



## Backgrounder

### BUDGET 2024-25 HIGHLIGHTS

- The Government of the Northwest Territories' (GNWT) Budget 2024-25 projects an operating surplus, after adjustments, of \$294 million in 2024-25 from revenues of \$2.6 billion and departmental expenditures of \$2.2 billion.
- The large projected operating surplus achieves the fiscal strategy target to fund the entire 2024-25 capital plan of \$268 million.
- Total 2024-25 spending is projected to be \$2.6 billion, including \$2.2 billion in departmental spending and \$347 million in infrastructure spending.
- Total debt is forecast to decline \$49 million by March 31, 2024-25 with forecasted decreases in short-term borrowing of \$34 million and in long-term debt of \$15 million.
- Total debt at March 31, 2025 is forecast at \$1.6 billion, \$184 million below the federally-imposed borrowing limit.

### Fiscal Strategy

- In February 2024, the GNWT released *Restoring Balance: A Fiscal Sustainability Strategy for the 20<sup>th</sup> Legislative Assembly*. The main purpose of the fiscal strategy is to restore fiscal sustainability by increasing operating surpluses, reducing short-term debt, realigning health spending to make the programs more sustainable, allocating funding to priorities, and increasing fiscal capacity to ensure the GNWT can respond to future fiscal shocks.
- The fiscal sustainability strategy includes the following targets:
  - Operating surpluses must be large enough to repay a minimum of \$150 million in short-term debt by March 31, 2028, which means no borrowing for capital projects;
  - Annual supplementary reserves must be held to \$35 million, which means that departments will be asked to find budget overruns within existing budgets; and,
  - Annual forced growth and new initiatives held to \$10 million.
- Budget 2024-25 includes \$100 million in expenditure savings and new revenues and a projected reduction in short term debt of \$34 million. Departments will find \$65 million in additional savings or new revenues for the 2025-26 budget.



## Economic Highlights

- The Northwest Territories economy is stable and economic output, investment, imports, and earnings all expanded in 2023, and household spending, public expenditure, and resident employment expanded to surpass pre-pandemic highs.
- Real GDP is estimated to have increased by 0.6 per cent in 2023 despite an unprecedented wildfire season, which demonstrates the resiliency of the economy.
- Real GDP is projected to shrink by 1.1 per cent in 2024, due to a 4.7 per cent drop in investment and a 2.4 per cent fall in exports, as the Diavik mine operation winds down and oil and gas production continues to slow. Government spending is also expected to slow. However, this weakness will be offset by forecast high employment, expected increases in weekly earnings and declining consumer price inflation.

## Revenue Initiatives

- Property mill rates and some fees will be indexed to inflation and the carbon tax rate increased to \$80 a carbon-equivalent tonne of greenhouse gas emissions on April 1, 2024.
- Effective April 1, 2024 to March 31, 2027, the carbon tax on diesel heating fuel deliveries for all but large emitters will be rebated at source. This rebate will reduce carbon tax revenues by an estimated \$9.2 million that will be partially offset by adjustments to the Cost of Living Offset amounts.
- Starting July 1, 2024, the federal government will collect a vaping products tax on behalf of the GNWT that will increase revenues an estimated \$252,000.

## Expenditure Highlights

- Departments were able to find \$48 million in expenditure savings; however, departmental spending still increased \$24 million compared to budget 2023-24. The largest increases are for:
  - \$37 million for the Department of Health and Social Services,
  - \$30 million for a contribution to the Northwest Territories Power Corporation to address low water levels and avoid power rate increases for residents, and
  - \$29 million for the 2022 flood and 2023 wildfire response and recovery.
- \$7.7 million for initiatives, including \$4.6 million for initiatives in 2024-25 and \$3.1 million to fulfill commitments for initiatives of the previous Assembly.



- \$2.6 million for the *Canada-NWT Early Learning and Child Care*.
- \$1.4 million for the Transitional Housing Addictions Recovery Program.
- \$1.0 million is provided to Housing NWT to satisfy the annual cost share requirements for the Canada-Northwest Territories Housing Benefit program.
- \$529,000 for the NWT Film Strategy.
- \$521,000 to complete the *Mineral Resources Act* regulations.
- \$483,000 to improve emergency management, community fire protection, and communication.
- \$433,000 for the Energy Action Plan.
- \$360,000 to support the 2030 Energy Strategy for developing the Zero Emission Vehicle Infrastructure Program
- \$332,000 for one intermediate position and six relief positions for reliable staffing of 9-1-1 emergency calling.
- \$270,000 to help meet responsibilities to the public under the *Access to Information and Protection of Privacy Act*.
- \$154,000 for the Transitional Housing Addictions Recovery Programs in Inuvik and Yellowknife
- \$100,000 for the Tourism 2025 investment strategy.