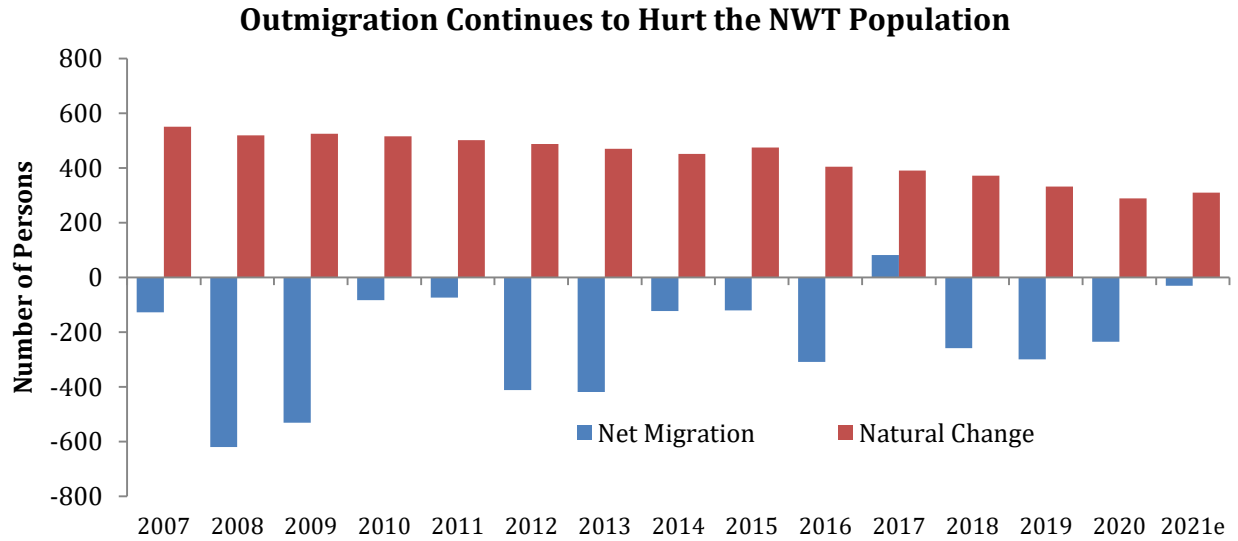


Source: NWT Bureau of Statistics and Statistics Canada

Population Growth – *Population*

Population growth is a strong indicator of economic health. By providing labour for NWT businesses, demand for local goods and services, and revenues for personal income and consumption taxes, population growth helps support economic activity and sustainable government services. The NWT’s population has been relatively stable over the past decade. The 2021 NWT population was estimated to be 45,504 people, an increase of 134 persons from 2020.

The population increase last year was entirely due to an increase in births. Between July 1, 2020 and July 1, 2021, there were 549 births and 279 deaths in the NWT, resulting in a net natural population increase of 270 persons. This gain outpaced outmigration. Interprovincial migration resulted in a net loss of 146 persons over the same period. The loss to interprovincial migration is lower than in the previous three years, which may be a result of economic uncertainty across Canada. The population grows in response to economic growth and supplies a base for further growth through diversification. People tend to migrate to the NWT when the economy is doing well compared to other jurisdictions and are more likely to leave when the economy is doing poorly.



e: estimate

Source: NWT Bureau of Statistics

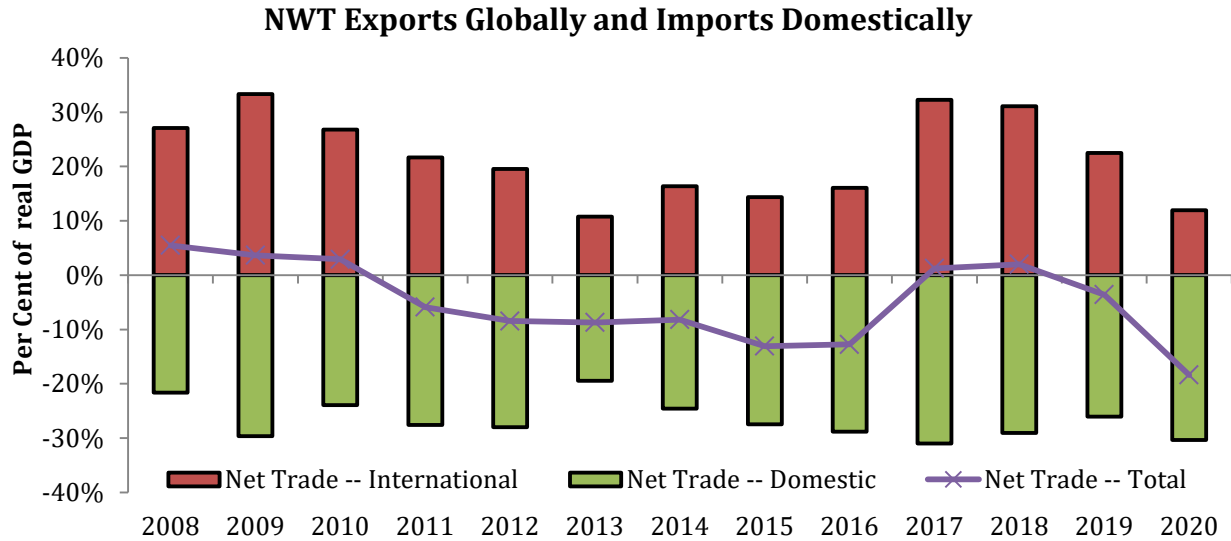
Strength of Economic Linkages – Imports

Economic linkages are the connections and dependencies of NWT industries within and outside the territory. Developing links between markets, regions, countries, and sectors is crucial to developing a diversified and balanced NWT domestic economy.

The small, open NWT economy depends on trade linkages with other jurisdictions. The NWT exports natural resources (mainly diamonds) to global markets and imports goods and services from southern Canada to support industry and personal consumption. As a result, the NWT has a trade surplus with other countries but a trade deficit with the rest of Canada.

The NWT trade surplus with other countries decreased from 22 per cent of real GDP in 2019 to 12 per cent in 2020. This deterioration was attributed to the global lockdowns that heavily affected international trade. Diamonds represent 98 per cent of the value of NWT exports to global markets.

The NWT trade deficit with the rest of Canada fell to 30.4 per cent of real GDP in 2020 due to an 18 per cent reduction in net trade (exports minus imports) as while both imports and exports fell, export levels dropped further. This measure represents the NWT economy's dependence on southern suppliers for most goods like food, petroleum products, and manufactured items.

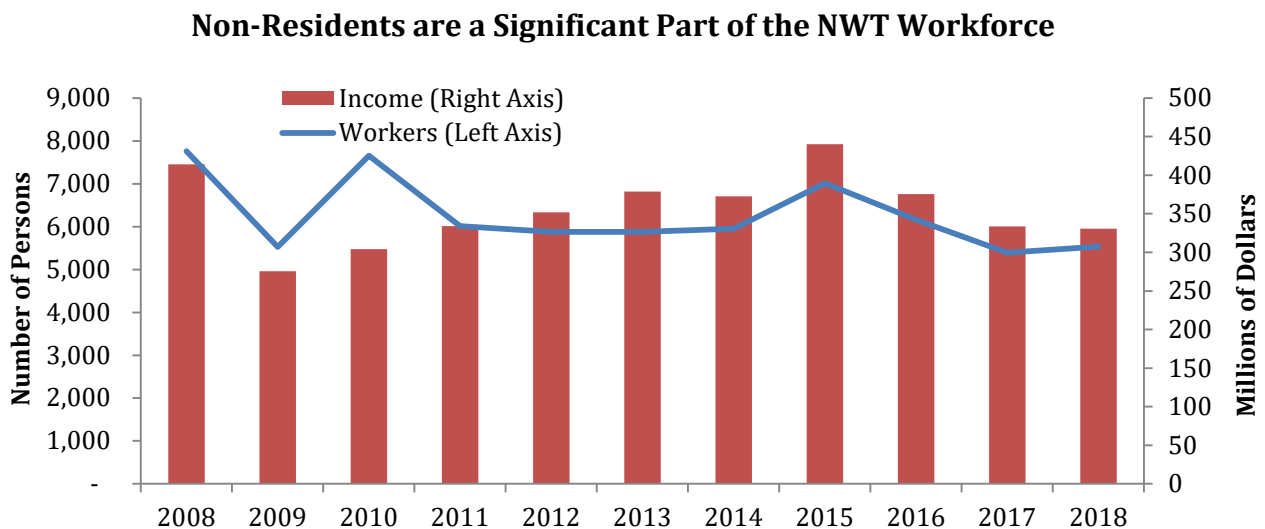


Source: Statistics Canada and NWT Finance

Strength of Economic Linkages – *Fly-in/Fly-out, Non-Resident Workers*

The NWT has a significant non-resident work force. This is largely due to the small size of the NWT population and reflects the employment needs of the NWT economy that cannot be met by the domestic workforce, most commonly in the NWT’s mining industry. Non-resident workers provide skills needed by NWT businesses but this reliance on out-of-territory workers means lost NWT business from consumer spending and lost revenue for the GNWT.

Between 2008 and 2018, the number of non-resident workers fluctuated between one-quarter and one-third of the NWT workforce, which represents close to one-fifth of all employment income generated in the territory.



Source: Statistics Canada and NWT Finance

Research to update the non-resident study is underway but in general each year 5,500 to 8,500 non-residents fill jobs in the NWT. These jobs include seasonal, rotational, temporary and special projects that fill gaps that are not met by the resident workforce. Total aggregate earnings paid to non-resident workers from these jobs ranged from \$275 million and \$440 million between 2008 and 2018. This employment income generated in the NWT represents lost income that could have been spent in the NWT economy.

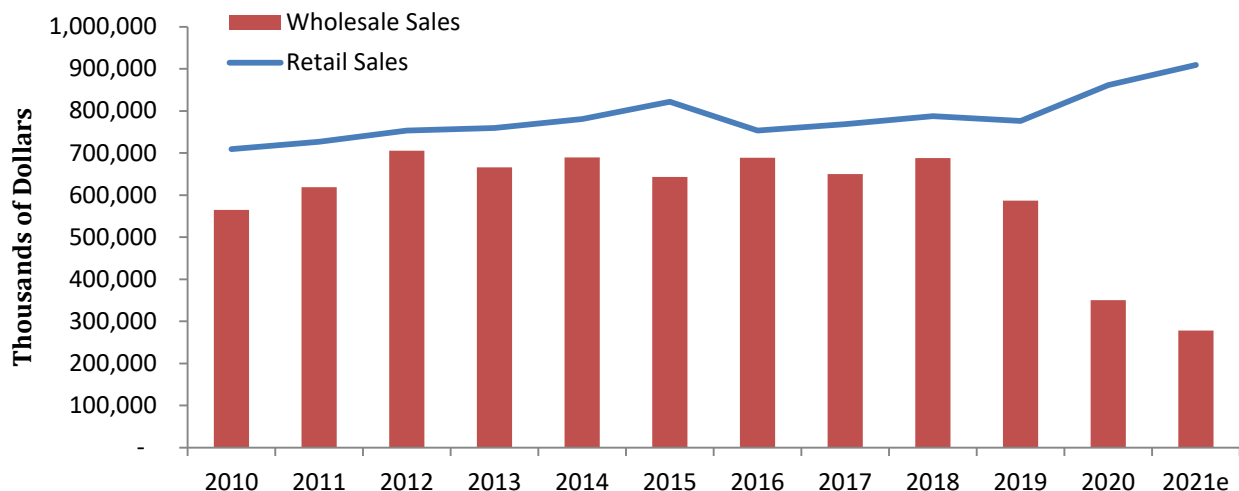
Strength of Economic Linkages – Retail and Wholesale Trade

Wholesale trade is an indicator of production level linkages, where producers purchase goods from NWT suppliers or post-production services such as transportation and communications services from NWT companies. Retail sales are an indicator of final demand linkages that support higher construction and transportation activity and create opportunities for increased retail business. Together with wholesale trade, retail sales contribute to domestic trade within the NWT. This makes retail sales, and domestic trade more broadly, key to the health of the economy.

Annual wholesale trade sales have fluctuated around \$670 million over the past several years. However, in 2020 wholesale trade is estimated to have declined by nearly 40 per cent compared to 2019, largely due to the negative effect of the pandemic on the diamond industry. The continuing effects of the pandemic are evident in the 2021 preliminary estimates, which suggest that wholesale trade will fall to \$276 million, down from \$349 million in 2020. This represents an estimated drop of 59 per cent in wholesale trade since 2019.

Retail trade sales dipped by 1.4 per cent in 2019 to \$777 million, marking the second annual decline in the past decade. However, retail sales performed strongly in 2020 despite, or possibly because of, the coronavirus pandemic. Retail trade is estimated to have grown 9.5 per cent from 2019 to 2020, and a further 5 per cent in 2021 as many NWT businesses pivoted to online sales, takeout, and curbside pickup.

Retail Trade and Wholesale Trade Moving in Opposite Directions



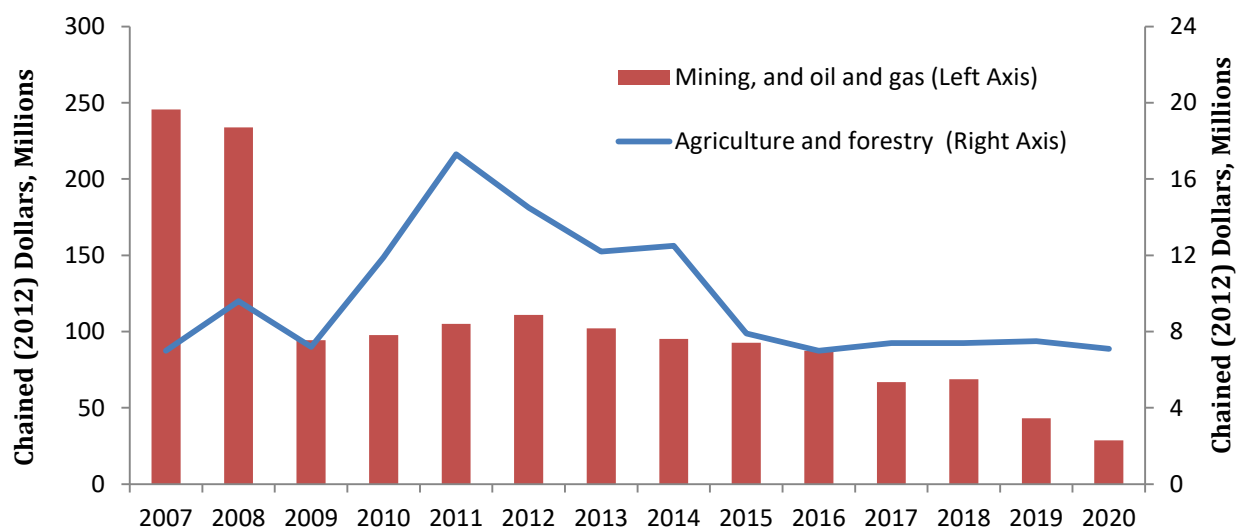
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Source: NWT Bureau of Statistics and NWT Finance

Strength of Economic Linkages – *Resource Sector Support Services*

Industries that provide services and support to the natural resource sector are key drivers of growth and diversification in the NWT economy. They provide specialized services for the renewable and non-renewable resource sectors of the NWT.

Resource Sector Support Services



Source: Statistics Canada and NWT Finance

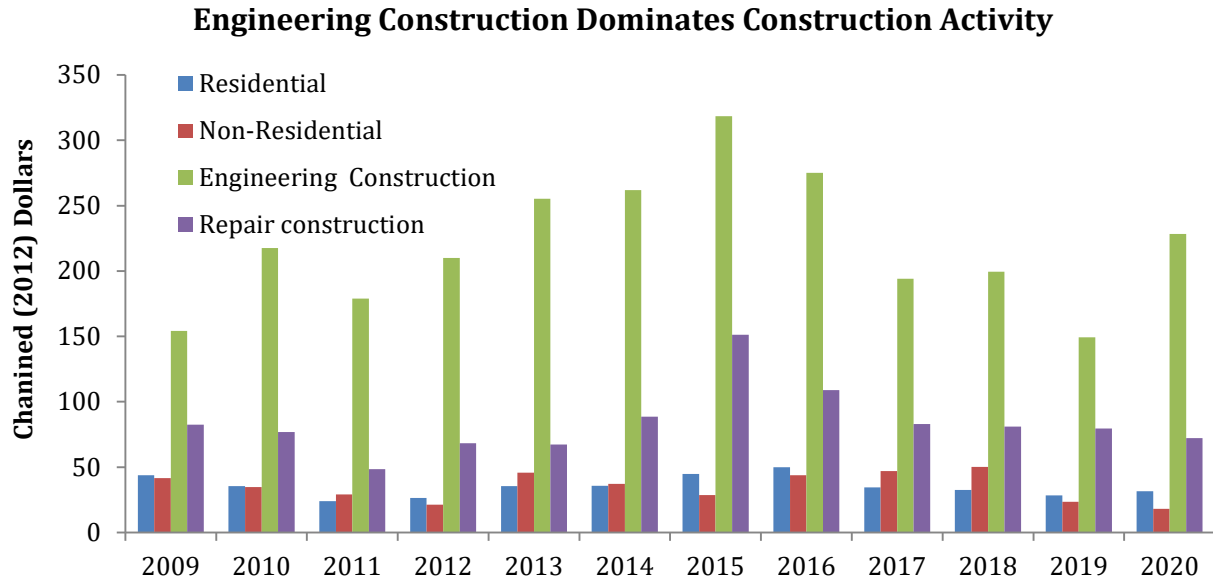
The real value of mining sector support services decreased 33 per cent to \$29 million from 2019 to 2020, reflecting a slowdown in international demand. The real value of oil and gas support services fell 38 per cent from \$52 million in 2019 to \$32 million in 2020.

The real value of support services for renewable resource industries fell 5.3 per cent between 2019 and 2020 to \$7.1 million. These support services include activities such as harvesting timber and growing crops. Although the farming and forestry sector accounts for less than one per cent of NWT real GDP, it is promoted as a growth sector that will support food security and sustainable economic diversity.

Strength of Economic Linkages – *Construction*

The construction sector includes residential construction, non-residential construction, engineering services, and repair construction and support activities. Due to the heavy reliance on the extractive resource sector, the NWT engineering construction industry accounts for two-thirds of all construction activity in the territory. Residential construction was only 9 per cent of real construction expenditure in 2020, whereas residential construction averages over one-third of construction expenditures in other Canadian provinces and territories.

Overall construction activity increased 22 per cent from 2019 to 2020, reflecting the increase of engineering construction funding in 2020 compared to 2019. A substantial portion of this increase is attributable to the construction of the Tłı̄ch̄o All-Season Road.



Source: Statistics Canada

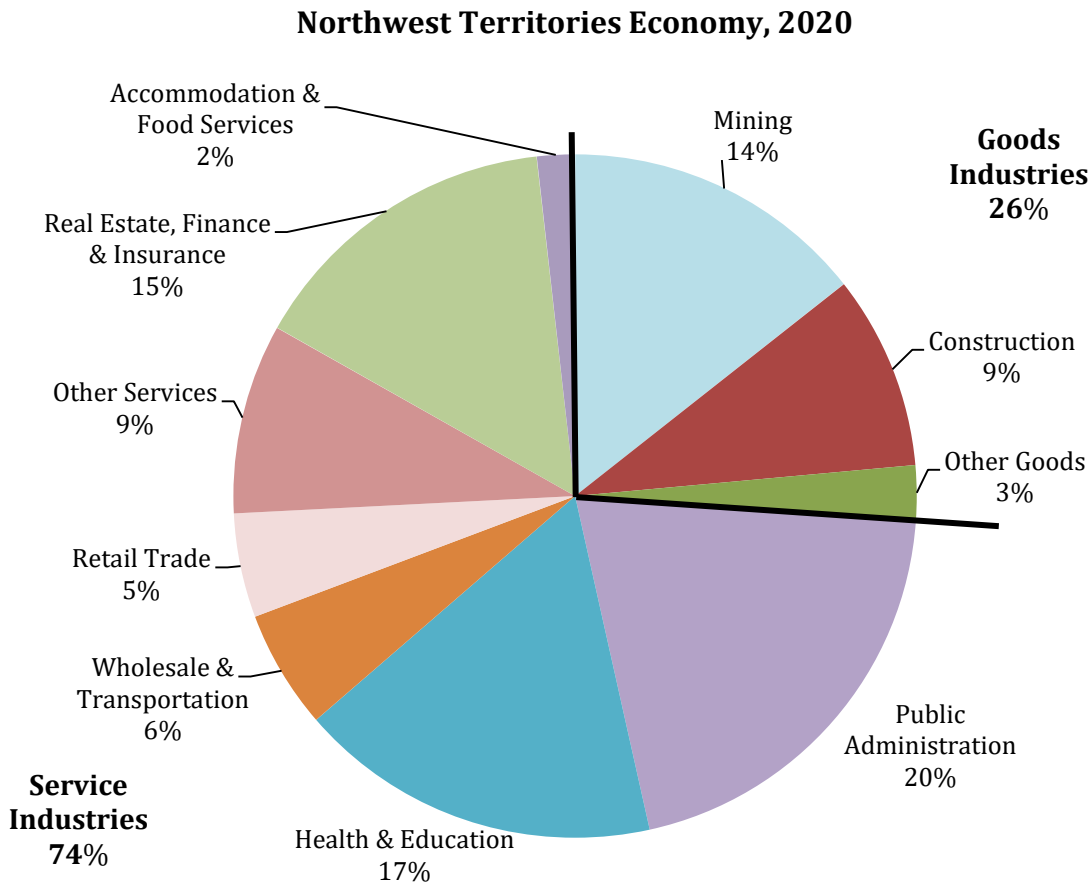
Diversification – Real GDP by Industry

Economic diversity provides for stable and balanced growth by spreading risk more evenly across a number of sectors. This makes the economy more resilient to business cycles and external shocks and reduces the sensitivity of the economy to the ups and downs associated with any single industry, market, or region. For example, more diversified economies experience lower unemployment during cyclical economic downturns (recessions) than do economies which are heavily concentrated in a single industry or sector. The NWT economy, however, is not diversified and instead relies heavily on the public sector and the extractive, non-renewable resource sector.

The goods-producing sector accounted for 26 per cent of NWT GDP in 2020, with the mining, oil, and gas extraction industry the largest single industry, accounting for roughly one-seventh of NWT GDP. While the share of the economy directly generated by the mining, oil and gas sector has declined from close to half of all economic activity a decade ago, it remains the dominant industry in the NWT economy, demonstrating a lack of economic diversity. Construction is the second biggest industry in the goods-producing sector, accounting for 9 per cent of NWT GDP in 2020. The remainder of the goods-producing sector accounted for just 3 per cent of GDP and was comprised of renewable resources, utilities, and manufacturing industries.

The NWT is steadily shifting towards a services-based economy. The combined services-producing industries accounted for 74 per cent of NWT GDP in 2020, compared to 48 per cent a decade ago. Public sector activities dominate this sector, with public administration, education, health and social services accounting for 37 per cent of NWT GDP in 2020. The remainder of the services sector is comprised of industries such as wholesalers, retailers, banks, hotels, and tour operators.

While the NWT economy has not diversified away from a heavy reliance on mining, the structure of the economy has changed. In 2007, the goods-producing sector accounted for 51 per cent of the NWT economy, but by 2020 that share had shrunk to 26 per cent. This restructuring is mainly due to contraction in the NWT resource sector.



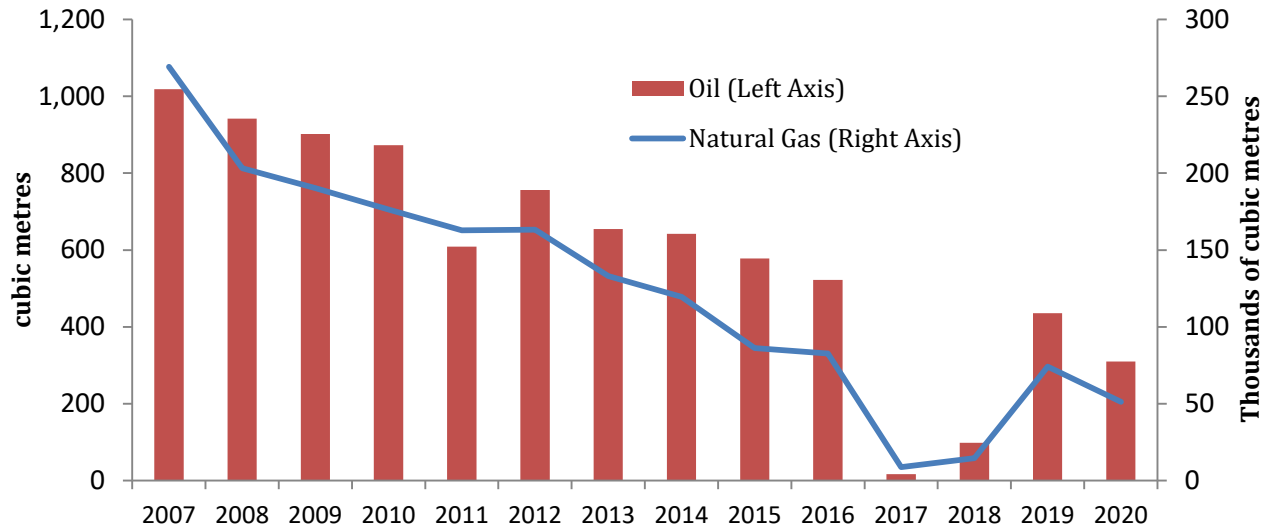
Source: Statistics Canada and NWT Finance

Diversification – Mining, Oil and Gas

The mining, oil and gas sector directly accounts for 14 per cent of real GDP. Natural gas production fell 31 per cent and oil production fell 29 per cent from 2019 to 2020. While production levels have recovered from 2017 when the pipeline was being repaired, oil and gas production is continuing its downward trend with little exploration activity occurring.

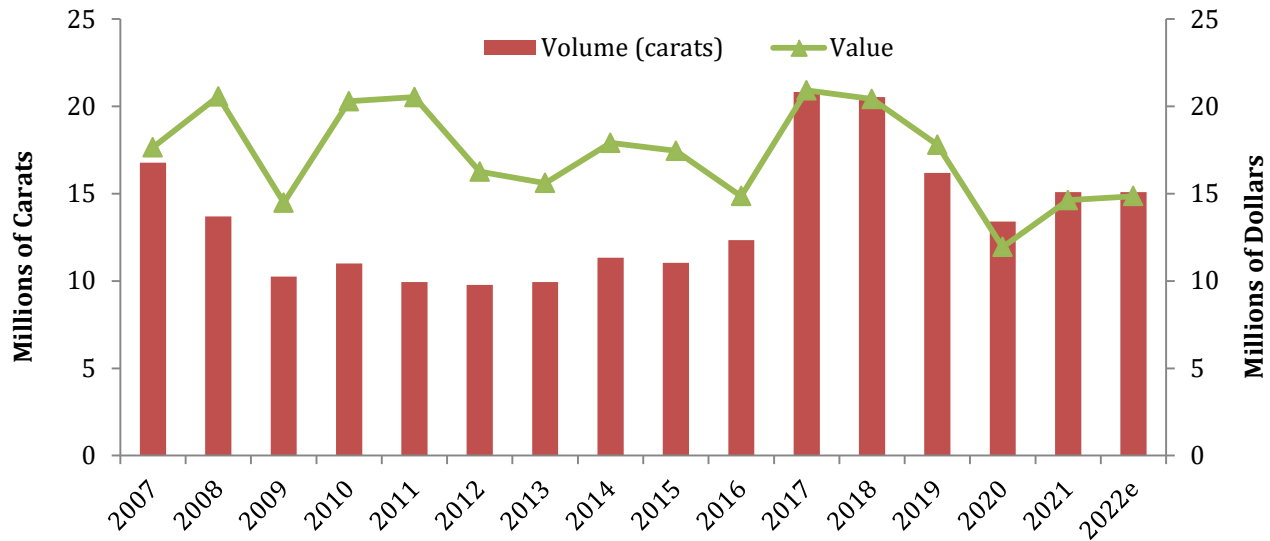
Diamond production is estimated to have decreased 13.4 per cent from 2019 to 2020 because of weak consumer demand, global diamond pipeline interruptions due to the pandemic, and a ten-month shutdown of the Ekati diamond mine that began in mid-March 2020. Ekati resumed production in January 2021 and increased demand has helped the industry but production and sales are still below pre-pandemic levels.

Production of Oil and Gas Improves



Source: NWT Bureau of Statistics and NWT Finance

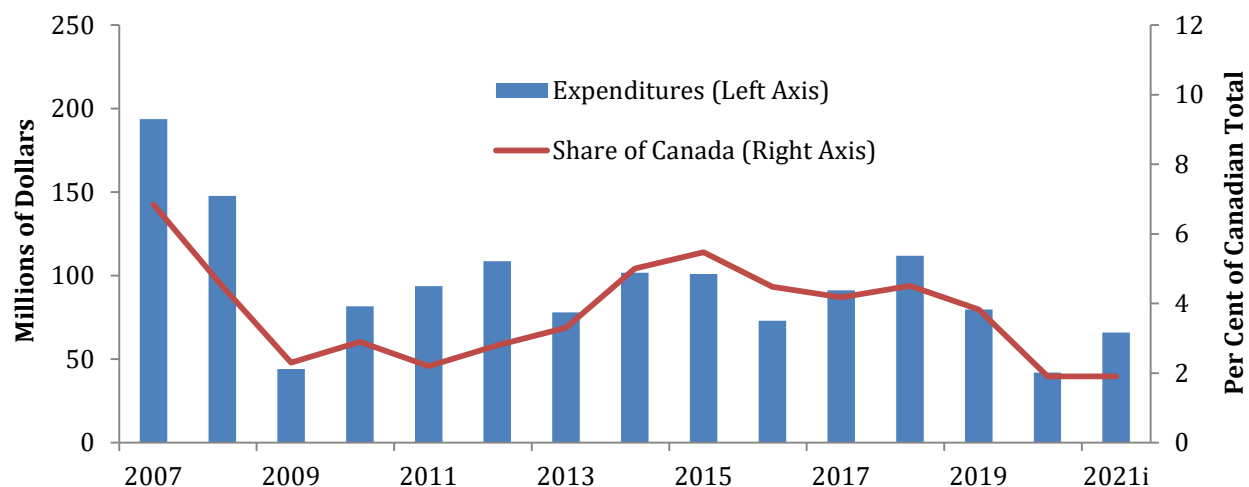
NWT Diamond Shipments Down



Source: NWT Bureau of Statistics and NWT Finance

NWT mineral exploration and deposit appraisal expenditures have declined, decreasing from \$112 million in 2018 to \$42 million in 2020, and although 2021 intentions are higher at \$66 million, the decline since 2017 and 2018 continues. While in past years roughly one-half of all NWT exploration and appraisal expenditures have been for diamonds, in 2021 diamonds will be expected to account for less than one-fifth of spending intentions. NWT exploration and appraisal expenditures as a share of the Canadian total are declining over time: from 5.5 per cent in 2015, 4.5 per cent in 2018, to the intended 1.5 per cent in 2021.

Mineral Exploration and Appraisal Expenditures



i: intentions

Source: Natural Resources Canada

Diversification – *Tourism, Trapping and Fisheries*

Tourism is not formally defined as an industry in NWT GDP data. However, tourism has implications for measured components of GDP such as transportation, travel services, accommodations, food and beverage retailers. In aggregate, the tourism sector contributes only a small portion to the territory’s GDP and employs a small number of residents, often on a seasonal basis. However, tourism is a growth sector with potential to diversify the economy and to also inject private sector employment opportunities into smaller communities.

International pandemic responses have had a deleterious effect on the NWT tourism industry. Between March 2020 and December 2021 there has been little territorial tourism due to international travel restrictions making it difficult to enter Canada or return to one’s home country. At the beginning of the pandemic the GNWT banned international visitors, the target audience for Aurora tours and the largest portion of the territorial tourism industry.

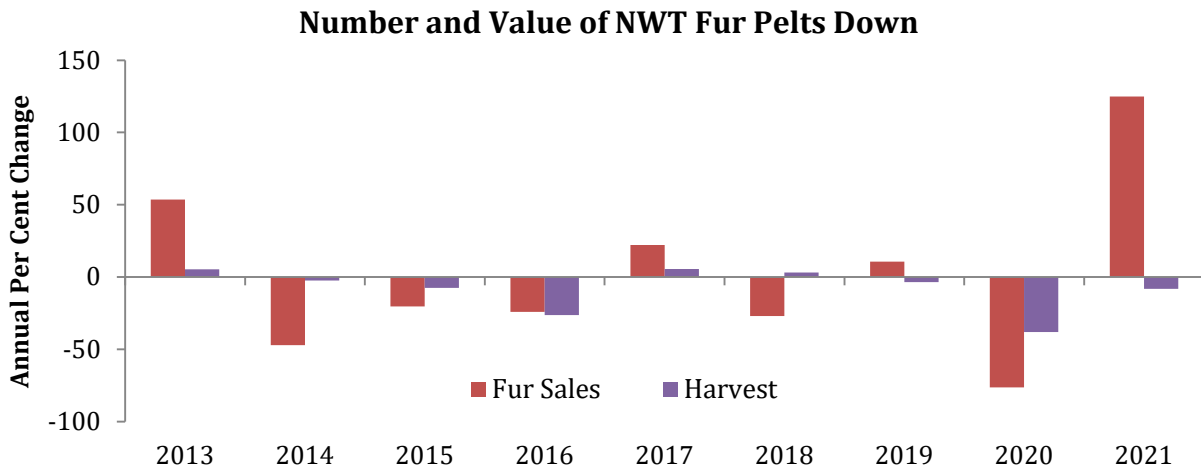
In 2021, due to very little international travel, the Department of Industry, Trade and Investment did not record the Airport Exit Survey, which is one of the primary sources of NWT tourism information. During the early portion of the pandemic, the number of visitors to the NWT decreased 2.1 per cent from 120,130 to 117,620 between April 2019 and March 2020. Over this period, visitor expenditures fell by 2.7 per cent, decreasing from \$210 million to \$205 million. The GNWT anticipated the decrease in tourism and supplied government supports, and is working with the industry to prepare for when the pandemic ends and travel restrictions are lifted.



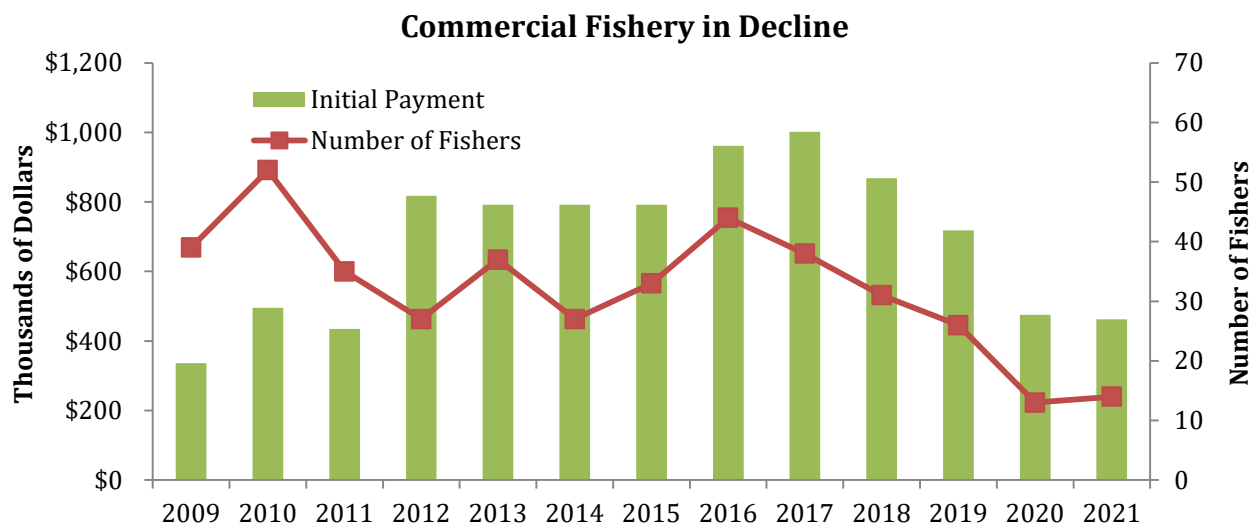
Source: Department of Industry, Trade and Investment

Trapping is a component of the renewable resource sector and while it is a small contributor to the overall NWT economy, it is a sector that is important to many NWT residents for food and clothing as well as incomes, especially in smaller communities.

The global coronavirus pandemic had a significant negative impact on the fur trade. Border closures and travel restrictions in many countries forced last year’s fur auctions online rather than in person. For a luxury goods industry, the lack of in person international buyers resulted in a steep decline in sales. For the year 2020, roughly 11,000 NWT pelts were sold, a decrease of 38 per cent from the previous year, while the value of fur sales fell by 79 per cent to just \$172,700. The industry has recovered in terms of sales value in 2021; however, with fur pelt price increases raising sales to \$388,562.



Source: NWT Industry, Trade and Investment and NWT Finance



Source: Freshwater Fish Marketing Corporation

The commercial fishery in the NWT is small, and shrinking. Initial payments to NWT fishers – an on-delivery point, net-of-freight basis – fell by 35.6 per cent in 2020, declining from \$719,000 in 2019 to \$463,000, and the number of active commercial fishers nearly halved from 26 in 2019 to just 14 in 2021. This was partly due to the coronavirus pandemic, which disrupted trade and depressed demand.

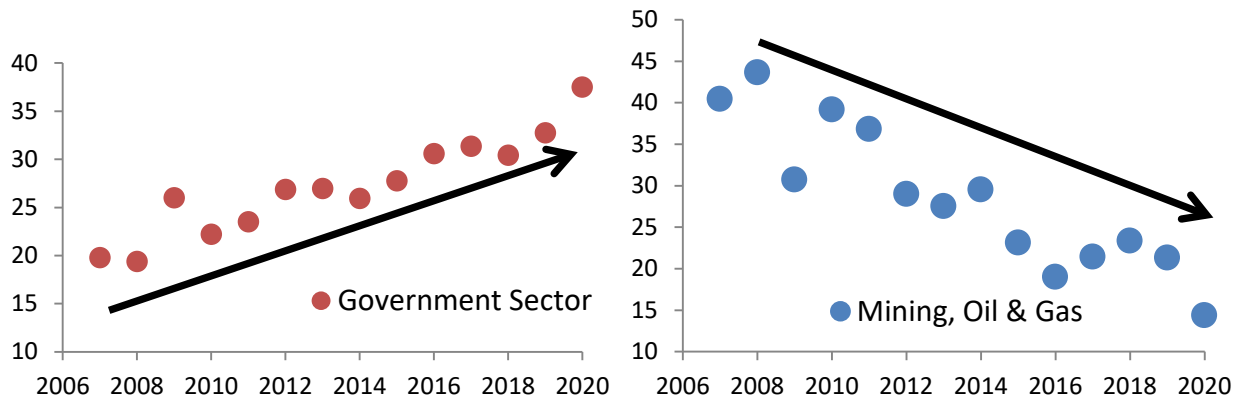
Despite four consecutive years of decline, commercial fishing presents an opportunity for NWT economic diversification and regional employment because fish are an abundant, renewable resource. With the completion of the fish plant in Hay River, and an expected increase in post-pandemic demand, the NWT commercial fishery is expected to grow.

Diversification – Public Administration

Public administration at all levels of government (federal, territorial, municipal, and Indigenous) is the second largest industry in the NWT, accounting for 20 per cent of GDP and contributing significantly to jobs and income creation. NWT public administration includes courts, policing, corrections services, firefighting services, defence, and government administrative work but excludes the health, social services and education sectors. The rise in public administration expenditures corresponds with a shift in the structure of the NWT economy away from mining, oil and gas and towards government sector industries (public administration and education, health care and social services).

With the diamond industry expected to disappear in the next 10 to 15 years, and oil and gas production down 70 and 81 per cent respectively since 2007, the portion of the NWT economy vacated by the resource extraction sector is increasingly filled by government investment. While government spending has provided economic stability during the pandemic, as the NWT economy becomes increasingly dependent on the public sector the risk of stifled private sector growth and innovation also increases.

The NWT Economy is Increasingly Driven by Government as Mining Declines



Source: Statistics Canada and NWT Finance

ECONOMIC OUTLOOK

Although economic activity is expected to recover from lows in 2020, the NWT economy is projected to remain at 2021 levels in 2022 as the economy faces the same risks and challenges as before the severe disruption caused by the coronavirus pandemic.

Long-term challenges such as maturing diamond mines, an aging population, a lack of economic diversification and declining private sector activity will depress future growth unless there are substantial structural changes. Most pressing of these long-term challenges is that the diamond mining industry, which has been the engine of the NWT private sector economy for the last two decades, may see all existing NWT diamond mines close by 2030. The closure of the diamond mines may lead to a large drop in future economic output since at this time there are no other projects on the horizon large enough to fill this gap.

Near-term challenges stemming from the economic downturn triggered by the global pandemic will also dampen growth. Although the NWT is rebounding solidly, the recovery has been uneven across sectors, industries, and demographics. Industries such as local retail, construction, and public administration have all returned to pre-pandemic levels, while hard-hit sectors such as tourism, hospitality, mining, and wholesale trade continue to struggle. The recovery in the NWT labour market has also been uneven. Although in aggregate nearly all NWT jobs lost during the pandemic have been recovered, jobs in specific industries, such as accommodation, food services, wholesale trade and transportation, remain depressed. Employment rates for female workers are recovering at a faster pace than for males and the share of part-time and reduced-hours employment is increasing compared to full-time employment.

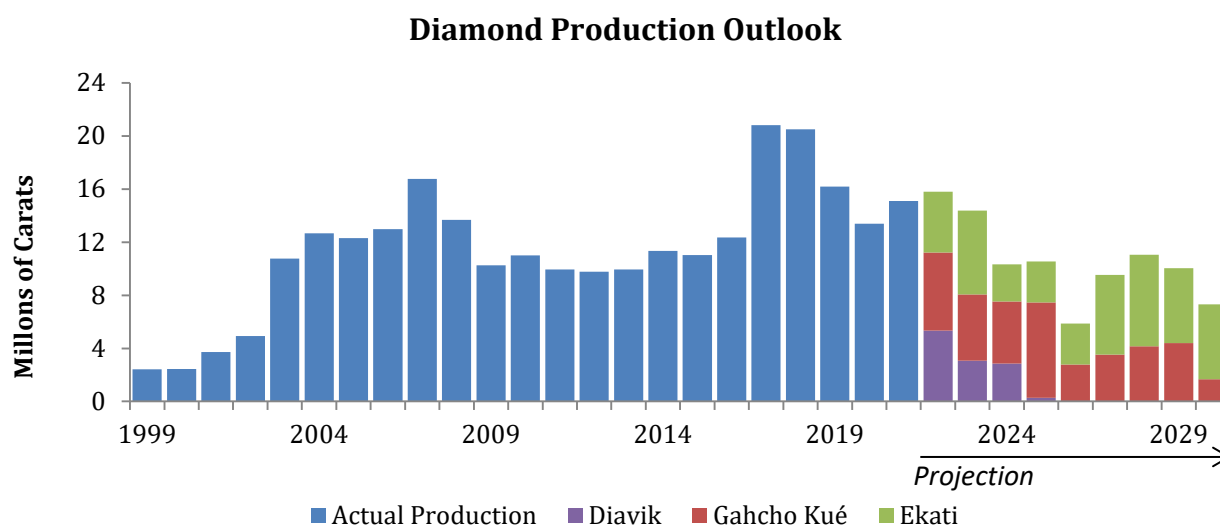
Despite the dramatic V-shaped recovery towards the end of 2020 and the strong 2021 growth, economic growth is expected to level off. Near-term risks from the continued coronavirus outbreaks worldwide, continued disruptions to global supply chains and a decreased demand for NWT exports continue. Another risk to the outlook is the removal of government support programs before the economic recovery has fully taken hold. Government expenditures rose by an estimated 4.1 per cent in 2020 and a further 2.5 per cent in 2021, helping to offset declines in exports and investment. The role government can play in supporting targeted economic growth should not be underestimated. Government spending at the federal and territorial levels on direct financing to

businesses and individuals; investments in infrastructure such as roads, hospitals, and schools; health and social programs for communities; and goods and services purchased from local retailers and wholesalers provide stability to the economy by helping to sustain the economic recovery. Government spending also helps support wages, household consumption and local business sales, thereby contributing to higher standards of living for Northerners.

Failure to prepare for inevitable structural shifts to the NWT economy, as the remaining diamond mines close within the next decade, poses more significant long-term risk than the short-term economic disruption from the pandemic.

Risks to the Outlook – *Diamond Mine Plans*

The NWT economic outlook is based on future mineral development and the opening of new mines. Diamond mining drives the NWT economy but mine plans for currently producing mines are set to end production by 2030. Diavik diamond mine is scheduled to close first in 2025, and Gahcho Kué and Ekati in 2030.



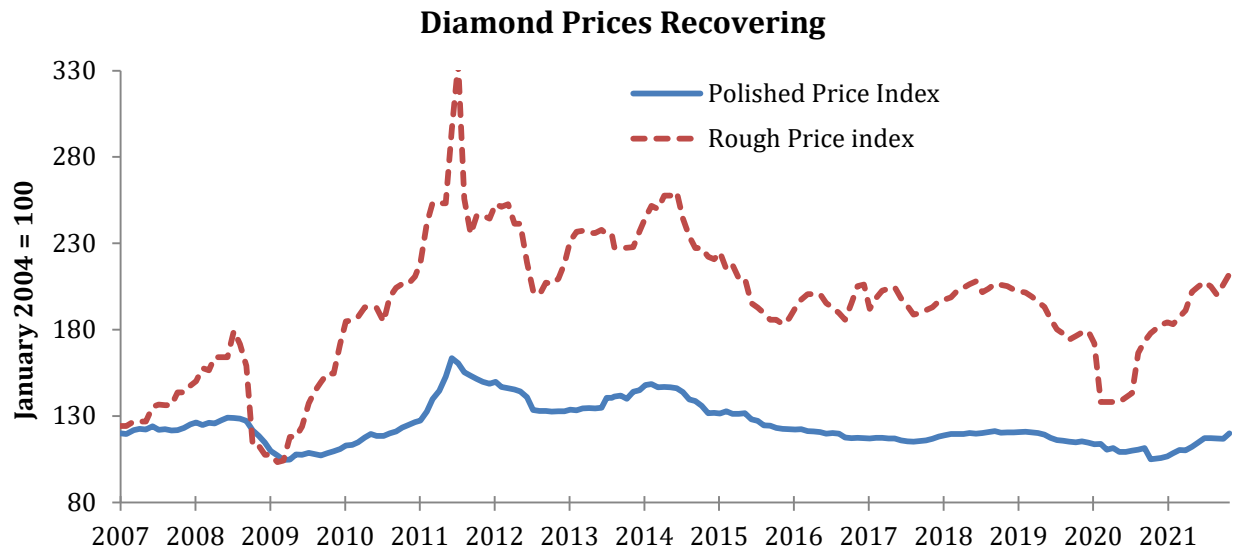
Note: Projection numbers are subject to change based on mine plan revisions by private mining companies.
 Source: Natural Resources Canada, mining plans and technical reports, NWT Finance

Risks to the Outlook – *Prices and Currencies*

The decision to construct new mines depends on a range of economic and financial factors, including global capital credit conditions, currencies, and commodity prices.

Expansion of the mining industry depends on successful exploration programs to identify potential new mine projects, as well as the deposit appraisal and environmental review process to identify which potential new mine projects can be developed. Government efforts to encourage mineral exploration continue but ultimately commodity markets and the ability to generate private investment interest and financing dictate the level of mineral exploration.

Indexed diamond prices for polished stones decreased 5.7 per cent from 2019 to 2020, while indexed prices for rough stone fell 19.0 per cent. This caused the price spread between rough and polished stones to narrow significantly. In 2021 this trend has reversed with polished diamond prices returning to pre-pandemic levels. NWT diamond mines produce rough diamonds, exporting them to manufacturers who cut and polish the stones, and so the spread between rough and polished diamonds is a key risk to the NWT economic outlook. The return to pre-pandemic levels in 2021 for polished diamonds improves the longer-term outlook for diamond production.

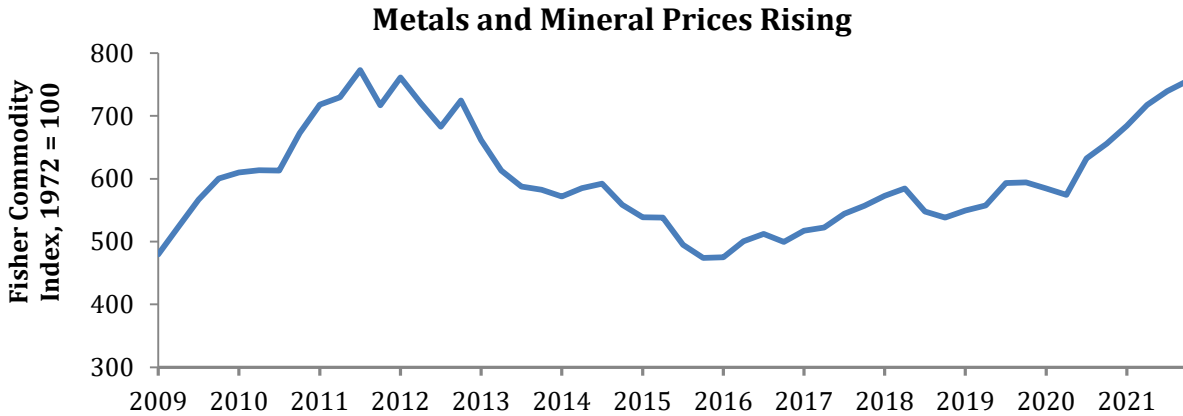


Source: PolishedPrices.com and roughprices.com

Commodity price changes have implications for the NWT economic outlook over the long term. Exploration and development expenditures by the mining industry are driven by the expected value of future mine projects; these in turn are driven by the expected price of the mineral or metal to be mined.

Global prices for resource commodities, including many metals and minerals found in the NWT, rose through 2021, consolidating the price gains of previous years. These gains came in the midst of continued declines in global growth as most countries dealt with ongoing coronavirus outbreaks. However, as a global recovery takes hold through 2022, prices for most metals and minerals are expected to increase due to shortages and returning productive demand, which may lead to growth in mineral exploration and mine development in the territory.

The NWT exports a small amount of oil to international markets and therefore international oil prices have implications for NWT oil exploration, especially in the Sahtu and Beaufort-Delta regions. The benchmark West Texas Intermediate (WTI) crude oil price collapsed in 2020 as the global coronavirus pandemic forced large swaths of the global population to halt travel, thereby sharply curbing demand for gasoline, diesel, and jet fuel. Despite price stabilization by November 2020, a rebound in WTI prices to those seen five to ten years ago was not projected as demand remained depressed. These projections were incorrect, however, as the price per barrel of WTI is now comparable to 2014 and is not expected to drop in the short term.

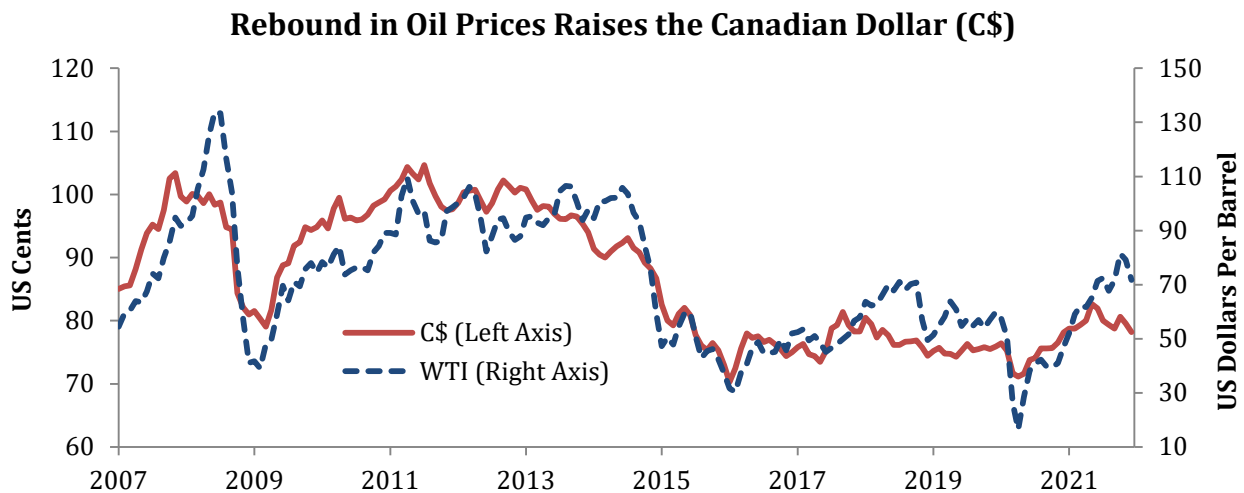


Source: Bank of Canada

WTI prices decreased 33 per cent from 2019 to 2020. As an oil-exporting country, this drop in global oil prices contributed to a lower Canadian dollar compared to the US dollar. From the low point in April 2020 to April 2021, this decrease reversed and led to a 370 per cent rise in the price of WTI crude oil. The Canadian dollar has also increased from 0.75USD in 2020 to the current level of 0.80USD.

The value of the Canadian dollar against the US dollar has a direct effect on the NWT economy. This is because the majority of goods and services bought and sold internationally are paid for in US dollars. The lower Canadian dollar means that NWT businesses that export their production internationally will get paid more for their products after the payments are converted into Canadian dollars, which will help NWT companies compete globally and boost exports. However, a lower Canadian dollar will also make machinery and equipment imported from outside the territory more expensive, putting a strain on many NWT businesses. In addition, the low Canadian dollar has boosted the cost of imported food and other goods, having a negative impact on many NWT households.

Lower oil prices have positive implications for other sectors of the NWT economy by lowering the cost of energy for consumers, business and the energy-intensive mining industry.



Source: US Energy Information Administration and Bank of Canada

NWT Economic Outlook

Millions of Chained (2012) dollars unless otherwise stated

	2017	2018	2019	2020	2021e	2022f
Gross Domestic Product	4,873	4,941	4,637	4,151	4,453	4,429
<i>Percent Change</i>	3.4	1.4	(6.2)	(10.5)	7.3	(0.5)
Total Investment	1,068	1,021	836	839	926	912
<i>Percent Change</i>	(28.5)	(4.4)	(18.1)	0.4	10.4	(1.5)
Household Expenditure	1,632	1,659	1,671	1,646	1,680	1,702
<i>Percent Change</i>	2.4	1.7	0.7	(1.5)	2.1	1.3
Government Expenditure	2,114	2,182	2,275	2,368	2,427	2,342
<i>Percent Change</i>	1.4	3.2	4.3	4.1	2.5	(3.5)
Exports	3,521	3,553	3,141	2,398	2,621	2,666
<i>Percent Change</i>	18.6	0.9	(11.6)	(23.7)	9.3	1.7
Imports	3,467	3,459	3,307	3,165	3,270	3,263
<i>Percent Change</i>	(2.0)	(0.2)	(4.4)	(4.3)	3.3	(0.2)
Employment (Number of Residents)	22,600	22,800	22,500	21,700	23,400	23,500
<i>Percent Change</i>	(4.6)	0.9	(1.3)	(3.6)	7.8	0.4
Average Weekly Earnings	1,399	1,419	1,453	1,512	1,523	1,532
<i>Percent Change</i>	(0.3)	1.4	2.4	4.0	0.7	0.6
CPI (All-Items), Yellowknife	133.5	136.6	138.8	138.9	142.0	145.6
<i>Percent Change</i>	1.2	2.3	1.6	0.1	2.2	2.5

e: estimate

f: forecast

Source: Statistics Canada and NWT Bureau of Statistics

FISCAL REVIEW

The 2022-23 Budget continues the fiscal plan established at the beginning of the 19th Legislative Assembly to carefully manage operating expenditures so that funds are available to take advantage of federal infrastructure transfers. Despite economic disruptions caused by the COVID-19 pandemic and flooding in our southern communities in 2021, the Government of the Northwest Territories' (GNWT) fiscal situation has improved, primarily due to generous federal supports to governments, individuals and business as the pandemic continues.

2020-21 Final Results

Total 2020-21 GNWT revenues were \$2.14 billion; an increase of \$292 million, or 15.8 per cent, from 2019-20. The substantial increase in revenues was driven by Territorial Formula Financing, other federal transfers, and taxation revenues.

Total 2020-21 operating expenditure for programs and services were \$2.07 billion. Programs and services for Health and Social Services accounted for the largest portion of 2020-21 operating expenditures at 30 per cent; followed by the Department of Education, Culture and Employment at 17 per cent. The Department of Finance and the Department of Infrastructure also had large shares of total operating expenditure of 16 per cent and 13 per cent, respectively.

The 2020-21 operating surplus was \$67.4 million. Total debt rose to \$1.3 billion for 2020-21.

2021-22 Revised Estimates

Projected 2021-22 revenues are \$2.3 billion, \$57 million higher than forecast in the 2021-22 Budget. Personal and corporate income tax growth are the largest contributors to higher revenue forecasts since the 2021-22 Budget but the GNWT also received an additional \$14.9 million in COVID-related transfers.

The Territorial Formula Financing grant increased by \$67 million from 2020-21 to 2021-22 and other transfers increased \$42 million for a total increase of \$109 million in federal transfers. The economic recovery from the initial economic disruption caused by the COVID-19 pandemic is demonstrated by improvements in fuel and carbon tax revenues.

Operating spending for 2021-22 has been revised upward \$83 million from the 2021-22 Budget to \$2.1 billion. The largest single increase in spending to date was \$36 million to help combat flooding

in Fort Simpson, Jean Marie River and to a lesser extent in other communities, and \$15 million to provide additional support for Northern airlines. Nearly one-half of the increase in expenditures came from grants, contributions and transfers to support Northern communities.

Total 2021-22 revenues are expected to exceed expenditures, creating a projected operating surplus of \$28 million. Total debt for 2021-22 is projected to be \$1.455 billion, a \$132 million improvement from the 2021-22 Budget forecast; leaving \$345 million in borrowing capacity under the federally-imposed \$1.8 billion borrowing limit.

2022-23 Main Estimates

Total 2022-23 revenues are estimated at \$2.3 billion and operating expenditures at \$2.06 billion, providing a projected operating surplus of \$131 million after adjustments for infrastructure contributions, deferred maintenance, and the supplementary reserve.

Total revenues are projected to increase by \$110 million from the 2021-22 Budget. This is supported by a \$39 million increase in the Territorial Formula Financing Grant from Canada. Own-source revenues are forecast to increase by \$68 million with over one-half of the own-source revenue growth due to a forecast \$33 million increase in corporate income tax revenue.

Total budgeted departmental expenditures are projected to increase 2 per cent from the 2021-22 Main Estimates, after taking into account \$54 million in sunsetting programs. Grants, Contributions and Transfers, which are 47 per cent of the operating budget, are expected to increase 3 per cent; Compensation and Benefits, which are 21 per cent of the budget, are expected to increase 1 per cent; and, Contract Services, which makes up 12 per cent of the budget, are projected to increase 8 per cent from the 2021-22 budget.

The 2022-23 year-end total debt projection is \$1.696 billion, \$241 million higher than currently projected for the 2021-22 fiscal year.

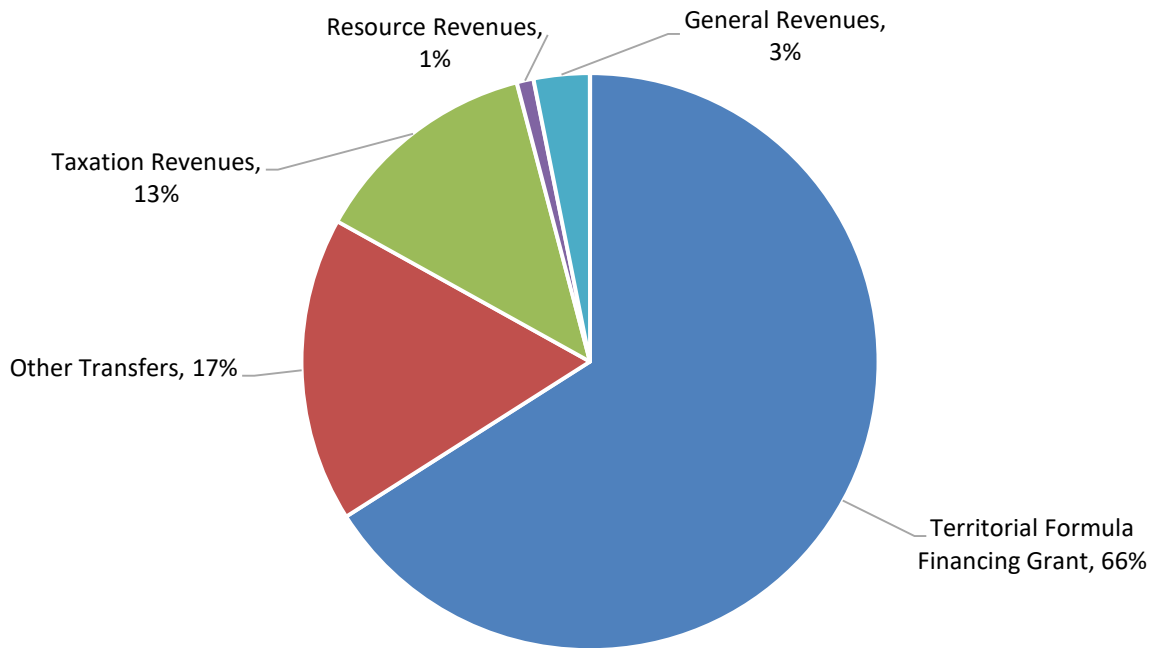
2022-23 Budget Highlights

Revenue Initiatives

Budget 2022-23 does not contain any new taxes although some tax rates will change. Property mill rates and some fees will be increased by inflation in keeping with financial management practices. The five-year fee review underway in 2021-22 may result in further fee changes.

The GNWT committed under the *Pan-Canadian Framework on Clean Growth and Climate Change* to increase the Northwest Territories (NWT) carbon tax rates annually by \$10 per carbon-equivalent tonne of greenhouse gas emissions until they reach \$50 per tonne on July 1, 2022; raising the carbon tax rate on gasoline to 11.8 cents per litre. Carbon tax revenues are recycled into the economy through government programs such as the Cost of Living Offset benefit, full rebates for carbon tax paid on heating fuel and fuel used for community electricity production, large-emitter rebates and grants, and GNWT greenhouse gas emission-reducing investments. The carbon tax exemption for aviation fuel helps reduce the effect of carbon pricing on the cost of living.

Projected 2022-23 Revenues by Source



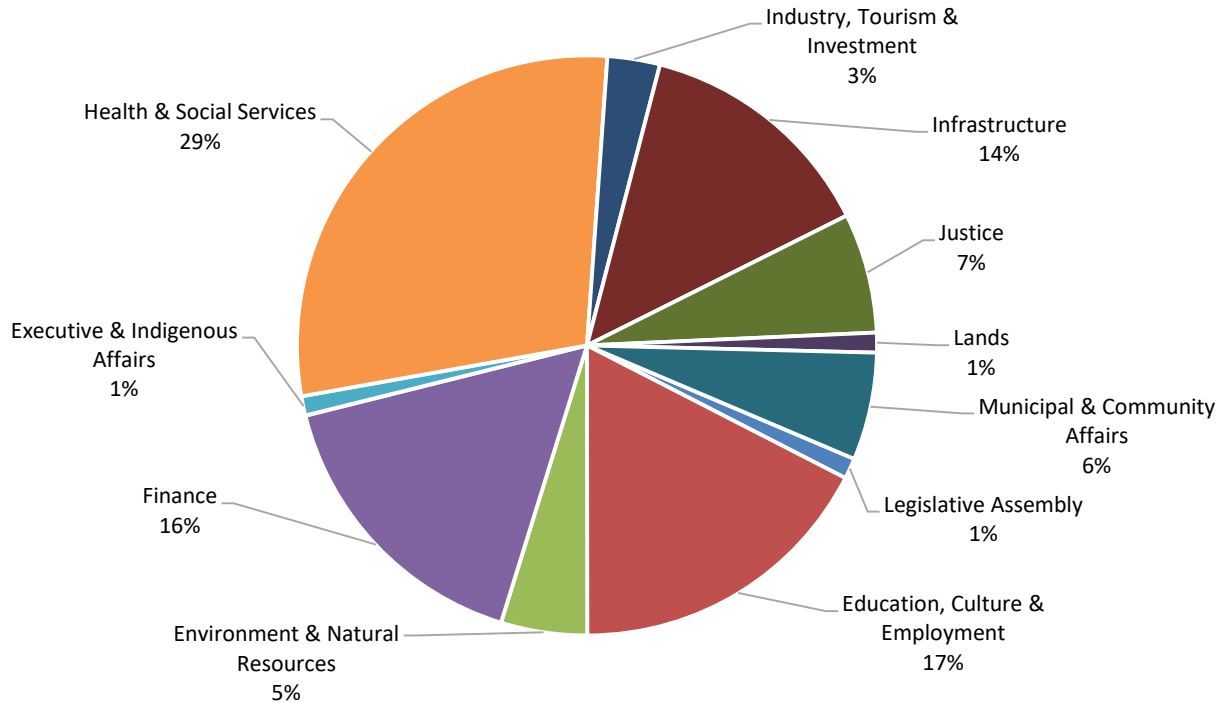
Operating Expenditures

Budget 2022-23 projects \$2.1 billion in departmental operating expenditures, of which \$1.2 billion, or 57 per cent, is dedicated to social programs in education, health care, social services, housing, policing and corrections. Departmental spending is expected to increase \$43 million compared to Budget 2021-22, split between social programs, up \$8.03 million, and all other spending, up \$35 million.

The 2022-23 operating expenditure budget is created by using the previous year's approved department budgets as the budget base. Expenditures for programs that are ending and other reductions are removed from that base and new funding for increased costs due to inflation or increased demand for particular programs or services are then added to each department's budget. Finally, new spending on initiatives is considered on a government-wide basis within the limits of the Government's fiscal resources. Under the *Fiscal Responsibility Policy*, the GNWT cannot borrow for operating expenses.

The following provides a description of proposed new spending whether it is for new or enhanced spending on priorities or to address increased costs for existing programs and services. The \$54 million in sunsetting programs and \$25 million in wage increases under collective bargaining agreements for GNWT employees and teachers are not broken out by department in the following list of initiatives. As a result of sunsetting programs, the total budgets for some departments did not increase from their 2021-22 budget even though they received additional funding for other programs and collective bargaining.

2022-23 Operations Expenditures by Department



Legislative Assembly

Included in the Legislative Assembly's \$25 million 2022-23 budget is \$1.2 million in additional funding for:

- \$935,000 towards Public Affairs and Communications including:
 - \$679,000 for simultaneous interpretation in the Chamber,
 - \$198,000 to upgrade technology in the Chamber, Caucus Room and Committee Room A,
 - \$35,000 for remote setting technology,
 - \$20,000 for public meeting interpretation, and
 - \$3,000 for public meetings.
- \$145,000 for facilities maintenance including fuel tank membrane replacement, exterior window caulking, window replacement, and roadway and walking trail maintenance.
- \$100,000 for election preparations in the Office of the Chief Election Officer.
- \$3,000 for training and software costs for the Human Resources Advisory Panel.

Education, Culture and Employment

The Department of Education, Culture and Employment is allocated \$10.7 million in additional spending, bringing the total 2022-23 department budget to \$358 million, including:

- \$1.01 million for actions under the Education Renewal and Innovation plan including:
 - \$300,000 to develop, pilot and implement the Education Assistance and Inclusion Certificate program to assist in developing the capacity of employed support assistants,
 - \$250,000 for *Our Languages Curriculum* to develop resources and train Indigenous language instructors,
 - \$210,000 to aid in the development of integration of services for children and youth with complex needs,
 - \$150,000 to support small community school principals by providing mentorship and professional learning focussed on strengthening instructional leadership, and
 - \$100,000 to help teachers in small communities address the challenges that accompany teaching different ages with best practice teacher and learning training, workshops and professional development.
- \$626,000 to help with adjustments to the 2022-23 School Funding Framework to address declining enrolment and help provide stable administrative and other school support.
- \$500,000 to increase the number of new childcare spaces created under the Childcare Infrastructure Fund.
- \$322,000 in increased funding for the delivery of French-language services; this funding is fully offset through the *Canada-Northwest Territories Agreement on Minority Language Education and Official Language Instruction*.
- \$298,000 to support initiatives under the *Canada-Northwest Territories Early Learning and Child Care Agreement* to further support early learning and childcare programs.
- \$159,000 for additional research to modernize the *Education Act*.

Environment and Natural Resources

The total 2022-23 budget for the Department of Environment and Natural Resources increases to \$99 million with \$1.6 million in additional spending including:

- \$1.03 million to support conservation and recovery of the Bathurst and Bluenose-East barren-ground caribou herds.
- \$260,000 to increase the Hunters and Trappers Compensation Program to better reflect the impacts of natural disasters and to fund river mapping in flood-prone areas.

- \$251,000 for increases in air tanker contracts and insurance costs.

Finance

The total 2022-23 budget for the Department of Finance is \$335 million, including \$33 million in additional spending for:

- \$12.2 million for Tłı̄ch̄o All-Season Road Public-Private Partnership annual service payments, bringing the total annual payment to \$14 million to pay for the road's construction and annual maintenance for the next 25 years.
- \$6.0 million to adopt the new Public Sector Accounting Standard 3280 to account for obligations that arise when assets are retired at the end of their useful life. This is an accounting change and does not affect cash.
- \$3.3 million for increases in NWT carbon tax large-emitter individual accounts due to NWT carbon tax rate increases effective July 1, 2022.
- \$2.6 million for increases in NWT carbon tax rebates for carbon tax paid on heating fuel and fuel used to generate electricity for distribution, and 72 per cent of the carbon tax paid by large-emitters due to NWT carbon tax rates increases effective July 1, 2022.
- \$2.3 million to cover the increase in NWT carbon tax Cost of Living Offset benefit payments to \$260 per adult and \$300 for children under 18 years effective July 1, 2022.
- \$1.9 million for increases in the GNWT's general insurance costs as a result of rising insurance rates and increases in the value of the government's insured property inventory.
- \$262,000 to support two additional Benefits Officer positions in response to the growing number of employee medical travel requests being processed.

Health and Social Services

The total 2022-23 budget for the Department of Health and Social Services is \$595 million, including \$11.864 million for the COVID Secretariat to continue to implement the Chief Public Health Officer's orders and manage the GNWT's response to the COVID pandemic through 2022-23. The Department's budget also includes \$30 million in additional spending:

- \$7.1 million under the Territorial Health Investment Fund provided by Canada including:
 - \$5.0 million health investment fund (Medical Travel),
 - \$1.05 million for positions related to system sustainability, and
 - \$1.05 million for primary healthcare reform by funding nine primary healthcare positions.

- \$2.92 million for actions under the *Northern Wellness Agreement* with Indigenous Services Canada to provide community-based programs which aim to reduce health disparities, and improve the health outcomes of Indigenous individuals, families and communities, including:
 - \$1.779 million to support mental health initiatives, including problematic substance abuse as well as suicide prevention,
 - \$649,000 for healthy living initiatives programs including chronic disease, Nutrition North and the tobacco control strategy,
 - \$280,000 to support health child and youth development. Community programs to aid in youth development include prenatal nutrition, fetal alcohol spectrum disorder and maternal child health,
 - \$106,000 to extend the Public Health Project Coordinator (formerly Sexual Health Coordinator) position that has been delayed due to the COVID-19 pandemic, and
 - \$106,000 towards On-the-land Collaborative Community Healthy Living Fairs and other awareness and prevention activities.
- \$1.4 million for additional support for community-based aftercare and addictions programs and services, including:
 - \$750,000 for the Community Based Addictions and Aftercare Fund that provides funding for external organizations to hire counsellors in support of specific community needs,
 - \$500,000 for additional community resources, including developing standards and a toolkit for helping communities make decisions on what policies and program infrastructure will best match their needs, and
 - \$150,000 for a senior advisor, Indigenous knowledge and wellness position to further support culturally respectful and community-based addictions programming.
- \$1.334 million and on-going for locums to address a shortfall in the provision of life-sustaining specialist physician services in internal medicine, general surgery, obstetrics and paediatrics.
- \$1.035 million for cancer care programs including:
 - \$530,000 to support territorial cancer care, including four positions for a cancer care nurse navigator, an oncology medical social worker, a territorial specialist for colorectal cancer screening, and a clinical program assistant;
 - \$245,000 for medical oncology support with Alberta Health Services to improve cancer care in terms of continuity, capacity, and responsiveness, to support on-site visits and timely virtual reviews of patients, and to promote staff education and mentoring;
 - \$189,000 for a cancer care program to provide an 80 per cent increase in colorectal cancer screening fecal immunochemical (FIT) tests for all eligible NWT residents; and

- \$71,000 to upgrade the database of patient screening records to be compatible with modern systems and to offer CT colonography within the territory, which will reduce wait times and medical travel for NWT residents.
- \$1.011 million to implement phase 2 of the territory's midwifery program as recommended by the *NWT Midwifery Stakeholder Engagement Report* (August 2017), which includes the establishment of six new midwife positions in Hay River (1), Fort Smith (1) and Yellowknife (4).
- \$935,000 to support poverty-reduction in the NWT including:
 - \$750,000 for the Anti-Poverty Fund,
 - \$110,000 for the Anti-Poverty Roundtable Advisory Council, and
 - \$75,000 in additional funding for the Hay River Shelter.
- \$743,000 to support four new Indigenous Patient Advocate positions and one manager position to address cultural safety and anti-racism within the health and social services system.
- \$710,000 to support new positions and software upgrades relating to home and community care. This is offset by federal funding under the *Canada-Northwest Territories Home and Community Care and Mental Health and Addiction Services Bilateral Funding Agreement*.
- \$710,000 to help community projects and positions that support mental health and addiction initiatives. This is offset by federal funding under the *Canada-Northwest Territories Home and Community Care and Mental Health and Addiction Services Bilateral Funding Agreement*.
- \$500,000 for increases to the Healthy Family Program to provide communities with program resources, supplies, and events to support and improve early childhood development.
- \$265,000 for the delivery of the NWT COVID-19 immunization program, which is offset by federal funding under the *Health System Investments Agreement*.
- \$225,000 for increased costs for Child and Family Services legal contracts due to the extension of services offered to youth leaving care and incorporating mediation or alternative dispute resolution mechanisms, which results in increases in custody hearings, case management conferences and mediations.
- \$187,000 to support increased costs for the operation of the Yellowknife Combined Day Shelter and Sobering Centre, which may be offset by a reduction in emergency visits to Stanton Territorial Hospital for alcohol use since the shelter's opening.
- \$174,000 to support positions and operating expenses under the *First Nations and Inuit Home and Community Care Agreement*, which will be fully offset by federal funding.
- \$172,000 for continued Mental Health Act Review Board operations.
- \$159,000 to add one additional deputy public guardian position in the Office of the Public Guardian to help address the increase in case volumes and complexity and the duration of guardianship situations.

- \$100,000 to fund the Toll-Free Quitline Numbers on Tobacco Packaging Initiative. The funding is offset by revenues received through a memorandum of agreement with Health Canada.
- \$100,000 for the Foster Family Coalition to provide respite services for caregivers.
- \$85,000 to support the Canadian Congenital Anomalies Surveillance System by strengthening the reporting of NWT congenital anomalies.
- \$33,000 for the Emergency Treatment Fund Bilateral Agreement with Health Canada.
- \$17,000 increase in funding to support training costs at Aurora College for expanded training programs for Personal Support Workers and Licensed Practical Nurses.

Industry, Tourism and Investment

The total 2022-23 budget for the Department of Industry, Tourism and Investment is \$60 million, with \$2.5 million in additional spending including:

- \$1.071 million to support the *Tourism 2025: Roadmap to Recovery* strategy, including support for Community Tourism Coordinators in three community governments and to strengthen tourism capacity at the community level.
- \$389,000 to advance the knowledge economy, with contributions to Makerspace YK and the Arts, Crafts and Technology Micro-manufacturing Centre in Inuvik and extension of makerspace services into other communities, and resources to support an action plan to guide building the knowledge economy through research, entrepreneurship, connectivity infrastructure, collaboration, and capacity building.
- \$300,000 to expand the Mining Incentive Program to attract and increase support for early-stage and advanced exploration projects.
- \$188,000 to support and develop the agricultural sector, including financial support for commercial operators and Canadian Agricultural Partnership contributions.
- \$169,000 and ongoing for increased utility costs at territorial parks, bringing the total base funding for water and sewer delivery and heating and electricity costs to \$470,000.
- \$100,000 to support Indigenous capacity building in the resource sector, which contributes to increased mineral exploration and development and is a component of the *Mineral Development Strategy*.

Infrastructure

The total 2022-23 budget for the Department of Infrastructure is \$279 million, with \$8.8 million in additional spending including:

- \$4.67 million to reallocate funding from the Low Carbon Economy Leadership Fund to Arctic Energy Alliance programming and grants to support investments by community governments and commercial and industrial buildings to reduce greenhouse gas emissions.
- \$1.135 million ongoing to address increased lease costs for renewals and operations and maintenance for GNWT general purpose office space.
- \$552,000 to cover operations and maintenance costs for new leased space for relocating employees of the Hay River Health and Social Services Authority.
- \$478,000 ongoing to address increased costs for winter salt for highways.
- \$370,000 ongoing for increased airport maintenance contract costs in Fort Good Hope, Tulita, Délı̄ne, Colville Lake, Łutselk'e, Gamètì, Wekweètì, Jean Marie River, Fort McPherson, Sachs Harbour, Ulukhaktok and Paulatuk.
- \$163,000 to establish a regional occupational health and safety position in Hay River in response to an increased workload.
- \$135,000 for a Highway Transport Officer position in Yellowknife to address enforcement pressures created by an increase in winter resupply road traffic and to reduce driver examination delays.

Justice

The total 2022-23 budget for the Department of Justice is \$137 million, with \$4.1 million in additional spending including:

- \$1.856 million for the GNWT's share of the costs associated with the addition of Royal Canadian Mounted Police (RCMP) positions, vehicles, housing and other policing services under the *Northwest Territories Territorial Police Service Agreement*, including:
 - \$424,000 to add two RCMP positions and vehicles for the Behchokò Detachment,
 - \$233,000 to add one RCMP position and one vehicle for the Tuktoyaktuk Detachment,
 - \$390,000 for two RCMP Constable-level positions and one public service analyst position for the Internet Child Exploitation Unit, and
 - \$809,000 for increased RCMP housing costs.
- \$190,000 to establish a Legal Officer position to support the Supreme Court.

- \$150,000 for the *NWT Guns and Gangs Strategy*, fully offset by federal funding under the Gun and Gang Violence Action Fund.
- \$129,000 ongoing for a data coordinator position for Legal Aid Services located in Yellowknife.
- \$123,000 for one Court Officer position in Yellowknife to address registry workload demands.
- \$25,000 to fund the Judicial Remuneration Commission's recommendation to increase compensation for Territorial Court Judges and Deputy Judges.

Lands

The total 2022-23 budget for the Department of Lands is \$23 million with \$727,000 in additional spending including:

- \$304,000 to support coordinating the GNWT's response to regulatory changes of the *Mackenzie Valley Resource Management Act* and regulatory policy initiatives of Crown-Indigenous Relations and Northern Affairs Canada.
- \$24,000 for enforcing land tenure and addressing unauthorized and rights-based occupancy.

Municipal and Community Affairs

The total 2022-23 budget for the Department of Municipal and Community Affairs is \$123 million, with \$2 million in additional spending including:

- \$922,000 on-going for the Community Government Operations and Maintenance Fund to continue to reduce the municipal funding gap for operations and maintenance funding, including \$833,000 for community governments and \$89,000 for the Délı̄ne Gó'ı̄në Government. This brings the annual Community Government Operations and Maintenance Fund contribution to \$57.6 million.
- \$507,000 one-time funding to address the budget deficit in operating the NWT 9-1-1 system pending a review of long-term needs.
- \$331,000 ongoing to pay for increased grants-in-lieu of property taxes in taxed-based communities resulting from changes in assessed property values and increases in mill rates.
- \$123,000 to audit the administration of the Investing in Canada Infrastructure Program, which is offset by federal funding.

Northwest Territories Housing Corporation

The Northwest Territories Housing Corporation is a separate agency of the GNWT and its budget is included in the Main Estimates for information purposes. Increases to its budget include:

- \$947,000 ongoing for increased operations and maintenance costs of 90 new federally-funded public housing units.
- \$752,000 ongoing to respond to increased demand for emergency overnight shelters in Hay River and Fort Simpson.
- \$164,000 ongoing for increased property tax costs for 1,531 properties.

Capital Plan Budget

The GNWT's 2022-23 capital budget was approved in December 2021. The capital budget consists of \$492 million for the GNWT's own infrastructure plans, including \$29 million for community infrastructure investments. If the \$11 million for the NWT Housing Corporation (NWTHC) housing investments included in the 2022-23 Main Estimates is considered, total planned infrastructure investment in 2022-23 will be \$503 million.

Community governments will receive \$17 million in federal Gas Tax Fund allocation and \$24 million from other federal infrastructure funding.

Major highlights in the capital estimates include:

- \$47 million for health facility replacements and renovations;
- \$150.2 million for highways, winter roads, bridges and culverts. This includes funding for highway projects submitted under the federal Infrastructure Plan;
- \$84.1 million for airports and runways;
- \$29 million to continue to provide funding to community governments for their infrastructure needs; and
- \$21.7 million for new education facilities and renovations to existing facilities.

The GNWT continues to face the difficult challenge of maintaining existing assets, improving housing stock and meeting legislative requirements. Finding fiscal resources in the operating budget allows additional funds to be dedicated to infrastructure investments that would not otherwise be financially feasible. In turn, investments in strategic infrastructure will better position the NWT to maximize economic opportunities in the territory and to explore options for adapting to the impact of climate change.

Medium-Term Outlook

The medium-term outlook is based on a five-year revenue forecast using data available as of January 2022. The outlook uses operating expenditures estimated using the four-year business plans revised in November 2021 and incorporates new expenditures proposed in the 2022-23 Budget. Capital investments are based on 2022-23 Capital Estimates approved in December 2021 and long-term capital planning projections.

The medium-term outlook shows that under current projections the GNWT is not generating enough cash to pay for infrastructure investments and total borrowing continues to increase. To reduce risk from revenue or expenditure shocks, the GNWT targets having at least \$100 million in borrowing capacity below the \$1.8 billion borrowing limit. Under current assumptions, the GNWT is expected to be slightly above the cushion for 2022-23 and will be \$46 million under the borrowing limit by 2023-24 and will be over the limit by the end of 2026-27.

Medium Term Outlook (January 2022 Forecast)

	2020-21 Actuals	2021-22 Revised Estimates	2022-23 Main Estimates	2023-24	2024-25	2025-26	2026-27
				(Forecast)			
Total Revenue	2,142	2,250	2,303	2,383	2,344	2,277	2,232
Operating Expenditures	2,075	2,222	2,172	2,212	2,207	2,202	2,234
Operating surplus (deficit)	67	28	131	171	137	75	(2)
Capital Investment	184	314	402	340	314	284	238
Total (Debt) at March 31							
Cash Surplus (Deficit) at year end	(386)	(609)	(791)	(828)	(817)	(812)	(887)
Long Term Debt and Guaranteed Debt	(864)	(846)	(905)	(926)	(922)	(930)	(930)
Total (Debt) at March 31	(1,250)	(1,455)	(1,696)	(1,754)	(1,739)	(1,742)	(1,817)
Borrowing Limit	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Available Borrowing Capacity	550	345	104	46	61	58	(17)

Risks to the Fiscal Outlook

The GNWT fiscal risks include:

- *The NWT's economic dependence on resources and uncertainty about the economic recovery from the pandemic* – Resource sector activity can fluctuate significantly and results in the territory having the highest variability in economic growth in Canada since 1999. Resource sector activity has implications for long-term economic growth and creates significant volatility in GNWT own-source revenues. The COVID-19 pandemic has disrupted economies around the world and the economic recovery elsewhere will have implications for the demand for NWT resources and carries significant risk for lower tax revenues for the GNWT. Other sectors,

especially the tourism and hospitality and accommodation sectors, have also suffered severe revenue and job losses but do not pose a significant risk to GNWT own-source revenues. Reduced economic activity also has implications for the size of the NWT population, which affects the federal transfers that the GNWT receives.

- *Revenue volatility* – Corporate income tax has historically been the GNWT’s most volatile own-source revenue although the Territorial Formula Financing Grant is responsive over time to changes in corporate income tax revenues. Resource revenues are also volatile but their variability is not offset through Territorial Formula Financing. Resource revenues are sensitive to commodity price swings, exchange rate fluctuations, and operational decisions made by resource developers. The risk to the operating budget of large resource revenue shocks is largely neutralized by the GNWT’s commitment not to spend resource revenues on operations, but rather only on contributions to the Heritage Fund, debt repayment and infrastructure. Furthermore, 62.5 per cent of resource revenues are shared with other governments, further reducing the revenue risk to the GNWT fiscal framework.
- *Slow revenue growth* – Territorial Formula Financing is on average 70 per cent of total revenues, affording considerable year-to-year stability to the budget. Growth in Territorial Formula Financing relies heavily on NWT population growth relative to Canada and provincial/local government spending. Massive provincial spending for pandemic-related supports to businesses and individuals will increase Territorial Formula Financing over the short term; however the territory’s share of Canada’s population is declining and potential provincial and local government fiscal austerity measures to address increased levels of debt will reduce long-term growth in the Territorial Formula Financing Grant. This means that revenues grow more slowly and there will be reduced funding for operating and capital budgets. An underdeveloped private sector limits the ability to raise additional revenue through tax changes.
- *On-going operating expenditure pressures* – Constant pressure exists to enhance current programs and to implement initiatives while not reducing existing program and service expenditures. Operating spending has grown over time through a combination of initiatives, adjustments to enhance or improve programs, and forced increases based on higher costs and demand for services.
- *Unexpected expenditures and capital project cost overruns* – Typical operating expenditure shocks are extraordinary fire suppression needs or other natural disasters. With the undertaking of large capital projects, the risk of capital cost overruns is heightened.
- *Debt Position and Financing* - The GNWT issues debt to partially finance its capital program and to meet short-term borrowing requirements. The amount of debt has increased almost continuously since 2009-10, reflecting investments in capital projects. The GNWT has also taken advantage of cost-shared dollars with the federal government to develop the territory’s infrastructure. The state of NWT infrastructure is a barrier to increased economic opportunities and the attractiveness of the NWT as a place to live and work is negatively affected by lack of good quality infrastructure to deliver programs and services. Small operating surpluses and three years of unexpected operating deficits have increased short-term borrowing and large infrastructure projects have increased long-term debt. As debt increases throughout the medium-term outlook, the following risks increase:

- *Increased interest rates* – As debt increases throughout the outlook, the risk of higher interest rates becomes a concern. However, debt risk is considered to be low because debt servicing costs are expected to absorb less than five per cent of total revenues over the outlook. A relatively low overall debt burden provides protection against the risk of rising interest rates. If rates increase, more interest will be paid on the current stock of debt, increasing debt service payments and decreasing funds available for programs, services, and infrastructure investment.
- *Exceeding the Borrowing Limit* - the federally-imposed borrowing limit is \$1.8 billion. While GNWT total debt is projected to remain below the borrowing limit for the next four years, the cushion between the limit and current debt projections is uncomfortably small. There is no guarantee that the federal government will agree to a further borrowing limit increase.
- *Downgrade of the Credit Rating* - The *Fiscal Responsibility Policy* (see box) is a major component in the GNWT's credit ratings. In October 2021, Moody's Investors Service confirmed the GNWT's Aa1 credit rating, for the 14th consecutive year, one of the highest ratings available. In January 2022, Fitch Ratings Inc. released its first rating for the GNWT as AA-, only two notches below Canada's AA+ rating. Both ratings serve as validation that the GNWT continues responsible financial management practices.

Fiscal Responsibility Policy

The GNWT relies on the *Fiscal Responsibility Policy* to guide its debt management policies. The *Policy* is based on the premise that:

- The GNWT will fund at least 50 per cent of infrastructure investment from cash generated from operating surpluses; and
- Debt servicing payments will be held below five per cent of total revenues.

In keeping with the *Policy*, the GNWT's budget continues to fund capital projects at a sustainable level, in part because of efforts in recent years to lower the growth rate of operating expenditures.

Fiscal Strategy

The GNWT continues its efforts to keep operations and infrastructure investment expenditure growth in line with revenue growth and follow the *Fiscal Responsibility Policy*.

The fiscal strategy set out in the 2020-21 budget was to avoid operating deficits while still making investments in priority areas using the following key components:

- Allocate \$10 million in funding for 19th Assembly mandate priorities in 2020-21, with a total of \$25 million for the life of the Assembly.
- Seek cost sharing and funding from the federal government to advance priorities.
- Collaborate with Indigenous Governments to advance projects that share priorities.
- Perform four-year business plans and increase program evaluation.

The 2022-23 Budget advances this fiscal strategy. Starting 2023-24, expenditure growth for inflationary and increased demand pressures will be limited to \$10 million and funding for new initiatives will be limited to \$5 million annually.

The GNWT is taking a number of actions, including developing regional economic development plans, taking actions arising from the recommendations in its procurement practices review, and supporting the work of the Red Tape Reduction Working Group, to help create the environment for a more vibrant economy. Furthermore, the GNWT continues to make strategic and affordable infrastructure investments. These strategies should help strengthen the economy and expand the tax base, reducing the need for new revenue sources.

Government Renewal - Program Evaluation

In October 2020, the Minister of Finance announced the Government Renewal Initiative (GRI) to shift budget development from incremental increases or decreases from the previous year's budget to a planning focus that relies on value-driven budgeting. GRI is based on the principle that government financial resources should be allocated based on government priorities as well as on how effectively programs and services give value to residents.

GRI is working to complete program and service inventories for all departments and will transition to program evaluation work in 2022-23. Program evaluation techniques will allow the GNWT to:

- define program objectives and outcomes and describe program staff actions and outputs in clear terms so managers and staff know what to do and what they are trying to achieve;
- create a plan for program implementation to avoid confusion or major shifts in delivery;
- show managers what they should be monitoring in the program to identify what is working well and should be supported or expanded, and what problems should be proactively fixed; allowing them to effectively manage their programs, deal with issues that come up, continue things that work well, and ensure value is being delivered to clients;
- establish a defined timeline and plan to assess programs to determine if they are achieving what they are supposed to be achieving; and
- help the government know whether it is being effective and what it can do if it is not effective.

Summary of Operations

	(thousands of dollars)			
	2020- 2021 Actuals	2021- 2022 Main Estimates	2021- 2022 Revised Estimates	2022- 2023 Main Estimates
REVENUES	2,142,361	2,192,397	2,249,920	2,302,537
OPERATIONS EXPENSE				
Compensation and Benefits	413,146	425,482	426,578	427,977
Grants, Contributions and Transfers	993,397	944,755	978,431	975,626
Amortization	117,754	127,366	127,366	129,368
Chargebacks	23,673	23,338	23,518	23,507
Computer Hardware and Software	11,882	6,058	6,060	6,005
Contract Services	205,974	225,806	257,983	243,753
Controllable Assets	5,188	3,037	2,999	2,989
Fees and Payments	126,543	132,433	137,635	124,631
Interest	16,347	20,478	20,464	20,463
Loss on Sale of Assets	773	-	-	-
Materials and Supplies	26,401	22,217	22,068	21,981
Purchased Services	18,047	17,812	17,564	19,920
Travel	8,087	20,281	16,234	15,854
Utilities	40,182	40,891	40,891	40,890
Valuation Allowances	6,736	3,193	3,193	3,193
TOTAL OPERATIONS EXPENSE TO BE VOTED	2,014,130	2,013,147	2,080,984	2,056,157
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	128,231	179,250	168,936	246,380
Infrastructure Contributions	(60,031)	(63,691)	(77,453)	(84,048)
Deferred Maintenance	(809)	(2,000)	(3,558)	(1,800)
Supplementary Reserve	-	(65,000)	(65,000)	(35,000)
Estimated Appropriation Lapses	-	20,000	5,000	5,000
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	77,250	88,634	111,807	129,122
Expenditures	(77,250)	(88,634)	(111,807)	(129,122)
OPERATING SURPLUS FOR THE YEAR	67,391	68,559	27,925	130,532
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,718,360	1,686,991	1,785,751	1,813,676
ACCUMULATED SURPLUS, END OF YEAR	1,785,751	1,755,550	1,813,676	1,944,208

Summary of Revenues

(thousands of dollars)

	2020-2021 Actuals	2021-2022 Main Estimates	2021- 2022 Revised Estimates	2022- 2023 Main Estimates
GRANT FROM CANADA	1,412,734	1,480,118	1,480,118	1,519,233
TRANSFER PAYMENTS	320,173	390,587	362,346	393,515
TAXATION REVENUE				
Personal Income Tax	100,031	103,020	130,819	111,153
Corporate Income Tax	3,300	(8,418)	24,467	24,572
Cannabis Excise Tax	343	331	665	598
Carbon Tax	24,666	34,977	36,531	46,438
Tobacco Tax	15,722	14,476	15,403	15,071
Fuel Tax	17,656	18,367	19,269	19,281
Payroll Tax	43,000	42,470	43,860	43,856
Property Taxes and School Levies	27,996	28,617	28,346	29,273
Insurance Premium Taxes	5,997	5,500	5,500	5,500
	238,711	239,340	304,860	295,742
NON-RENEWABLE RESOURCE REVENUE				
Licences, Rental and Other Fees	47,174	2,964	2,964	2,779
Minerals, Oil and Gas Royalties	19,153	1,511	24,176	18,686
Quarry Fees	143	100	150	150
	66,470	4,575	27,290	21,615
GENERAL REVENUES				
Revolving Funds Net Revenue	25,262	25,016	21,691	21,292
Regulatory Revenues	22,444	23,653	23,766	22,930
Interest	156	200	336	340
Investment Income	4,678	400	400	400
Lease	425	4,024	4,024	3,981
Program	23,448	19,540	19,645	18,219
Grants	75	-	-	-
Grants in kind	-	140	140	-
Service and miscellaneous	3,784	1,804	2,304	2,270
Recovery of Prior Years' Expenditures	24,001	3,000	3,000	3,000
	104,273	77,777	75,306	72,432
TOTAL REVENUES	2,142,361	2,192,397	2,249,920	2,302,537

Summary of Operations Expenditures

(thousands of dollars)

	2020- 2021 Actuals	2021- 2022 Main Estimates	2021- 2022 Revised Estimates	2022- 2023 Main Estimates
Department				
Legislative Assembly	21,476	24,443	24,443	25,435
Education, Culture and Employment	350,410	353,159	356,285	358,318
Environment and Natural Resources	98,847	97,874	100,203	98,723
Executive and Indigenous Affairs	20,456	22,428	21,874	22,114
Finance	316,141	302,266	317,616	335,239
Health and Social Services	595,255	596,784	601,598	594,777
Industry, Tourism and Investment	63,093	59,989	65,869	59,625
Infrastructure	264,385	278,894	280,212	278,853
Justice	131,228	133,753	133,593	137,054
Lands	21,852	22,425	22,320	22,915
Municipal and Community Affairs	130,987	121,132	156,971	123,104
	2,014,130	2,013,147	2,080,984	2,056,157
Expenditure Category				
Compensation and Benefits	413,146	425,482	426,578	427,977
Grants, Contributions and Transfers	993,397	944,755	978,431	975,626
Amortization	117,754	127,366	127,366	129,368
Chargebacks	23,673	23,338	23,518	23,507
Computer Hardware and Software	11,882	6,058	6,060	6,005
Contract Services	205,974	225,806	257,983	243,753
Controllable Assets	5,188	3,037	2,999	2,989
Fees and Payments	126,543	132,433	137,635	124,631
Interest	16,347	20,478	20,464	20,463
Loss on Sale of Assets	773	-	-	-
Materials and Supplies	26,401	22,217	22,068	21,981
Purchased Services	18,047	17,812	17,564	19,920
Travel	8,087	20,281	16,234	15,854
Utilities	40,182	40,891	40,891	40,890
Valuation Allowances	6,736	3,193	3,193	3,193
	2,014,130	2,013,147	2,080,984	2,056,157

Summary of Infrastructure Investment

(thousands of dollars)

	2020-2021 Actuals	2021- 2022 Capital Estimates	2021- 2022 Revised Estimates	2022- 2023 Capital Estimates
TANGIBLE CAPITAL ASSETS				
Legislative Assembly	2,034	110	1,076	400
Education, Culture and Employment	4,356	13,248	24,165	15,919
Environment and Natural Resources	1,917	2,159	4,835	2,110
Finance	2,581	9,254	16,250	79,849
Health and Social Services	22,137	61,120	88,629	47,058
Industry, Tourism and Investment	2,837	14,250	19,978	4,437
Infrastructure	54,078	211,645	247,602	250,121
Justice	2,754	1,541	2,307	1,480
Lands	264	234	318	225
Municipal and Community Affairs	-	-	-	150
	92,958	313,561	405,160	401,749
INFRASTRUCTURE CONTRIBUTIONS				
Education, Culture and Employment	8,245	16,900	19,466	9,453
Health and Social Services	3,745	-	-	2,555
Infrastructure	20,469	17,791	26,487	43,040
Municipal and Community Affairs	29,000	29,000	31,500	29,000
	61,459	63,691	77,453	84,048
DEFERRED MAINTENANCE (NON-CAPITAL)				
Infrastructure	809	2,000	3,558	1,800
	809	2,000	3,558	1,800
PUBLIC PRIVATE PARTNERSHIPS				
Infrastructure	90,850	61,330	61,330	4,420
	90,850	61,330	61,330	4,420
TOTAL	246,076	440,582	547,501	492,017

Summary of Debt and Estimated Borrowing Capacity

	(thousands of dollars)			
	2020- 2021 Actuals	2021- 2022 Main Estimates	2021- 2022 Revised Estimates	2022- 2023 Main Estimates
SHORT TERM DEBT				
Government of the Northwest Territories	374,964	631,000	594,000	790,000
Hay River Health and Social Services Authority	-	1,000	1,000	1,000
NWT Hydro Corporation	10,920	-	14,390	-
	<u>385,884</u>	<u>632,000</u>	<u>609,390</u>	<u>791,000</u>
LONG TERM DEBT				
Government of the Northwest Territories:				
Bonds repayable, GNWT	140,000	140,000	140,000	140,000
Bonds repayable, NTPC	40,000	40,000	40,000	40,000
New debt, NTPC bonds	-	105,000	-	75,000
Deh Cho Bridge, Real Return Bonds	174,533	171,515	174,598	173,517
Mackenzie Valley Fibre Optic Link, P3 debt	72,800	69,946	69,946	67,065
Stanton Territorial Hospital, P3 debt	130,454	127,129	127,129	123,690
Tłı̄chq̄ All-Season Road, P3 debt	149,796	74,243	74,400	72,300
Canada Mortgage and Housing Corporation	283	199	196	109
Public Agencies:				
NWT Hydro Corporation	203,416	199,695	191,802	188,531
NWT Housing Corporation	5,349	4,717	4,716	4,045
	<u>1,302,515</u>	<u>1,564,444</u>	<u>1,432,177</u>	<u>1,675,257</u>
TOTAL DEBT				
OBLIGATIONS UNDER CAPITAL LEASES				
NWT Hydro Corporation	16,355	15,984	15,984	15,579
LOAN GUARANTEES				
NWT Business Development and Investment Corp.	2,318	2,100	2,000	2,000
NWT Housing Corporation	6,721	4,947	4,893	3,232
	<u>1,327,909</u>	<u>1,587,475</u>	<u>1,455,054</u>	<u>1,696,068</u>
TOTAL GROSS BORROWING PER REGULATIONS				
LESS: EXTERNALLY RESTRICTED SINKING FUNDS				
Government of the Northwest Territories	(78,099)	-	-	-
	<u>1,249,810</u>	<u>1,587,475</u>	<u>1,455,054</u>	<u>1,696,068</u>
TERRITORIAL BORROWING				
TERRITORIAL BORROWING LIMIT				
	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>
AVAILABLE BORROWING AUTHORITY FOR FISCAL PLANNING PURPOSES				
	<u>550,190</u>	<u>212,525</u>	<u>344,946</u>	<u>103,932</u>

Provincial/Territorial Tax Rates at February 14, 2022

	Combined Top Marginal Personal Income Tax ^(a) (%)	Retail Sales Tax (%)	Fuel Tax ^(b)		Carbon Tax ^(c)		Tobacco Tax ^(d) (\$/carton)	Payroll Tax ^(e) (%)	Corporate Income Tax		Capital Tax on Financial Institutions ^(f) (%)
			Gasoline (¢/litre)	Diesel (¢/litre)	Gasoline (¢/litre)	Diesel (¢/litre)			Small (%)	Large (%)	
Northwest Territories	47.05	-	10.7	9.1	9.40	10.90	60.80	2.00	2.0	11.5	-
Nunavut	44.50	-	6.4	9.1	8.84	10.73	60.00	2.00	3.0	12.0	-
Yukon	48.00	-	6.2	7.2	8.84	10.73	62.00	-	-	12.0	-
British Columbia	53.50	7.0	14.5	15.0	9.96	11.71	65.00	1.95	2.0	12.0	-
Alberta	48.00	-	13.0	13.0	8.84	10.73	55.00	-	2.0	8.0	-
Saskatchewan	47.50	6.0	15.0	15.0	8.84	10.73	54.00	-	-	12.0	4.0
Manitoba	50.40	7.0	14.0	14.0	8.84	10.73	60.00	2.15	-	12.0	6.0
Ontario	53.53	8.0	14.7	14.3	8.84	10.73	36.95	1.95	3.2	11.5	1.25
Quebec	53.31	9.975	19.2	20.2	-	-	29.80	4.26	3.2	11.5	1.25
New Brunswick	53.30	10.0	10.87	15.45	8.84	10.73	51.04	-	2.5	14.0	5.0
Nova Scotia	54.00	10.0	15.5	15.4	-	-	59.04	-	2.5	14.0	4.0
Prince Edward Island	51.37	10.0	8.47	14.15	8.84	10.73	55.04	-	1.0	16.0	5.0
Newfoundland & Labrador	54.80	10.0	14.5	16.5	8.84	10.73	65.00	2.00	3.0	15.0	6.0
Weighted average ^(g)	52.53	7.4	15.4	15.6	6.78	8.17	44.03	2.09	2.6	11.4	1.42

Notes:

(a) Combined federal-provincial/territorial highest 2022 personal income tax rate and surtax.

(b) The NWT's off-highway gasoline tax rate is 6.4 cents/litre. British Columbia fuel tax rates do not include surtaxes that apply only in Victoria and the Lower Mainland. Quebec fuel tax rates also vary regionally.

(c) The federal backstop became effective April 1, 2019 in Manitoba, Ontario, Saskatchewan, and New Brunswick, July 1, 2019 in Nunavut and Yukon, and January 1, 2020 in Alberta. New Brunswick established its own carbon tax effective April 1, 2020. The Northwest Territories, British Columbia, Newfoundland & Labrador, and Prince Edward Island have provincially administered carbon taxes. Quebec and Nova Scotia have cap and trade systems. The NWT carbon tax came into effect September 1, 2019.

(d) Manitoba and Saskatchewan apply provincial sales tax to tobacco products. Harmonized Sales Tax is applied to tobacco products in Ontario, New Brunswick, Prince Edward Island, Newfoundland & Labrador, and Nova Scotia. British Columbia and Quebec do not apply sales tax to tobacco products.

(e) Nunavut and the NWT levy payroll taxes on employees. Other provinces that levy payroll taxes provide exemptions for small business and/or rates that vary depending on payroll size.

(f) Ontario and Quebec levy capital taxes on life insurance corporations. Saskatchewan and Manitoba also levy capital tax on provincial crown corporations.

(g) Average weighted by provincial/territorial populations at July 1, 2021.