Budget Address 2025-2026

NORTHWEST TERRITORIES

The Honourable Caroline Wawzonek
Minister of Finance

**First Session of the
Twentieth Legislative Assembly**

February 6, 2025

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English

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French

Kīspin ki nitawihtīn ē nīhīyawihk ōma ācimōwin, tipwāsinān.
Cree

Tłı̨chǫ yatı k'ę̀ę̀. Dı wegodı newǫ dè, gots'o gonede.
Tłı̨chǫ

Ɂerıhtł'ís Dëne Sųłıné yatı t'a huts'elkër xa beyáyatı theɂą ɂat'e, nuwe ts'ën yółtı.
Chipewyan

Edı gondı dehgáh got'ı̨e zhatıé k'ę́ę́ edatł'éh enahddhę nıde naxets'ę́ edahłí.
South Slavey

K'áhshó got'ı̨ne xǝdǝ k'é hederı ɂedı̨htl'é yerınıwę nídé dúle.
North Slavey

Jii gwandak izhii ginjìk vat'atr'ijąhch'uu zhit yinohthan jì', diits'àt ginohkhìi.
Gwich'in

Uvanittuaq ilitchurisukupku Inuvialuktun, ququaqluta.
Inuvialuktun

ᑖᒃᑯᐊ ᑎᑎᖅᑲᐃᑦ ᐱᔪᒪᒍᕕᒋᑦ ᐃᓄᒃᑎᑐᓕᕐᒃᓯᒪᓗᑎᒃ, ᐅᕙᑦᑎᓐᓄᑦ ᐅᖄᓚᔪᓐᓇᖅᑐᑎᑦ.
Inuktitut

Hapkua titiqqat pijumagupkit Inuinnaqtun, uvaptinnut hivajarlutit.
Inuinnaqtun

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Department of Finance

Introduction

Mr. Speaker, I am delivering the second budget of the 20th Assembly at a time of significant economic and political uncertainty - not only in the Northwest Territories but across Canada and the world - made more perilous by the potential implementation of import tariffs by the United States. The Government of the Northwest Territories is a small player on this very large stage, but we can provide stability within the territory and must continue to maintain our readiness for whatever challenges and uncertainties may arise.

Events like these tariffs are why we introduced fiscal sustainability in the first place, but they also demonstrate why we are applying it in a strategic fashion. We are not making cuts for the sake of cuts; rather, we are using the budget we have wisely and being cautious with reductions so we can meet uncertainty with confidence while remaining committed to delivering on the priority goals set by this Assembly.

Budget 2025 provides resources to fund the actions, activities, and programs that move us toward these goals and the priorities set by this Assembly while ensuring we live within our means. We are focused on maximizing efficiency and innovation to make the most of existing resources, rather than simply creating new budget line items.

Today, I will outline some of the financial resources dedicated to our continued work in achieving the goals of the mandate, as well as to other programs and services on which communities and residents depend. To start, I will provide an update on the fiscal challenges we face.

Fiscal Situation and Outlook

Mr. Speaker, 2024-25 was yet another challenging year for many communities and residents across the Northwest Territories. While residents in the south were recovering from the 2023 wildfires and evacuations, residents in the Beaufort Delta were experiencing record-setting fall and winter snowfalls. This snow had a heavy impact on roads and raised the costs to maintain regional access and supply chains. By the spring, we faced a different weather effect in the form of extreme low water that resulted in a crisis for communities in the Sahtu with the first ever complete cancellation of a barge season since Marine Transportation Services or its predecessors began to conduct barge resupply. We also had yet another difficult wildfire season as residents of Fort Good Hope were evacuated. Low water on the Snare hydro system raised costs as Northwest Territories Power Corporation was forced to burn diesel and the GNWT stepped in to maintain pricing stability for ratepayers on the Snare system. Ratepayers across the Northwest Territories benefit from that action through the Territorial Power Support Program that subsidizes rates to those in Yellowknife. Last, but not least, health care needs and costs continue to escalate.

As we near the end of this fiscal year, we are projecting expenses to be $197 million higher and revenues $27 million less than budgeted and have revised the projected 2024-25 operating surplus to $69 million.

As a result, we are not yet within reach of the targets set in our fiscal strategy, *Restoring Balance*. This strategy was never meant to prevent prompt responses during extraordinary challenges or demand cuts for the sake of achieving a reduction target. *Restoring Balance* is part of shifting the culture of how we deliver programs and services to ensure that we maximize the value from the budget available.

We remain committed to *Restoring Balance* and we are grateful to see support for evidence-based changes. For example, using the resources proposed in Budget 2025, our public service will continue over the coming year to deliver efficiency improvements through the Health System Sustainability Unit, fleet management and our lease envelope.

The proposed 2025-26 budget forecasts revenues to increase two per cent from 2024-25 to almost $2.7 billion, with Territorial Formula Financing driving total revenue growth. Total operating expenditures are increasing 6.5 per cent to almost $2.5 billion. We are proposing $9.1 million in reductions across all departments. The resulting $145 million in net new spending includes $27 million in programs that are federally funded and $108 million for collective bargaining increases for compensation and benefits. Inflationary and increased program demand costs were kept to less than $27 million. The remaining $10-million increase to the expenditures for discretionary spending is an increase of only 0.5 per cent compared to last year's budget.

The resulting operating surplus of $170 million would generate enough of a cash operating surplus to fund all 2025-26 capital investments. Despite this, at the end of the next fiscal year total debt is projected to be $1.772 billion, $31 million higher than the current 2024-25 estimate. Short-term borrowing is projected to increase $50 million while long-term borrowing is expected to decrease $19 million. This projection puts us close enough to the federal borrowing limit and we have requested, and expect to receive, a borrowing limit increase from Canada to give us the flexibility to respond to any future unforeseen fiscal pressures.

Our fiscal efforts provided the financial room to respond to unexpected challenges and to be a stabilizing force during continuing uncertainty. However, we are not only looking to reduce expenditures in order to maintain fiscal stability. We also continue to seek opportunities to increase revenues. Some fees have or will increase after staying stagnant over successive governments. However, we do not propose increasing fiscal capacity by introducing new taxes, aside from property tax rates that increase with inflation. Resident wage earners face the same cost pressures that challenge the Government's finances, and it would be counterproductive to subsidize costs like energy only to offset those benefits with tax increases. Instead, we want to see businesses thrive and contribute to tax revenues through higher profits, rather than higher tax rates.

Working Together to Overcome Economic Challenges

Mr. Speaker, the Northwest Territories is now on the eve of the closing of one of the diamond mines that have been the backbone of our private sector economy for over 25 years.

For the third consecutive year, overall economic activity is expected to decline in 2025. However, business investment remains a key driver of growth. While mineral exploration and appraisal spending in 2024 is projected to be lower compared to 2023, that year defied expectations, reaching a 15-year high.

Population continues slow but positive growth and the Northwest Territories economy continues to have high employment and some of the highest wages and salaries in the country. Interest rates are coming down and subdued inflation should support robust retail and wholesale trade activity. The construction industry contributed to growth in the goods sector and our service sector, the largest in Canada on a per capita basis, saw growth in professional and technical services and a rebound in tourism-related areas, while trapping, film and commercial fishing are also on the rise.

The public sector remains a significant part of our economy, bringing both advantages and challenges. It offers stability and strong employment growth, especially important given the cyclical nature of the mineral industry. This stability is further bolstered by Indigenous governments, where there has been a growth of nearly 200 public administration jobs since 2023. However, the public sector alone does not drive the economic diversity or entrepreneurism that leads to stronger productivity and long-term growth.

Delivering on Priorities

Acknowledging the economic and fiscal challenges we face does not change the GNWT's obligation to deliver on the priorities set by this Assembly. These priorities reflect the needs and aspirations of Northwest Territories residents for long-term health and prosperity. Being realistic about how we fund the work of government does not diminish their importance. However, it requires us to assess how we allocate budgets, strengthen collaboration across departments, and ensure public servants have the support they need to contribute fully toward these goals.

The suitability, accessibility and affordability of housing

Housing NWT remains the main conduit to address the Assembly's priority to increase the suitability, accessibility and affordability of housing. Housing NWT receives funding from a variety of sources, including $81.3 million proposed in this budget; an increase of $5 million over last year's budget. With this investment, Housing NWT will continue to provide social and market housing programs, including subsidized rental and homeownership programs and unsubsidized rental housing in rural and remote communities.

A key development in 2025 will be the completion of Housing NWT's comprehensive Territorial Housing Needs Assessment that incorporates community and regional perspectives on the varying housing needs across the territory. As we heard from participants at the recent NWT Housing Forum Symposium, a lack of data on housing needs hampers access to available funding resources. The Territorial Housing Needs Assessment will fill this gap and provide a platform for the development of a plan to provide stable, attainable and affordable homes across the housing spectrum. We will ensure that this assessment is shared with all levels of government so that we maximize opportunities for its success. To supplement this work, Housing NWT is also developing a three-year investment plan for the replacement and repair of its existing housing units.

Housing is a priority actioned across many departments. In this budget, we propose adding $3.7 million, including $500,000 in federal funding, for a strategic approach to reducing homelessness in Yellowknife, along with $809,000 for the Transitional Housing Addictions Recovery Program.

We continue to deliver on the mandate priority to provide shelter for vulnerable residents and address the effects of trauma in a culturally appropriate way. Building on work being delivered this year, we propose to add $264,000 for the Yellowknife Shelter and Sobering Centre bringing total funding to $6.2 million for 34 positions.

Care homes are also facing cost pressures and an additional $136,000 is proposed for increased costs at the Avens Long Term Care and $56,000 to fully fund adult supported living at the Charlotte Vehus Home and the Billy Moore Group Home, with the capacity to care for up to 13 clients in the Beaufort Delta.

Creating opportunities for new homes often means ensuring access to land whether through the remediation and clearing of old, unused buildings or through new allocations. The Department of Environment and Climate Change has prioritized land applications for housing and to date has received 204 applications, of which 121 are in their final stages of processing and 27 parcels have been issued.

A strong economic foundation

The challenges to our narrowly focused private economy are well known: the north faces a significant deficit in core public infrastructure compared to the rest of Canada, especially in transportation and energy corridors. That lack exacerbates the reality of being more remote by making delivery and access to goods and services in our communities more expensive. Our labour market is tight, and housing is in short supply. Finally, the regulatory spaces that control new entrants to exploration and mining remains a shared responsibility with the federal government, which makes efforts at modification, including streamlining rules, more challenging.

We are taking steps to address these structural issues so that we strengthen the territory's economic foundation and encourage continued growth in sectors that significantly influence the economic health of communities.

Infrastructure development

This Assembly has approved a capital budget for this coming fiscal year which includes funding for several projects to improve our transportation infrastructure. With funding proposed in Budget 2025, we will be doing our part to support the Mackenzie Valley Highway through its environmental assessment and update its formal business case in anticipation of being ready with this project that will connect the Sahtu and provide road access into the centre of Canada's Arctic.

We also propose to use Budget 2025 to continue engagements and analysis of an all-season road through the mineral-rich Slave Geological Province with the goal of having technical and community support to move toward an environmental assessment.

In telecommunications, we are including $1.1 million to extend the Mackenzie Valley Fibre Link to the Arctic coast by connecting Tuktoyaktuk.

The Department of Municipal and Community Affairs works closely with community governments to ensure flexibility in federal infrastructure funding and has helped ensure that all of the $117 million dedicated to local governments from the federal Investing in Canada Infrastructure Program was allocated to projects focused on community roads, solid waste projects and cultural spaces.

In 2025-26, we will implement an action plan in furtherance of a memorandum of understanding on economic corridors signed with the Government of Alberta to support collaboration on the enhancement of critical infrastructure and improve efficiency of transportation networks. We will also explore similar agreements with other jurisdictions.

Our energy system has not evolved significantly over many successive governments leaving energy infrastructure aging and vulnerable to breaking down and our residents facing volatile costs. With this year's budget, we will advance better energy connectivity between our communities to increase the reliability and sustainability of power. We will work to advance a Fort Providence transmission line while undertaking the design of a Whatì transmission line.

We will also advance work to improve our capacity and ability to generate power across the Northwest Territories. We will use this year's budget to support partners on the Taltson expansion project to expand the knowledge of legacy impacts and advance consideration of establishing a business entity for the project. We will use this year's budget to support multiple departments in the delivery of the renewed *Energy Strategy* and examine alternative means of accessing more reliable and affordable energy sources appropriate to each community.

Upgrading our aging energy systems will take time. While that work continues, the Government is proposing a $12-million subsidy to offset high power costs, limiting the required 24.8 per cent energy increase for ratepayers in 2025 to a more manageable 15 per cent increase overall and that residential ratepayers who qualify for the Territorial Power

Subsidy Program subsidy would only face a 9 per cent rate increase. Final rates will be determined by the Public Utilities Board through the General Rate Application process.

Supporting a strong labour force

We are helping to reduce labour shortages in trades through our apprenticeship programs and Housing NWT scholarships. The Department of Infrastructure dedicates $1.6 million of its proposed budget to hire and train apprentices and works with Procurement and Shared Services within the Department of Finance to make certain that training and targets for apprenticeship requirements are included in all its design-build project evaluations.

Our Crown agencies play a major role in supporting private sector employment generally. For example, Housing NWT awards over 90 per cent of its annual contracting opportunities to local businesses. These contracts range from minor repairs and maintenance to large construction projects. For the coming year, Housing NWT, working with Local Housing Organizations, plans to increase its in-house apprenticeship opportunities to 15 and will continue to support apprenticeship work assignments through new construction contracts.

The Department of Education, Culture and Employment plays a supporting role for employment opportunities and increasing participation in trades, particularly in small communities. The Department is making a tangible impact through Labour Market Transfer Agreements by supporting 156 residents, 63 employers, and 11 projects. The Small Community Employment Support program has contributed to the creation of 643 jobs, directly benefiting small communities across the Northwest Territories.

Mr. Speaker, many Northerners want to stay in their communities for work. That is why this budget retains the $4-million Small Community Employment Program so that all small communities, plus regional centres with employment rates of less than 50 per cent, remain eligible for this funding that supports the creation of new jobs in the communities that need them most.

This budget proposes $10.5 million to make child care more affordable, helping parents participate more fully in the formal labour force. The Government of the Northwest Territories will continue to advocate to the federal government to increase compensation levels of early child care staff to align with education assistants in the K-12 system.

Last fiscal year, we concluded collective bargaining with several unions across the public service. The GNWT delivers services across a vast territory of 33 communities, which does not provide for economies of scale and results in situations where no private market actors provide access to necessities such as fuel or barge supplies. In these situations, the public service fills these needs in addition to providing schooling, health care, safe highways and airports, economic development supports and land management. We watched closely as labour disruptions impacted services across Canada. Concluding collective agreements in a manner that avoided labour strife and maintained our competitive position as an employer for the delivery of essential goods and services was an important achievement for the GNWT and this year’s proposed budget incorporates those changes to all salaries and benefits.

We also propose to better support timely medical travel assistance for GNWT employees and their immediate families with $7.4 million, which includes adding one benefit officer in Inuvik and another in Norman Wells to improve processing times.

Regulatory improvements and direct support for mineral resource development

We are proposing $496,000 to encourage more exploration in the non-renewable sector. This includes $275,000 to expand research about critical minerals in the Selwyn Basin and Slave Geological Province. This work is mostly offset with federal funding and involves collaboration between the Northwest Territories Geological Survey office and university and industry partners. Also included is $167,000 for the Pan-Territorial Resource Investment Marketing Initiative, which is a federal and all territories joint campaign to market the territories as destinations for business and investment opportunities in the mining sector.

We are continuing to improve regulations to support the economy with an additional $54,000 in this budget to complete the *Mineral Resources Act* regulations. As well, this year the Department of Environment and Climate Change will use its proposed budget to advance targeted amendments to the *Waters Regulations* to improve interpretation and add consistency and clarity to the regulatory regime for our mineral resource sector.

We will be implementing the *Fire Prevention Act* regulations that adopt the 2020 national fire code and adds certainty to construction projects. In addition, we will continue multi-department work towards a Building Standards Framework for introduction during the life of this government.

Diversification

Support for northern business is always a priority for the GNWT and sector-specific efforts encourage investment and create growth in communities of every size.

For instance, Housing NWT supports increasing productivity in the construction and property management sectors through early uptake of innovative approaches such as wood pellet heat plants, integration of mass-timber structural building systems and hybrid modular construction approaches in its multi-unit residential projects. These approaches provide baseline information that the private sector can use to grow their businesses.

Existing industries also benefit from ongoing government economic development efforts. For example, last year saw promising growth in both the number of commercial fishers and the value of fish harvests due in part to the new fish processing plant in Hay River and the 2023 introduction of the Commercial Fishery Support program. We propose to use this budget to continue that support and move closer to a fully independent fishery.

Similarly, the number of pelts sales have rebounded in the past two years and fur auction sales in the past five years have grown, supported by government programs that helped the traditional hunting sector recover from tough times. We propose to continue financial support for the Community Harvesters Assistance Program that helps hunters and trappers cover costs. This budget will continue the Genuine Mackenzie Valley Fur Program to provide a single point of access for international auctions, actively market furs, protect harvesters from sudden price declines with advances, make payments to them when pelts sell above the advance, and offset variable costs such as shipping and commissions.

In this Budget, we are proposing to add $600,000 to the Department of Industry, Tourism and Investment for additional economic diversification initiatives. This includes increasing funding for the Northwest Territories Film Strategy from $500,000 to $1 million to help showcase the territory's spectacular settings.

The Tourism 2025 strategy is in its final year, and Budget 2025 proposes to increase its funding as planned by $100,000 to continue with the recovery roadmap released in 2021. This increase will support the Community Tourism Infrastructure Contribution Program, which helps other governments and non-government organizations enhance tourism facilities. Through this program we have already invested $1.4 million to support 41 projects across the territory.

Remediation of old mines and oil and gas wells may prove to be a stable source of local employment in future years. Federal funding for next year's budget will permit spending of $696,000 for ongoing pre-mediation work at several mine sites, including public consultation, to produce finalized remediation plans.

Working together to improve access to health care and address the effects of trauma

Mr. Speaker, meeting Northwest Territories residents' health care needs while trying to make progress on our *Restoring Balance* targets is our main fiscal challenge. While the Healthcare System Sustainability Unit does deeper analysis of how essential programs and services are delivered, we are funding the territorial health and social services system with a focus on supporting changes that address the dual priorities that residents receive the highest quality access to health care and programs are available to address the effects of trauma. We are reforming primary health care with the development of an integrated primary care framework, including performance benchmarks that provide the data for further evidence-based improvements. We maintain a focus on prevention through education and awareness efforts about sexually transmitted and blood borne infections and testing, immunizations, injury prevention, elder abuse and family violence, mental health, and illicit drugs. To improve experiences for residents who need to travel for care, we are updating medical travel policies and processes. Work is ongoing to renew the health care system human resource plan to improve efforts to recruit and retain professional staff.

Addressing the effects of trauma is not a quick fix and we are continuing to make a variety of supports available for residents with mental health and addictions needs including walk-in and same-day access for community counselling with online support options, and 24/7 supports through 811 and other helplines. We also provide funding to Indigenous governments and communities to support culturally-based and safe healing options. We use biannual service user surveys to measure effectiveness of the services provided and to support the ongoing review of policies and program design to ensure alignment with person centred, trauma informed and culturally safe care.

For this year's budget, we are proposing a further $71.5 million in measures to address health care and social services accessibility.

Health care and social services professionals

Our health and social services system relies on a strong network of staff and health care professionals. We are proposing several increases to support staff and health care professionals across the territory.

We are making progress addressing hospital overcapacity issues and are proposing $5.6 million for 26 full-time equivalent positions for physicians, nurses, and coordinators, including 19 positions plus four relief positions for Stanton Territorial Hospital's emergency, intensive care, and medicine units and three full-time nurses and support for a relief position at the Inuvik Regional Hospital. We are also asking for $511,000 for two nurses in Yellowknife and one nurse in Fort Smith to the Corrections Health Services roster. In addition, we are proposing $13.7 million to cover shortfalls in physician services.

As requested and approved during last year's budget negotiations, Budget 2025 also dedicates $331,000 in proposed spending to maintain two positions under the midwifery program to support two communities that do not have access to midwifery services.

Providing care for patients with cancer is a partnership with Alberta Health Services and with their support the Health and Social Services Authorities are working to bring treatment closer to home. To support this effort, the budget includes $869,000 to provide the hematology and medical oncology units with enough resources for two oncologists and two registered nurses.

We also propose $446,000 to add three positions in the Office of the Public Guardian to better support people who lack the ability to make their own decisions because of long-term health and social conditions like dementia, brain injury, or developmental disabilities.

We need our staff to be safe in their workplaces. The correlation between increased drug use and rising violent incidents within health and social services settings increases the demand for de-escalation training for staff and we propose an additional $620,000 to fund specialized occupational health and safety positions.

Supporting health care administration capacity

Front-line health and social services cannot operate effectively without properly resourced administration. We are seeking to right-size the administrative arm of the health and social services system with proposals to augment resources for recruitment, prevention programs, and actions to reduce structural deficits and other cost drivers.

Included in the additional funding to improve administrative capacity in the health care system is funding to assist continuous recruitment of health and social services professionals. For example, funding has not kept pace with the expenses for moving new staff and professionals to the territory, making it hard to get staff and professionals to the communities where they are needed. We propose to help resolve this issue in this budget with $6 million to fund relocation costs more realistically. We are also proposing $5.4 million to ensure accommodations for locums.

Further, the Office of Medical Affairs and Credentialing, which is responsible for recruitment, retention, contract administration, credentialing and labour relations for resident and locum physicians, is facing its own staffing shortage and we are proposing to remedy this with $651,000 in this budget.

The Healthcare System Sustainability Unit cannot effectively achieve its goals of evidence-based recommendations without proper data from the health and social services system. Budget 2025 adds $513,000 for records and information management to fund three positions.

Similarly, catching up on the health and social services deficits means properly funding budgets to address external cost drivers such as tighter real estate market conditions, changing lease terms, building maintenance requirements and increases in insurance. Budget 2025 includes a proposal to add $1.9 million to offset the lease cost shortfalls projected for the Northwest Territories Health and Social Services Authority and the Tłı̨chǫ Community Services Agency and $613,000 for increased payments to the Boreal Health Partnership for services at the Stanton Territorial Hospital.

Mitigating the spread of disease helps lower the demand for health services. We are proposing an additional $673,000 to fund four positions to operate infection prevention and control programs across the Northwest Territories Health and Social Services Authority.

The need for diagnostic tools to help practitioners prescribe appropriate therapies for sleep apnea is becoming increasingly important as the population ages and obesity rates rise. We are proposing $412,000 for the sleep studies program.

We are working diligently to honour the principle of keeping children with their families and in their communities but, when families are in crisis, intervention is still necessary and unfortunately the volume of cases continues to increase. We are proposing to ensure increasing costs for in-territory child and family supports are addressed with an additional $3.1 million to meet the need for more foster placements and adequate financial and other caregiver support. This budget also proposes an additional $240,000 for respite services for families in the territory.

We are proposing an additional $1.1 million for adult southern placements so these residents can receive the required specialized care that is unavailable within the territory. These range from short-term stays for treatment or transitional programs for mental health or behavioural needs to long-term treatments for lifelong disabilities.

We also propose to address the shortfall of $6.2 million in supplies used in the delivery of healthcare, which includes the Respiratory Syncytial Virus vaccine to protect infants, children and those with chronic lung disease, as well as to support Covid-19 vaccine costs. These proposed funds also cover cost pressures for chemotherapy drugs, caused by an increased number of patients, the cost of treatments, and the growing types of treatments available and being developed.

Right-sizing health and social services budgets to be more reflective of costs will be ongoing work during the life of this government while we also continue to gather data to support immediate improvements in health care delivery that hopefully also lower costs.

Safe residents and communities

Mr. Speaker, we spend over $200 million annually on programs and services that support safety for residents and communities either directly, such as through providing law enforcement, or indirectly, by providing operating and infrastructure grants to communities to help them meet their funding needs to provide municipal services. We also work to mitigate safety risks. For example, we updated the GNWT Emergency Plan last year and are using this to help strengthen communities' abilities to deal with emergencies. We are advancing our efforts to remove historic hazardous waste and are on track to remove it from half of all communities by 2028.

Mr. Speaker, we are proposing to advance the priority to support safety for residents and communities with an additional $18.3 million, partially offset with $7.1 million in federal support, to help address cost pressures for communities, winter road construction, mitigate natural disaster risks and enhance public safety.

We are proposing to support the ability of communities to deliver on their spending responsibilities with $6.3 million to address municipal funding needs for operations, maintenance, water and waste programs. Continuing with last year's commitments, the Community Access Program remains available for governments to obtain infrastructure funding for access roads, trails and docks with a proposed $1.5 million.

This budget sets aside a proposed $4.2 million for the Department of Infrastructure to enhance its ability to cope with higher costs including winter road construction and maintenance costs.

Risk mitigation continues to play an important role in all our programs but is particularly key in programs to keep communities safe. With $2.7 million in federal support, we are proposing $2.9 million to mitigate natural disaster risks. This proposed funding includes $2.1 million for the FireSmart program, $571,000 for wildfire suppression equipment and monitoring, and $210,000 for the Hunter and Trapper Disaster Compensation program as a response to flooding.

Assessing risk starts with gathering evidence. Partnering with the federal government permits the use of $1.4 million in federal funds for research and monitoring activities, including $796,000 in Integrated Climate Resilience for Coastal Communities and $460,000 to participate and contribute to the national forest inventory.

Budget 2025 contains an additional $2.9 million, including $2.4 million in federal funding, for public safety measures delivered primarily through the Department of Justice. The additional funds include $824,000 for the integration of services, $800,000 to support the federal Gun and Gang Violence Action Fund, $499,000 to further enhance support for the Indigenous Justice Program, and $251,000 for implementing the National Action Plan to End Gender-Based Violence and enhancing victim services with independent legal advice.

We are also proposing another $372,000 in funding for the RCMP G Division Emergency Response Team with an additional two constables.

Conclusion

Mr. Speaker, we accomplished a lot in the first year of this Assembly despite some real challenges. However, we will end this fiscal year embroiled in economic disruption and uncertainty caused by potential United States tariffs and an unpredictable political landscape. As of today, we do not yet know how long those tariffs will remain in place or whether government support will be available to maintain domestic supply chains and cost stability. We will stand united with all of Canada.

The next few years are likely to bring continued challenges and disruptions, whether geopolitical, climate-related, or otherwise. That is why we must continue pressing forward on our priorities to build a stronger future - one that maintains fiscal stability while ensuring we have the capacity to react and respond to emerging issues.

The fiscal strategy outlined in *Restoring Balance* is a work in progress, designed to guide our financial course over the full four-year term. Fiscal sustainability is fundamental to good governance, ensuring that as a government, we have the ability to support communities and residents through times of turbulence. Budget 2025 reflects our ongoing commitment to these principles.

Business plans, which outline how allocated budgets will be used, are also ongoing works in progress. They reflect the type of planning needed to achieve our priorities and strengthen our future. Budget 2025 is designed to fund these business plans and all of our ongoing programs and services in a realistic manner, incorporating evidence-based decision-making and advancing the priorities and mandate of this Assembly. Our goal is to support residents in how they want to live, work, and grow.

We have continued to demonstrate that, as a government and as a territory, we can face challenges with resilience, creativity, and determination. At the same time, we remain focused on the long term, ensuring that we continue to build a Northwest Territories that is healthy, prosperous, and safe.

I want to thank the Members of the Legislative Assembly for their work in shaping the 2025 - 26 budget, and I look forward to working collaboratively on our shared priorities.

Thank you, Mr. Speaker.

Budget Papers 2025-2026

NORTHWEST TERRITORIES

A ◆ Economic Review

B ◆ Fiscal Review

February 6, 2025

Economic Overview

The Northwest Territories economy is shrinking. The large-scale, world-class diamond mines -- the primary driver of economic activity over the past three decades – are reaching their end of life and beginning to close. This is having a profound effect on the territory's economy. As the diamond mines wind down, the Northwest Territories economy is facing falling output, fewer exports, declining private-sector investment, and reduced government revenues. Despite this, household and consumer spending is projected to increase due to strong resident employment, falling inflation and continuing rises in wages and salaries.

Although the transition away from these large resource extraction projects will reduce the size of the Northwest Territories economy it will not lead to a collapse in economic opportunities or activity. Smaller mining and exploration projects, a rebounding tourism sector and commercial fishing industry, a multitude of local, private businesses, and the stability of the government sector will ensure that the Northwest Territories economy continues to provide jobs, opportunities, and the goods and services needed to live and work in the territory.

Current State of the Economy

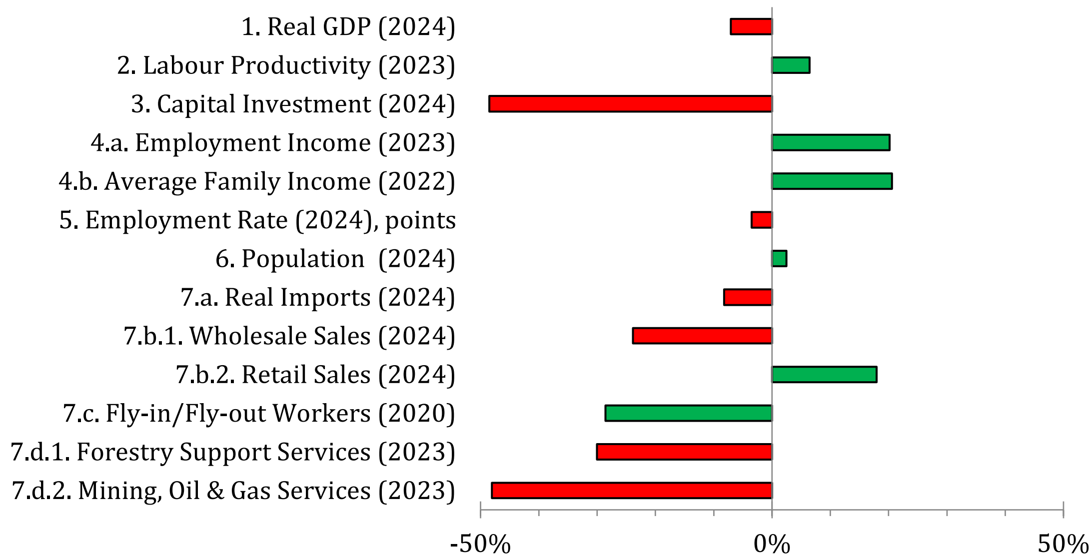
Indicators from the *Macroeconomic Policy Framework*[1] have been used to measure the current state and performance of the Northwest Territories economy.

The *Framework* was developed in 2007 following a consultation with Northwest Territories residents that resulted in a consensus that the future economic growth should be balanced, diversified, and sustainable. The *Framework* provides a broad measure of the effects of policy, government spending, and investment decisions that support economic development. These performance indicators compare current indicator values to their 2014 baseline level. The year 2014 was chosen as the baseline because it reflects the year that significant responsibilities for land, water and non-renewable resource management were devolved from Canada to the Northwest Territories.

In the following figure, the performance indicators with red bars show a worsening change in their values and the indicators with green bars show an improvement in their values since the 2014 benchmark. All performance indicators reflect the most current data available.

[1] https://www.fin.gov.nt.ca/en/resources/macroeconomic-policy-framework

Macroeconomic Policy Framework Performance Indicators



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

Five of the 13 indicators have meaningfully improved over the past decade, primarily in indicators that measure living standards rather than economic activity. Productivity, employment income, family incomes, and retail sales are higher now than in 2014, while the number of non-resident, fly-in/fly-out workers is lower (fewer non-resident workers is an improvement). The most notable improvement is a modest increase in labour productivity, a positive advancement for the Northwest Territories because productivity drives long-term economic growth, efficiency, and increased wages.

Two of the 13 indicators are relatively unchanged from 2014. The Northwest Territories population and employment rate are virtually identical to what they were a decade ago, despite falling GDP and economic output. While this suggests stability in the underlying economy, it also may indicate a lack of dynamism and entrepreneurial activity.

Six of the 13 indicators have worsened since 2014. Real GDP, imports and wholesale purchases have declined. Forestry support services decreased significantly from 2014 but are a small component of the overall economy. The two most significant declines were in capital investment, and mining, oil and gas services. Capital investment and the resource extraction industry are linked and their decline is largely due to the impending closure of the territory's operating diamond mines.

Economic Outlook

The Northwest Territories is transitioning away from an economy dominated by large-scale diamond mines. This transition is causing the economy to shrink and the economic outlook projects continued contraction over the medium term. Economic output, exports, investment, employment, and government expenditures declined in 2024 and are expected to either shrink further or remain stagnant in 2025. However, household expenditures increased in 2024 and are forecast to remain strong in 2025 due to stable employment, rising weekly earnings, and a continued decline in consumer price inflation (CPI).

Northwest Territories Economic Outlook

Chained (2017) millions of dollars unless otherwise stated

	2019	2020	2021	2022	2023	2024e	2025f
Gross Domestic Product	4,502	4,097	4,238	4,352	4,330	4,180	3,982
Percent Change	*(3.9)*	*(9.0)*	*3.4*	*2.7*	*(0.5)*	*(3.5)*	*(4.7)*
Total Investment	923	684	743	829	891	824	779
Percent Change	*(17.2)*	*(25.9)*	*8.6*	*11.6*	*7.5*	*(7.6)*	*(5.5)*
Household Expenditure	1,762	1,745	1,826	1,781	1,769	1,865	1,870
Percent Change	*0.5*	*(1.0)*	*4.6*	*(2.5)*	*(0.7)*	*5.4*	*0.2*
Government Expenditure	2,451	2,542	2,619	2,744	2,834	2,778	2,716
Percent Change	*2.2*	*3.7*	*3.0*	*4.8*	*3.3*	*(2.0)*	*(2.2)*
Exports	2,675	2,126	2,201	2,264	2,240	2,096	1,931
Percent Change	*(8.9)*	*(20.5)*	*3.5*	*2.9*	*(1.1)*	*(6.4)*	*(7.9)*
Imports	3,378	3,131	3,198	3,378	3,593	3,572	3,506
Percent Change	*(6.6)*	*(7.3)*	*2.1*	*5.6*	*6.4*	*(0.6)*	*(1.9)*
Employment (Number of Residents)	23,000	21,800	23,500	24,700	23,900	22,900	23,100
Percent Change	*1.3*	*(5.2)*	*7.8*	*5.1*	*(3.2)*	*(4.2)*	*0.9*
Average Weekly Earnings ($)	1,457	1,511	1,527	1,565	1,594	1,686	1,719
Percent Change	*2.4*	*3.7*	*1.1*	*2.5*	*1.9*	*5.8*	*1.9*
CPI (All-Items), Yellowknife	138.8	138.9	142.0	151.9	156.9	159.9	162.7
Percent Change	*1.6*	*0.1*	*2.2*	*7.0*	*3.3*	*1.9*	*1.7*

e: estimate
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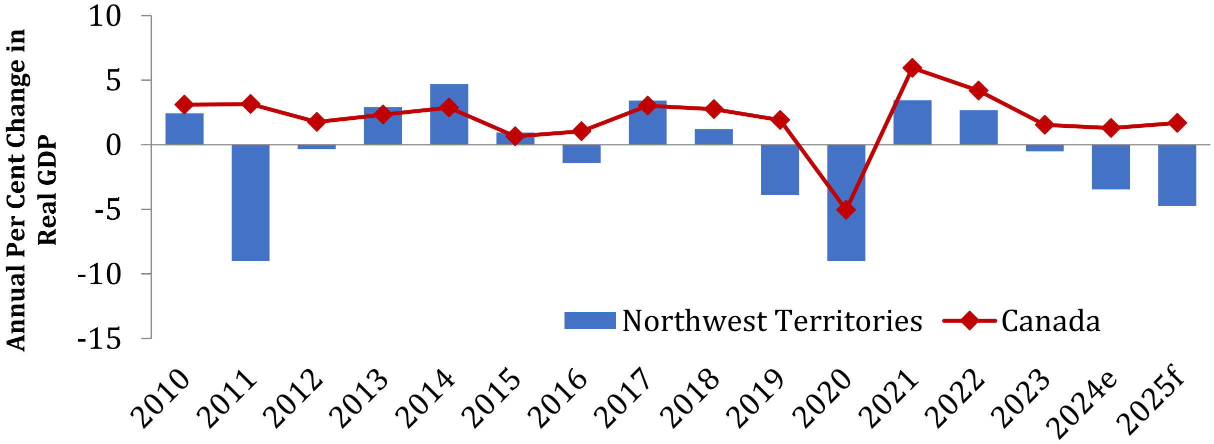
Source: Statistics Canada and NWT Bureau of Statistics

Economic Outlook – *Real GDP*

Real GDP is projected to shrink 4.7 per cent in 2025, the third consecutive year of decline, primarily due toa 5.5 per cent drop in total investment and a 7.9 per cent fall in exports owing to lower diamond mine and oil and gas production. Government spending is also projected to slow in 2025 as pandemic-related supports continue to unwind and with a focus on reducing government expenditure. This decline will be offset by solid employment, a 1.9 per cent increase in weekly earnings and a fall in consumer price inflation to 1.7 per cent, which is expected to support a minor increase in household spending.

NWT Economic Growth Is Slowing



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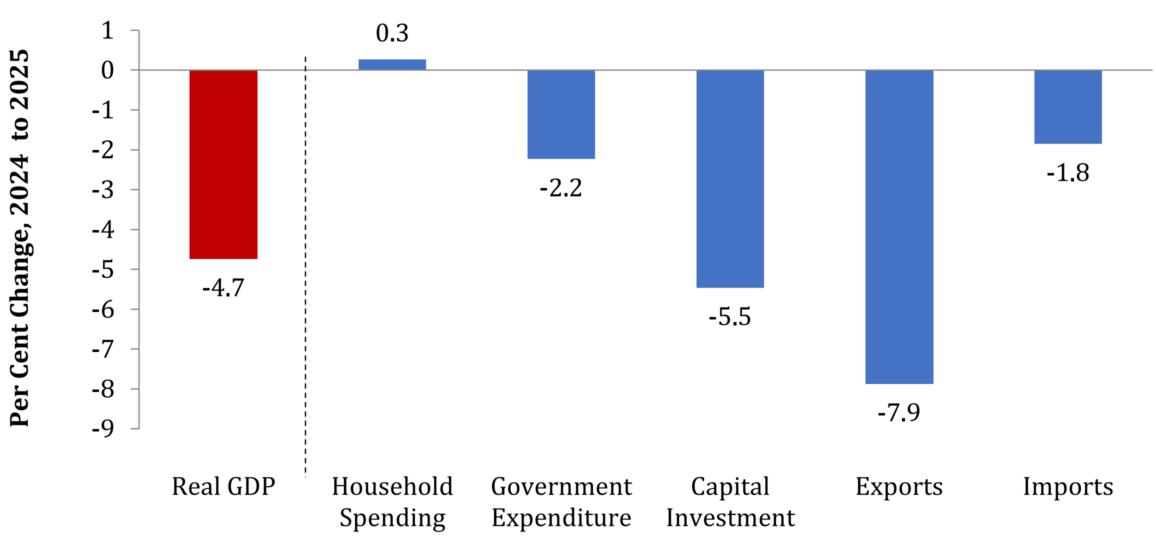
Source: Statistics Canada and NWT Bureau of Statistics

The NWT Economy Is Expected to Contract In 2025

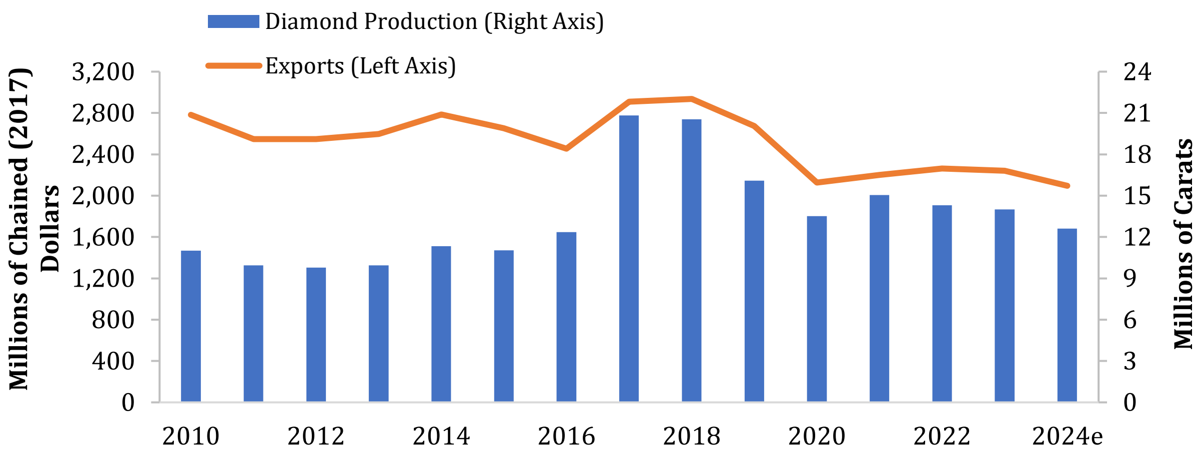


Source: NWT Bureau of Statistics

Economic Outlook – *Exports*

Exports in real dollars are projected to decline 7.9 per cent in 2025, the third consecutive annual decline. The reason for this decline is slowing diamond mine production, especially from the Diavik mine as it nears its projected 2026 closure. Since 2017, diamonds have represented over two-thirds of all Northwest Territories exports, reflecting declines in oil and gas production.

NWT Exports Facing Continued Decline



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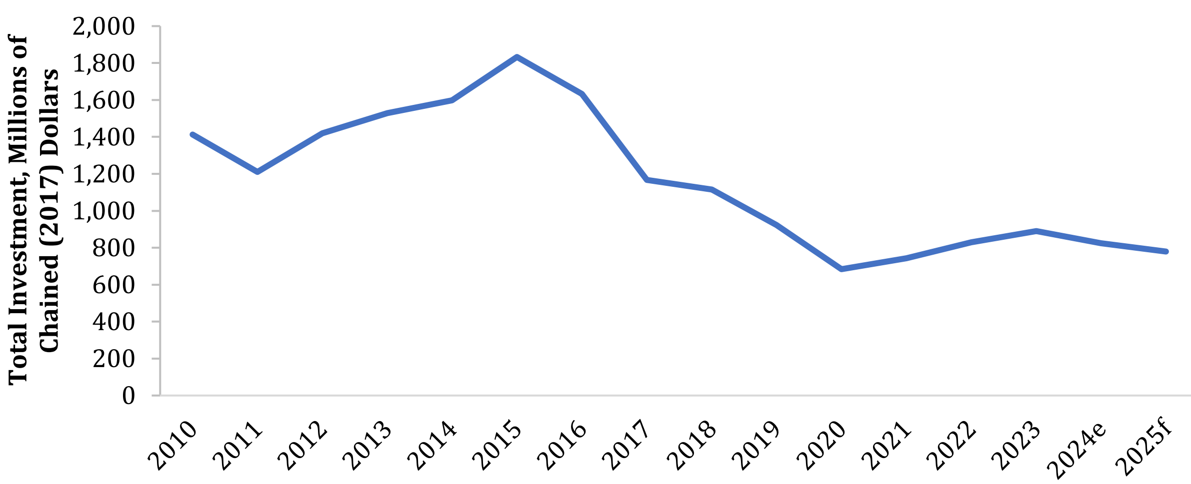
Source: Statistics Canada and NWT Bureau of Statistics

Economic Outlook – *Investments*

Total investment measured in inflation-adjusted dollars is forecast to fall 4.7 per cent in 2025, the third consecutive annual decline, bringing real investment to its lowest level since the pandemic. Usually most capital investment flows to industrial engineering construction projects like bridges, mines, and roads. However, as the diamond mines reach their end of life, industrial engineering construction has declined, dampening overall investment in the territory.

Northwest Territories Investment Continues to Decline



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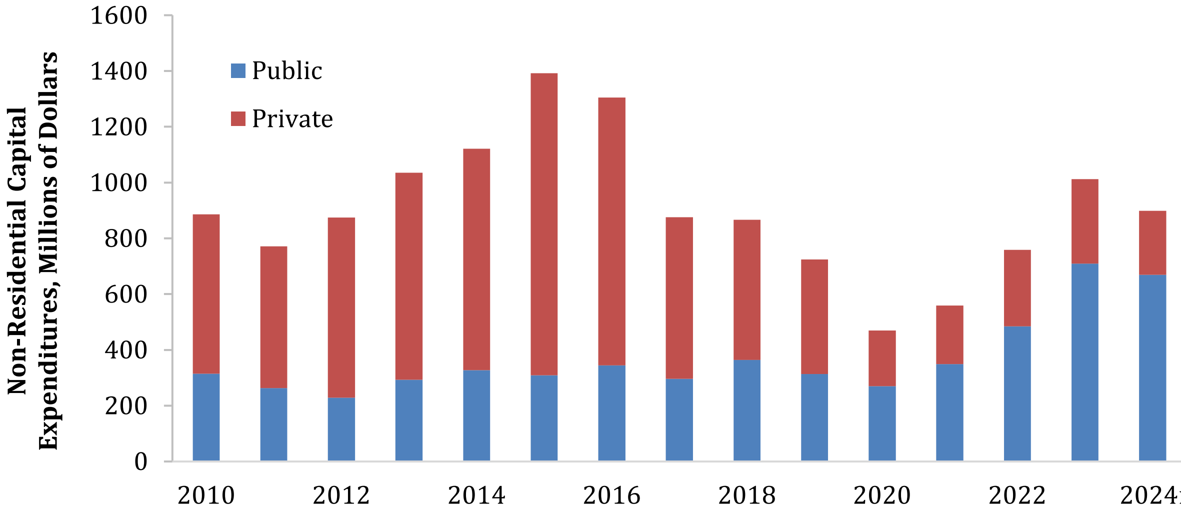
Source: Statistics Canada and NWT Bureau of Statistics

Fewer new large-scale industrial developments in the territory over the past decade have resulted in declining private-sector investment. Public investment now represents 75 per cent of total investment, an increase from 30 per cent in 2014. Should new large-scale mining or construction projects occur, the ratio could shift back towards the private sector. This is because private sector investment in the Northwest Territories tends to be "lumpy," where large investments occur during the beginning phases of new development and then decrease rapidly when initial construction is finished.

Northwest Territories Public Investment Now Dominates Capital Investment



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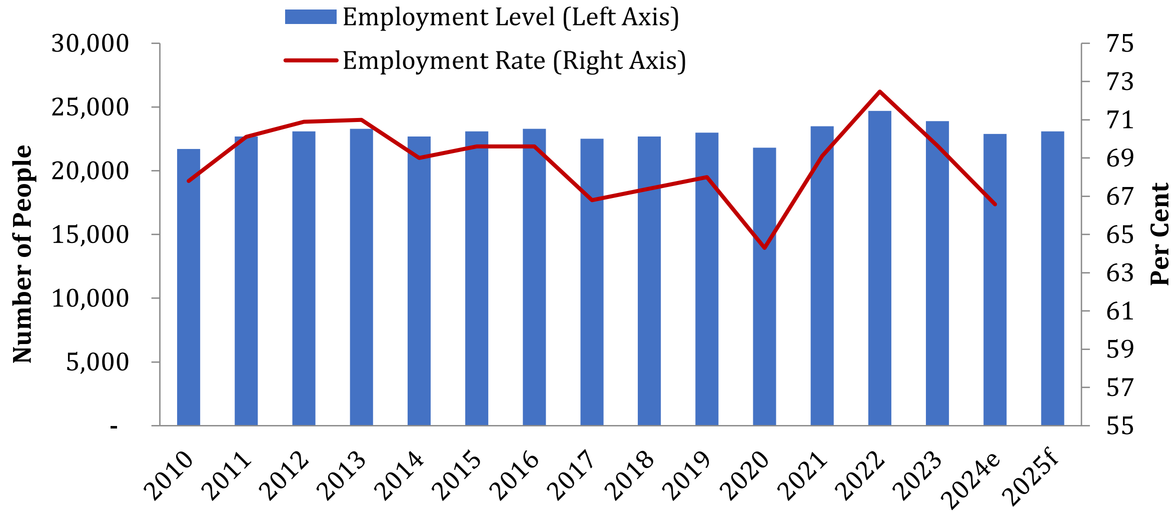
Source: Statistics Canada and NWT Bureau of Statistics

Economic Outlook – *Employment*

Resident employment is projected to decrease by 1 per cent in 2025 (or 200 people) after falling 4.2 per cent in 2024. Resident employment is expected to remain above late 2010s levels and the territorial employment rate, which measures the share of the working-age population that is actively employed, is expected to remain unchanged from 2024 at 66 per cent. The employment rate varies significantly by geography and demographic though, and while the overall employment rate is near historic lows, the share of working-age adults (residents aged 25 years and older) remains high at 71 per cent.

Northwest Territories Resident Employment Remains Elevated



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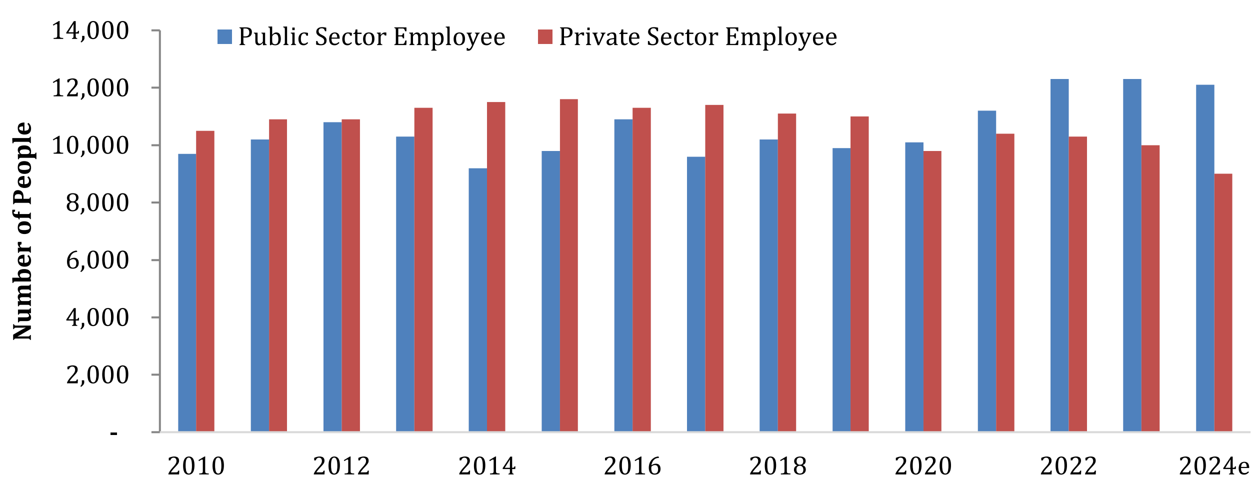
Source: Statistics Canada and NWT Bureau of Statistics

Declines in diamond mining and oil and gas operations have resulted in lower private sector employment while an expansion of government services since the pandemic has resulted in large increases in public sector employment, particularly in health, the territorial government, and Indigenous governments. As a result of these concurrent trends, more Northwest Territories residents are now employed in the public sector than in the private sector, with over half of employed residents (12,100 people) working in the public sector and less than 40 per cent (9,000 people) working for private businesses. This trend is expected to persist over the near term.

More Residents Are Employed in the Public Sector Than in the Private Sector



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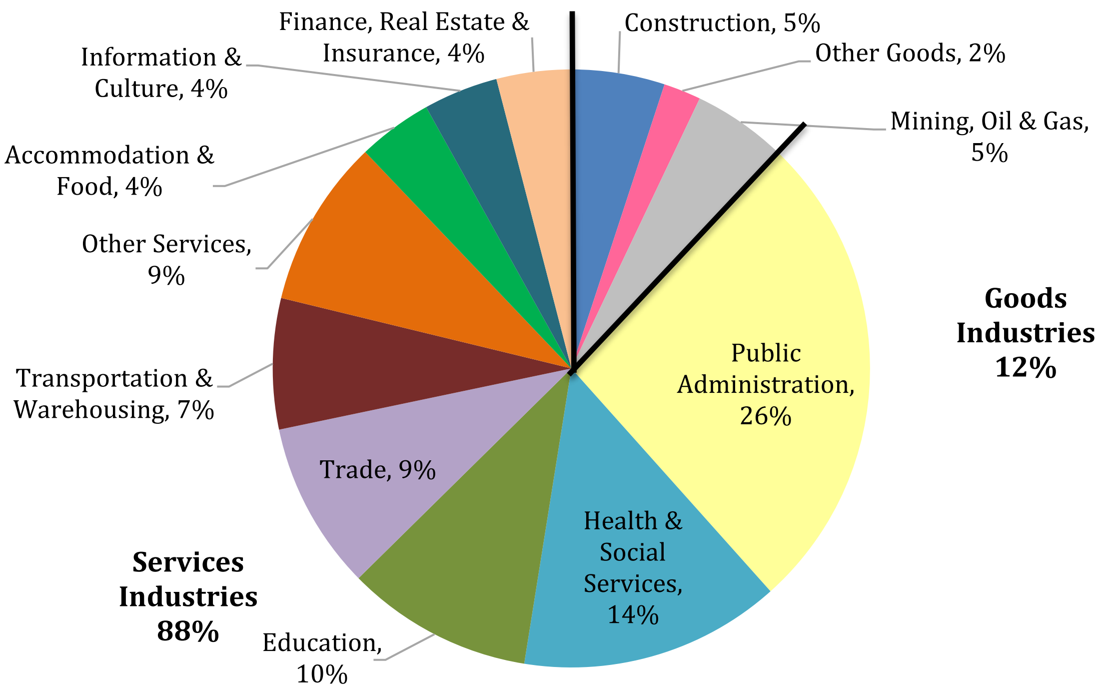
Source: Statistics Canada and NWT Bureau of Statistics

Although an economy increasingly dependent on government could lead to a hollowing out of the private sector, the large public sector also acts as an economic stabilizer. This stability is particularly important in the Northwest Territories because government employment is not prone to the boom-and-bust cycles of the resource industry. As a result, it is able to offer relatively high incomes and steady employment during economic shocks such as pandemics and wildfires. Unlike in more densely populated jurisdictions, a large public sector, which includes health providers and educators in addition to public servants, is needed to provide high-quality public programs and services across a vast territory of 33 communities with widely varying populations and limited infrastructure. As a result, the vast majority of residents who live and work in the Northwest Territories are employed in services-providing industries, with over 50 per cent directly working in the public sector.

Resident Employment Dominated by Government, 2024

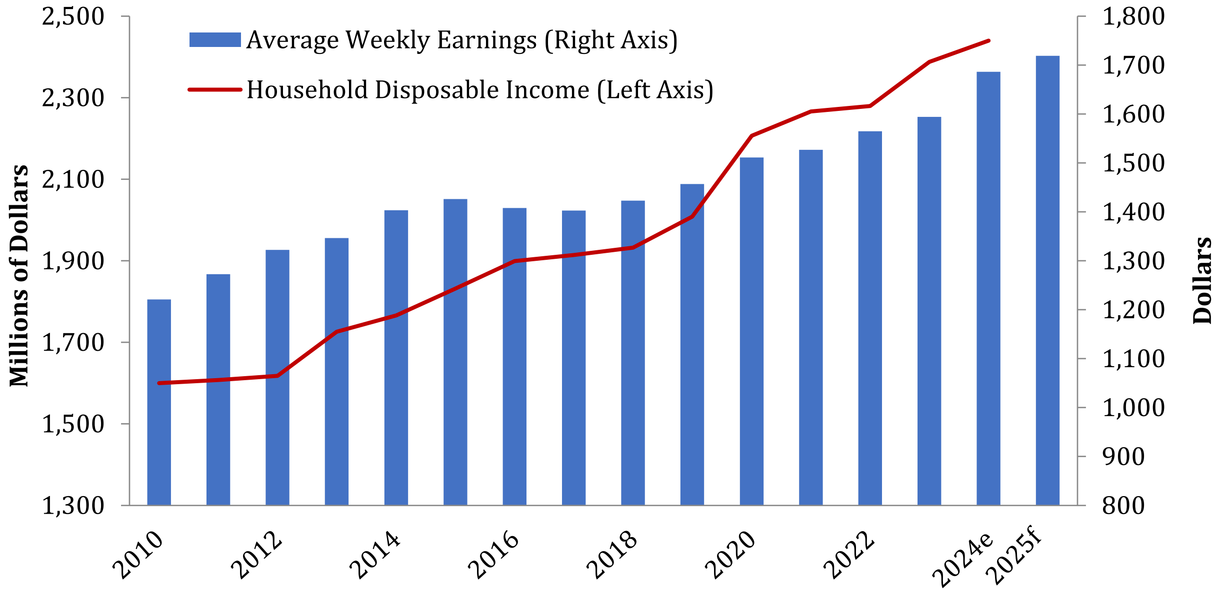


Source: Statistics Canada and NWT Bureau of Statistics

Economic Outlook – *Average Weekly Earnings*

Wages are projected to grow over the near term. Northwest Territories average weekly earnings, currently the highest in Canada after Nunavut, are projected to increase 1.9 per cent in 2025 after rising an estimated 5.8 per cent in 2024. The significant increase in earnings last year was due to the October 2024 ratification of a new collective agreement between the Government of the Northwest Territories (GNWT) and the Union of Northern Workers that resulted in GNWT employee salary increases in November 2024 and retroactive pay in December 2024.

Northwest Territories Household Income Continues to Grow



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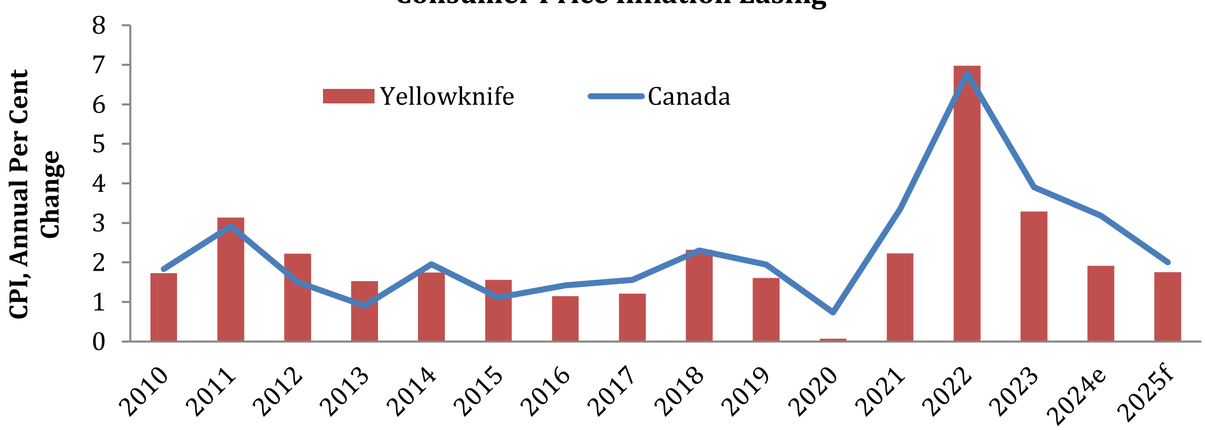
Source: Statistics Canada and NWT Bureau of Statistics

Economic Outlook – *Consumer Prices*

Consumer price inflation is projected to ease further in 2025, continuing the slowing of the inflation rate seen in 2024. Yellowknife CPI is forecast to increase 1.7 per cent in 2025, well within the normal range of inflation and a smaller increase than in the rest of Canada.

Consumer Price Inflation Easing



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

Risks to the Outlook

Near-term risks to the Northwest Territories economy include the uncertainty being created by the newly inaugurated American President's threat to impose sweeping tariffs on goods from Canada. If implemented, the tariffs and potential retaliatory trade measures by Canada will have significant negative effects on the Canadian economy directly and the territorial economy indirectly.

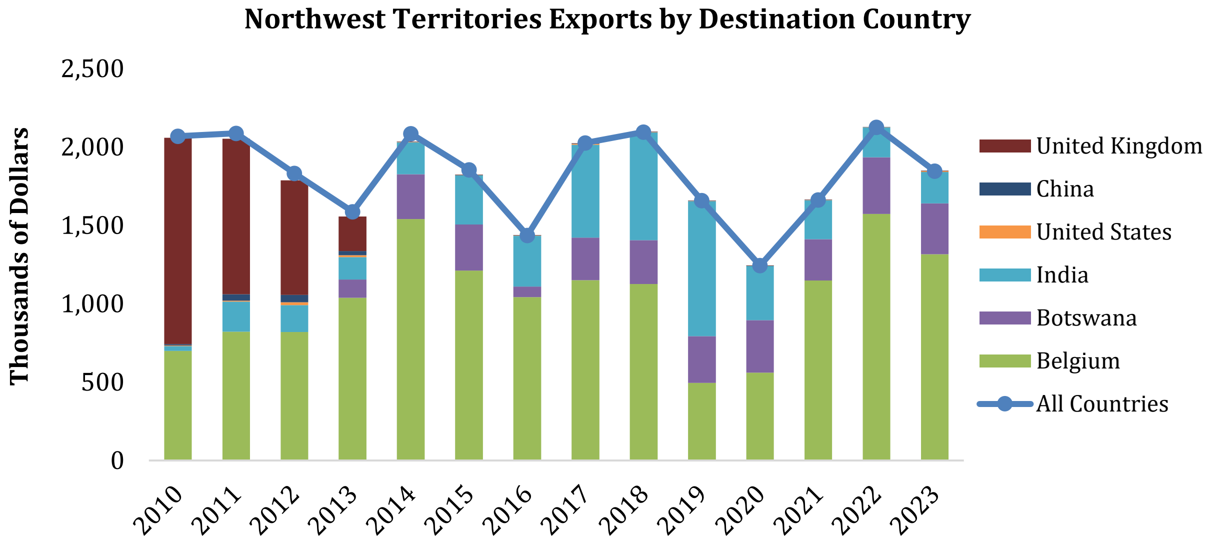
Long-term, structural risks to the Northwest Territories economy are principally related to the impending diamond mine closures. Connected to this is the continued lack of new large-scale industry, which makes transitioning to an economy without the diamond mines more challenging. Ongoing shortages for skilled and unskilled labour, especially in smaller communities, also pose a risk to economic growth. These structural challenges must be addressed to support a smoother transition from the economic contributions of the diamond mines.

Positive risks to the Northwest Territories economy include increased mineral exploration investments that may lead to new mining operations, including critical mineral projects. Growth in small sectors like trapping, fishing, and tourism also bodes well for increased economic diversification and job growth, especially in smaller communities.

Risks to the Outlook – *United States Tariffs*

Tariffs proposed by the new United States administration would have negative effects on the Canadian and Northwest Territories economies. The Northwest Territories economy is not a major exporter to the United States but is still likely to be indirectly affected by United States tariffs, particularly if the Canadian economy falls into a recession. Tariffs are expected to weaken the Canadian dollar, which would increase the cost of imports and raise the overall price of goods and services, especially if Canada introduces retaliatory trade measures. Tariffs could also have a chilling effect on investment, and key Northwest Territories industries like mining (including critical minerals), could reduce capital investment, leading to fewer future resource developments.

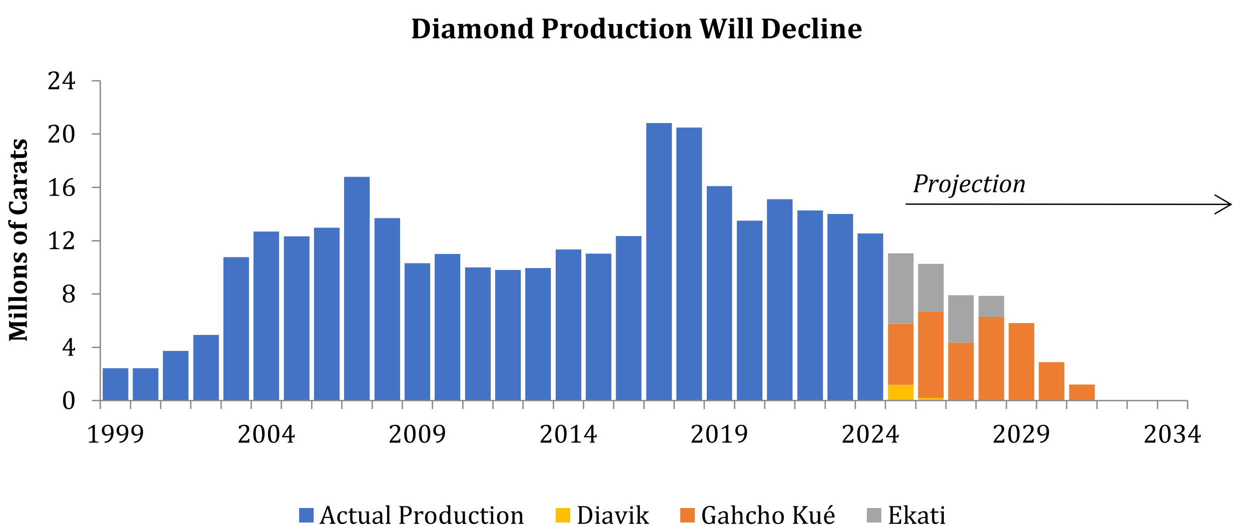
However, immediate effects are likely to be small for the Northwest Territories because it exports little directly to the United States. The main export product is rough diamonds and in 2023 over 70 per cent of Northwest Territories exports ($1.3 billion) went to Belgium, the largest diamond centre in the world. By contrast, less than one per cent of Northwest Territories exports ($5.6 million) went to the United States. A more concrete concern is that Northwest Territories exports have been steadily declining over time, reflecting the maturing of the diamond mines.



Source: NWT Bureau of Statistics

Risks to the Outlook – *Diamond Mine Closures*

Maturing diamond mines are a significant risk to the territory's economic outlook because they are a primary driver of the Northwest Territories economy. All currently producing mines are set to end production by 2030. Diavik is scheduled to close in 2026, followed by the Ekati in 2029 and Gahcho Kué in 2030. Ekati could operate for an additional decade if underwater mining is successful and kimberlite expansions proceed. Decisions to expand existing diamond mines and develop new kimberlite pipes depend on a range of economic and financial factors including global capital credit conditions, consumer demand, and rough diamond prices. An extension of Ekati's mine life would be a significant positive development for the territory.

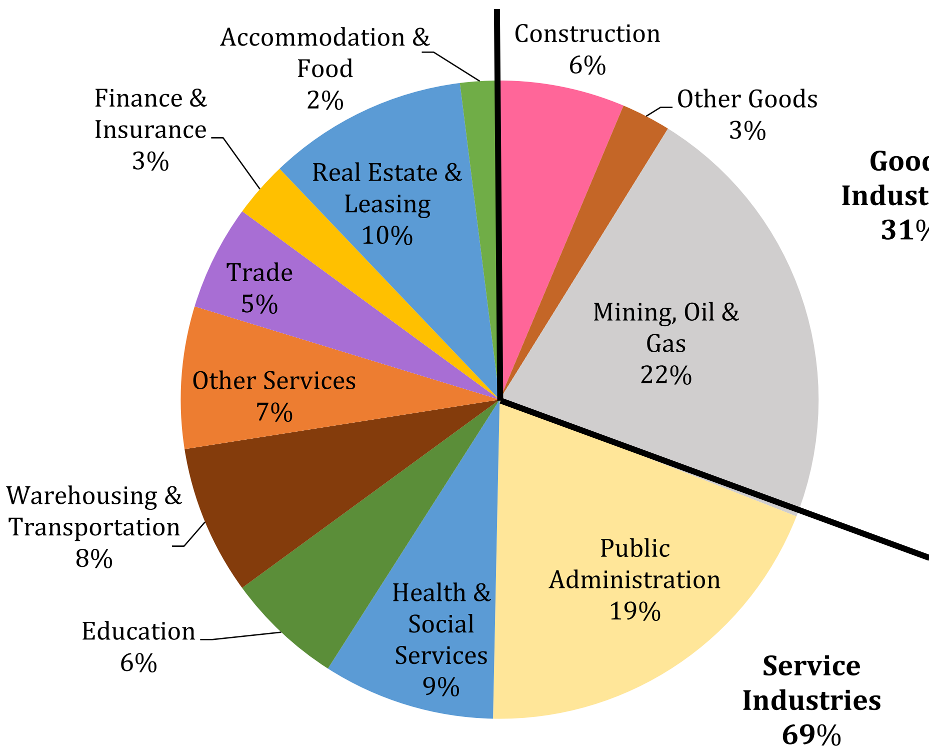


Note: Projections are subject to change based on mine plan revisions.
Source: Mining plans and technical reports, Natural Resources Canada, and NWT Finance

Risks to the Outlook – *Undiversified Economy*

The Northwest Territories economy currently depends on two industries: government and mining. Together, these sectors account for approximately 41 per cent of the territory's GDP and high-paying employment. This reliance creates structural challenges for achieving long-term stable growth. Multiple strong economic sectors are crucial for fostering stable and balanced growth by distributing risk across many industries so that the economy's vulnerability to fluctuations in any single sector or market is reduced. A more diversified economy also encourages job creation, entrepreneurship, and innovation, which also can drive sustainable development over time.

Real GDP Dominated by Government and Mining, 2023

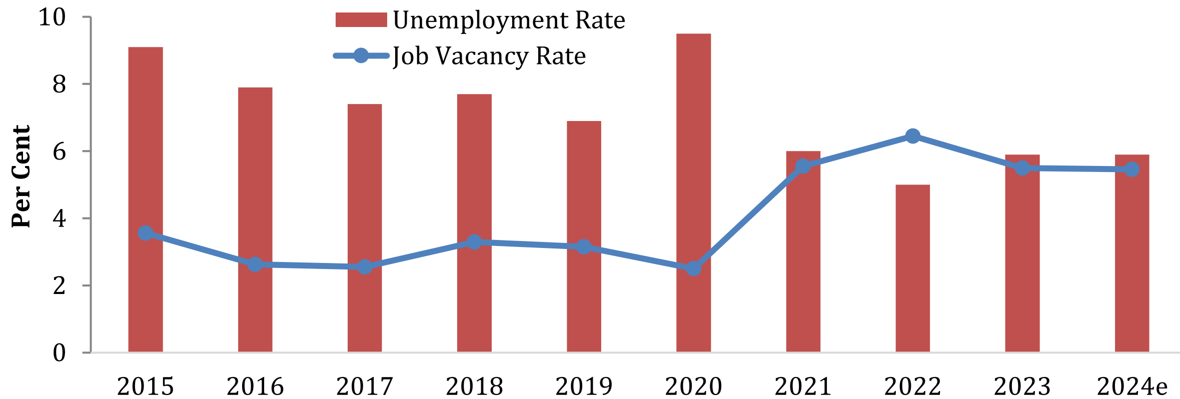


Source: Statistics Canada and NWT Finance

Risks to the Outlook – *Labour Shortages*

Labour shortages are an ongoing challenge given the small size of the Northwest Territories population and resident workforce. In 2024, the job vacancy rate (the share of job openings that go unfilled) was 5.5 per cent, a slight improvement from the previous year, but well above the average between 2015 and 2020. The unemployment rate (the share of workers who are out of work but are actively looking for a job) was 5.9 per cent in 2024, a slight increase from 2023, but much lower than the 7.9 per cent average between 2015-2020. Low unemployment despite elevated job vacancies poses a risk to the economic outlook as an inability to fill vacant positions prevents businesses from maintaining or expanding their operations and diminishes the quality of life for territorial residents by reducing the variety and availability of public services.

Labour Shortages Are a Continuing Problem



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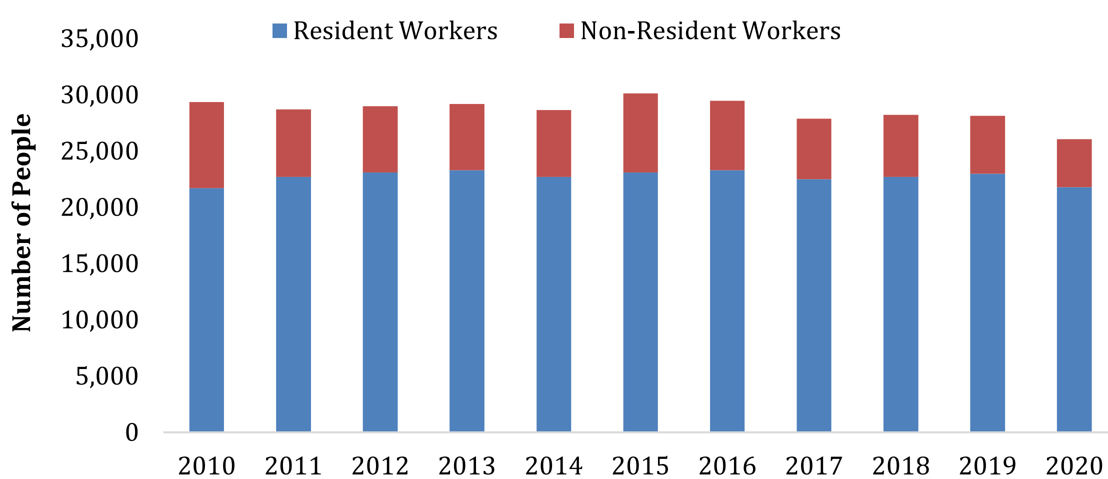
Source: NWT Bureau of Statistics and NWT Finance

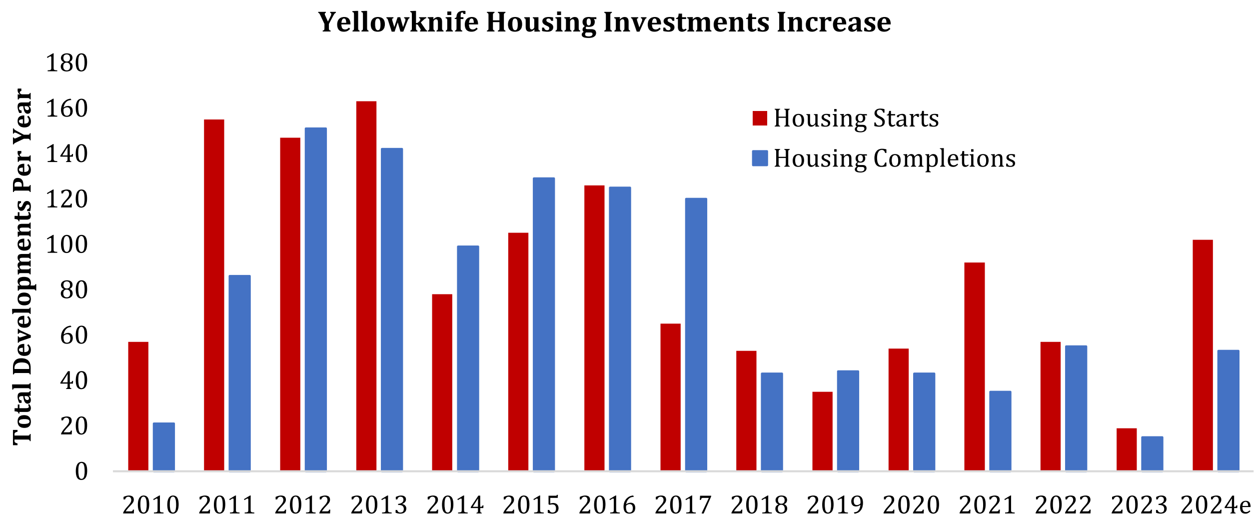
Labour shortages are a major reason for the territory's high rate of non-resident workers. The number of non-resident workers employed in the Northwest Territories averaged 6,000 between 2008 and 2020, about one-fifth of all workers. These jobs include seasonal, rotational, temporary, and special projects that fill employment gaps that are not met by the resident workforce.

Non-Residents Are a Significant Part of the Northwest Territories Workforce



Source: Statistics Canada and NWT Finance

A lack of housing may also be contributing to labour shortages and a high share of non-resident workers if difficulty finding adequate or affordable housing deters skilled workers from moving to the territory. Between 2018 and 2023, construction of new residential units declined significantly, exacerbating housing challenges. Fortunately, this lack of housing is beginning to be addressed by a strong increase in residential construction in Yellowknife and other communities. In 2024, there has been an estimated 102 housing starts, 31 building permits, and 50 housing completions. A large portion of these increases come from the start of a new apartment complex in Yellowknife.



e: estimate
Source: Statistics Canada

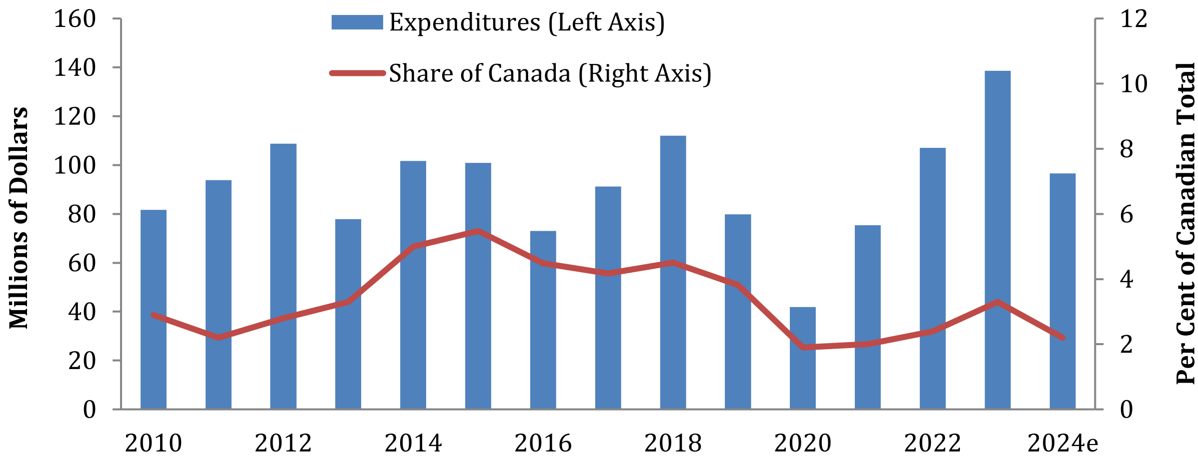
Risks to the Outlook –*Future Resource Development*

Diamond mines currently dominate the mining industry and the private sector. However, several other new, smaller resource development projects exist in the territory. While none of these new projects are large enough to offset the economic loss that will accompany the closure of the diamond mines, they do present an opportunity for future mining growth.

Further evidence of this potential is indicated by mineral exploration and appraisal spending, a requirement for discovering and developing new mines. Mineral exploration and appraisal spending has more than doubled since the pandemic and spending intentions are expected to remain elevated in 2025 due to renewed demand for critical minerals and metals, like lithium, that may result in new mine developments in the Northwest Territories. While in past years roughly one-half of all exploration and appraisal expenditures were for diamonds, since 2021 diamond exploration has declined to less than one-fifth of spending intentions.

Even if new mining projects do not replace the diamond mines, they can help stabilize the economy with high paying jobs and business opportunities. Smaller mines may also be able to operate using local labour and local contractors rather than relying on non-resident workers as the diamond mines currently do . However, there is also the possibility that new mines will not materialize soon and preparation for a different sort of economy will be crucial.

Mineral Exploration and Appraisal Expenditures

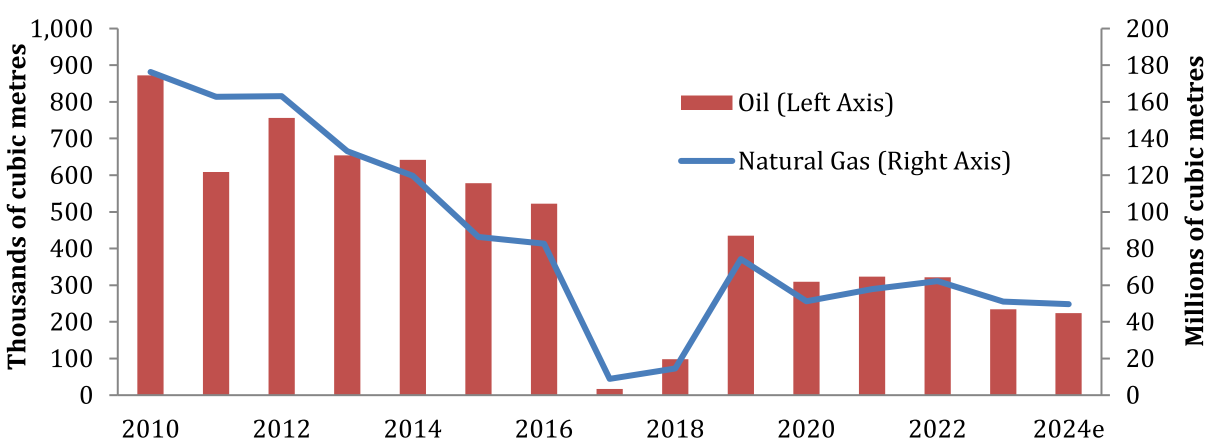


e: revised estimate
Source: Natural Resources Canada

The higher demand and prices for minerals critical for clean energy projects could spur investment in new developments in the Northwest Territories, creating jobs and boosting economic output. However, unlike diamonds, these minerals are more likely to be traded with the United States, and while critical minerals are essential to American strategic interests, their protectionist policies create uncertainty for development.

The future of mining in the Northwest Territories is likely to be smaller-scale mines rather than the large-scale operations like the gold mines of the past and the diamond mines operating today. Similarly, large-scale oil and gas production, which once dominated the territory's resource extraction sector and contributed significantly to employment, GDP, and exports, is declining in both output and economic importance. Despite steady output, oil and gas production is unlikely to return to levels seen a decade ago.

Production of Oil and Gas Continues at Reduced Levels



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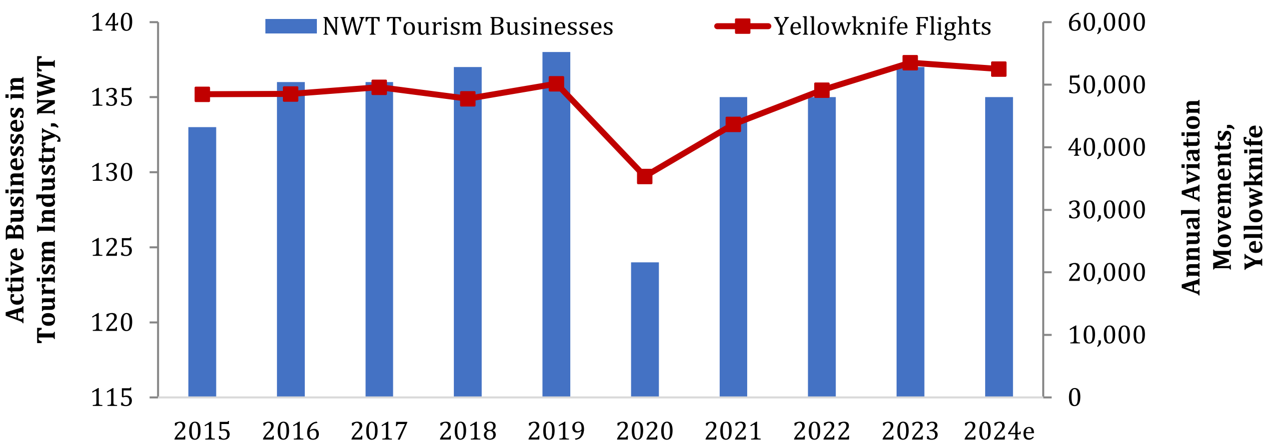
Source: NWT Bureau of Statistics and NWT Finance

Risks to the Outlook – *Growth in Other Sectors*

Attempts to diversify the Northwest Territories economy away from mining and public administration have largely been unsuccessful although growth has resulted in a few small sectors.

Tourism is highlighted as having potential to inject private sector employment opportunities into smaller communities. While three years of pandemic related policies had a damaging effect on Northwest Territories tourism, the sector has largely recovered. Aircraft movement data, used as a proxy to measure out-of-territory tourist activity, suggests a good recovery, as does a rebound in the number of tourism-related businesses. In 2024, over 52,500 separate aircraft movements occurred in Yellowknife, comparable to the 2014 to 2019 period, and there were about 135 active businesses in the NWT tourism sector in 2024, eleven more than in 2020.

NWT Tourism Has Recovered



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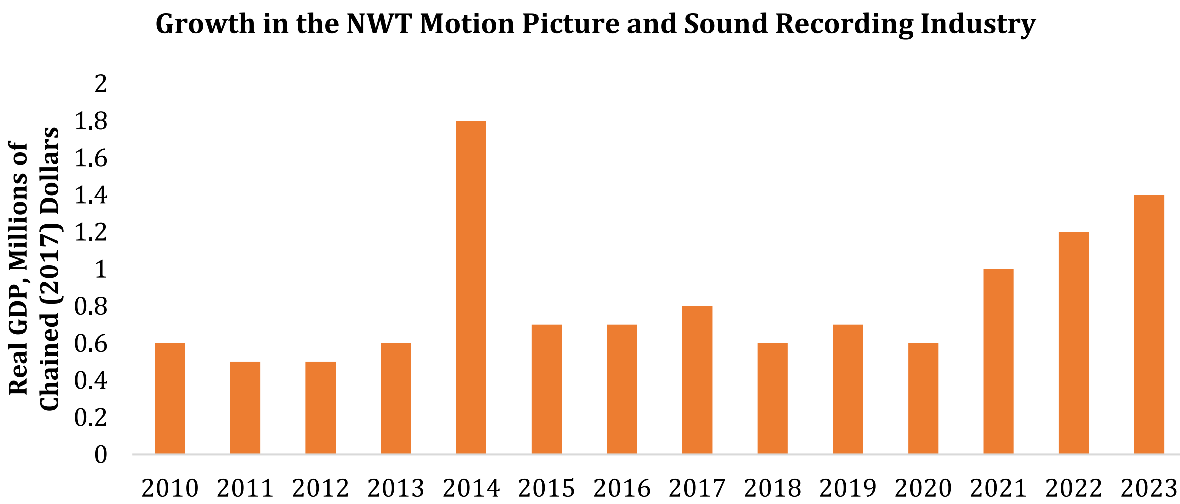
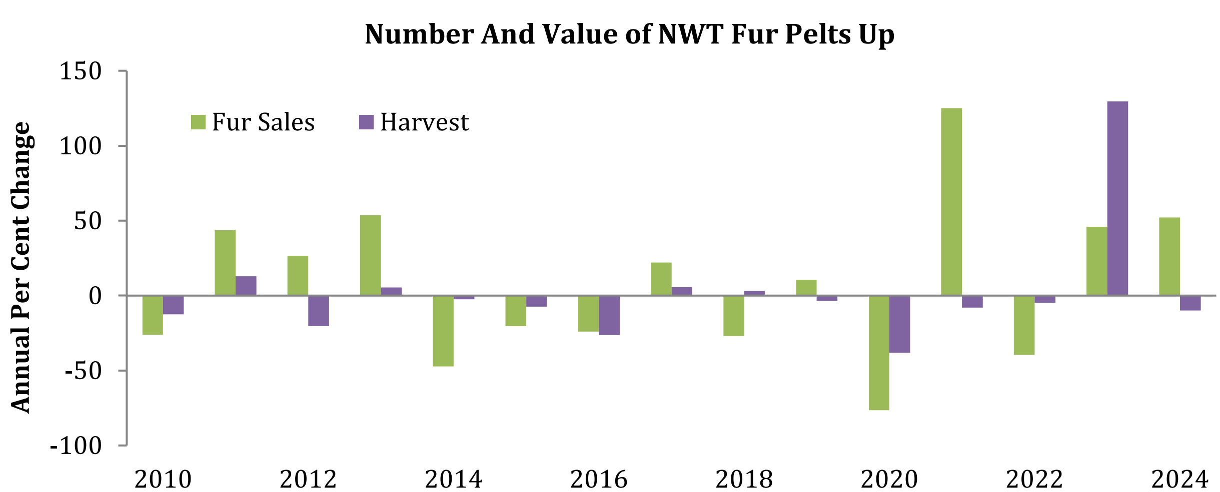
Source: Statistics Canada

Aurora viewing and outdoor adventure are the primary reasons that tourists visit the Northwest Territories, though while here many also enjoy the rich arts and culture of the region. The arts and culture sector contributes to the economy by enhancing the quality of life, promoting the territory abroad, and providing employment in all regions of the territory. The overall arts and culture sector has been declining over the past decade. However, this sector is made up of several disparate industries and one of these industries has experienced consistent growth: the motion picture and sound recording sector. Although the motion picture and sound recording sector accounts for less than $2.0 million of real GDP and fewer than 150 employees, it has potential to grow. Between 2010 and 2023, the economic output of this industry more than doubled, and the ongoing implementation of the GNWT's *Rolling, Action! The Next 5 Years: NWT Film and Media Sector Strategy and Action Plan 2021-2026* will help to spur further growth in this industry.



Source: Statistics Canada

Trapping is another sector that, while a small contributor to the overall territorial economy, is traditionally important to many residents for food and clothing as well as incomes, especially in smaller communities. The rebound in trapping has continued into 2024, with a 52 per cent increase in fur sales at auction. The number of pelts sold at auction rose from 40 per cent in 2023 to 86 per cent in 2024. This presents a positive risk to the outlook as it could mean increased employment and incomes in communities outside Yellowknife.

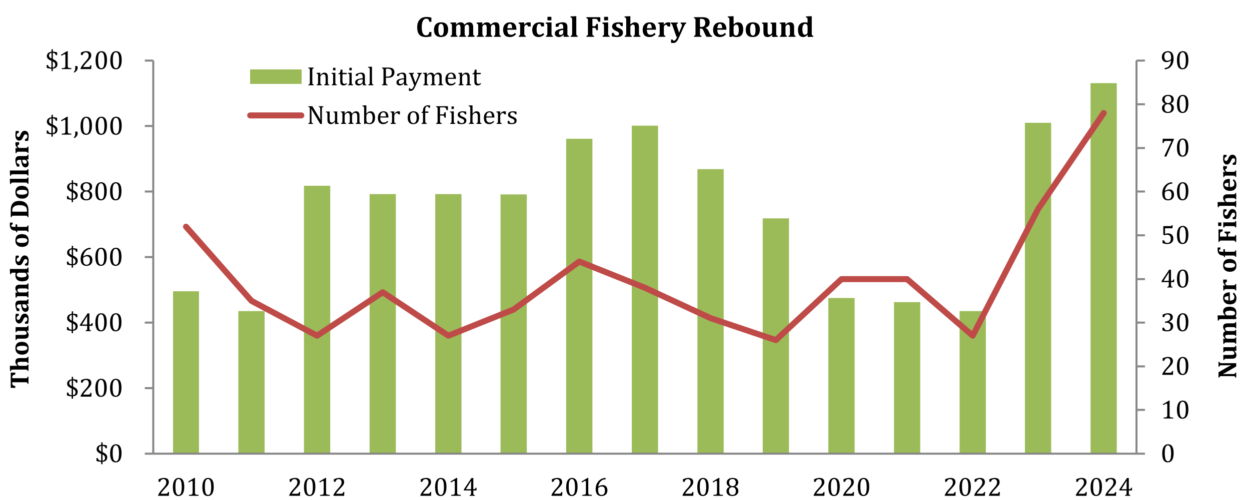


Source: NWT Environment and Natural Resources, NWT Finance and NWT Industry, Trade and Investment

The commercial fishery industry in the Northwest Territories is small but represents an opportunity for economic diversification and regional employment because fish are an abundant, renewable resource. The GNWT has made several commercial fishing investments identified in the

Strategy for Revitalizing the Great Slave Lake Commercial Fishery. Key among these is the opening of the new Hay River fish processing plant in June 2023. These investments appear to be working, as after five years of decline, initial payments (an on-delivery point, net-of-freight basis) to Northwest Territories fishers exporting through the Freshwater Fish Marketing Corporation (FFMC) increased 132 per cent in 2023 to just over $1 million and a further 12 per cent to $1.13 million in 2024.

The number of active commercial fishers exporting fish through the FFMC in 2024 was 78, the highest number of commercial fishers on record since 2006. Less disrupted trade and higher fish prices led to increased participation and production, indicating that the Northwest Territories fishing industry is expanding, which is a positive risk for the outlook.



Source: Freshwater Fish Marketing Corporation

Fiscal Review 2025-26

Budget 2025 addresses cost pressures in programs and services as departments continue working towards meeting the fiscal sustainability strategy targets set out in *Restoring Balance*. Work continues to meet the *Restoring Balance* objective of returning the Government of the Northwest Territories (GNWT) to fiscal sustainability by increasing operating surpluses, reducing short-term debt, realigning health spending to make programs more sustainable, and allocating funding to priorities. Additional costs to address low water levels, cost overruns and more funding to right-size health expenditures since the 2024-25 budget have made the fiscal strategy targets much more difficult to attain. Progress towards achieving *Restoring Balance* targets has slowed while the GNWT attempts to right-size department spending systematically to mitigate risk to core programs. The pause is conditional on Canada increasing the federally-imposed borrowing limit to allow the time necessary to further assess how to decrease expenditures and/or increase revenues without compromising program and service delivery.

Further fiscal action will be needed to ensure that expenditure growth slows to a point where it is not outpacing revenue growth so that debt growth is limited.

Fiscal Situation and Medium-Term Outlook

Operating surpluses are projected for the duration of the forecast but with expenditure growth exceeding revenue increases the operating balance is expected to decline every year of the medium-term outlook.

Revenues are projected to increase for the entirety of the forecast, though slower growth is expected in the later years largely because of slower growth in Territorial Formula Financing resulting from continuous low population growth relative to Canada. Average annual revenue growth of 1.1 per cent is expected from 2024-25 to 2028-29.

However, because expenditures are expected to increase at an average annual rate of 1.5 per cent over the same period, the GNWT is not expected to achieve the fiscal strategy objective of ensuring that revenue growth exceeds expenditure growth.

The forecast projects a 1.4 per cent average annual increase in total debt because short-term debt continues to climb. Current short-term borrowing projections are the main factor for the projection that the debt level will breach the $1.8 billion federally- imposed debt limit in 2028-29. However, short-term borrowing varies within a year because of the timing of when cash is expended and revenues received and for unanticipated fiscal shocks. The $120-million cushion recommended under the *Fiscal Responsibility Policy* to manage short-term borrowing is compromised in every year of the medium-term outlook. The federal government is currently considering the GNWT's request for an increase to the federal borrowing limit. The GNWT will need more revenues, savings or efficiencies to meet the fiscal sustainability strategy targets.

Medium-Term Outlook (January 2025 Forecast)

(Millions of Dollars)	2024-25 Projected	2025-26 Main Estimates	2026-27	2027-28 Forecast	2028-29
Total Revenue	2,606	2,658	2,705	2,718	2,726
Operating Expenditures	2,536	2,488	2,557	2,612	2,687
Operating Surplus/(Deficit)	69	170	148	105	39
Capital Investment	202	192	187	184	180
Total Debt at March 31					
Short-Term Debt	700	750	744	769	846
Long-Term and Guaranteed Debt	1,041	1,022	1,002	995	995
Total Debt	1,741	1,772	1,746	1,764	1,841
Borrowing Limit	1,800	1,800	1,800	1,800	1,800
FRP Borrowing Limit Trigger	120	120	120	120	120
Available Borrowing Capacity	(61)	(92)	(66)	(84)	(161)

Notes: FRP is the *Fiscal Responsibility Policy. Totals may not add due to rounding.*
Operating Expenditures include adjustments for supplementary reserves, infrastructure contributions, deferred maintenance and estimated appropriation lapses.

Restoring Balance: Fiscal Sustainability Strategy

Restoring Balance, the GNWT's fiscal sustainability strategy, includes the following targets for the lifetime of the 20th Assembly ending in fall 2027:

- Short-term debt repayment of $150 million by the end of the term.
    - Budget 2025 projects GNWT short-term borrowing to increase from $700 million in 2024-25 to $750 million by March 31, 2028.
    - Budget 2025 projects to fully fund capital with the cash operating surplus throughout the medium-term outlook (2025-26 to 2027-28). In 2024-25, revised estimates project that the cash operating surplus was $201 million (adjusted for non-cash items) and capital investment was $202 million on a cash basis.

- The annual supplementary reserve is limited to $35 million.
  - There were $188 million in supplementary expenses approved in 2024-25, partially offset by $27.5 million in federal funding.
  - Budget 2025 addresses underfunding and maintains a $35 million reserve.
- The total of annual forced growth (spending for cost and volume increases of existing services) and initiatives is limited to $10 million annually.
  - Budget 2024 included $49 million in forced growth and initiative spending.
  - Budget 2025 proposes $36 million in forced growth and initiatives.

Fiscal Review

2023-24 Final Results

The GNWT ended 2023-24 with an $8-million operating deficit, which was primarily caused by expenditures for wildfires and floods. Total debt was $1.5 billion, 14.6 per cent higher than the previous year.

Total revenues were $2.6 billion, an increase of $163 million or 6.7 per cent from 2022-23. The main revenue increases were $92 million from Territorial Formula Financing, $64 million from other federal transfers, $28 million in corporate income tax and $4 million personal income tax revenue. Non-renewable resource revenues decreased $37 million.

Total department expenditures were $2.6 billion, a 13.2 per cent increase from 2022-23. Health and Social Services made up the largest portion of departmental spending at $671 million, or 27 per cent, followed by Education, Culture and Employment and Finance, both at 15 per cent.

2024-25 Revised Estimates

An operating surplus of $69 million is projected for the 2024-25 revised estimates, a decrease of $224 million from the budget operating surplus projection of $294 million. Revenues are projected to be $2.6 billion and expenditures, including adjustments for infrastructure contributions and deferred maintenance, are estimated to be $2.5 billion. Debt is expected to be $1.7 billion by March 31, 2025.

Revenue is estimated to have decreased by $27 million from the 2024-25 budget. Own source revenues decreased $4 million, driven by projected declines of $17 million for corporate income tax revenue and $25 million for resource revenues. Personal income tax revenue is estimated to have increased $7 million and carbon tax revenues by $6 million.

Operating spending for 2024-25 is projected to have increased $198 million, or 8.4 per cent from budget estimates due to:

- a $52 million increase in the Department of Environment and Climate Change budget for forest management and fire suppression,

- a $49 million increase in the Department of Health and Social Services for addressing health care spending cost pressures,

- a $26 million increase in the Department of Education, Culture and Employment for increased daycare and day home grants, offset by federal support for early learning and childcare, and contributions to education authorities, and

- a $17 million increase in the Department of Finance for increased contributions to Housing NWT and higher short-term borrowing interest charges.

2025-26 Main Estimates

Total 2025-26 revenues are forecast to be $2.7 billion and operating expenditures at $2.5 billion, providing the GNWT a projected operating surplus of $283 million before adjustments. The operating surplus after adjustments for infrastructure contributions, deferred maintenance and the $35 million supplementary reserve is $170 million.

Total revenues are projected to increase $52 million from the 2024-25 Revised Estimates largely due to increases of $104 million from the Territorial Formula Financing grant and $13 million in carbon tax revenues because of the $15 a tonne increase in the greenhouse gas emissions rate. Carbon tax revenue increases have offsetting expenditures to mitigate the carbon tax effects on the cost of living and economic competitiveness.

Revenue increases are expected to be offset by a projected $45-million decline in other federal transfers and a forecast $9-million decrease in personal income taxes and a projected decrease of $7 million in corporate income taxes. Other general revenues are projected to decrease by $4 million.

Compared to the 2024-25 Revised Estimates, total spending (departmental spending and adjustments) is forecast to decrease $48 million or 1.9 per cent because of one-time expenditures made during the year. However, total spending is projected to increased 6.4 per cent, or $149 million, from the 2024-25 budget to the 2025-26 budget.

GNWT short-term borrowing at March 31, 2026 is forecast at $700 million, bringing the total 2025-26 year-end debt projection to $1.772 billion, $23 million higher than projected for 2024-25. The remaining space between the 2025-26 debt projection and the $1.8 billion federally- imposed borrowing limit is $36 million. The *Fiscal Responsibility Policy* requires total borrowing to be at least $120 million below the limit, so at year-end the GNWT is expected to exceed the limit by $84 million. This provision acts as an indicator for government to act to ensure there is sufficient fiscal capacity to respond to expenditure shocks.

2025-26 Budget Highlights

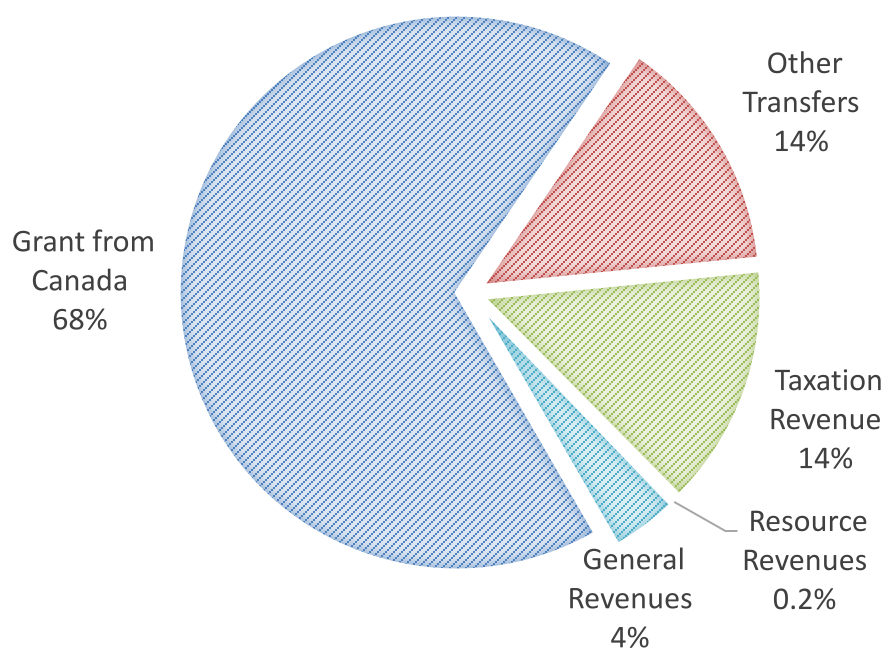
Revenue Initiatives

Budget 2025-26 does not introduce new taxes. However, property and education mill rates will be increased by inflation in keeping with established financial management practices. Property tax mill rate increases are expected to generate an additional $711,700 in revenues.

The Northwest Territories carbon tax rate will increase $15 to $95 a carbon-equivalent tonne of greenhouse gas emissions as of April 1, 2025. Aviation fuel and diesel fuel used to generate electricity for community distribution continues to be exempt from carbon tax. The carbon tax rate increase will generate estimated additional revenue of $12.9 million, which is returned to residents, communities and industry through carbon tax offsets and used for projects that reduce greenhouse gas emissions.

Effective April 1, 2024, to March 31, 2027, the Northwest Territories carbon tax on diesel heating fuel deliveries for all but large emitters are rebated at source. This decision was made following the federal government's October 2023 announcement to suspend for three years the carbon tax on diesel heating fuel under its backstop carbon pricing system.

Projected 2025-26 Revenues by Source



Department Expenditures

Budget 2025 projects $2.4 billion in departmental operating expenditures, an increase of 6.5 per cent, or $145 million, compared to Budget 2024 The projected spending increase is partially offset by $27 million in federal funding. Collective agreement bargaining increased spending by $108 million.

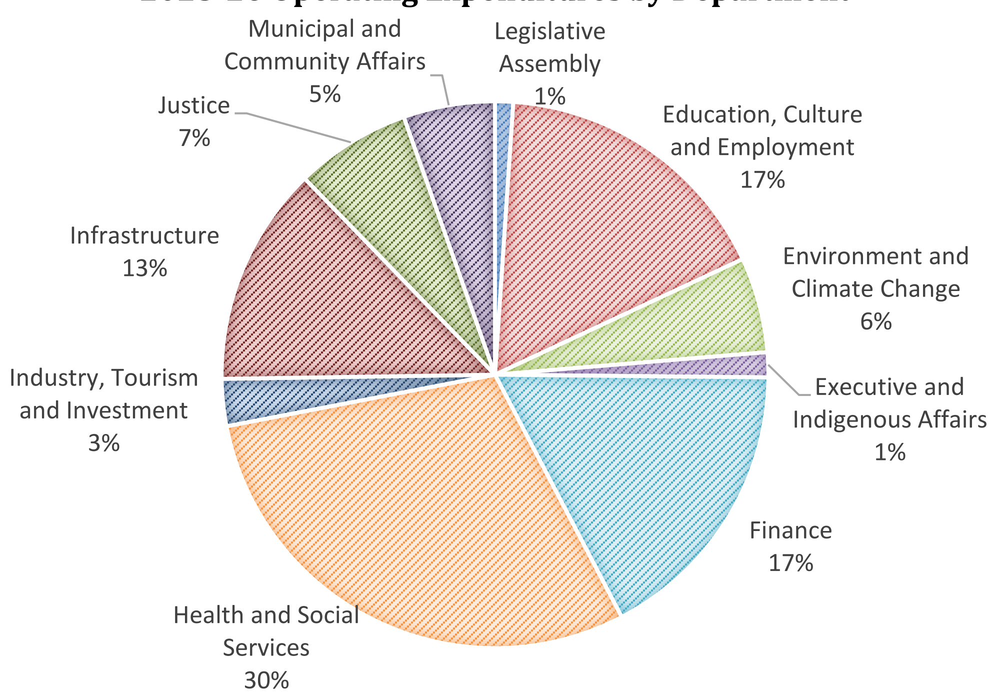
The operating expenditure budget is created by using the previous year's approved department budgets as the base. Expenditures for programs that are ending and other reductions are removed from the base and new funding for increased costs due to inflation or increased demand for programs or services 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.

Spending is budgeted to increase $145.4 million from the 2024-25 Main Estimates due to:

- $26.9 million to address higher demand or higher costs for current programming that departments cannot manage in their existing budgets,
- $9.4 million in new spending for initiatives and enhancements to existing programs,
- $219.1 million under approved adjustments, and
- $6.0 million in amortization.

This is partially offset by $9.1 million from proposed fiscal sustainability reductions and another $106.9 million in programs that have ended or agreements that have expired and not yet renewed in the upcoming budget. This includes the conclusion of $29.7 million in federal agreements that may be brought to the Legislative Assembly for renewal later in the fiscal year.

2025-26 Operating Expenditures by Department



The following provides a description of departmental expenditures proposed in Budget 2025.

Legislative Assembly

The Legislative Assembly is projecting a $829,000 spending decrease from the 2024-25 budget, largely due to a $1.3-million reduction in expenses that are offset by a $368,000 increase to address inflationary pressures and $150,000 for examining electoral boundaries.

Education, Culture and Employment

The 2025-26 budget for the Department of Education, Culture and Employment is $403 million, a $29.0-million increase from the previous budget. Increased spending includes $768,000 to address the higher costs associated with Aurora College and the Senior Citizens Fuel Subsidy and $28.4 million in other adjustments that includes increased costs associated with the Northwest Territories Teachers' Association and Union of Northern Workers (UNW) collective agreements, federally supported spending for early learning and childcare, and ongoing funding for the Small Community Employment Program. Increased spending is expected to be offset by a proposed $2.4 million in reduced spending for other programs and $777,000 primarily for expiring agreements.

The Department budget also includes the following new spending:

- $4.1 million to implement the actions outlined under the *Canada-Wide Early Learning and Child Care Agreement* (2021-22 to 2025-26). These actions support the development and broad-ranging structural changes to early learning and childcare systems across the Northwest Territories and will support the vision of the agreement that all families in Canada will have access to high-quality, affordable, flexible and inclusive early learning and childcare no matter where they live.

Environment and Climate Change

The 2025-26 budget for the Department of Environment and Climate Change is $134 million, an increase of $7.6 million from the 2024-25 budget. The Department has no new initiatives but proposes $11.4 million for approved spending, including $7.3 million for the UNW collective agreement, and $2.7 million in funding from Natural Resources Canada to improve resilience to natural disasters that includes FireSmart protection and resources for enhancing the Department's wildfire preparedness and response efforts. The Department proposes $705,000 in reduced spending and has $3.4 million in expiring programs, mainly for federal agreements that may be renewed in 2025-26.

Executive and Indigenous Affairs

The 2025-26 budget for the Department of Executive and Indigenous Affairs is $35 million, a $7.9 million increase from the 2024-25 budget. The Department was able to reduce spending by $484,000 as well as $104,000 in expired programs. Spending will increase because of $1.9 million for the UNW collective agreement, $1.9 million for the Healthcare System Sustainability Unit supported by the Territorial Health Investment Fund, $824,000 of federally supported funding for the NWT integrated services project which aims to help reduce at-risk youth from offending, and $211,000 for the National Action Plan to End Gender-Based Violence.

New Department spending is:

- $3.7 million to temporarily increase shelter capacity and expand transitional and supportive housing options in Yellowknife. This funding aligns with the mandate to address homelessness by enhancing community driven solutions, improving access to mental wellness and addictions recovery services and resourcing shelter services adequately.

Finance

The 2025-26 budget for the Department of Finance is $326 million, a $41.9-million increase from the 2024-25 budget, including the $2.6-million transfer of the Enterprise Information Management Division from the Department of Infrastructure. The Department has $30.0 million in funding to Northwest Territories Power Corporation (NTPC) ending and $150,000 in proposed reduced spending.

The Department is projecting to increase spending by:

- $10.1 million to address inflationary pressures in the medical travel assistance program, Inuvik to Tuktoyaktuk Fibre Line Operations, and technical and operational system support,
- $38.7 million to adjust the at-source carbon tax rebate for diesel heating fuel (spending is offset by carbon tax revenue),
- $12 million for NTPC costs associated with low water levels, and
- $7.5 million for the increased costs of the UNW collective agreement.

Health and Social Services

The 2025-26 budget for the Department of Health and Social Services is $704 million, a $62.1-million increase from the 2024-25 budget. The Department identified $15.4 million in reprofiled spending and has $28.1 million in expiring programs that may be re-instated with federal support. In addition, there is $504,000 in spending reductions.

The Department's budget share of total department spending is increasing and is projected to be almost one-third of GNWT department spending in the 2025-26 budget. The main reasons for the increased budget are $42.7 million for collective bargaining and $46.9 million for targeted adjustments for health and social services authorities and other cost pressures including:

- $4.0 million for increased costs for out-of-territory hospitals and physician services for Northwest Territories residents and in-territory services for non-residents, additional Office of the Public Guardian staff, increased payments to the Boreal Health Partnership for services at the Stanton Territorial Hospital, support for the Yellowknife Shelter and Sobering Centre, and long-term care beds in Yellowknife and Inuvik,
- $13.7 million to cover expected expense increases for physician services,
- $13.3 million for medical staff relocation and accommodation,
- $6.2 million for the Respiratory Syncytial Virus program, Covid-19 vaccines, and chemotherapy drug treatments,
- $5.6 million for more staff and relief positions to address overcapacity at the Stanton Territorial Hospital and Inuvik Regional Hospital,
- $3.1 million for increased child and family supports to cope with a rising demand for foster families, higher participation rate of existing family programming, and more financial supports for foster families within the territory,
- $1.1 million for addressing the specialized needs and costs of out-of-territory for patients in short-term and long-term placements in the south,

- $4.1 million for administrative funding for physicians, funeral burials for individuals with no next of kin, occupational health and safety positions within the health system given an increased number of incidents, improved records management, support for the Corrections Health Services program, positions to address the spread of infection, and funding to cover shortfalls for underfunded sleep diagnostics for physicians to better prescribe therapies,
- $240,000 for ongoing support for respite services,
- $869,000 for hematology and medical oncology services in a continued partnership with Alberta Health Services,
- $709,000 for the Canada-Northwest Territories Agreement to Work Together to Improve Health Care for Canadians that will focus on improving access to mental health and addiction services, and home and community care, and
- $331,000 to maintain two midwifery positions in communities that do not have birthing services.

New spending includes:

- $809,000 to support the delivery of the Transitional Housing Addiction Recovery Program in Yellowknife and Inuvik. Transitional housing refers to temporary and supportive accommodations aimed to bridge the gap from unstable housing situations to permanent housing by offering structure, support services, life skills, education and training.

Industry, Tourism and Investment

The Department of Industry, Tourism and Investment budget increased $1.1 million from the 2024-25 budget to $66 million in the 2025-26 budget. The Department has $534,000 in proposed reductions and $3.5 million in expiring programs, including $2.4 million relating to the one-time funding for the Hay River Fish Plant Operations. This is offset by $299,000 proposed to address increasing costs associated with the government diamond valuator contract rates and travel costs.

The Department added $3.5 million in other adjustments, including $3.1 million for the UNW collective agreement, $275,000 for geoscience research on the critical metal potential for the Selwyn Basin and Slave Geological Province, and $167,000 for the Pan-Territorial Resource Investment Marketing Initiative that helps attract investment to mineral resource projects across the three territories.

The Department has the following proposed initiatives:

- $500,000 to support the growth and potential of the Northwest Territories film and media sector and Industry, Tourism and Investment's ability to deliver the NWT Film and Media Sector Strategy and Action Plan (*Rolling, Action!*),
- $100,000 for the Tourism 2025 investment strategy that will fund existing essential programs that provide investment, encourage recovery and growth in the tourism industry, and enable new programs and directions in Northwest Territories communities, and
- $54,000 to complete the ongoing implementation of the *Mineral Resources Act* (MRA) regulations, which governs mineral rights administration in the Northwest Territories within the existing co-management framework for land, water and resources.

Infrastructure

The 2025-26 budget for the Department of Infrastructure is $309 million, a $3.9 million increase from the 2024-25 budget. Spending increases were offset by $1.8 million in spending reductions and $7.7 million from expired programs and one-time funding for operations and maintenance ending.

Additional spending to address increased cost pressures include $2.7 million for increasing utility costs, $1.4 million for the increased maintenance costs associated with the Mackenzie Valley winter road, and $86,000 for Tłı̨chǫ winter road construction from Whatì, highway nine junction to Gamètì and Wekweètì and maintenance of the Tłı̨chǫ winter road to Gamètì and Wekweètì.

Spending enhancements of $8.3 million includes $6.7 million for the UNW collective agreement and $1.5 million for the Community Access Program.

Justice

The 2025-26 budget for the Department of Justice is $163 million, a $14.0-million increase from the 2024-25 budget, which includes $345,000 in proposed spending reductions and $463,000 in ending one-time funding and expiring agreements. The spending reductions are expected to be partially offset by $372,000 for the RCMP G division emergency response team contract, who are RCMP officers trained to resolve high-risk situations.

Additional spending increases add $11.9 million, comprising the UNW collective agreement of $6.7 million, RCMP employee compensation and divisional administration of $4.9 million, and Judicial Remuneration of $296,000.

Another $13.4 million in other adjustments are proposed in Justice's budget including:

- $800,000 annually over the next three years to support obligations under the Gun and Gang Violence Action Fund, fully offset by funding from the federal government,
- $499,000 fully offset by the federal government for the Indigenous Justice Program, which seeks to assist Indigenous people in assuming greater responsibility for the administration of initiatives related to community justice and crime prevention through social development and community-based corrections in their communities so that programs include their traditional values and help reduce crime and victimization in their communities,
- $108,000 to provide First Nations and Inuit communities with enhanced policing services to support community-based policing priorities and activities, and
- $40,000 to support program development for specialized supports in the legal system for survivors of sexual assault and intimate partner violence. Funding is intended to support the provision of free legal and Emergency Protection Order safety planning advice and options.

Municipal and Community Affairs

The Department of Municipal and Community Affairs 2025-26 budget is $129 million, a $26.3-million decrease from the 2024-25 budget. The Department proposes to reduce spending by $990,000 and had $32.8 million in programs that expired, including $29 million in funding for the 2022 Flood and 2023 Wildfire Response and Recovery.

The Department budget includes a proposed $4.0 million to address inflationary increases and continued pressures in power, heating fuel, diesel, and labour costs associated with operations and maintenance.

The Department has proposed $3.5 million in enhancements to support ongoing programs:

- $1.8 million for the UNW collective agreement,
- $796,000 for integrated climate-resilience for coastal communities to help manage the impacts of coastal erosion, including collaborative planning to address complex climate change risks and the adoption of innovative solutions for reducing risks,
- $600,000 to provide property tax revenues generated in communities to their respective community governments through grants to support community governments as they work toward assuming full taxation authority, and
- $258,000 for the Délı̨nę self-government grant, which funds services such as provision of water, disposal of solid waste, treatment of sewage, fire protection, road maintenance, recreation, local law enforcement, community land use planning, financing, construction and maintenance of community infrastructure, and governance and local administration.

Housing NWT

Housing NWT is a governmental agency mainly funded by the GNWT that also receives revenues from the Canada Mortgage and Housing Corporation. Budget 2025 includes a proposed 2025-26 GNWT contribution of $81 million.

Housing NWT identified $1.2 million in reductions that partially offset the nearly $5.0 million in increased spending. This includes $3.3 million to address the costs associated with the UNW collective agreement and $2.9 million in operational and maintenance funding for increased heating fuel, water and sanitation costs involved in the operation of housing units across the territory.

Capital Investment

The 2025-26 capital budget approved in October 2024 contains total planned infrastructure investment of $339 million, of which one-half, or $170 million, is for projects that are partially or completely funded by the federal government. The Capital Estimates include $245 million for departmental capital, $81 million in infrastructure contributions, $11.5 million for Housing NWT and almost $2 million for deferred maintenance. These strategic investments connect communities, reduce the cost of living, and increase the number of homes to meet core housing needs.

The GNWT's capital investments also help support the territorial economy. The NWT Bureau of Statistics estimates that the proposed 2025-26 capital plan will add about $132 million to the territory's gross domestic product with an estimated 676 full-time job equivalents and almost $82 million in labour income.

Highlights of the 2025-26 Capital Estimates include:

- $102 million for highways and roads,
- $61 million for health care facilities, services, and equipment,

- $58 million for community government infrastructure,
- $47 million for renewable energy,
- $17 million for airports and runways,
- $10 million for housing,
- $7 million for technology, and
- $3 million for new education facilities and renovations for existing facilities.

The 2025-26 Capital Estimates maintains a $260-million limit on departmental capital spending to reflect the economy's capacity to supply necessary labour and material to complete projects. This maximum does not include infrastructure contributions for community governments, funding for Housing NWT or smaller GNWT capital projects and deferred capital maintenance budgets.

Borrowing Plan

The Legislative Assembly is required to approve an annual *Appropriation Act* to establish limits on GNWT debt for the upcoming year. The borrowing plan projects total GNWT borrowing of $1.3 billion at fiscal year-end and the requested borrowing amount is $1.355 billion, which includes a $50-million contingency amount to address timing issues and a $5-million contingency for a real return bond.

The 2025-26 borrowing plan for the government reporting entity totals $1.722 billion. This is a 1.1 per cent decrease from the March 31, 2025 projection.

GNWT short-term debt is forecast to remain constant at $700 million from March 31, 2025 to March 31, 2026. Internal borrowing is set under territorial legislation that is consistent with the federal borrowing limit.

The forecast $600 million in long-term debt is down $10 million, or 1.7 per cent, from the 2024-25 budget. The majority of GNWT long-term debt consists of bonds and P3 debt for the Stanton Territorial Hospital, the Tłı̨chǫ Highway and the Mackenzie Valley Fibre Optic Link.

Borrowing Plan Summary (year ending March 31)

(Millions of dollars)			Change	
	2025	2026	%	$
GNWT Debt	**1,310**	**1,300**	*(0.8)*	*(10)*
Short term	700	700	*(0.0)*	*(0)*
Long term	610	600	*(1.7)*	*(10)*
Bonds	363	361	*(0.6)*	*(2)*
P3	247	239	*(3.3)*	*(8)*
Other	0	0	*(100.0)*	*(0)*
Contingency	..	55	..	..
Appropriation Act Limit	..	1,356	..	..
Public Agencies	**431**	**422**	*(2.1)*	*(9)*
Total Consolidated	1,741	1,722	*(1.1)*	*(19)*

Fiscal Responsibility Policy

The *Fiscal Responsibility Policy* commits the GNWT to sustainable borrowing through responsible spending and controlled expenditure growth, while focusing on necessary infrastructure investments required to support the goals and priorities of the Legislative Assembly.

The main provisions of the *Fiscal Responsibility Policy* dictate that:

- Borrowing is undertaken only for infrastructure investments, short-term operational requirements, and self-sustaining loan programs, and not to finance program spending,

- Infrastructure investment is financed with a 50 per cent minimum of cash generated from operating surpluses and a maximum of 50 per cent debt financing,

- Debt servicing payments do not exceed five per cent of total revenues (non-consolidated reporting basis), and

- A cushion of $120 million under the federally- imposed borrowing limit is required.

The *Policy* allows the GNWT two years to generate operating surpluses to meet the minimum budgeted 50 per cent threshold and the five per cent debt-to-revenue ratio when the GNWT is non-compliant.

Compliance with the *Fiscal Responsibility Policy* prevents the GNWT from borrowing to fund day-to-day operations and exceeding the federally- imposed borrowing limit. As shown in the Fiscal Responsibility Requirements Table, the GNWT currently complies with two of the three main guidelines but is not in compliance with the borrowing cushion provision to maintain $120 million below the $1.8 billion federal borrowing limit as total GNWT borrowing exceeds $1.68 billion.

The $120 million space between GNWT borrowing and the federal limit is a prudence measure to provide sufficient fiscal room to weather an extreme event. The breach of this provision signals that action is necessary because current borrowing practices are potentially unstable when considering the federal borrowing limit. As a result, the Department of Finance is in discussions with Finance Canada for an increase to the borrowing limit.

Fiscal Responsibility Policy Requirements ($ millions)

	2024-25	2025-26
Provision 6(3)(a) - Infrastructure Financing		
Capital Acquisitions	202	192
Less: P3 Items - Out of Scope	-	-
Projected Cash Required for Infrastructure Investment Expenditures	202	192
Projected Cash Operating Surplus Required		
Minimum cash required from operating surplus	101	96
Projected Cash Operating Surplus Available		
Projected Operating Surplus	69	170
Add: Non-Cash Item - Amortization	132	139
Total Projected Cash Operating Surplus Available	201	309
Cumulative Non-Compliance Shortfall	-	-
Coverage (Shortfall) in Cash Generated by Operations	**100**	**213**
Provision 6(5)(a) - Debt Servicing Payments		
Revenues	2,606	2,658
Maximum Debt Servicing Payments - 5% of revenues	130	133
Projected Debt Servicing Payments		
Short-term Interest Expense	20	20
Government bonds	8	8
Deh Cho Bridge	9	9
P3 Debt Servicing	16	16
Total Debt Servicing Payments	53	53
Projected Debt Servicing Payments as a % of Revenues	**2.0%**	**2.0%**
Provision 6(5)(c) – Borrowing Cushion		
Total Debt	1,741	1,772
Borrowing Limit	1,800	1,800
Debt Cushion	120	120
Available Borrowing Capacity	**(61)**	**(92)**
Summary Compliance Table		
6(3)(a) Infrastructure Financing (minimum 50% funded by surplus)	**Yes**	**Yes**
6(5)(a) Affordable Debt (not to exceed 5% of revenue)	**Yes**	**Yes**
6(5)(c) Debt Cushion ($120 million under limit)	**No**	**No**

Risks to the Fiscal Outlook

GNWT fiscal risks include:

- *The Northwest Territories' economic dependence on resources* – Resource sector market fluctuations and global commodity price volatility create uncertainty for resource sector profits and, therefore, GNWT resource revenues. Mineral exploration investments may result in new resource projects opening.

- *Revenue volatility* – Territorial Formula Financing averages 70 per cent of total revenues, affording considerable year-to-year revenue stability. Corporate income tax and resource revenues are the GNWT's most volatile own-source revenues, although the Territorial Formula Financing Grant is responsive over time to corporate income tax changes and resource revenues risk to the operating budget is largely neutralized by the GNWT's commitment to use resource revenues for Heritage Fund contributions, debt repayment and infrastructure and not for operations. 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 dominates revenue growth. An underdeveloped private sector limits the ability to raise own-source revenue. Growth in Territorial Formula Financing relies on provincial/local government spending and population growth relative to Canada. The combination of provincial and local government spending forecasts and predicted slow Northwest Territories population growth is expected to reduce long-term average growth in the Territorial Formula Financing Grant to two per cent.

- *Ongoing operating expenditure pressures* – Cost pressures continue, particularly in health services, leaving limited resources to invest in preventative measures to mitigate spending risks and to implement initiatives that enhance or improve programs. The GNWT is actively mitigating this risk through the fiscal sustainability strategy, *Restoring Balance*. The methodology of reducing expenditures and finding value and efficiency will continue throughout the 20th Assembly's term.

- *Unexpected expenditures and capital project cost overruns* – Typical operating expenditure shocks are extraordinary fire suppression needs, flooding, or other natural disasters. All provinces and territories benefit from federal disaster assistance for natural catastrophes, though costs incurred are immediate and assistance follows in later years, causing short-term borrowing increases until the aid is received. Large capital projects increase the risk of significant capital cost overruns. The GNWT limits the annual large capital budget to $260 million to reduce this risk.

- *Debt financing* - The GNWT uses debt to partially finance its capital program and to meet short-term borrowing requirements within the federally-imposed $1.8 billion borrowing limit. The following risks are heightened with high levels of borrowing:
  - *Interest rate volatility* – Interest rate changes mostly affect short-term debt because it turns over quickly. The GNWT's debt risk is considered low because debt servicing costs are expected to absorb less than five per cent of total revenues over the outlook.
  - *Credit Rating* – Keeping a high credit rating leads to lower borrowing costs and less interest rate risk. A high rating reflects fiscal sustainability within the GNWT for lenders looking at the GNWT as a place to invest. Institutional investors often have restrictions on where they can invest their money based on a minimum credit rating.

Summary of Operations

	(thousands of dollars)			
	2023-2024 Actuals	2024-2025 Main Estimates	2024-2025 Revised Estimates	2025-2026 Main Estimates
REVENUES	2,566,746	2,632,584	2,605,639	**2,657,873**
OPERATIONS EXPENSES				
Compensation and Benefits	444,777	425,518	466,732	**472,862**
Grants, Contributions and Transfers	1,107,637	1,092,315	1,174,033	**1,209,392**
Amortization	124,551	135,761	135,761	**141,802**
Chargebacks	30,961	34,176	34,386	**33,558**
Computer Hardware and Software	10,039	7,691	7,715	**8,600**
Contract Services	357,558	271,030	314,848	**243,934**
Controllable Assets	2,737	2,911	2,911	**2,830**
Fees and Payments	241,189	126,211	127,716	**128,160**
Interest	50,358	27,263	32,263	**27,263**
Loss on Sale of Assets	243	-	-	**-**
Materials and Supplies	37,248	22,331	30,093	**22,203**
Purchased Services	21,889	17,615	18,900	**17,853**
Travel	22,008	16,121	17,188	**14,500**
Utilities	59,617	48,033	52,343	**49,644**
Valuation Allowances	5,937	2,833	2,833	**2,598**
TOTAL OPERATIONS EXPENSES TO BE VOTED	2,516,749	2,229,809	2,417,722	**2,375,199**
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	49,997	402,775	187,917	**282,674**
Infrastructure Contributions	(55,766)	(77,080)	(116,775)	**(80,827)**
Deferred Maintenance	(2,140)	(1,800)	(1,800)	**(1,800)**
Petroleum Products Stabilization Fund Net Profit (Loss)	312	-	-	**-**
Supplementary Reserve	-	(35,000)	-	**(35,000)**
Estimated Appropriation Lapses	-	5,000	-	**5,000**
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	69,085	54,576	56,252	**72,723**
Expenditures	(69,085)	(54,576)	(56,252)	**(72,723)**
OPERATING SURPLUS FOR THE YEAR	(7,597)	293,895	69,342	**170,047**
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,859,182	1,709,947	1,851,585	**1,920,927**
ACCUMULATED SURPLUS, END OF YEAR	1,851,585	2,003,842	1,920,927	**2,090,974**

Summary of Revenues

(thousands of dollars)

	2023-2024 Actuals	2024-2025 Main Estimates	2024-2025 Revised Estimates	2025-2026 Main Estimates
GRANT FROM CANADA	1,610,836	1,699,357	1,699,357	**1,803,314**
TRANSFER PAYMENTS	477,242	412,693	414,998	**369,687**
TAXATION REVENUE				
Personal Income Tax	124,297	127,848	135,035	**126,449**
Corporate Income Tax	76,775	55,609	38,905	**31,695**
Cannabis Excise Tax	1,049	1,090	1,912	**2,008**
Carbon Tax	33,595	78,249	84,657	**97,510**
Tobacco Tax	11,723	14,635	11,203	**10,728**
Vaping Products Tax	-	252	337	**450**
Fuel Tax	20,716	20,486	20,739	**20,303**
Payroll Tax	51,477	50,847	53,807	**53,428**
Property Taxes and School Levies	27,296	28,843	27,030	**27,742**
Insurance Premium Taxes	7,132	5,610	5,610	**6,000**
	354,060	383,469	379,235	**376,313**
NON-RENEWABLE RESOURCE REVENUE				
Licences, Rental and Other Fees	3,035	4,001	4,001	**4,249**
Minerals, Oil and Gas Royalties	(2,587)	26,801	1,651	**1,772**
Quarry Fees	108	205	205	**205**
	556	31,007	5,857	**6,226**
GENERAL REVENUES				
Revolving Funds Net Revenue	25,432	24,628	23,613	**24,479**
Regulatory Revenues	27,378	28,207	28,467	**31,468**
Interest	336	340	340	**320**
Investment Income	8,238	1,788	1,788	**400**
Lease	4,663	4,722	4,722	**4,786**
Program	27,922	25,956	27,234	**27,190**
Grants in Kind	336	-	-	**-**
Service and Miscellaneous	5,342	17,417	17,028	**10,690**
Recovery of Prior Years' Expenditures	24,405	3,000	3,000	**3,000**
	124,052	106,058	106,192	**102,333**
TOTAL REVENUES	2,566,746	2,632,584	2,605,639	**2,657,873**

Summary of Operations Expenditure

	(thousands of dollars)			
	2023-2024 Actuals	2024-2025 Main Estimates	2024-2025 Revised Estimates	2025-2026 Main Estimates
Department				
Legislative Assembly	26,076	26,275	26,960	**25,446**
Education, Culture and Employment	383,925	374,256	399,860	**403,245**
Environment and Climate Change	236,323	126,205	177,927	**133,814**
Executive and Indigenous Affairs	28,936	27,090	33,115	**35,026**
Finance	383,742	360,829	377,855	**407,895**
Health and Social Services	671,143	642,091	690,891	**704,240**
Industry, Tourism and Investment	66,736	64,901	69,832	**66,004**
Infrastructure	334,176	304,725	320,131	**308,403**
Justice	146,197	148,586	163,443	**162,606**
Municipal and Community Affairs	239,495	154,851	157,708	**128,520**
	2,516,749	2,229,809	2,417,722	**2,375,199**
Expenditure Category				
Compensation and Benefits	444,777	425,518	466,732	**472,862**
Grants, Contributions and Transfers	1,107,637	1,092,315	1,174,033	**1,209,392**
Amortization	124,551	135,761	135,761	**141,802**
Chargebacks	30,961	34,176	34,386	**33,558**
Computer Hardware and Software	10,039	7,691	7,715	**8,600**
Contract Services	357,558	271,030	314,848	**243,934**
Controllable Assets	2,737	2,911	2,911	**2,830**
Fees and Payments	241,189	126,211	127,716	**128,160**
Interest	50,358	27,263	32,263	**27,263**
Loss on Sale of Assets	243	-	-	**-**
Materials and Supplies	37,248	22,331	30,093	**22,203**
Purchased Services	21,889	17,615	18,900	**17,853**
Travel	22,008	16,121	17,188	**14,500**
Utilities	59,617	48,033	52,343	**49,644**
Valuation Allowances	5,937	2,833	2,833	**2,598**
	2,516,749	**2,229,809**	**2,417,722**	**2,375,199**

Summary of Infrastructure Investment

(thousands of dollars)

	2023-2024 Actuals	2024-2025 Capital Estimates	2024-2025 Revised Estimates	2025-2026 Capital Estimates
Tangible Capital Assets				
Legislative Assembly	471	105	105	**500**
Education, Culture and Employment	10,139	3,590	20,366	**1,705**
Environment and Climate Change	5,774	21,078	22,216	**25,096**
Finance	4,993	3,847	26,343	**5,068**
Health and Social Services	17,140	56,997	75,496	**61,932**
Industry, Tourism and Investment	5,768	4,428	7,991	**6,649**
Infrastructure	131,484	176,779	163,337	**142,625**
Justice	915	1,480	3,359	**1,480**
Municipal and Community Affairs	80	166	51,706	**171**
	176,764	268,470	370,919	**245,226**
Infrastructure Contributions				
Education, Culture and Employment	4,134	-	3,695	**625**
Infrastructure	5,201	22,500	58,500	**40,450**
Municipal and Community Affairs	43,874	54,580	54,580	**39,752**
	53,209	77,080	116,775	**80,827**
Deferred Maintenance (non-capital)				
Infrastructure	2,140	1,800	1,800	**1,800**
	2,140	1,800	1,800	**1,800**
Total Infrastructure Investment	232,113	347,350	489,494	**327,853**

Summary of Cash Flow

	(thousands of dollars)			
	2023-2024 Actuals	**2024-2025 Main Estimates**	**2024-2025 Revised Estimates**	**2025-2026 Main Estimates**
OPERATING TRANSACTIONS				
Cash Received From:				
Canada	2,088,000	2,112,000	2,114,000	**2,173,000**
Other Revenues	479,000	521,000	492,000	**485,000**
	2,567,000	2,633,000	2,606,000	**2,658,000**
Cash Paid For:				
Operations Expenses	(2,448,000)	(2,331,203)	(2,508,811)	**(2,493,000)**
Cash Provided By Operating Transactions	119,000	301,797	97,189	**165,000**
CAPITAL TRANSACTIONS	(175,000)	(214,000)	(202,000)	**(192,000)**
INVESTING TRANSACTIONS	(34)	(4,000)	(4,000)	**(10,000)**
FINANCING TRANSACTIONS	134,000	(50,000)	(17,000)	**(13,000)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	77,966	33,797	(125,811)	**(50,000)**
Cash and Cash Equivalents, Beginning of Year	(652,155)	(683,797)	(574,189)	**(700,000)**
CASH AND CASH EQUIVALENTS, END OF YEAR	(574,189)	(650,000)	(700,000)	**(750,000)**

Summary of Debt and Estimated Borrowing Capacity

	(thousands of dollars)			
	2023-2024 Actuals	2024-2025 Main Estimates	2024-2025 Revised Estimates	2025-2026 Main Estimates
SHORT TERM DEBT				
Government of the Northwest Territories	574,189	650,000	700,000	**750,000**
Hay River Health and Social Services Authority	-	1,000	1,000	**1,000**
NWT Hydro Corporation	38,966	75,000	150,000	**85,000**
	613,155	726,000	851,000	**836,000**
LONG TERM DEBT				
Government of the Northwest Territories:				
Bonds repayable, GNWT	180,022	180,000	180,022	**180,022**
Deh Cho Bridge, Real Return Bonds	185,021	183,478	183,359	**181,330**
Mackenzie Valley Fibre Optic Link, P3 debt	64,000	60,725	60,725	**57,242**
Stanton Territorial Hospital, P3 debt	120,150	116,985	116,985	**113,944**
Tłı̨chǫ All-Season Road, P3 debt	69,895	69,388	69,388	**67,843**
Canada Mortgage and Housing Corporation	22	-	-	**-**
Public Agencies:				
Housing NWT	3,337	2,616	2,616	**1,911**
NWT Hydro Corporation	338,958	258,639	258,764	**316,592**
TOTAL DEBT	1,574,560	1,597,831	1,722,859	**1,754,884**
OBLIGATIONS UNDER CAPITAL LEASES				
NWT Hydro Corporation	15,173	14,735	14,735	**14,362**
LOAN GUARANTEES				
Housing NWT	2,330	1,544	1,495	**876**
Prosper NWT	2,000	2,000	2,000	**2,000**
TOTAL GROSS BORROWING PER BORROWING REGULATIONS	1,594,063	1,616,110	1,741,089	**1,772,122**
TERRITORIAL BORROWING	1,594,063	1,616,110	1,741,089	**1,772,122**
TERRITORIAL BORROWING LIMIT	1,800,000	1,800,000	1,800,000	**1,800,000**
AVAILABLE BORROWING AUTHORITY FOR FISCAL PLANNING PURPOSES	205,937	183,890	58,911	**27,878**

Provincial/Territorial Tax Rates at January 30, 2025

	Combined Top Marginal Personal Income Tax [a] (%)	Retail Sales Tax (%)	Fuel Tax [b] Gasoline (¢/litre)	Fuel Tax [b] Diesel (¢/litre)	Carbon Tax [c] Gasoline (¢/litre)	Carbon Tax [c] Diesel (¢/litre)	Tobacco Tax [d] ($/carton)	Payroll Tax [e] (%)	Corporate Income Tax Small (%)	Corporate Income Tax Large (%)	Capital Tax on Financial Institutions [f] (%)
Northwest Territories	47.05	-	10.7	9.1	17.61	21.39	68.80	2.00	2.0	11.5	-
Nunavut	44.50	-	6.4	9.1	17.61	21.39	60.00	2.00	3.0	12.0	-
Yukon	48.00	-	6.2	7.2	17.61	21.39	72.00	-	-	12.0	-
British Columbia	53.50	7.0	14.5	15.0	17.61	20.74	65.00	1.95	2.0	12.0	-
Alberta	48.00	-	13.0	13.0	17.61	21.39	60.00	-	2.0	8.0	-
Saskatchewan	47.50	6.0	15.0	15.0	17.61	21.39	58.00	-	1.0	12.0	4.0
Manitoba	50.40	7.0	12.5	12.5	17.61	21.39	60.00	2.15	-	12.0	6.0
Ontario	53.53	8.0	9.0	9.0	17.61	21.39	36.95	1.95	3.2	11.5	1.25
Quebec	53.31	9.975	19.2	20.2	-	-	41.80	4.26	3.2	11.5	1.25
New Brunswick	52.50	10.0	10.87	15.45	17.61	21.39	51.04	-	2.5	14.0	5.0
Nova Scotia	54.00	10.0	15.5	15.4	17.61	21.39	59.04	-	2.5	14.0	4.0
Prince Edward Island	52.00	10.0	8.47	14.15	17.61	21.39	59.04	-	1.0	16.0	5.0
Newfoundland & Labrador	54.80	10.0	7.5	9.5	17.61	21.39	65.00	2.00	2.5	15.0	6.0
Weighted average [g]	52.51	7.4	13.0	13.4	13.75	16.61	47.51	2.07	2.7	11.4	1.41

Notes:

(a) Combined federal-provincial/territorial highest 2025 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) Carbon pricing is standardized for all Canadian jurisdictions effective July 1, 2023, except for Quebec that has cap and trade. British Columbia's diesel tax rate is based on lower carbon content fuel.

(d) British Columbia, 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. Quebec does 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, 2024.