

# **Budget Address**

## **2016 - 2017**

### ***NORTHWEST TERRITORIES***

**The Honourable Robert C. McLeod**  
Minister of Finance

**Second Session of the  
Eighteenth Legislative Assembly**

**June 1, 2016**



English

French

Cree

# Tłuchó

## Chipewyan

## South Slavey

## North Slavey

Gwich'in

## Inuvialuktun

# Inuktitut

Inuinnaqtun

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## Introduction

Mr. Speaker, this first budget of the 18<sup>th</sup> Legislative Assembly is about putting our fiscal house in order so that we can continue to provide quality programs and services and over the life of this Assembly, focus on what matters to the people of the NWT. We have worked with Members of this Assembly through the various Standing Committees to make the choices to guarantee that we can continue to provide the core programs and services that NWT residents need, and start to deliver on priorities identified in this Assembly's mandate.

We intend to ensure fiscal sustainability over the life of this Assembly. The NWT economy is facing considerable challenges that have serious implications for our revenues. We have made this Budget about balancing the needs of our residents for essential programs with strategic investments in infrastructure to help deliver these programs and to support the economy without compromising our financial sustainability.

Our course is clear: we must align our expenditures to revenues and reinforce that commitment through the life of this Assembly. That is what sustainability means. Our revenue outlook is flat while program and service demands continue to put pressure on expenditure growth. Revenue is largely from federal transfers, and our small tax base cannot fund the gap in expenditure needs without significantly raising the cost of living and doing business in the territory. Borrowing is also a limited option and at some point the debt must be repaid. This is why actions to carefully manage our expenditures is the foundation of our strategy to ensure fiscal sustainability.

Despite this, and let me be clear, the 2016-17 Budget is not an austerity budget.

The GNWT will be spending \$1.98 billion in 2016-17. Of this amount, \$1.66 billion will be for operations, as outlined in the Main Estimates, and \$320 million for investments in infrastructure that were approved in last fall's Capital Estimates.

Clearly, \$1.98 billion in spending lined up against \$1.8 billion in revenue is not sustainable. For all intents and purposes, this short fall will require the GNWT to increase short term borrowing by \$54 million to ensure that we meet our day to day needs. This rate of borrowing is like maxing out our credit cards. At some point, the balance has to be paid. That is why the \$119 million operating surplus is critical to maintaining a prudent borrowing plan to pay for the infrastructure we need to deliver our programs and support the economy. We have limited revenue options and we can't spend what we don't have. If we don't bring our operating expenditures in line with revenues, our ability to address our \$3.4 billion infrastructure deficit will continue to erode. If we can't make the difficult

budget choices, if we can't say no to things that are not priorities, if we are unwilling to admit that some things are not the best use of the money available, then we won't be able to fund the priorities in our Mandate like long-term care facilities, seniors' housing, more affordable housing units, alternative energy infrastructure and transportation infrastructure to lower the cost of living. We need to put our financial affairs in order now to protect our fiscal future.

We have accepted the challenge of critically examining how we manage our finances. We intend to make good choices today while the situation can still be managed and the impacts on the NWT economy and GNWT programs can be minimized.

As NWT residents have been telling us through the Budget Dialogue that was started this spring, we need to eliminate unnecessary spending to ensure that we have the resources to fund essential programs and services. Our departments are doing that. For instance, residents have told us to reduce non-essential travel and contracting and across the entire government departments are planning to reduce expenditures in travel, telecommunications, fees, contracts and other purchased services by almost \$2.5 million this year. Others asked why we have a separate unit for oil and gas and we have responded by closing the Mackenzie Valley Petroleum Planning Office for a savings of \$665,000. We were told it is not enough to keep everything the way it is and that we need to streamline programs to create a results-driven approach. We are doing that by combining Employee Services with Financial Shared Services, saving \$1.2 million annually.

Ultimately, this Budget will allocate our limited resources as effectively as possible to pay for government programs and services to realize our vision of a strong economy that allows NWT residents to prosper with the jobs and opportunities in our communities that only a robust economy can provide.

## **Economic Outlook**

Mr. Speaker, our dependence on the resource sector to provide good jobs and local business opportunities means that we have to take a longer term view of our economic outlook and the implications for our fiscal situation.

Our economy in 2016 is the only one in Canada still smaller than its pre-recession 2003 to 2007 average. Despite posting three years of modest growth, we have Canada's most volatile economy. Our small, open, resource-based economy is at the mercy of global events beyond our control and we need to find the fiscal resources to support growing and diversifying our economy, through strategic investments that lower the cost of living and doing business and finding more resources to develop our resident workforce.

Right now the southern part of our territory is doing well as the Gahcho Kué diamond mine finishes construction and begins operations later this year. The construction of the Mackenzie Valley Fibre Optic Link has provided the incentive for more satellite dishes to be

installed at the Inuvik Satellite Station Facility thereby enhancing opportunities for economic diversification in the Mackenzie Valley. The completion of the Inuvik-to-Tuktoyaktuk Highway will lower the cost of living in Tuktoyaktuk and provide more opportunities for tourism in the Beaufort Delta. The replacement of the Stanton Territorial Hospital will allow for the provision of better health services in the NWT, making our territory an even better place to live and work.

However, in as little as seven years, one, and possibly two, of our world class diamond mines may close. New resource projects in the planning stage today will not replace the jobs and opportunities for NWT businesses and the government revenues that these mines represent.

New mines and other resource developments come from exploration investment and this investment is mixed at best. Low commodity prices have brought oil and gas exploration to a standstill and projects with promising mineral deposits are having difficulties securing financing.

The survey of capital investment intentions shows that NWT businesses are approaching this year with caution; private capital investment is expected to decrease 35 per cent from 2015.

Meanwhile, we recognize that we need to continue to advance economic diversification. We need to invest to support sectors that will be able to withstand the closure of the mines that have been the mainstay of our economy for many years. We need to manage our fiscal resources so that we are prepared for the change in our economy that will eventually happen. Just like we are meeting the challenge of climate change through the leading edge work we are doing to mitigate and adapt, we must also be ready for a different economy in the near future.

## **Fiscal Strategy**

Mr. Speaker, our fiscal strategy remains grounded in the principle that you shouldn't spend what you can't afford. Flat population growth, low commodity prices and the resulting slowdown in both the Canadian and NWT economies mean that total revenues are projected to be flat over the next five years. Without action on expenditures, we are facing a future that is not fiscally sustainable. No action means that we will be creating a bigger problem to fix in the future. If we refuse to meet the challenge of living within our means we will create a future with no fiscal capacity to make strategic investments to support the economy, or to enhance the programs and services provided to NWT residents, or to withstand revenue and expenditure shocks.

In the spring, the International Monetary Fund stated, and I quote, "Restoring robust growth is essential for addressing the fiscal challenges ahead." We could not agree more.

We want our government to have the fiscal flexibility to provide critical infrastructure to grow the economy and ensure that our residents can fully participate in this economy.

Our fiscal strategy addresses these challenges by matching expenditure growth to revenue growth. Since revenues are not growing, we have taken up the challenge to re-examine our spending in some areas. This has resulted in some reductions but more important, we have managed to re-align spending so we can continue to fund critical and necessary programs and services required by NWT residents and businesses and free up resources for this Assembly's priorities.

These actions are confirmation of our on-going commitment to the *Fiscal Responsibility Policy*. By following the Policy's guidelines for prudent financial management, we will not borrow to fund day-to-day operating spending and will manage our expenditures so that we generate operating cash surpluses to fund at least half of our infrastructure investments. These surpluses make it possible to take advantage of \$45 million in federal cost-shared funding for infrastructure this year. These operating surpluses help us to maintain our good Aa1 credit rating so that our borrowing costs do not increase and give us the flexibility to manage unexpected and unplanned spending, such as forest fires. Without these surpluses, we do not have the ability to make required infrastructure investment in such things as health facilities, schools, parks, highways, and runways that deliver essential government programs and keep our economy moving.

The time to build these surpluses starts with actions today.

These actions include linking increases in expenditures to growth in the Territorial Formula Financing Grant, which drives the growth in total revenues. Our target is \$150 million in savings, or new revenues, to establish a short term cash surplus position by the end of the 18<sup>th</sup> Assembly. This Budget does the heavy lifting. We have identified \$53 million in expenditure reductions, or 3 per cent of the total operating budget, and are raising \$15 million in new revenues over four years. This combination of expenditure management and increased revenue brings us to a total of almost \$68 million, 45 per cent of our target.

There is no doubt that government expenditure restraint affects the economy and the type of expenditures that are reduced is an important consideration. We are working hard to limit the number of employees who will be affected and to minimize the negative effects on program delivery while clearly understanding that the cost of doing nothing to put our finances in order will have more serious consequences for government programs and services in the future. Our government is prepared to act now and not punt, what will be a much larger problem, to future Legislative Assemblies to fix.

## Budget Highlights

This Budget proposes an operating budget of \$1.66 billion, a testament to departments' efforts to find savings and efficiencies where they can, so we can continue to deliver first class programs and services. Total revenue is estimated to decrease almost one per cent from last year to \$1.8 billion in 2016-17.

Although these efforts will produce an operating surplus of \$119 million, this is still not enough to continue to invest in infrastructure and start relying less on short-term borrowing.

## Revenues

Mr. Speaker, we have reviewed our tax regime to ensure that we are raising as much revenue as possible to pay for government programs and services without compromising our support for a strong NWT economy. The high cost of living, working and doing business in the NWT is a key factor influencing our aim for a stable and competitive tax structure based on established tax policy principles that will generate the revenues we need to fund important programs and services, while also encouraging people to live and work in the NWT and for businesses to invest in growing our economy.

We are introducing no new taxes in this Budget. Property taxes and some fees will be adjusted for inflation. We are also proposing to re-structure Yellowknife airport fees to match industry averages.

The Yellowknife Airport is a well-run, vital asset of the NWT economy. Its dedicated workforce serves the entire territory. However, the airport is constrained by being inside a government department while operating in a competitive market. Our landing and terminal fees are low compared to similar and even smaller airports in the south and NWT taxpayers are in effect subsidizing the cost of operations to the tune of \$3 million per year.

This Budget proposes to eliminate the taxpayer subsidy by bringing airport fees in line with those charged by comparable airports in the south and by introducing an airport improvement fee of \$20 per passenger travelling south and \$10 for those flying north. Once fully implemented, these changes will provide an estimated \$10 million in new revenue annually. We propose to establish a revolving fund for the Yellowknife Airport so it can use the revenues it generates to improve services, invest in capital, promote business development and to better position the airport to be a key asset in helping grow and diversify our economy.

We must be realistic about what we can and cannot do to increase revenues. The few revenue options that could generate significant revenues would discourage business investment and economic growth, and would leave individuals and families with fewer

dollars in their pockets while the cost of living continues to rise. Increasing revenues may be part of the solution, but we cannot solve our fiscal problems solely on the revenue side. Our tax base is simply too small. Our economy has not fully recovered from the last recession. The better option is to support and grow our economy so that our tax base expands and our own-source revenues and the Territorial Formula Financing Grant increase.

## Expenditures

Mr. Speaker, our actions to responsibly manage our expenditures includes \$35 million in new initiatives to address priorities of the 18<sup>th</sup> Assembly and \$29 million for forced growth of existing program spending. We have accomplished this while controlling total budgeted spending from 2015-16 by removing \$27 million for programs that were scheduled to end in 2015-16 and \$31 million in on-going program reductions starting in 2016-17.

Mr. Speaker, in the spirit of collaboration and cooperation that defines consensus government, our government has worked with various standing committees to protect \$4.3 million in programing in this budget. Highlights include \$900,000 for small community employment programming, and \$650,000 in funding to support programs for our Youth, communities and volunteer organizations.

We are protecting our core social programs that support our residents with \$1 billion of our proposed \$1.66 billion budget. We have found the savings to be able to add \$7 million to the Health and Social Services' budget to fund health facilities, long-term care beds, and implement the new *Mental Health Act*, bringing total spending in the department to \$414 million.

The Department of Education, Culture and Employment budget will increase \$6 million to \$316 million this year. This increase will contribute to initiatives for enhancing support for post-secondary students, for supporting children from families with low and modest income, and for employment programs for people with disabilities. From within its existing budget, the Department plans to significantly change the way it funds daycare and day home operators to strengthen these programs. These changes, along with other on-going initiatives that are part of the *Right from the Start* early childhood development strategy, demonstrate our continued emphasis on supporting our youngest residents.

We committed to avoid restraining our expenditures to the detriment of NWT communities and instead have increased community government core funding by 2 per cent in the Department of Municipal and Community Affairs' \$104 million budget. Together with \$127 million budgeted for the Department of Justice, this funding demonstrates the priority we place on helping communities provide essential programs and services to their residents. Including our \$82 million contribution to the NWT Housing Corporation, our total contribution for social programs is over \$1 billion or 63 per cent of the total operating budget.



We are also spending \$423 million to protect our environment and support our economy. This Budget provides \$90 million to protect and manage our environment and wildlife through the Department of Environment and Natural Resources and \$28 million for the Department of Lands to manage sustainable use of public lands in a fair and transparent way, respecting ecological, social, cultural and economic values.

The Department of Transportation has a budget of \$125 million in 2016-17 to ensure safe and reliable movement of people and goods. The Department of Public Works and Services' budget of \$120 million will be used to provide appropriate facilities and information systems to deliver government programs and to provide expert support on energy solutions for the entire territory. The Department of Industry, Tourism and Investment is allocated \$60 million to manage mineral and petroleum resources responsibly, and partner with others to promote and support economic prosperity, diversification and community self-reliance.

### ***Governance: Improving Accountability, Transparency and Collaboration***

Our commitment to modernize our fiscal reporting will greatly enhance accountability and transparency of our government's finances. For the first time, we will be tabling our borrowing plan along with the Main Estimates for both the government and our public agencies. The borrowing plan will detail total estimated borrowing of \$783 million for the 2016-17 fiscal period. The Government's \$543 million share of this borrowing includes an estimated \$312 million in short-term borrowing and \$231 million in long-term borrowing. For fiscal flexibility to address any revenue or expenditure shocks, we will be requesting a short-term borrowing limit of \$377 million in the *2016-17 Appropriation Act*.

On August 1, 2016, six of the existing health and social services authorities will be combined to form a new Territorial Health and Social Services Authority. This new structure will set the stage for improved care and services for residents, allowing us to set territorial program standards, to ensure equitable access to services, and to use all our system resources more effectively. The new Authority will oversee a budget of approximately \$300 million, providing an opportunity to achieve efficiencies in non-clinical areas like procurement, and will bring together Authority financial systems to support improved financial management throughout the system.

We are also proposing \$5.4 million in new initiatives in this Budget to address this Assembly's priority to improve accountability, transparency and collaboration in our government's actions.

This includes \$1.6 million for continued collaboration with our neighbours to manage our shared water resources and to implement the transboundary water agreements with the governments of Alberta and British Columbia. We will continue managing stewardship of our water resources through the Mackenzie River Basin Transboundary Waters Master Agreement. This proposed funding will continue our work to reach bilateral water agreements with Saskatchewan and Nunavut, and to renew our agreement with the Yukon.

The GNWT supports building strong intergovernmental relationships with provincial-territorial governments and this Budget proposes funding for cost-sharing initiatives to support the collaboration between provincial-territorial governments on the RCMP Contract Management Committee.

Strong intergovernmental partnerships with other governments within the territory are critical to the long-term economic success of the NWT. In addition to our on-going support to help settle land claims and encourage successful self-government agreements, Budget 2016-17 proposes to further strengthen our ties to Aboriginal and community governments through an additional \$450,000 to Aboriginal tourism initiatives, tourism and general infrastructure in communities under both the *Tourism 2020* plan and *Economic Opportunities Strategy*, and Aboriginal capacity building under the *Mineral Development Strategy*.

We are also working with communities to strengthen partnerships in preventing and responding to violence with an additional \$316,000 from the federal government under the Aboriginal Justice Strategy Fund. This will bring the total funding for community based justice programs and projects to \$1.6 million in 2016-17. This funding will flow directly to communities for community-based programs and services for alternative justice and crime prevention.

## ***Cost of living***

Reducing the cost of living is a fundamental part of our strategies to strengthen the NWT economy and a significant part of our budget. The NWT Cost of Living Tax Credit alone puts \$20 million into NWT residents' pockets each year. On-going investments in energy conservation and alternative energies to reduce our dependence on fossil fuels help lower residents' and businesses' energy costs. Transportation infrastructure investments help reduce the costs of moving goods and people around our territory. Stable funding to community governments, contributions to non-government organizations for their work to enhance community living and the \$82 million contribution to the NWT Housing Corporation for affordable housing all contribute to lowering the overall cost of living.

Budget 2016-17 introduces an additional \$11 million for cost of living initiatives. This includes an additional \$7.5 million for subsidizing power generation while water levels are low in the Snare hydro-electric system. As we deal with the historically low water levels, this subsidy avoids the necessity for the Northwest Territories Power Corporation to apply rate riders that could range from five to seven cents per kilowatt-hour and raise electricity bills between 18 and 25 per cent. The recent changes to the board will save us \$1 million annually.

This Budget provides \$82 million to the NWT Housing Corporation to help deliver housing programs and services in 2016-17. The Corporation will also be delivering an additional \$16.6 million in new federal funding for affordable housing projects through the *Investment in Affordable Housing Agreement*. This funding will enhance the Corporation's efforts to

increase the number of NWT households with sound, suitable and affordable housing. In addition, we are proposing to contribute \$3.5 million to the Housing Corporation to help with the construction of 6 housing units to lease back to the RCMP in Fort Smith and acquire land in Inuvik, Norman Wells, Hay River, and Fort Simpson to support future years' delivery of 39 units over the next two years. The new houses will replace accommodations that are at the end of their life-cycle with quality energy-efficient units. This partnership with the RCMP will eliminate the need to find alternative housing for officers and support the consistent delivery of policing services in the NWT.

We are taking action in this Budget to increase our support for NWT children from families with low and modest incomes, including changing the Income Assistance Program so that income from the Canada Child Benefit, the NWT Child Benefit, and spousal support is excluded in the calculation of income assistance payments. We will also be coming forward this fall with amendments to the *NWT Income Tax Act* to enhance the NWT Child Benefit, including different benefit amounts for children under and over the age of six. This benefit would be non-taxable and not included in other income assistance benefits. The basic amount would be paid to all families with less than \$30,000 in family income and gradually reduced as income increases. Benefits would be paid to families with income up to \$80,000. We look forward to engagement with Standing Committee to quickly move with the legislative changes so that the enhanced credit can be implemented in 2017.

## ***Education, Training and Youth Development***

The best social program is a good paying job.

We need to ensure that NWT residents can take advantage of good education programs to participate in our economy. Budget 2016-17 provides \$4.3 million in new initiatives for education, training and youth development.

We propose to add \$2.2 million to our Student Financial Assistance program to make post-secondary education more accessible and affordable for NWT residents and to support recruitment in rural and remote communities. Remission rates are proposed to increase from \$4,000 to \$6,000 for students who take up residence in Yellowknife and to \$8,000 for students residing in Fort Simpson, Fort Smith, Hay River, Inuvik and Norman Wells. The remission rate for students in all other communities will increase from \$8,000 to \$12,000. As well, the additional funding will be used to increase total grants by 27 per cent by raising the maximum grant for tuition by \$475 to \$2,400 and for books by \$150 to \$550 per semester.

We are using the proposed enhancements to the Student Financial Assistance program to attract and retain students to live and work in the NWT by introducing a \$2,000 Northern Bonus payable against student loans for both students who were raised in the NWT and students who are from other parts of Canada but reside in the NWT for at least a year after graduation. As well, the Budget proposes to eliminate the interest rate on repayable Student Financial Assistance loans for all students residing in the territory.

To support lifelong learning, the Student Financial Assistance program lifetime limit will be removed and will be replaced with a revolving limit. In addition, the 20 semester limit will be removed completely.

We propose to further help NWT residents with disabilities become suitably employed with additional investments under our labour agreement with the federal government. This new funding will be focussed on enhancing our support for employer needs to improve the participation of persons with disabilities in the NWT workforce.

### ***Community Wellness and Safety***

Improving community wellness and safety enhances the lives of NWT residents and improves the government's bottom line over the long-term by reducing residents' reliance on some social programs. We intend to further support improving the health of our communities through an additional \$4.3 million in community wellness and safety initiatives in 2016-17.

This new funding includes \$2.6 million to the Hay River Health and Social Services Authority to operate the new Hay River Health Centre, which is set to open this year. These funds will also allow patients to remain in long-term care beds at the H.H. Williams Memorial Hospital until the Woodland Manor long term care facility expansion is complete.

This Budget proposes \$1.1 million in contributions to the Tłı̄cho Community Services Agency for the operation of the Jimmy Erasmus Seniors' Home. When the second of two wings is complete this year, 18 beds will be available, an increase from the original eight.

The successful rollout of the new *Mental Health Act* depends on adequate funding to support its implementation. This Budget proposes \$501,000 to help implement this important legislation. The funding will help establish a review board to ensure the feedback of families, patients and health care professionals is heard. As well, the funds will help develop Assisted Community Treatment plans for patients so that they can stay in their communities while receiving on-going care, supervision and support. This funding will also help develop a training program for all Health and Social Service staff and other professionals involved in implementing the new provisions.

### ***Economy, Environment and Climate Change***

Understanding the connections between our economy, the environment and potential implications of climate change are vital for the future of the NWT. We are actively working with our federal, provincial, and territorial counterparts to develop a pan-Canadian framework for clean growth and climate change. We support the need for Canada to move to a lower carbon economy and want to ensure the development of our natural resources sector continues in an environmentally sustainable and innovative way.

Budget 2016-17 proposes an additional \$4.3 million to advance the Assembly's priorities to support the economy, protect the environment and address climate change.

The Western Arctic Centre for Geomatics was established to provide geomatics services and research support for lands, resource and infrastructure management. These services and research will provide the GNWT with better information to improve the stewardship of our lands and resources. This Budget proposes an \$181,000 increase in the support for the Western Arctic Centre for Geomatics, bringing its total budget to \$875,000.

We need better information to manage our water resources and this Budget plans to expand our Hydrometric Networking Monitoring Program by providing \$311,000 for the installation and operation of new water monitoring stations.

Supporting the sectors of the economy that already contribute substantially to our economy and encouraging growth in new sectors will be critical to the long term economic health of our territory. The GNWT has developed action plans to further the work of the *Mineral Development Strategy*, *Tourism 2020*, and the *Economic Opportunities Strategy*. This Budget adds \$2.5 million to ensure the success of these actions. This includes \$1.2 million for the *Mineral Development Strategy* to further support geoscience research to build the territory's exploration potential, to increase the Mining Incentive Program to help companies find potential ore bodies, and to support local businesses within the territory to enhance the economic benefit of the mining sector.

*Tourism 2020* will help diversify the economy with \$825,000 for marketing, research, community and industry engagement, and skills development and capacity building.

The *Economic Opportunities Strategy* will receive \$486,000 for tourism product diversification, a convention bureau, and the Film Rebate Program.

We continue to make substantial investments in energy conservation and efficiency and the development of renewable and alternative energy sources and support the efforts of communities to transition to sustainable sources of energy.

Supporting the use of energy efficient technologies in residential, commercial and public sectors is one of the most effective and cost efficient ways to reduce energy use, reduce cost-of-living, and address climate change. This Budget proposes to provide the Arctic Energy Alliance with \$3.5 million in funding this year, including \$760,000 in additional one-time funding to support a number of new initiatives, including a territorial-wide LED lighting program.

We are also investing in alternative energy systems. Wind speed monitoring and project development planning continue towards a wind project in Inuvik and \$720,000 is being invested in a solar and high-efficiency generator system in Aklavik. A solar project is also being developed in Inuvik. Over the coming year, we will also be developing a new Energy Plan that will guide our continued investment in energy initiatives in the years to come.

Newcomers to our territory bring experience and skills that enhance our economy. For this reason, this Budget proposes to provide an additional \$169,000 to the NWT Nominee Program to encourage immigration into the territory.

## Looking Ahead

Part of a responsible government is to look past the four year outlook of this Assembly. With this Budget we have charted a course that will align our expenditure growth with our revenue growth and will stop borrowing money to run the day-to-day operations of the government. The efforts taken to hold the line on operating expenses and the increases in revenues take us almost halfway to our goal of protecting our core services and programs and still having resources to invest in strategic infrastructure, while ensuring there is a reasonable amount of available borrowing room under the federally-imposed borrowing limit at the end of the 18<sup>th</sup> Legislative Assembly. This plan will generate the operating cash surpluses necessary to protect and extend the life of our existing infrastructure and let us begin to address our \$3.4 billion infrastructure deficit, including advancing the Mackenzie Valley Highway, building an all-weather road from Highway 3 to Whati and improving access into the Slave Geologic Province, which were identified in our Mandate as the top three transportation infrastructure priorities.

As we continue to work to address the priorities of this Assembly, we must be prepared to make other difficult choices to protect the GNWT's long term fiscal sustainability. While we are almost halfway to our \$150 million target, we must not lose sight of our goal to find another \$82 million in expenditure savings or increased revenues by the end of the 18<sup>th</sup> Legislative Assembly. This target represents the operating surpluses needed to invest in the health facilities, schools, community infrastructure and transportation critical to delivering government programs and services.

We see the positive results of past infrastructure investments. These investments support government programs and service delivery. We will continue to build infrastructure in a fiscally responsible and sustainable way under the *Fiscal Responsibility Policy*. We are building health facilities and renovating and expanding schools to deliver health and educational services. We are investing in tourism infrastructure to promote economic development and diversification. We are completing the Mackenzie Valley Fibre Optic Link to allow communities to join 21<sup>st</sup> century communication networks and to better deliver government programs. We are providing subsidized rental and homeownership programs for affordable and public housing.

Building the territory's transportation network helps lower the cost of moving goods and people and lowers the cost of living for everybody. Maintaining and retrofitting our own government buildings and equipment maintains and improves service delivery and affordability. Investing in information technology allows us to do more with fewer resources and increase productivity. This Assembly's infrastructure investments will provide a lasting legacy for the benefit of our current residents and future generations.

## Conclusion

Mr. Speaker, this back-to-basics budget gives us the fiscal flexibility to address the 18<sup>th</sup> Legislative Assembly's priorities with actions today and the assurance that we are on a solid course for fiscal sustainability tomorrow.

We recognize the vulnerability of our economy to events outside our borders and the reality that over the longer term, mining, the driver of our economy, may be less of an influence than it is today. Situations outside of our ability to influence highlight the uncertainty of our economic future and are demonstrated by the flat revenue growth forecast over the next four years.

We also recognize that our fiscal policy, whether on the expenditure or revenue side, needs to ensure we fully understand the impacts that our actions have on our economy and that we do not take any actions that will decrease investment and increase the cost of living for NWT residents or the cost of operating for businesses.

These facts reinforce that we must be responsible stewards of the \$1.8 billion in revenue we are estimating the GNWT will receive in 2016-17. Through this Budget we have started the difficult task of aligning our expenditure growth to our revenue growth and have produced a plan that will generate sufficient cash surpluses to fund reasonable capital plans in the future. This not only protects our existing infrastructure, but begins to address our \$3.4 billion infrastructure deficit. We are addressing this challenge directly with the clear understanding that the cost of doing nothing to put our finances in order will have more serious consequences for government programs and services in the future.

With the support of this Assembly and NWT residents we are on our way to meeting these challenges.