

Budget Address

2024-2025

NORTHWEST TERRITORIES

The Honourable Caroline Wawzonek
Minister of Finance

**First Session of the
Twentieth Legislative Assembly**

May 24, 2024



English

French

Cree

Tłicho

Chipewyan

South Slavery

North Slavey

Gwich'in

Inuvialuktun

Inuktitut

Inuinnaqtun

Department of Finance

Introduction

Mr. Speaker, with this first budget of the 20th Legislative Assembly, we are changing how we deliver on priorities in a way that is realistic, responsible and always with an eye on being financially ready for whatever the future might bring.

In February, we released a fiscal strategy for this government to help restore long-term stability in our budgets. This first budget is step one in the drive for fiscal improvement. What's new in 2024-25 are a series of simple, but measurable changes to ensure solid fiscal fundamentals today, while we help the Northwest Territories build for the future through this Assembly's vision to support people in how they want to live, work and grow with priorities focused on housing, a strong economic foundation, accessible health care, healing from trauma, and safe residents and communities. This vision will be achieved with good governance and collaboration with Northwest Territories residents, Indigenous governments and all communities.

The recent flooding and wildfire events have strained our fiscal capacity, one where expenditures already historically exceeded revenues. The Government of the Northwest Territories has a responsibility to ensure that it can always respond to emergencies and provide support in times of emergency events. That responsibility rests on leadership today, not with our children who will be the leadership of tomorrow. We must move forward responsibly now to sustain an environment where our future generations can enjoy a healthy and safe North.

As a whole of government, we must also work to achieve the priorities established by the Assembly. In many cases, we can do so through existing department budgets and positions rather than by adding new expenditures or growth to the size of the future public service. As such, this is not a ribbon-cutting budget. This is a practical and realistic budget aimed at reducing our overall expenditures in 2024-25 to help meet the benchmarks we set to both restore balance and increase our fiscal capacity to deal with unexpected events. In this budget address I will review our economic and fiscal situation, describe what we have done to set ourselves on a path towards stronger fiscal responsibility, and highlight work being done this year to deliver on the Government's mandate.

Overall, we are delivering a \$2.2-billion budget that represents difficult choices to achieve targets included in the Government's fiscal strategy. We are not meeting our full target of \$150 million in savings this year because this was never intended to be an austerity budget or cuts for the sake of cuts. We will need to continue to work towards that ongoing target in 2025-26. This budget is about value and efficiency, not just reductions, and always mindful of the responsibility to achieve the priorities set by the Assembly. We have reduced funding for some programs and in many cases added the savings elsewhere so that we are delivering on these priorities faster and smarter.

Economy Overview

Mr. Speaker, the limits we have put on our spending will not divert our attention from the challenges and opportunities that exist in the Northwest Territories economy and the Government's role in supporting a strong economic foundation, which is a priority of this Assembly. The Government has a role to play in ensuring a strong economic foundation, as does every resident, business, other governments, and non-profit organizations.

There is incredible economic potential across the territory.

We are all aware that the economy will soon be going through a significant change as the first closure of our world-class diamond mines is expected in less than two years and this will have a noticeable effect on the economy. These mines are at the centre of many of the economic relationships that exist throughout the territory. How we respond to the first closure is a key point of discussion for the territory. This closure should be a call to action to motivate collective efforts to support a strong economic foundation.

When the diamond mines opened some 25 years ago there was much talk about training and capacity building and yet we are still struggling with a resident labour force that is statistically at full employment even though some communities have high unemployment, and opportunities continue to leak outside our borders or cannot be seized for lack of workers to support business expansion. But we are not short of opportunities.

The imminent closure of one large diamond mine is concerning but the other two have socioeconomic agreements that set targets for northern hires that the mines struggle to meet. This suggests that the other mines should be well placed to receive northern workers.

More good news is that the Northwest Territories has a wealth of mineral deposits that are gaining attention as the world seeks new technologies to reduce greenhouse gas emissions and which rely on critical minerals and metals. Mineral exploration in the territory has increased every year since the pandemic and 2023 investments were at their highest level in 15 years. Based on the survey of exploration intentions, we are expecting that 2024 spending will exceed 2023. We need to ready our workforce, enhance transportation and energy corridors and shore up our business environment to turn this exploration into production.

We now have some of the largest remediation projects in the history of this country happening in the Northwest Territories, nation-building scale infrastructure projects in transportation and energy advancing, and opportunities rising across a diversity of economic sectors.

A strong economic foundation requires a diversified economy to reduce the risks created by outside events beyond our control. We all want a territory where people are supported in how they want to live and work and in this budget we are answering the call to deliver on our role and responsibilities such as less red tape, transparent processes to create land access, education and training for the current and future labour force, supporting increased housing, and providing good health care for a productive workforce. We are focussing on

strengthening our collaborative approach to economic development, such as working with Indigenous governments on land-use planning and community partners on regional economic plans, so that residents, businesses and industry can take the lead finding opportunities that are in demand and creating rewarding jobs.

Through the Government Renewal Initiative and strengthened adherence to a renewed *Macroeconomic Policy Framework*, we can ensure we find the best value for public funds including supporting entrepreneurship and risk-taking in the private sector.

The Northwest Territories job market already has a low unemployment rate and a high level of job vacancies. The Department of Education, Culture and Employment budget supports its *2021-2025 Skills 4 Success* action plan and is working towards an annual target of 75 net new childcare spaces to increase the availability of licensed spaces to give more child caregivers the choice to participate in the workforce.

The pandemic is further in the past for the tourism industry as the number of operators and aircraft movements are back to pre-pandemic levels. With government support, the commercial fishery sector looks poised for growth under the revitalization strategy and with higher prices and more people fishing commercially in 2023.

The territory's households continue to lead the country in per capita disposable income and the household savings rate remains higher than any province. Recent capital investments have rejuvenated the infrastructure asset base across industries, making improvements in energy, health facilities, public works and utilities, and transportation infrastructure. Underpinning these economic strengths will be a fiscally sustainable territorial government that helps provide people and businesses with confidence to invest in the Northwest Territories.

In short, the territory continues to have a solid economic base to build on. Income, savings and investments that are fundamental to economic sustainability and prosperity are present. The Northwest Territories is a great place to live and the resilience and creativity of residents and businesses will help capitalize on opportunities. However, the Government needs to get its fiscal house in order and keep it that way to continue to remain a supportive economic partner with the capacity to deliver quality programs and investments in infrastructure.

Fiscal Summary

Mr. Speaker, the Government has fiscal resources, but we do not want to be using public revenues to pay \$30 million a year servicing debt. Our budget is based on the fundamental principle that we do not borrow for programs and services offered today and push those expenditures to future taxpayers. That is why the *Fiscal Responsibility Policy* makes it clear that we will not borrow for the operating budget but only borrow for investments in capital assets that benefit future generations.

With this Budget we are projecting a \$294-million operating surplus for 2024-25, which includes \$110 million in federal disaster relief assistance for recent flooding and fire costs. This surplus is the largest projected operating surplus in 25 years; however, to get us on track to have our long-term fiscal house in order, this projected surplus must fund the 2024-25 capital plan of \$268 million as well as start to allocate money towards paying down our debt. This means that as we go through the fiscal year, when new needs or opportunities arise, we will be first asking departments to find funding from within existing budgets instead of asking for new money. Departments are also being asked to carefully evaluate what they can do without, or put another way, to budget within what they already have.

Our revenue is forecast to increase two per cent from 2023-24 to reach \$2.6 billion this year. Keeping to our fiscal strategy, we are holding the growth in departmental expenditures below that of revenues. The 2024-25 operating budget is \$2.2 billion, which is only \$24 million higher than last year's budget and growth of one per cent. If we combine the operating and capital budgets, we will spend almost \$2.6 billion.

For this year, we are proposing \$7.7 million in initiatives, including \$3.1 million carried over from initiatives started in the previous Assembly.

Barring a repeat of last year's expenditure shocks, the projected 2024-25 operating surplus will fund the entire capital plan this year and we are expecting to reduce short-term borrowing by \$34 million by March 31, 2025. However, we are not done yet. We stay committed to reach our target of a \$150-million reduction in short-term debt by the end of the Assembly. The 2024-25 budget exceeds the guidelines in the *Fiscal Responsibility Policy*, keeping debt affordable and below the federally-imposed borrowing limit.

As we embarked on our efforts for fiscal sustainability, we asked departments to review and categorize all their programs including those required by legislation, for public safety, or core to the departments' mandates. We asked who benefits from the various programs and whether a program is connected to this Assembly's priorities. From this exercise, we have accepted \$100 million in combined revenue increases and expenditure adjustments for this budget.

Mr. Speaker, Budget 2024-25 shows our commitment to restoring balance to our finances by ensuring our resources are used in a manner that is efficient and directed towards policies and programs that are achieving the objectives set by the Assembly. Our focus is on managing spending growth and now, more than ever, reinforcing the cultural shift started through the Government Renewal Initiative to ensure that we get value for every dollar we invest in delivering programs and services.

Expenditure management that is not done in a thoughtful way can have implications for future program and service delivery. That is why we are proposing to add \$42 million in additional program spending to support increased program costs.

Key cost pressures that we need to address in the fiscal strategy are related to spending pressures in health and the low water levels that are challenging for the Northwest Territories Power Corporation and Marine Transportation Services.

Over the next year, we will put shared efforts to ensure health spending remains within its budget. Health spending is a third of our operating budget and consistently requires top-ups throughout the year. In 2023-24 alone, health spending is projected to be \$64 million higher than budgeted. We are proposing to add \$37 million to the Department of Health and Social Services' 2024-25 budget that reflects the additional needs identified over the past year and to identify a right sized budget that will help provide stability to our health care services.

We are mitigating the high cost of living with \$30 million to help keep power rates stable. As a regulated utility, the Northwest Territories Power Corporation has little room to avoid passing the increased costs resulting from unprecedented low water to rate payers, and so the Government will step in to help fill this emergency gap. This is an example of why we must maintain fiscal capacity into the future to be able to support residents through extreme or unprecedented events.

Managing expenditure growth also means that we have the resources to focus on the Government's priorities. Operating expenditures are being reduced by \$156 million this year, including \$48 million in savings through fiscal strategy measures. These savings are offset by \$168 million in program enhancements and adjustments. Since much of the program increases reflect past flood and wildfire recovery costs, this spending will be eliminated in future years.

The public service has grown far faster than the private sector over the past few years. This means not only significantly increased public cost but also has implications for the availability of labour to the private sector. We need to look carefully at this growth. That said, the programs and services that we are expected to deliver across the geographic expanse of the territory rely on a strong public service and therefore any fiscal sustainability efforts that considered eliminating positions looked first at vacant positions or opportunities for attrition. For positions that may be affected, the Government is fully committed to the retention of any affected employees and every effort will be made to retain employees within the public service. We have been very effective at placing affected employees in the past and we are confident we will have similar results this time. Our public service is the Government's greatest asset and we will continue to ensure that the Government of the Northwest Territories is a welcoming and attractive workplace.

As noted, the fiscal sustainability actions proposed in this budget will not be enough to achieve the fiscal strategy we set out. We have deliberately not forced immediate cost neutrality in program and service delivery, particularly in health services delivery, because we are realistic about the challenges involved in doing a fulsome review of spending and are determined that we will accomplish this task by seeking efficiencies, avoiding duplication, and redeploying what is not working to that which does provide value.

Drive for Value

Mr. Speaker, I take pride that this budget is not about what we are spending more on but rather how we are spending smarter. Departments are finding savings and innovating services within their existing budgets.

We currently spend millions of dollars to run the Fort Smith Correctional Complex that has capacity for 21 inmates but on average only has ten. We are planning to close it but not simply walk away from a valuable asset with well trained staff. Over the coming months, the Government will examine how this asset could be re-purposed into a wellness centre. To do so might ultimately require some reinvestment for renovations but to not do so leaves us spending money that is not effective or efficient. This is an example of connecting the dots between an inefficient use of public funds to areas of need that reflect the priorities of the Assembly. The Department of Justice, in collaboration with other departments, will begin this work immediately and we will be seeking out other opportunities to redeploy existing infrastructure to better meet the needs of the Northwest Territories.

Justice is also using technology to enhance policing services, save money and reduce risk. For example, Justice will complete its project to provide 19 RCMP detachments with the capability to hold bail appearances online. This will allow RCMP members to spend more time in their home communities and make more effective use of their time and resources.

Through the Department of Finance, we are using technology to save almost \$700,000 each year by upgrading the phone system, simplifying video conferencing equipment and software with less expensive options, and taking advantage of our scale for other types of software that was used in one department but is now applied in another. Finance is home to the NWT Centre for Geomatics, which is working with other departments and communities to provide flood mapping data, geospatial data for land-use planning, and operational tools for emergency management and response.

Mr. Speaker, we will be the first government in the country to partner with the federal IT Apprenticeship Program for Indigenous Peoples, with Finance spearheading a memorandum of understanding with Employment and Social Development Canada to provide opportunities for Indigenous candidates to participate from their home communities and gain meaningful employment with the Government while taking advantage of training and support resources offered through this federal program.

Drug therapies and their unit costs are substantial sources of spending pressure and the Department of Health and Social Services has been working with counterparts across Canada to secure Product Listing Agreements with drug manufacturers for rebates under the Extended Health Benefits program. This approach has proved a successful cost-saving measure and in this past year, the Department has secured several drug agreements used in the chemotherapy program, giving us access to most drugs used in the treatment at a lower cost. With treatment therapies continuing to change and new drugs coming to market regularly, these efforts help keep pace with a growing demand. Health and Social Services will be seeking further drug agreements for other treatments and services this year.

The Department of Environment and Climate Change is successful in this budget to fund innovative programs and projects without requesting new funding by securing \$20 million in federal funds. Most of these agreements are multi-year and will be used for programs related to wildlife, conservation, wildfire prevention and mitigation, emergency management, climate change and waters. Partnering with the departments of Finance and Municipal and Community Affairs, the Department is implementing the Land Operations Tenure System, which is an integrated database for delivering land tenure and property assessment and tax services to reduce the administrative burden for clients. The Department will also be optimizing its recent merger to ensure it is yielding efficiency gains.

The departments of Executive and Indigenous Affairs and Education, Culture and Employment are committed to advancing Integrated Service Delivery for improved coordination and information sharing among different strategies for homelessness, anti-poverty, reducing alcohol abuse, and improving food security.

The Department of Municipal and Community Affairs has found resources within its existing budget to create a junior property assessor program to encourage individuals interested in assessment to join the workforce and learn on the job. By 2027-28, the department aims to fill three junior assessor jobs that will help ensure that properties are accurately assessed for property tax purposes.

From Public and Employee Engagement to Action

I want to give a special thank you to the over 900 public servants who sent in over 1,800 individual suggestions to help deliver better value with public funds. We are already acting on many of these suggestions in this budget.

For example, we will be consolidating immigration policy into Education, Culture and Employment, which will improve accessibility to the Northwest Territories Nominee Program. The various programs offering support to the arts sector will be consolidated into the Department of Industry, Tourism and Investment. Both of these actions bring government services under one department for a single point of contact, rather than spread between staff in different departments, and is expected to result in a better service experience. Similarly, there were many suggestions about reviewing assistance provided to businesses and non-government organizations to ensure they are consistent. Industry, Tourism and Investment will act on these ideas by centralizing business supports. The Department of Executive and Indigenous Affairs will lead streamlining assistance for non-governmental organization funding for ease of access for user groups and ease of reporting for transparency.

Another example is Infrastructure's Technology Service Centre merger with Finance's Information Systems Shared Services Client Care desk. Bringing together employees working within similar spheres is expected to increase productivity and help improve the quality of program delivery.

Based on employee suggestions, we will also be examining our portfolio of assets, specifically leases and vehicles, to maximize use of our government-wide resources this fiscal year. This will include a review of existing leased space to make better use of that space, reduce our overall footprint and ultimately reduce costs. Alongside this work will be an evaluation of the remote work policy to assess its effectiveness in support of employee productivity and morale because changing the spaces we work in needs to be a positive opportunity for flexibility. We will be charting a path towards centralized mobile fleet management. This work will take some time and likely involve some cost to initially set up but will ultimately replace an inefficient and expensive approach of underused vehicles and poor economies of scale for procurement.

Again, there is no ribbon cutting in those changes, but we are committed to listening to those delivering programs and services and committed to making programs and services more responsive and effective in achieving the goals of the Assembly without new dollars needed.

Departmental Highlights

While we are indeed curtailing spending growth, the good news is that we are confident that future expenditure management will justify including \$4.6 million in new spending in 2024-25.

The new spending in this budget reflects the Government's mandate to achieve the priorities set by the 20th Assembly. We propose an additional \$793,000 to support the transition to a green economy with resources dedicated to the Energy Action Plan and building a fast-charging network for electric vehicles in the territory.

The Government continues the collaborative work to complete the *Mineral Resources Act* regulations with a proposed \$393,000 to finish the final step in bringing the legislation into force. We are collaborating with the Intergovernmental Council to ensure the regulations under development are comprehensive and are reaching out to other Indigenous governments for their participation.

We want to build on the success of the territory as a destination for filmmakers to embrace the opportunities that the ever-growing global demand for video and media content offers to showcase the territory's nature and beauty. We propose to add \$529,000 to increase the Northwest Territories Film and Media Strategy's Film Rebate Program. This program helps with high production costs and supports the NWT Film Commission. Since 2015, every dollar spent under the rebate program has been associated with almost nine dollars spent in the territory on production.

We are also proposing in this budget to contribute a new one million dollars to Housing NWT to continue the cost-sharing arrangement for the Canada-NWT Housing Benefit that provides rental affordability assistance to low-income households. We expect to continue this for two more years and enable a total of \$9.6 million in federal and territorial support over three years to help keep rents affordable for Northwest Territories residents.

Housing is also a key element to support success in addictions. We are proposing to spend \$1.6 million on the Transitional Housing Addictions Recovery Program that is administered through the departments of Health and Social Services and Infrastructure in partnership with Housing NWT. The program is expected to have locations open this year in Yellowknife and Inuvik in collaboration with non-profit organizations to ensure units are available for people returning from treatment to have a safe and supported place to continue a journey towards health and wellness.

These additional funds support an operating budget of over \$121 million for Housing NWT. However, we recognize that no one entity or government will be able to solve the housing crisis alone. As a result, Housing NWT is focusing on the various levels of partnership required to ensure that there is funding available to leverage but also coordination across governments on all aspects of the housing continuum without unnecessary duplication. For example, Housing NWT has now signed four agreements with Indigenous governments to signal not only our commitment to working with each Indigenous government but also to identify the key areas of focus on our work with each individual government. Another example is a partnership with Habitat for Humanity which will result in over 10 builds completed by 2028, and this model is being expanded to more and more communities.

With a more focused fiscal approach, every department can direct their core work towards shared priorities without requiring new funding. Housing is a prime example. Executive and Indigenous Affairs is supporting the delivery of the homelessness strategy, Environment and Climate Change is working to support access to land for housing development, and Municipal and Community Affairs is supporting land-use planning for housing development. As well, the Department of Finance is supporting a housing market needs assessment using existing internal resources to provide territorial data on the type and sizes of homes required to meet the needs of all residents in the Northwest Territories. The assessment will rely on a model used by other jurisdictions which will support not only our federal engagement strategy but also our work with partner organizations in addressing the various needs across the housing continuum in the Northwest Territories.

In support of the priority for safe residents and communities we propose in this budget to put a total of \$815,000 more into public safety for more relief staffing in the 9-1-1 program and dedicated specialists in high-risk areas including emergency management. These positions will directly help keep residents and communities informed during emergencies and ensure that there is an adequate complement of staff at the receiving end of an emergency call.

In addition, this budget also includes funds to improve the ability of the RCMP to support public safety. We are proposing to create a \$1.3 million Territorial Crime Reduction Unit that will serve the entire territory with specialized resources to support investigations and proactive enforcement aimed at disrupting illicit drug supply and enhancing enforcement targeting criminal networks. We are proposing to add \$372,000 this budget and \$744,000 annually in future budgets to enhance the RCMP Emergency Response Team, comprising officers with advanced training and equipment, who will assist in the successful resolution of dangerous situations. This budget will also add four new officer positions in regions across

the Northwest Territories through the First Nations and Inuit Policing Program, and two additional general duty officer positions at the Fort Providence detachment.

Looking Ahead

Directly after this budget, departments will start the process to develop next year's budget and the 2025-26 capital budget this fall. Year two of this Assembly will require more work to restore balance to our fiscal situation. We are looking to continue the drive for fiscal improvement and encourage the culture of continuous evaluation that will give us confidence that we are getting value for dollars spent.

Conclusion

Mr. Speaker, it takes imagination to answer our need for fiscal sustainability while still delivering on the Government's mandate responsibilities. With all certainty, we are stronger together. It is beyond doubt that Northerners can pull together for whatever challenges they face.

The response by the public service to the call for making changes is all the evidence we need to be confident that we have a culture of creativity, determination to embrace change and a spirit of continual improvement.

I want to thank all the Members of this Assembly for the work we have done together to provide a set of priorities that is focused and clear as well as for all of discussions had to date about this Budget as a step towards achieving those priorities. I am also grateful for the correspondence and discussions from residents, governments, organizations and our civil service that have helped shape a budget that delivers in a fiscally responsible way.

Mr. Speaker, we have set a foundation to affect change. We must ensure that the Northwest Territories is positioned to take advantage of opportunities while we continue to build upon our successes. Fiscal policies and strategies designed to manage debt and risks effectively, ensuring the longevity of our programs, build these foundations. We are dedicated to doing things the right way, with positive relationships, seizing our economic advantages, and embracing opportunities.

Thank you, Mr. Speaker.