

Budget ADDRESS

NORTHWEST TERRITORIES 2005 - 2006

BUDGET PAPER

B ♦ Fiscal Review

FISCAL REVIEW

The 2004-05 Budget predicted deficits for the 2004-05 to 2006-07 fiscal years, despite revenue initiatives and expenditure restraint measures. The September and October 2004 First Ministers' Meetings in Ottawa, which resulted in additional funding for both Territorial Formula Financing and health care, helped turn forecast deficits into surpluses. However, even with increased federal transfers, the revenue initiatives and expenditure restraint measures announced in the 2004-05 Budget were, and still are, necessary to ensure that the Government of the Northwest Territories (GNWT) has the fiscal resources it needs to provide ongoing programs and services and to make capital expenditures in a fiscally responsible manner.

2003-04 FINAL RESULTS

Revenues 2003-04 were \$871 million and expenditures were \$936 million, leaving the GNWT with an operating deficit of \$65 million. At the time of the 2004-05 Budget, the 2003-04 deficit forecast was \$78 million. The \$13 million reduction in the deficit was due to increases in revenue, primarily in the Formula Financing Grant.

2004-05 REVISED ESTIMATES

Revenues have increased \$103 million from 2004-05 Main Estimates. The main reason is an increase of \$88 million in the Formula Financing Grant. The federal decision not to rebase the Tax Effort Adjustment Factor for the 2004-05 Grant calculation along with the additional funding from the agreement on Territorial Formula Financing reached at the October 26, 2004 First Ministers' Meeting were the reasons for the Grant increase.

After adjustments for supplementary requirements, total 2004-05 expenditures are expected to be \$14 million higher than budgeted in the 2004-05 Main Estimates. Unanticipated costs for forest fire fighting were one of the main reasons for the higher expenditures.

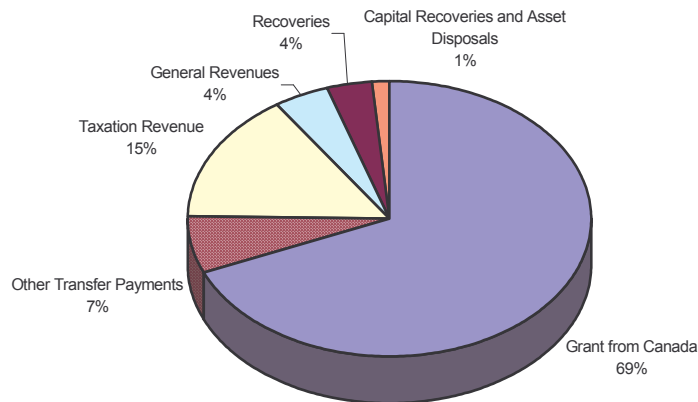
Increased revenues and tight control of expenditures have turned the \$46 million deficit forecast in the 2004-05 Budget into an estimated \$44 million surplus.

2005-06 BUDGET

Revenues

Total 2005-06 revenues are expected to increase \$35 million to \$1,055 million, an increase of 3.4 per cent from the 2004-05 Revised Estimates. The Formula Financing Grant is expected to increase by \$21 million and own source revenues are forecast to increase by \$14 million.

**Total GNWT Revenues by Source
2005-06**



The agreement reached at the October 26, 2004 First Ministers' Meeting on Equalization and Territorial Formula Financing sets the amount of the 2005-06 Territorial Formula Financing in federal legislation. Consequently, only one-third of the GNWT total revenues will be subject to change during 2005-06. However, because of the agreement, total revenues may be less stable than under previous Territorial Formula Financing calculations where changes in own source revenues were largely offset by changes in the Formula Financing Grant. This will not be the case in 2005-06.

Personal income tax revenues are forecast to decrease by \$16 million from the 2004-05 revised estimates. This is due primarily to the January 1, 2005 increase in the Cost of Living Tax Credit and the tax rate decreases announced in the 2004-05 Budget.

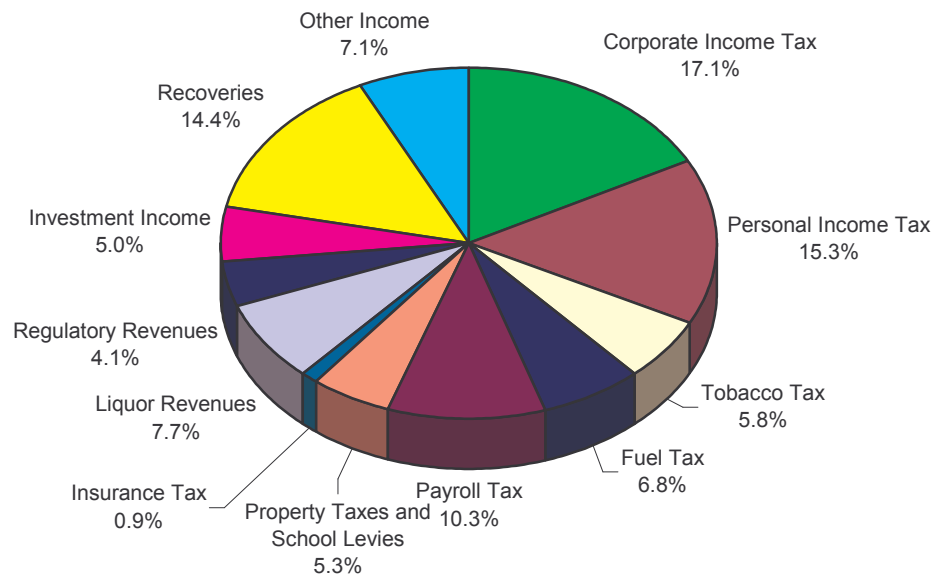
Corporate income tax revenues are forecast to decrease by \$2 million from the 2004-05 Revised Estimates as forecasts of corporate income have been revised downward.

Payroll tax revenues are forecast to increase by \$10 million, reflecting both the full year effect of increasing the payroll tax rate from 1 to 2 per cent effective January 1, 2005 and a forecast increase in wages and salaries.

Fuel tax, insurance tax, liquor revenues and property tax and school levies are all forecast to increase slightly in 2005-06. Tobacco tax revenues are forecast to decrease slightly due to a decline in per capita tobacco consumption.

Transfer payments, excluding the Territorial Formula Financing Grant, are forecast to decline by \$1 million. This is because 2004-05 revenues included one-time Canada Health and Social Transfer Trusts of \$5.9 million.

GNWT Own Source Revenues 2005-06



Operating Expenditures

Total operating expenditures in 2005-06 are projected to increase to \$974 million, a \$9 million from the 2004-05 Main Estimates. After estimates of supplementary requirements for possible expenditures, such as increased expenditures due to higher than anticipated fuel prices, and estimated appropriation lapses are included, total operations expenditures are projected to be \$1,006 million in 2005-06.

The 2005-06 Budget includes funding for new initiatives of \$16 million, as well as \$20 million to address the increased costs of existing programs and services. However, these are substantially offset by \$26 million in expenditure reductions.

Major new funding initiatives in 2005-06 include:

Developing a Strong Northern Voice and Identity

- ◆ \$1.8 million for continued devolution and resource revenue sharing negotiations.
- ◆ \$355,000 to support initiatives such as the development of the Northern Strategy.

Helping Promote Self Reliant, Healthy, Educated Northwest Territories Residents

- ◆ \$895,000 for eight projects designed to demonstrate strategies for enhancing health and wellness at the community and/or regional levels.
- ◆ \$907,000 for new public health units in the Sahtu, DehCho and Tłı̄chǝ regions.
- ◆ \$403,000 for the Family Law Legal Aid clinic in Yellowknife.
- ◆ \$208,000 to implement *Protection against Family Violence* legislation.
- ◆ \$1.057 million to implement the third year of the Mental Health and Addictions Strategy.
- ◆ \$662,000 for the Bachelor of Science Nursing Program at Aurora College.
- ◆ \$727,000 for early childhood Aboriginal languages immersion programs.
- ◆ \$150,000 for the Northwest Territories' Art Strategy.
- ◆ \$1.4 million for ten new RCMP positions, including six positions assigned to the Rae, Tuktoyaktuk, Fort Providence and Yellowknife detachments, a three-person traffic unit with two officers in Hay River and one officer in Yellowknife, and a new dog and handler unit located in Yellowknife but serving the entire territory.

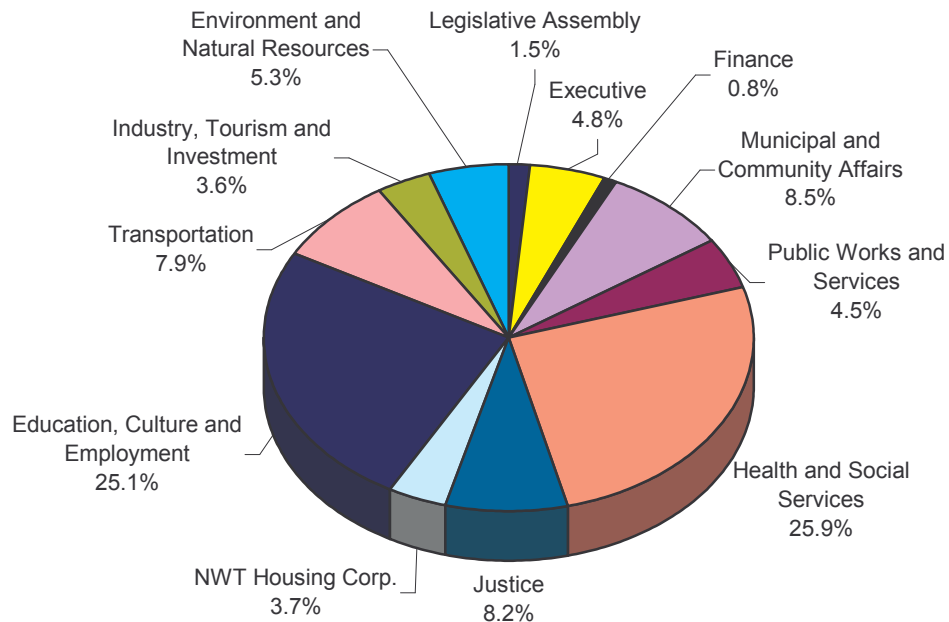
Encouraging Well-governed, Sustainable Communities

- ◆ Establishment of the Community Public Infrastructure plan to provide a funding base for infrastructure development in the communities. The Infrastructure Acquisition Plan will include an additional \$13 million in 2006-07, \$15 million in 2007-08 and \$17 million in 2008-09 for General Taxation Area communities. To help these communities with the planning for this work, \$1 million is provided in 2005-06. The Plan also includes \$3 million annually starting in 2006-07 for tax-based communities.
- ◆ Implementation of an interim grant program for 2005-06 to flow property tax revenue to those communities that do not currently raise their own property tax revenues. This program will continue until community governments are granted full taxation authority on January 1, 2008.
- ◆ \$125,000 to establish a Centre of Expertise for infrastructure financing and leveraging, which will work directly with communities who need technical assistance to find external infrastructure funding opportunities.

Creating a Diversified Economy

- ◆ \$500,000 for a partnership program with the private sector to promote Northwest Territories tourism at Expo 2005 in Aichi, Japan.
- ◆ \$486,000 in new funding for continuation of devolution and resource revenue sharing negotiations and research.

Operations Expenditures by Department 2005-06

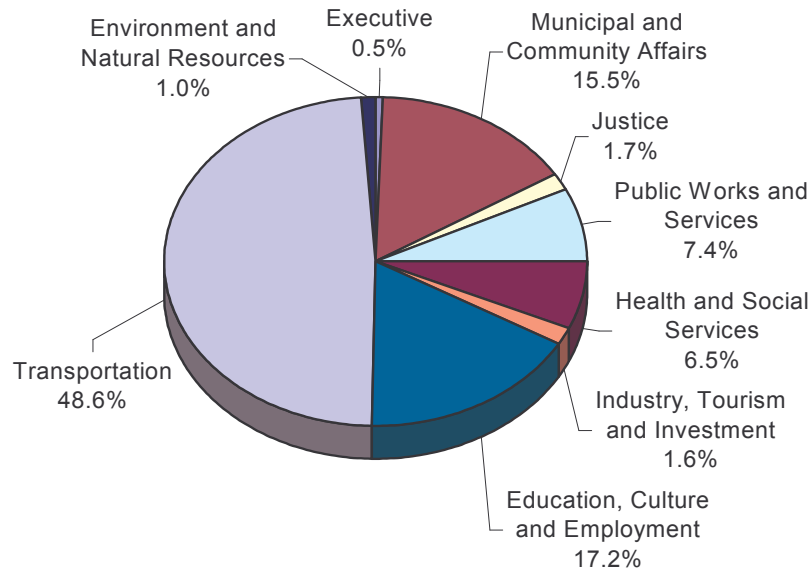


- ◆ \$200,000 for additional resources to review prospecting permits for potential impacts on heritage resources due increased land use activity.
- ◆ \$110,000 in additional funding to the Aurora Institute for increased licensing of research applications due to current resource development activity in the Northwest Territories.
- ◆ \$120,000 for the Bureau of Statistics to provide support in assessing cumulative social and economic impacts of resource development and integrate these impacts with departmental strategies for the business planning process.

Protecting the Natural Environment

- ◆ \$1.5 million over five years to implement the *NWT Protected Areas Strategy Action Plan*.
- ◆ \$450,000 additional funding to address environment assessment and review impacts.
- ◆ \$275,000 for the Bathurst Caribou monitoring program.
- ◆ \$390,000 to address immediate environmental assessment and review requirements for the proposed Mackenzie Valley pipeline.
- ◆ \$250,000 for two new regional Environmental Protection Officer positions.

**Capital Investment Expenditures by Department
2005-06**



Infrastructure Investment Expenditures

Total infrastructure investment expenditures for 2005-06 are budgeted to be \$116 million, which includes \$106 million in capital assets and \$11 million for infrastructure contributions to municipalities (included in departmental operating expenditures).

The major infrastructure investments included in the 2005-06 Infrastructure Acquisition Plan are:

- ◆ \$3.3 million for community infrastructure including chip sealing and \$2.5 million in water and sewer upgrades.
- ◆ \$3.2 million for improvements in sewage disposal and solid waste sites.
- ◆ \$4.9 million for upgrades to water treatment facilities.
- ◆ \$6.6 million for improvements to hospitals and health care facilities, including \$2.3 million in medical equipment investment.
- ◆ \$6.2 million to build new schools in Hay River, Ndilo and Tulita.
- ◆ \$2.6 million to replace the Sir Alexander Mackenzie School in Inuvik.
- ◆ \$4.2 million for other school upgrades and renovations.
- ◆ \$2.0 million for the last full year of renovations to the Prince of Wales Heritage Centre.
- ◆ \$10 million for airports, including \$2.9 million for runway, taxiway and apron rehabilitation at the Norman Wells airport.
- ◆ \$40 million for highways, including \$5.2 million for Mackenzie Winter Road bridges.

MEDIUM TERM OUTLOOK

The expenditure reduction measures taken from 2003-04 to 2005-06, along with the increases to Territorial Formula Financing in 2004-05 and 2005-06 achieved at the October 26, 2004 First Ministers' Meeting, mean that the GNWT is projecting operating surpluses to the end of the 2007-08 planning horizon. However, an over-payment in corporate income tax received in 2002-03 will have to be repaid in 2006-07. Although the GNWT will have to borrow part of the funds, it will be able to make the payment without exceeding its authorized borrowing limit of \$300 million.

The \$290 million repayment of corporate income tax required in 2006-07 is based on a unique set of circumstances. In 2002, the GNWT received \$337 million in corporate income tax based on Finance Canada's estimate. Since the federal government bases estimates of corporate income tax on the latest actual prior year tax revenues, 2002 estimates were based on 2000 actual collections, which included a large one-time payment. Actual 2002 GNWT corporate income tax revenues (final determination received February 2004) were \$40 million. The three-year repayment schedule includes two years of repayments based on population and the remaining balance of \$290 million remitted in March 2007.

The Fiscal Responsibility Policy introduced in the 2005-06 Budget is meant to ensure that the GNWT maintains operating surpluses into the future so that funds are available for necessary capital investment.

Fiscal Framework Operations Summary (millions of dollars)

	2003-04 Actuals	2004-05 Revised Estimates	2005/2006 Main Estimates	2006-07 Forecast	2007-08 Forecast
Revenues	893	1,035	1,055	1,090	1,133
Expenditures	(958)	(991)	(1,006)	(1,048)	(1,103)
Operating Surplus (Deficit)	(65)	44	49	42	30
Capital Investment Requirements	84	90	114	127	136
Corporate Income Tax Repayment	-	(5)	(30)	(290)	-
Accumulated Cash Surplus (Deficit)	25	214	250	(106)	(155)
Total Debt	(138)	(145)	(154)	(253)	(295)
Available Borrowing Capacity	162	155	146	47	5

Risks to Revenue Forecasts

All forecasts involve an element of uncertainty. The principal risk associated with the GNWT revenue forecast has historically been from the Formula Financing Grant, since it represents between 60 and 80 per cent of total GNWT revenues. However, the amounts for the 2004-05 and 2005-06 Formula Financing Grants will be established in federal legislation. Although there may be some slight changes to 2004-05 Formula Financing

revenues for prior year adjustments, all prior years will be finalized by March 31, 2005. There will be no adjustments to the 2005-06 Formula Financing Grant.

In the past, the Formula Financing Grant served to stabilize total GNWT revenues. If GNWT own source revenues decreased, the Formula Financing Grant would increase and if own source revenues increased, the Formula Financing Grant would decrease. For 2004-05 and 2005-06, any changes in revenues from estimates used to calculate the October 2004 estimate of the 2004-05 Formula Financing Grant will change total GNWT revenues but not the Formula Financing Grant.

The structure of Formula Financing arrangements after 2005-06 is not known. Total Territorial Formula Financing for the three territories is set at \$2 billion in 2005-06 and will grow by 3.5 per cent a year. An Expert Panel will be established to make recommendations with respect to how total Formula Financing payments will be allocated among the three territories after 2005-06.

GNWT'S FISCAL STRATEGY

The fiscal strategy for the 2004-05 Budget and 2005-06 to 2007-08 Planning Process guidelines were established as a reaction to the fiscally unsustainable situation that the GNWT was facing. It was clear at the beginning of 2004-05 that growth in expenditures was far exceeding revenue growth and the GNWT's \$300 million authorized borrowing limit would be exceeded in 2006-07. Consequently, on the revenue side, the GNWT introduced tax rate increases, continued efforts to restore the adequacy of Territorial Formula Financing, and continued discussions with the federal and Aboriginal governments for devolution of resource revenues. On the expenditure side, \$15 million in expenditures reductions were required in 2004-05 and expenditure growth in 2005-06 was limited to \$20 million in forced growth and new initiatives. Any new initiatives or critical forced growth above the \$20 million in 2005-06 would be undertaken by reducing expenditures in other areas.

Since the 2004-05 Budget, GNWT revenue projections have changed dramatically and the operating deficits projected to 2006-07 are now surpluses. However, the structure of Territorial Formula Financing, which makes up 70 per cent of GNWT total revenues, is uncertain after 2005-06. In addition, devolution negotiations for a share of Northwest Territories revenue resources are not proceeding as quickly as expected.

Despite the improvement in the GNWT financial situation, the uncertainty in revenues after 2005-06 means that planning assumptions remain the same and the expenditure reductions announced in the 2004-05 Budget continue. To ensure that the fiscal situation at the beginning of 2004-05 does not reoccur, the GNWT has introduced the Fiscal Responsibility Policy.

Fiscal Responsibility Policy

The GNWT's fiscal strategy for 2005-06 and the 2006-07 to 2008-09 Business Planning Process will be governed by the Fiscal Responsibility Policy. This Policy provides the guidelines for debt and deficit limits and includes accountability measures to make the GNWT's financial management transparent and open to public scrutiny. The Policy framework creates a coordinated strategy for responsible spending, borrowing and debt repayment.

Under this Policy, the GNWT will only borrow for infrastructure investments, self-liquidating investments, and repayable loan programs. The total GNWT debt will be

considered affordable as long as debt servicing payments (principal and interest) are no greater than 5 per cent of total revenues. (Debt includes lines of credit with banks, long-term debentures, bond issues and mortgages and capital leases but does not include loan guarantees, trade payables and obligations to employees, operating leases, and multi-year contracts for goods and services not yet received.) If debt servicing payments exceed 5 per cent of total revenues, then operating surpluses must be generated in the following two years to permit principal repayments that will decrease the debt servicing payments to 5 per cent by the third year. The GNWT will be accountable for its debt management by adopting performance criteria to ensure that total debt does not exceed the GNWT's ability to repay it.

Significant fiscal strategy guidelines included in the Policy are as follows.

- ◆ Operating surpluses will be maintained at a level sufficient to provide the cash required to finance 50 per cent of capital investment and meet debt servicing payments. A maximum 50 per cent of capital investments will be funded with long-term debt. The GNWT will need operating surpluses to fund capital investments.
- ◆ The GNWT will borrow for infrastructure (capital and capital leases), self-liquidating investments and repayable loan programs but not for operating purposes.
- ◆ Infrastructure debt will be repaid within 20 years, or over the useful life of the asset, if less.
- ◆ Debt for self-liquidating investments will be repaid through the new revenues generated from the investment.
- ◆ Repayable loan program debt will be repaid from cash generated from the loan recipient repayments plus interest.
- ◆ The GNWT will be accountable for its fiscal stewardship through established debt management performance that is realistic and achievable and through performance criteria identified by financial policy.

Implementing the financial policy for budget and debt management included obtaining a credit rating. Moody's Investors Service has given a credit rating of Aa3 to the GNWT. The next step will be to make a formal submission to the federal government asking that the arbitrary \$300 million borrowing limit be replaced with a limit based on sound fiscal measures.

REVENUE CHANGES

Risk Capital Investment Tax Credit

The NWT Risk Capital Investment Tax Credit program will be re-introduced in 2005. The credit was introduced in 1998 to provide an additional source of risk capital for Northwest Territories business and economic development and was cancelled March 31, 2004. The credit gives Northwest Territories' taxpayers an incentive to invest risk capital in Northwest Territories' businesses.

The program will make available \$2 million in tax credits in each of the next three years. In order to increase the uptake of the program, the Departments of Finance and Industry, Tourism and Investment will work to make information on the program more available.

October 26, 2004 First Ministers' Meeting – Changes to Federal/Territorial Fiscal Arrangements

First Ministers met October 26, 2004 to discuss Equalization and Territorial Formula Financing as a follow-up to their September 13-15, 2004 meeting on health care funding. The final outcome could mean significant changes to the design of Territorial Formula Financing.

The Territorial Formula Financing Grants for 2004-05 and 2005-06 will be set in federal legislation and were calculated as follows.

- ◆ The total 2004-05 Territorial Formula Financing Grant for the three territories will be a floor of \$1.9 billion. The difference between the October 2004 estimate value and the floor was allocated based on each territory's share of the total 2004-05 October estimate of the Territorial Formula Financing Grants. Each territory will also receive prior year adjustments based on the most recent data available as of March 31, 2005.
- ◆ The total 2005-06 Territorial Formula Financing Grant is a fixed amount of \$2 billion, an increase of 5.3 per cent from the 2004-05 amount. The total \$2 billion amount was allocated based on each territory's share of the average 2002-03 to 2004-05 Territorial Formula Financing Grant from October 2004 estimates. There will be no prior year adjustments in 2005-06.
- ◆ These changes will simplify the calculation of the 2004-05 and 2005-06 Territorial Formula Financing Grant. Any other calculations in 2004-05 will relate to prior year adjustments. There will be no other calculations necessary for the 2005-06 Territorial Formula Financing Grant.

After 2005-06, the total Territorial Formula Financing will be escalated at a rate of 3.5 per cent per year, with a review of the adequacy of the escalator after 5 years. An Expert Panel on Equalization and Territorial Formula Financing will be established to provide recommendations on the allocation of the fixed amounts and is scheduled to release its recommendations in late 2005.

Devolution/Resource Revenue Sharing – Northern Strategy and Federal Government Commitments

The federal government currently receives all royalties from non-renewable resource activities in the Northwest Territories. Until recently, the territorial tax revenues generated by resource sector activity were offset by reductions in the Formula Financing Grant. The design of the Formula Financing Grant after 2005-06 is unknown, however, under recent financial arrangements, the federal government's share of total royalty and tax revenues from resource developments after offsets is over 92 per cent. The GNWT receives less than 8 per cent of net revenues from non-renewable resource activities in the Northwest Territories.

Resource revenue sharing involves issues of fairness and adequacy. The GNWT is incurring increased costs due to resource development but only benefits through increased tax revenue that has been partially offset by the Formula Financing Grant. Although many Northwest Territories residents benefit from improved economic activity, they also pay a price through the stresses caused by rapid resource development.

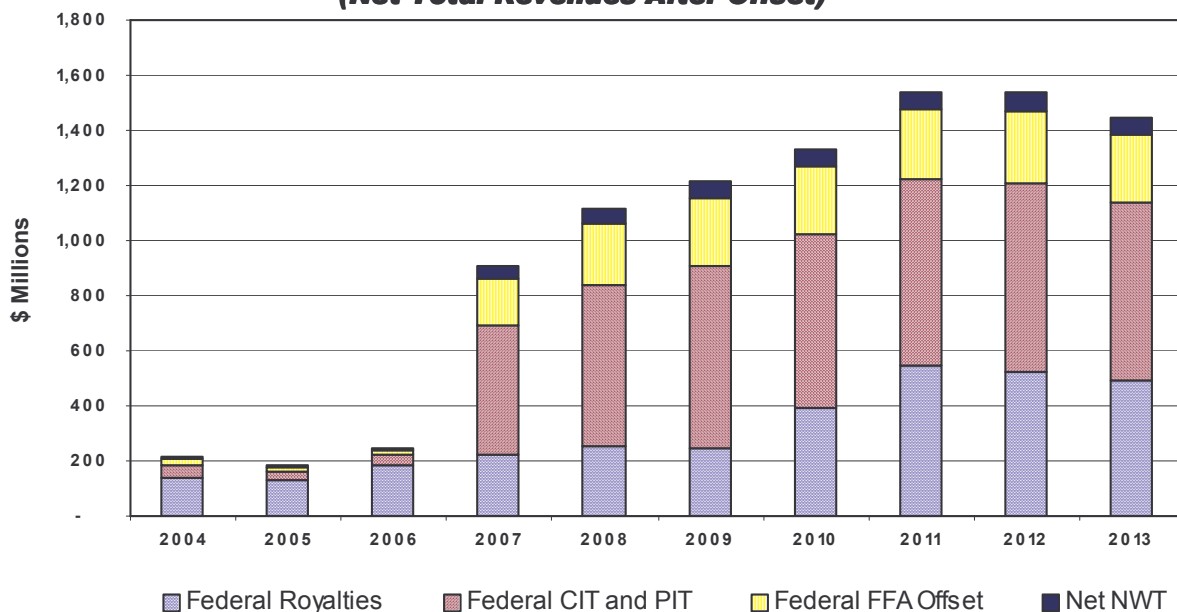
Furthermore, the larger the offsets of resource revenues against the Formula Financing Grant, the less resource revenues will be able to address the GNWT's fiscal situation. The federal government has included the treatment of resource revenues in the mandate of the Expert Panel on Equalization and Territorial Formula Financing. The GNWT will be making submissions to the Expert Panel on Equalization and Territorial Formula Financing that address these issues.

On December 14, 2004, the federal and three territorial governments released the framework that will be used to develop a Northern Strategy. The Northern Strategy is meant to make a real difference in the quality of life of Northerners and in the capacity of Northerners to manage their own affairs. The framework includes a draft vision for the North, along with some suggested principles to guide the development of the strategy and a set of possible goals and objectives to realize the vision. Joint consultations will be held to provide the opportunity for Northerners to provide input. All four governments have committed to involving Aboriginal governments and organizations in the process.

Discussions have been taking place with Canada concerning devolution of resource revenues to the GNWT and NWT Aboriginal governments, including offsets that would be made against federal transfer payments. While the Prime Minister committed to significant progress in devolution and resource revenue sharing talks by the Spring of 2005, given the current timetable for discussions leading to a final agreement and implementation of legislation, it is not expected that new revenues from devolution will occur before 2007.

At the launch of the Northern Strategy, the GNWT secured \$40 million to assist in addressing urgent community needs.

**Federal and NWT Net Royalty and Tax Projections from Anticipated Resource Developments Under Current Fiscal Arrangements
(Net Total Revenues After Offset)**



Canada's Share: 92%

NWT Share: 8%

Summary of Operations

	(thousands of dollars)			
	2005-2006 Main Estimates	2004-2005 Revised Estimates	2004-2005 Main Estimates	2003-2004 Actuals
REVENUES	1,054,664	1,035,246	931,609	893,588
OPERATIONS EXPENSE				
Compensation and Benefits	186,296	186,769	185,890	188,475
Grants and Contributions	443,404	481,688	467,562	463,850
Other Expenses	294,893	276,237	265,305	262,766
Amortization	49,717	47,755	46,484	43,863
TOTAL OPERATIONS EXPENSE TO BE VOTED	974,310	992,449	965,241	958,954
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	80,354	42,797	(33,632)	(65,366)
PETROLEUM PRODUCTS REVOLVING FUND - NET REVENUE	-	-	-	2
ESTIMATED SUPPLEMENTARY REQUIREMENTS				
Health Reform Fund	(4,700)	(2,000)		
Operations Expenditures	(35,000)	(5,000)	(20,000)	-
ESTIMATED APPROPRIATION LAPSES				
Regular Operating Activities	8,000	8,000	8,000	-
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	26,248	35,659	38,428	56,472
Expenditures	(26,248)	35,659	(38,428)	(56,472)
OPERATING SURPLUS (DEFICIT) FOR THE YEAR	48,654	43,797	(45,632)	(65,364)
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR	738,877	695,080	681,904	760,444
ACCUMULATED SURPLUS AT THE END OF THE YEAR	787,531	738,877	636,272	695,080

Summary of Revenues

	(thousands of dollars)			
	2005-2006 Main Estimates	2004-2005 Revised Estimates	2004-2005 Main Estimates	2003-2004 Actuals
GRANT FROM CANADA	724,280	703,363	614,877	853,568
TRANSFER PAYMENTS	70,678	71,592	68,171	60,869
TAXATION REVENUE				
Personal Income Tax	39,837	56,268	57,376	51,569
Corporate Income Tax	44,422	46,330	31,750	(224,537)
Tobacco Tax	15,044	15,060	15,406	15,242
Fuel Tax	17,679	17,473	17,804	17,271
Payroll Tax	26,798	16,249	17,377	13,766
Property Tax and School Levies	13,812	13,746	13,912	10,092
Insurance Taxes	2,250	2,150	2,150	2,880
	159,842	167,276	155,775	(113,717)
GENERAL REVENUES				
Revolving Funds Net Revenue	19,920	19,347	20,853	20,028
Regulatory Revenues	10,756	10,705	11,334	11,653
Investment Income	13,109	7,962	6,530	6,425
Other General Revenues	3,116	3,139	2,290	1,708
	46,901	41,153	41,007	39,814
OTHER RECOVERIES				
Lease and Accommodations	1,220	1,221	1,221	1,513
Service	2,182	1,673	1,533	1,333
Program	30,499	30,550	31,802	30,668
Commodity Sales	444	446	386	91
Insurance Proceeds	60	60	-	747
Other Miscellaneous Recoveries	120	120	132	231
Recovery of Prior Years' Expenditures	3,000	3,000	3,000	3,326
	37,525	37,070	38,074	37,909
GRANTS IN KIND	411	890	396	1,784
CAPITAL				
Other	1,615	-	100	271
Deferred Capital Contributions	13,412	13,902	13,209	13,090
	15,027	13,902	13,309	13,361
TOTAL REVENUES	1,054,664	1,035,246	931,609	893,588

Summary of Operations Expenditures By Department

	(thousands of dollars)			
	2005-2006 Main Estimates	2004-2005 Revised Estimates	2004-2005 Main Estimates	2003-2004 Actuals
Legislative Assembly	14,477	15,078	14,963	14,381
Executive	47,195	49,922	49,590	51,661
Finance	7,900	7,779	7,354	6,975
Municipal and Community Affairs	82,504	81,121	77,397	77,496
Public Works and Services	44,285	44,561	44,639	44,298
Health and Social Services	252,706	251,924	246,978	245,492
Justice	79,803	80,817	79,344	77,664
NWT Housing Corporation	35,956	36,795	35,135	37,532
Education, Culture and Employment	245,003	255,397	247,326	245,321
Transportation	77,393	77,294	76,940	73,493
Industry, Tourism and Investment	34,973	34,722	33,240	34,202
Environment and Natural Resources	52,115	57,039	52,335	50,439
TOTAL OPERATIONS EXPENDITURES	974,310	992,449	965,241	958,954

Summary of Capital Investment Expenditures by Department

	(thousands of dollars)			
	2005-2006 Main Estimates	2004-2005 Revised Estimates	2004-2005 Main Estimates	2003-2004 Actuals
Legislative Assembly	-	215	215	-
Executive	500	250	197	1,288
Finance	-	-	-	-
Municipal and Community Affairs	16,437	15,033	7,488	6,425
Public Works and Services	7,781	5,509	3,220	2,216
Health and Social Services	6,875	17,565	9,930	9,387
Justice	1,780	1,950	645	18,866
NWT Housing Corporation	-	-	-	-
Education, Culture and Employment	18,191	18,535	9,609	11,116
Transportation	51,376	52,923	47,752	32,065
Industry, Tourism and Investment	1,736	1,499	937	1,037
Environment and Natural Resources	1,085	2,379	1,266	1,224
TOTAL CAPITAL INVESTMENT EXPENDITURES	105,761	115,858	81,259	83,624

Summary of Changes in Capital Assets and Amortization

(thousands of dollars)

	2005-2006 Main Estimates	2004-2005 Revised Estimates	2004-2005 Main Estimates	2003-2004 Actuals
BEGINNING OF THE YEAR				
Cost of Capital Assets in Service	1,485,961	1,381,404	1,380,737	1,304,551
Accumulated Depreciation	(539,521)	(491,633)	(493,693)	(448,381)
Net Book Value	946,440	889,771	887,044	856,170
CHANGES DURING THE YEAR				
Capital Assets Put into Service	94,323	104,981	116,606	80,527
Disposals	-	(424)	-	(3,385)
Amortization	(49,717)	(47,888)	(46,629)	(43,900)
NET BOOK VALUE OF CAPITAL ASSETS IN SERVICE AT THE END OF THE YEAR				
	991,046	946,440	957,021	889,412
Work in Progress on Multi-year Projects	97,086	77,648	76,822	91,411
TOTAL NET BOOK VALUE AND WORK IN PROGRESS				
	1,088,132	1,024,088	1,033,843	980,823
CALCULATION OF CAPITAL INVESTMENT				
Capital Investment per Infrastructure Acquisition Plan	105,761	115,858	81,259	83,624
Supplementary Reserve	12,000	5,000	12,000	-
Carry-over of Appropriations from the Previous Year	26,000	-	27,000	-
Estimated Appropriations for Incomplete Projects Continued in Subsequent Year	(26,000)	(26,000)	(26,000)	-
Estimated Appropriation Lapses	(4,000)	(4,000)	(4,000)	-
Capital Investment Expenditures	113,761	90,858	90,259	83,624
CALCULATION OF ASSETS PUT INTO SERVICE				
Work in progress, beginning of the year	77,648	91,771	103,169	88,674
Capital Investment Expenditures	113,761	90,858	90,259	83,624
Less work in progress, end of the year	(97,086)	(77,648)	(76,822)	(91,771)
Assets put into service	94,323	104,981	116,606	80,527

Summary of Cash Flows

	(thousands of dollars)			
	2005-2006 Main Estimates	2004-2005 Revised Estimates	2004-2005 Main Estimates	2003-2004 Actuals
OPERATING TRANSACTIONS				
Cash Received From:				
Canada	925,500	1,034,607	942,315	888,242
Other Revenues	188,225	162,958	161,247	224,715
	1,113,725	1,197,565	1,103,562	1,112,957
Cash Paid For:				
Operations Expenses	(955,765)	(927,038)	(914,540)	(892,620)
Projects Performed for Others	-	-	-	(144,407)
	157,960	270,527	189,022	75,930
CAPITAL TRANSACTIONS				
Capital Investment (current year)	(108,994)	(87,051)	(86,477)	(84,746)
Capital Investment (prior year)	(3,807)	(3,504)	(3,504)	-
Proceeds from Disposal of Capital Assets	-	-	-	2,992
Capital Contributions Received and Deferred	26,832	21,595	26,650	11,217
	(85,969)	(68,960)	(63,331)	(70,537)
INVESTING TRANSACTIONS				
Designated Cash and Investments Purchased	-	-	-	2,054
Loans (Net of Repayments)	(3,650)	(4,480)	(4,480)	(3,383)
	(3,650)	(4,480)	(4,480)	(1,329)
FINANCING TRANSACTIONS				
Repayment of Capital Lease Obligations	(2,641)	(2,641)	(2,732)	(801)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	65,699	194,446	118,479	3,263
Repayment of Corporate Income Tax Overpayment	(29,672)	(5,161)	(5,161)	-
Cash and Cash Equivalents at the Beginning of the Year	214,244	24,959	(41,986)	21,696
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	250,272	214,244	71,332	24,959

Summary of Total Debt and Estimated Borrowing Capacity

	(thousands of dollars)			
	2005-2006 Main Estimates	2004-2005 Revised Estimates	2004-2005 Main Estimates	2003-2004 Actuals
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	250,272	214,244	71,332	24,959
GUARANTEED DEBT				
NWT Power Corporation	(101,976)	(91,797)	(95,531)	(84,693)
NWT Energy Corporation	(22,635)	(23,003)	(23,003)	(23,337)
NWT Housing Corporation	(28,985)	(29,751)	(29,758)	(30,485)
TOTAL GUARANTEED DEBT	(153,596)	(144,551)	(148,292)	(138,515)
TOTAL (DEBT) SURPLUS	(153,596)	(144,551)	(148,292)	(138,515)
AUTHORIZED BORROWING LIMIT	300,000	300,000	300,000	300,000
AVAILABLE BORROWING CAPACITY	146,404	155,449	151,708	161,485

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

Provincial and Territorial Tax Rates as of January 24, 2005

	Combined Top Marginal PIT rate ^(a) (%)	Retail Sales Tax (%)		Fuel Tax ^(b) (¢/litre)		Tobacco Tax on Cigarettes ^(c) (\$/carton)	Payroll Tax ^(d) (%)	Corporate Income Tax (%)		Capital Tax ^(e) (%)
		Gas	Diesel	Small	Large					
Northwest Territories	43.05	-	9.1	42.00	2.00	4.0	14.0	-		
Nunavut	40.50	-	9.1	31.20	1.00	4.0	12.0	-		
Yukon	42.40	-	7.2	26.40	-	4.0	15.0	-		
British Columbia	43.70	7.0	15.0	35.80	-	4.5	13.5	0/3.0		
Alberta	39.00	-	9.0	32.00	-	3.0	11.5	-		
Saskatchewan	44.00	7.0	15.0	35.00	-	5.0	17.0	0.6/3.25		
Manitoba	46.40	7.0	11.5	35.00	2.15	5.0	15.0	0.5/3.0		
Ontario	46.41	8.0	14.3	23.45	1.95	5.5	14.0	0.3/0.6		
Quebec	48.22	7.5	16.2	20.60	4.26	8.9	8.9	0.6/1.45		
New Brunswick	46.84	8.0	16.9	23.50	-	2.5	13.0	0.3/3.0		
Nova Scotia	48.25	8.0	15.4	31.04	-	5.0	16.0	0.6/4.0		
Prince Edward Island	47.37	10.0	16.5	34.96	-	7.5	16.0	0/5.0		
Newfoundland	48.64	8.0	16.5	32.00	2.00	5.0	14.0	0/4.0		
Weighted average ^(f)	45.75	6.9	14.1	26.49	1.88	5.8	12.7			

Notes:

- (a) Combined Federal-Provincial/Territorial highest personal income tax rates in effect for the 2004 tax year. The NWT rate will rise to 43.05% on January 1, 2005.
- (b) Quebec, New Brunswick, Nova Scotia and Newfoundland apply sales tax to fuel. Most provinces have separate tax rates for on-highway and off-highway gasoline. The NWT's off-highway gasoline tax rate is 6.4 cents/litre.
- (c) Saskatchewan, Manitoba, New Brunswick, Nova Scotia and Newfoundland apply sales tax to tobacco products.
- (d) The NWT and Nunavut levy payroll taxes on employees. Other provinces that levy payroll taxes provide exemptions for small business and/or the rates vary depending on the payroll size.
- (e) Capital tax rates are for large corporations and for financial institutions in the order shown. The tax bases are different for different types of companies.
- (f) Average weighted by provincial/territorial populations at July 1, 2004.