

Budget Address

2009 - 2010

NORTHWEST TERRITORIES

BUDGET PAPERS

B♦Fiscal Review

February 5, 2009

FISCAL REVIEW

The 2009-10 Budget maintains the fiscal and investment goals established by the Government of the Northwest Territories (GNWT) in 2008 - to restore fiscal sustainability to the GNWT and to free funds for strategic investments that will produce long-term benefits. Ultimately the purpose is to create an environment where strong individuals, families and communities share the benefits and responsibilities of a unified, environmentally sustainable and prosperous Northwest Territories (NWT).

Although the fiscal goals remain unchanged, recent events and uncertainty in the economy have required revisions to the fiscal strategy to ensure that the GNWT's fiscal plans support the NWT economy.

Fiscal Situation

From a fiscal perspective, the GNWT is fairly well positioned to face the current economic uncertainty. The GNWT has no direct debt and no immediate need to borrow, and is therefore not directly affected by the current tightening in credit markets. Further, Territorial Formula Financing (TFF) arrangements are not expected to change over the medium-term.

The key elements of the GNWT fiscal situation are that:

- ◆ TFF arrangements are enacted in federal legislation, with regulations for calculating TFF Grants effective until March 31, 2014. It is not expected that there will be significant changes or enhancements to TFF over the forecast period.
- ◆ Revenue-raising initiatives are limited by the NWT's small tax base and the need to be competitive with other jurisdictions.
- ◆ The pressure on expenditures from on-going demands for government programs and services presents challenges for keeping expenditure growth at moderate levels. While program reviews will identify some cost savings, choices will be required to control the growth in operating expenditures.
- ◆ Operating surpluses are required to fund the GNWT's infrastructure investments.

The measures begun in the 2008-09 Budget to reduce spending in some areas, to cap the growth of expenditures on existing programs and services, and to invest in key economic, social and environmental initiatives provide the GNWT with the flexibility needed to address the current economic uncertainty.

Fiscal Strategy

The GNWT remains committed to keeping its expenditure growth in line with revenue growth and adhering to the *Fiscal Responsibility Policy*, which requires operating surpluses to be generated to finance at least half of the government's infrastructure investments.

However, recent economic events and the current economic uncertainty have required adjustments to the government's overall fiscal strategy. The 2008-09 Budget called for \$135 million in spending cuts over two years and \$10 million in additional revenues in 2009-10 to allow for needed investments and to set the GNWT on a fiscally sustainable course. Under the 2008-09 fiscal plan, the GNWT would have been able to secure funds for needed infrastructure investments without incurring significant amounts of debt. In September 2008, the expenditure reduction targets were revised to \$78 million over four years and an additional \$30 million in new revenues starting in 2010-11 was added to the fiscal targets.

Given recent economic events, the GNWT is prepared to limit tax rate increases and maintain social program spending. Only \$7.3 million of the proposed \$10 million in new revenues will be raised in 2009-10 and decisions to increase own-source revenues by another \$30 million have been deferred.

The GNWT continues to make needed infrastructure investments. These investments will provide important stimulus for the NWT economy. However, while these investments will require the GNWT to incur some debt, the GNWT is committed to remaining within the current *Fiscal Responsibility Policy* guidelines.

Over the medium-term, as events unfold and new information emerges, plans for 2010-11 and beyond will be reviewed and adjusted if necessary.

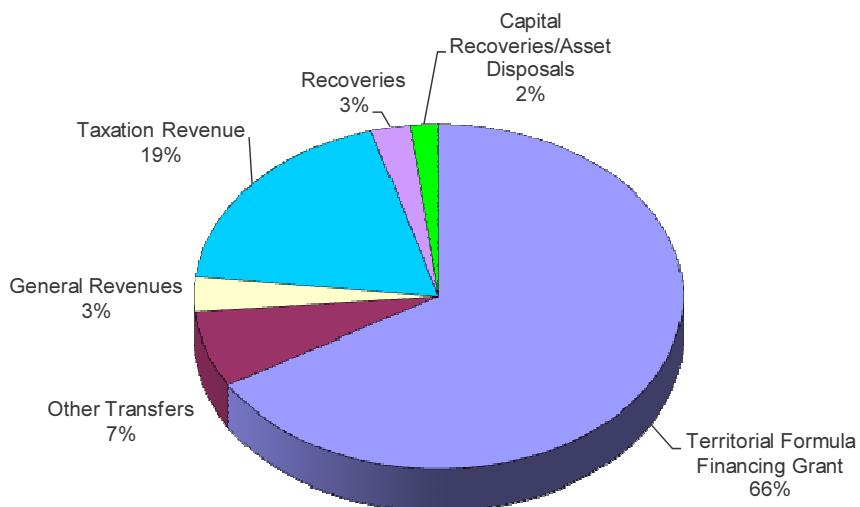
2009-10 Budget

The 2009-10 Budget proposes expenditures of \$1.2 billion and forecasts revenues of \$1.3 billion. After taking into account infrastructure contributions and supplementary reserve requirements, the 2009-10 operating surplus is projected to be \$57.6 million. This surplus is not sufficient to fund all the infrastructure investments approved for the 2009-10 fiscal year. Infrastructure investments are forecast to create short-term direct GNWT debt of \$81 million at the end of 2009-10, although this will be eliminated early in 2010-11 when new revenues are received. Other GNWT debt consists of \$156 million in guaranteed debt of the NWT Power Corporation, the NWT Energy Corporation, the NWT Housing Corporation and the Yellowknife Public Denominational District Education Authority. The federal government limits total debt of the GNWT and its corporations and agencies to \$500 million. The available borrowing authority at the end of 2009-10 will be \$263 million.

Revenues

Total 2009-10 revenues, including \$7.3 million in new revenue not presented in the 2009-10 Main Estimates, are forecast to increase 3.9 per cent, from a projected \$1.26 billion in 2008-09 to \$1.3 billion in 2009-10. The Territorial Formula Financing Grant will increase by \$59 million.

2009-10 Total GNWT Revenues by Source



Other transfers from Canada are forecast to be \$92 million, a decrease of almost 11 per cent from the 2008-09 Revised Estimates, due to the one-time Community Development Trust and prior year adjustments to the Canada Health Transfer recorded in 2008-09.

Taxation revenues, including new revenue not presented in the 2009-10 Main Estimates, are forecast to grow by 4.5 per cent, or \$11.7 million, from the 2008-09 Revised Estimates. The main reasons for the expected increase are:

- ◆ \$7.3 million in new revenue from property tax, tobacco tax, liquor revenues, and some fee increases;
- ◆ \$13.4 million increase in forecast Corporate Income Tax revenue; and
- ◆ \$0.5 million increase in other taxation revenues (fuel, payroll, and insurance taxes).

Personal Income Tax revenue is forecast to decrease \$8.9 million from the 2008-09 Revised Estimates due to a large adjustment received in 2008-09 for the 2007 tax year.

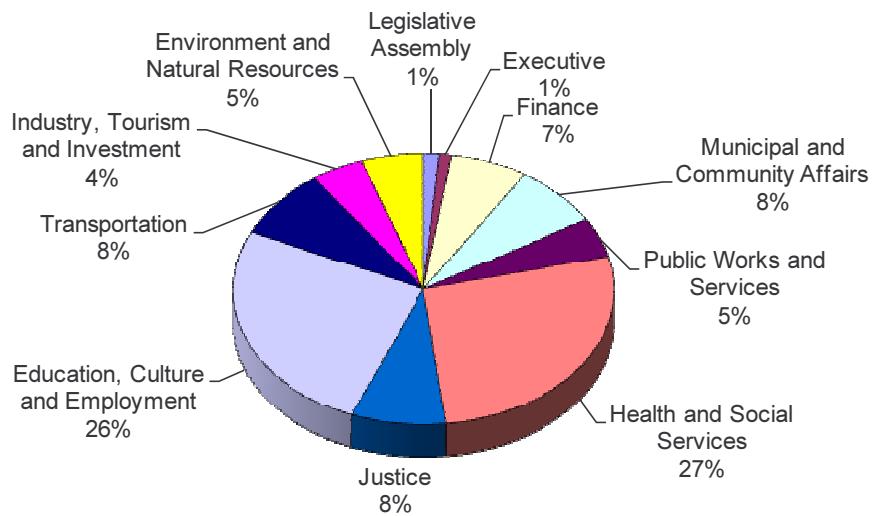
Other own-source revenues are projected to decrease by 12 per cent, to \$78.6 million, largely due to a decrease of \$6.8 million in Building Canada funds and a decrease of \$2.6 million in investment income.

Expenditures

The 2009-10 Budget includes \$1.2 billion in operating expenditures. The 2009-10 infrastructure budget, approved in October 2008, includes \$200 million in capital expenditures and \$46.7 million in infrastructure contributions to community governments, and for school and community library renovations.

The 2009-10 Budget includes \$43.9 million in funding for new initiatives and \$36.5 million to address the increased costs of existing programs and services. These increases are partly offset by \$22 million in cost savings and program reductions and \$51 million in program sunsets. Budgeted operating expenditures are forecast to increase \$23.2 million from the 2008-09 Main Estimates, or almost 2 per cent.

2009-10 Operations Expenditures by Department



Initiatives

The 2009-10 Budget continues the investments set out in the 2008-09 NWT Budget. Over the long-term, expenditures under these initiatives will improve the lives of NWT residents, lower the cost of living, encourage economic development, better prepare the GNWT to protect NWT lands and waters and improve the efficiency of the GNWT in delivering programs and services.

Investments in Our Economy

The 2009-10 Budget proposes investments in key priorities that maximize the opportunities from economic development. These investments will be made with the expectation that support for trades and apprentices and economic diversification will produce, in the long run, a balanced, diversified and sustainable NWT economy. The 2009-10 Budget includes \$15.7 million for the following investments:

- ◆ \$750,000 to enhance literacy programs to help working-age youths and adults needing basic literacy skills access education and employment opportunities.
- ◆ \$495,000 in additional support for the Aurora College Trades and Technology Program to help apprentices complete their programs in a timely manner.
- ◆ \$120,000 for equipment maintenance to support Aurora College's Trades and Technology Program.
- ◆ \$120,000 to help Aurora College deliver heavy equipment operator training in the Deh Cho and South Slave communities.
- ◆ \$100,000 to increase support for women and Aboriginal people to assess their interest and skills in trades, prepare for trades entrance exams, and effectively complete apprenticeship or occupational certification.
- ◆ \$750,000 for the *Support to Entrepreneur and Economic Development (SEED) Policy*, bringing the support for business and community development under this program to \$3.2 million annually.

2009-10 INVESTMENTS IN OUR ECONOMY (thousands of dollars)**Improve Skills for Living and Working**

Labour Market Literacy	750
Apprentice Training	495
Equipment Maintenance	120
Heavy Equipment Operator Training	120
Additional Support for Apprentices	100
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	1,585

Support Diversification

New Support to Entrepreneur and Economic Development (SEED) Policy	750
Sports Hunt Outfitter Marketing Support	300
Broadband Infrastructure Support - Falcon Communications	100
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	1,150

Promote NWT as a Place to Work and Visit

Promote the NWT at the 2010 Olympics	2,440
Increased Support for the Arts	700
Support Immigration	535
National Marketing Campaign	400
Collection and Exhibit Renewal in Museum	300
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	4,375

Maximize Benefits from Resource Development

MGP Investment - NEB, SEA Board, Coordination and APG	1,614
MGP Investment - Permits, Coordination and Regional Support	408
MGP Strategic Investment - Coordination and Policing	108
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	2,130

Improve Quality and Cost of Shelter

Housing Strategies Aimed at Quality	2,000
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	2,000

Improve Transportation Access to Communities

Wekweèti Winter Road Construction	250
Operations Related to Runway Extensions in Fort Good Hope and Tulita	85
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	335

Reduce the Cost of Living

Energy Efficiency Incentive Program Enhancement	350
Completion of Energy Plans for each NWT Community	300
Funding for Arctic Energy Alliance Regional and Community Support	230
Support to Arctic Energy Alliance to provide Additional Home Energy Evaluations	135
Territorial Power Subsidy Program Enhancement	3,000
Electricity Review	150
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	4,165
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	15,740

- ◆ \$300,000 to provide marketing assistance to sports hunter outfitters dealing mainly with barren ground caribou and polar bear hunts.
- ◆ \$100,000 to meet administrative costs for the capital expansion of the NWT broadband network.
- ◆ \$2.4 million in one-time funding to promote and celebrate the NWT at the 2010 Olympic Games in Vancouver.
- ◆ \$700,000 to increase support for NWT arts and culture with increased grants to individuals and organizations to promote the NWT and create employment in the arts and culture industries.
- ◆ \$535,000 for the first year of a three-year territorial nominee pilot project to increase immigration support for NWT businesses wanting better access to foreign labour to meet their labour needs.

- ◆ \$400,000 in new funding to develop and implement a multi-year national marketing campaign to promote the NWT as a great place to visit, live and invest.
- ◆ \$300,000 to acquire museum and archival materials and develop museum and on-line exhibits that represent the culture and heritage of the NWT.
- ◆ \$2.1 million to maximize benefits from the proposed Mackenzie Gas Project and other related initiatives.
- ◆ \$3 million increase in the *Territorial Power Subsidy Program* to provide assistance in addressing the high cost of electricity.
- ◆ \$150,000 for a review of the NWT electricity rates, regulation and subsidy programs.
- ◆ \$3.4 million in funding energy conservation initiatives aimed directly at reducing the cost of living, including:
 - \$2 million in additional funding to increase the number of homes that can be repaired under the NWT Housing Corporation's *Contributing Assistance for Repairs and Enhancements* program.
 - \$250,000 to add Wekweèti to the public highway system and construct an annual winter road from the Whatì junction to Wekweèti.
 - \$85,000 to fund additional operating maintenance costs relating to the extension of the airport runways at Fort Good Hope and Tulita.
 - \$350,000 for the *Energy Efficiency Incentive Program* to continue rebates, to develop and deliver weatherization workshops in communities and to educate NWT homeowners on ways to prepare for the winter heating season.
 - \$300,000 to help communities finalize Community Energy Plans required under the *Canada-NWT Gas Tax Agreement*.
 - \$365,000 to help the Arctic Energy Alliance provide further regional and community support for energy conservation and to provide additional home energy evaluations.

Investments in Our Environment

A total of \$14.9 million in new initiatives will be provided in 2009-10 to ensure that NWT land and water resources are used in ways that protect these resources for future generations. Funding includes:

- ◆ \$8.3 million in energy investments to reduce the consumption of diesel fuel including:
 - \$2.5 million for work on the 56 megawatt Taltson Hydro Expansion Project to bring the Project to a point where a decision can be made whether it is feasible for construction to proceed.
 - \$1.5 million to implement the *Hydro Strategy Policy Framework* and fund baseline environmental, engineering and economic work related to hydro electric development.
 - \$250,000 for the construction of a mini-hydro facility and transmission line at Lutselk'e.

2009-10 INVESTMENTS IN OUR ENVIRONMENT (thousands of dollars)**Governance Development**

Continue Work to Finalize and Implement Land, Resources and Self-Government	1,361
Land Administration Program Delivery	462
Implement Consultation Framework	64
Environmental Management Opportunities	250
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	2,137

Environmental Stewardship

Development of the <i>NWT Water Strategy</i>	336
Public Education Related to Drinking Water	95
Delivery of <i>Greenhouse Gas Strategy</i>	200
Climate Change Adaptation Plan	150
Environmental Stewardship	210
Community Fire Protection Plans and Risk Management Strategies	210
Waste Recovery Program	200
<i>Wildlife Act</i>	200
<i>Species at Risk Act</i>	189
Traditional Knowledge Implementation Framework	180
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	1,970

Energy Development and Supply

Taltson Hydro Expansion Project	2,500
Beaufort Wind Energy Supply	1,800
Biomass Strategy Development and Implementation	1,000
NWT Hydro Strategy	1,500
Expansion of Residual Heat	1,500
Lutsel'k'e Mini-Hydro Facility	250
Whati Mini Hydro / Transmission Line	250
Fort Providence Transmission Line	200
Bear River Feasibility	100
Natural Gas Conversion Feasibility	200
In-stream Hydro Project	250
Support for Geothermal Technology	150
Support to Arctic Energy Alliance to develop the Alternative Energy Mapping Project	135
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	9,835

Initiatives to Reduce GNWT Energy Costs

Energy Retrofits of NWT Housing Corporation Assets	1,000
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	1,000
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	14,942

- \$250,000 for studies in a mini-hydro and/or a transmission line from the Snare hydro facility to Whati.
- \$200,000 for transmission lines from the Hay River hydro plant to Fort Providence, Dory Point and Kakisa.
- \$100,000 for a feasibility study for a run-of-the-river project on the Great Bear River.
- \$250,000 to test an in-stream hydrokinetic power generator in Fort Simpson.
- \$1.8 million to install four wind turbines in Tuktoyaktuk.
- \$1.5 million as a capital contribution for the development or expansion of waste heat and distribution systems on fossil fuel generators in Holman, Fort Liard, Fort Simpson and Inuvik.
- \$150,000 to investigate the geothermal potential in the Deh Cho region.
- \$1 million to expand use of NWT biomass.

- \$200,000 for studies to determine the feasibility of converting Tulita, Fort Good Hope and Fort Simpson to natural gas in connection with the Mackenzie Gas Project.
- ◆ \$1.4 million to further negotiations and provide legal support for land, resources and self-government agreements.
- ◆ \$462,000 to continue the work of four regional lands officers who are addressing the policy and administrative gaps, breaches and inadequate service levels in managing former Commissioner's Lands.
- ◆ \$64,000 to implement the GNWT's framework for consultation with Aboriginal governments and organizations.
- ◆ \$250,000 to deliver Environmental Monitor Training Programs that will support the certified training NWT residents to become Environmental Monitors in the four regions that will be affected by the proposed Mackenzie Gas Project.
- ◆ \$336,000 to complete, and begin implementation of, the *NWT Water Strategy*.
- ◆ \$95,000 to increase public education and engagement on managing drinking water, by continuing the annual water quality report, developing information for the GNWT website, and developing other public materials to help educate the public on water issues.
- ◆ \$200,000 to establish a climate change specialist position to provide support for meeting the requirements of the *NWT Greenhouse Gas Strategy*.
- ◆ \$150,000 to establish a climate change specialist position to provide support to both GNWT departments and outside agencies for the coordination and incorporation of climate adaptation actions.
- ◆ \$210,000 to develop community wild land fire protection plans to help communities better protect themselves from wildfires.
- ◆ \$210,000 to fund programs to help barren ground caribou herds recover, to manage species at risk and the effects of habitat change.
- ◆ \$189,000 to implement the new *Species at Risk Act*.
- ◆ \$180,000 to help departments develop plans to implement the GNWT's *Traditional Knowledge Policy*.
- ◆ \$200,000 to add electronics and single-use retail bags to the waste recovery program.
- ◆ \$1 million to install wood pellet boilers in government buildings.
- ◆ \$200,000 to develop, draft and implement a new *Wildlife Act*; the current *Act* has not been revised significantly since its implementation in 1979 and is limited in its scope.

Investments in Our People

The 2009-10 Budget provides \$740 million in spending for social programs and housing. A total of \$9.7 million in new funds will be provided in the 2009-10 Budget for actions that focus on children and youth, promote healthy choices, address addictions, support families and seniors, and increase the safety and security of individuals and communities including:

- ◆ \$640,000 to continue funding pilot programs for youth, including Take a Kid Trapping, Youth Ambassadors Program, Northern Youth Abroad, Youth forums, wilderness education programs and National Aboriginal Achievement Awards.
- ◆ \$250,000 increase in the base funding for community youth centres to expand the program choices for NWT youth.
- ◆ \$225,000 to provide funding for 15 students from small communities to access specialized high school courses.
- ◆ \$64,000 to expand in-house respite services for families of special-needs children to areas outside of Yellowknife.
- ◆ \$450,000 to the Gwich'in Tribal Council and the Inuvialuit Regional Corporation to develop, in cooperation with the GNWT mental health and addiction team community, treatment programs for youth, such as on-the-land treatment, healing camps and mobile treatment.
- ◆ \$550,000 to fund activities that encourage healthy lifestyle choices, which over the long-term reduce social costs.
- ◆ \$125,000 in 2009-10 and \$192,000 in each of 2010-11 and 2011-12 to develop a three-year pilot program to provide both voluntary and mandatory opportunities for violent men to take responsibility for their behaviour.
- ◆ \$318,000 to add regional managers to oversee income security programs in the Deh Cho and Sahtu regions.
- ◆ \$475,000 to add police officers to detachments in Fort MacPherson, Fort Good Hope and Fort Liard as a way to increase patrols and stays in smaller communities without resident RCMP members.
- ◆ \$100,000 to establish a role model program that will bring role models with life experience with drug and alcohol abuse or criminal behaviour to speak with youth in NWT communities.
- ◆ \$200,000 for the GNWT's share of costs for an additional police dog and handler in Hay River to better deal with illegal drug trafficking, especially illegal drugs coming into the NWT on the highway system from southern jurisdictions.
- ◆ \$1.46 million for ongoing operational costs associated with the Territorial Dementia Facility currently under construction with a completion date of November 2009.
- ◆ \$538,000 in additional funding for the operation of the Territorial Supported Living Campus in Hay River, which is designed to improve the quality of life for adults with moderate to severe cognitive and behavioural challenges.
- ◆ \$150,000 to support development and implementation of the volunteer development strategy.

2009-10 INVESTMENTS IN OUR PEOPLE (thousands of dollars)***Expand Programming for Children and Youth***

Youth Programs	640
Youth Centres	250
Small Community School Initiative	225
In-House Respite Services for Families of Special Needs	64
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	1,179

Encourage Healthy Choices and Address Addictions

Addictions Treatment Aftercare	450
Human Papilloma Virus Vaccination Program	388
Encourage Healthy Choices and Address Addictions	550
Program for Abusers	125
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	1,513

Support Individuals and Families

Next Steps in Income Security Reform	318
	<hr/>
	318

Increase Safety and Security

Policing in Smaller Communities - 3 Regular Members	475
Reduce Alcohol and Drug-Related Crime - Role Model Program	100
South Slave Drug Interception Team - Dog Handler Unit	200
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	775

Strengthen Continuum of Care for Seniors

Dementia Centre Operational Costs	1,462
Supported and Assisted Living in Smaller Communities	538
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	2,000

Support Volunteerism

Supporting Volunteerism	150
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	150

Improve Human Resource Management

Recruitment and Retention Strategies	2,300
GNWT Services in Small and Remote Communities - Staff Housing Program	1,500
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	3,800
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	9,735

- ◆ \$2.3 million to develop and implement a series of programs designed to improve recruitment and retention in the GNWT and community government public service.
- ◆ \$1.5 million to provide incentives to the private sector to supply GNWT staff housing in rural and remote NWT communities, which in turn will improve the ability of the GNWT to deliver programs in these communities.

Refocusing Government

The GNWT is committed to the delivery of programs and services in the most efficient way. Current actions and investments are focused on undertaking a review of government programs to: ensure the effective use of resources, change the way the GNWT plans and delivers infrastructure, improve human resource management, implement changes to GNWT boards and agencies, ensure effective service delivery in smaller NWT communities, and stabilize the GNWT's relationship with non-government organizations.

A total of \$3.7 million in new initiatives will be provided in 2009-10 including:

- ◆ \$817,000 for staff resources to support electronic health, medical records and imaging capital projects.
 - ◆ \$594,000 to retain five positions in the NWT Housing Corporation's regional offices and one manager at headquarters to address ongoing land and technical capacity shortfalls.
 - ◆ \$390,000 to increase support for non-government organizations delivering services to NWT residents on behalf of the GNWT based on the revised funding policy currently being developed.
 - ◆ \$300,000 to develop and implement a government-wide strategic plan for information management, information systems and information technology.
 - ◆ \$250,000 to consult with departments and health and social services boards to define service levels in rural and remote communities.
 - ◆ \$150,000 to develop and implement a government-wide communications framework.
 - ◆ \$100,000 for the second year of the single window service desk for the Aboriginal languages pilot project.
 - ◆ \$100,000 for one year to provide implementation support to the Yellowknife Health and Social Services Authority to prepare for the implementation of consolidated clinics in Yellowknife.
 - ◆ \$550,000 to extend the wood pile repair program by one year for the inspection and remediation of wood pile foundations.
 - ◆ \$350,000 to increase maintenance to maximize the useful life of government buildings, bringing the total annual investment to \$3 million.

2009-10 REFOCUSING GOVERNMENT (thousands of dollars)

Conduct Program Review

Program Review

$$\begin{array}{r} 77 \\ \hline 77 \end{array}$$

Manage the Cost of Government

Water Supply System Upgrades, Training and Support

$$\begin{array}{r} 35 \\ \hline 35 \end{array}$$

Strengthen Service Delivery

Electronic Health, Medical Records and Imaging

817
594

Retaining Land and Technical Capacity in the NWT Housing Corp

390
300

Support for Non-Government Organizations	390
Knowledge Management Strategy Renewal	300

250
150

GNWT Services in Small and Remote Communities

150
100

Enhanced Communication Capacity

100

Support Official Languages

100
 2,701

Consolidated Clinic - Human Resources Impact Support 100

550

Change the GNWT's Approach to Infrastructure

550

Change the GNWT's Approach to Wood-Bile Repair Program

350

Wood File Repair Program 550
Focus on Deferred Maintenance 350

 900

3713

Infrastructure

The 2009-10 capital budget was approved in October 2008. In total, \$247 million will be invested in infrastructure and infrastructure contributions in 2009-10 including:

- ◆ \$74 million for school replacements, renovations and additions;
- ◆ \$58 million for highways and roads across the NWT;
- ◆ \$28 million in Formula Funding for community infrastructure;
- ◆ \$19.2 million in health infrastructure investments;
- ◆ \$11.8 million for information system technology upgrades and replacements including a further \$4.6 million as part of the four-year project to replace the GNWT's 30 year old Financial Information System;
- ◆ \$18.3 million for upgrades and renovations to GNWT buildings;
- ◆ \$16.7 million for airport infrastructure improvements;
- ◆ \$4 million for parks infrastructure – this investment represents the second year of a four-year plan to replace the 60th Parallel Visitor Centre, to address the increasing demand for RV sites in NWT campgrounds, to address the deterioration of heritage buildings, and to establish a new territorial park under the *NWT Protected Areas Strategy*; and
- ◆ \$10.3 million for tank farm upgrades and capacity increases.

Revenue Measures

In the 2008-09 Budget, the government committed to raising an additional \$10 million in revenues for 2009-10. This target was reduced in light of the current economic climate, and \$7.3 million in tax increases are included in the 2009-10 Budget. These increases will bring the following taxes in line with inflation:

- ◆ 2009 property tax rates on mining, oil and gas, and pipeline properties and the education mill rate for all properties in the General Taxation Area will be adjusted to increase revenues from these sources by 15 per cent. These rates have not changed since 2003 and 2000, respectively.
- ◆ Effective April 1, the NWT tobacco tax will increase by an estimated \$11.20 a carton, to reflect current prices. NWT tobacco taxes were last changed in 2003.
- ◆ Effective April 1, the NWT mark-ups on liquor, beer and wine will be increased by 10 per cent. NWT liquor mark-ups were last changed in 2003.
- ◆ Effective April 1, the Department of Transportation will be increasing a number of fees to raise an additional \$300,000 annually in areas such as vehicle licensing.

Many of the fees the government charges have not changed for a long time. There will be a review of all GNWT fees and charges in 2009-10 to ensure that fees keep pace with inflation and better reflect the cost of providing the associated services.

Looking Ahead

The GNWT will monitor its fiscal position closely over the medium-term. The fiscal strategy will continue to focus on managing the growth in operating expenditures to ensure that it does not exceed the growth in revenues, and erode the ability of the GNWT to invest in infrastructure. This will also provide the GNWT with the flexibility to invest strategically in support of the GNWT's priorities. Limiting overall expenditure growth is supported through the on-going work of the Program Review Office established in 2008.

The GNWT will continue to pursue devolution and resource revenue-sharing with the Government of Canada and NWT Aboriginal governments. However, a resource devolution agreement will likely not produce additional revenues for a number of years. The GNWT is exploring the concept of a Heritage Fund to save income from NWT non-renewable resources as a way of preserving the benefits of resource development in reinvestments to achieve sustainable economic development in NWT.

The GNWT's fiscal strategy includes tax options, but the NWT's tax bases are inadequate to maintain the balance between revenue and expenditure growth without action on the expenditure side. Further, sound tax policy must consider the effect of higher taxes on NWT residents and businesses, particularly given the high cost of living in the NWT.

The GNWT intends to continue the revenue consultation process started in September 2008. This consultation asked NWT residents and businesses to consider ways to increase revenue-raising capacity, whether through tax increases or economic and population growth. The consultation process showed that the GNWT revenue structure needs to be reviewed to determine if there are changes that can be made to the tax system that might further economic, social and environmental objectives, without increasing the overall tax burden. A revenue forum of NWT stakeholders will be convened in 2009 to provide advice on restructuring the revenue structure and other budget issues.

Medium-Term Outlook

The following table shows the GNWT medium-term outlook given current fiscal projections. The outlook includes the GNWT's expenditure reduction target of \$78 million over four years, investment in strategic initiatives of \$22 million in 2009-10 and each of the following two years and a total of \$60 million in energy investments over the period 2009-10 to 2012-13. Revenues are forecast to increase 3.4 per cent in 2010-11 and increase 4.4 per cent in 2011-12. Expenditure growth will be held to 3.8 per cent in 2010-11 and 4.9 per cent in 2011-12. Operating surpluses are expected in both years. Despite these forecast surpluses, the GNWT will need to borrow to finance a portion of its infrastructure investments. The GNWT will monitor events and will adjust its plans and projections accordingly.

Medium-Term Outlook (\$ millions)

	2007-08 Actuals	2008-09 Revised Estimates	2009-10 Main Estimates	2010-11 Forecast	2011-12 Forecast
Revenues	1,306	1,258	1,301	1,345	1,404
Expenditures	(1,212)	(1,243)	(1,243)	(1,290)	(1,353)
Operating Surplus (Deficit)	94	15	58	55	51
Capital Investment Requirements	109	140	200	130	99
Accumulated Cash Surplus (Deficit) as of March 31	83	2	(81)	(109)	(170)
Total Debt¹	(167)	(164)	(237)	(258)	(319)
Total Borrowing Authority	500	500	500	500	500
Available Borrowing Authority	333	336	263	242	181

¹ Includes NWT Power Corp., NWT Energy Corp., NWT Housing Corp., and Yellowknife Public Denominational District Education Authority.

Risks to the Medium-Term Outlook

The Territorial Formula Financing (TFF) Grant forms about 70 per cent of GNWT revenues and consideration of revenue risks to the GNWT medium-term revenue forecast focuses on changes to the TFF Grant. The amount of the 2009-10 TFF Grant will not change over the course of the fiscal year. Because the data used to calculate a fiscal year grant is lagged by two years, changes in own-source revenues, particularly Corporate Income Tax revenues, can pose significant short-term risks to total revenues. The lack of responsiveness in TFF over the short-term to changes in own-source revenues makes the volatility in these revenues an important consideration in projecting revenues and cash for planning purposes. Over time, however, Grant entitlements do respond to changes in the GNWT's own-source revenues.

In the longer term, declines in the NWT population or provincial government spending are risks as growth in these variables are used to calculate the growth in TFF. Further, a decline in the NWT population may erode the NWT own-source revenue base.

Own-source revenues comprise over 25 per cent of GNWT revenues and taxation revenues are over 70 per cent of own-source revenues. Changes to taxation revenue carry a significant risk to the medium-term forecast as declines in own-source revenues are only partially offset by increases in TFF.

Revenues from Personal Income Tax, payroll tax, and fuel taxes may decline in the event of an economic slowdown; however declines in these taxes can usually be reliably forecast and fiscal plans adjusted accordingly. Corporate Income Tax, however, is the GNWT's most volatile revenue source and large swings in Corporate Income Tax will cause a number of complications to the medium-term outlook's revenue and cash forecasts. This is because actual Corporate Income Tax revenues affect future Corporate Income Tax estimates on which the GNWT receives payment. This is further complicated by the effect of Corporate Income Tax revenues on TFF.

Summary of Operations

	(thousands of dollars)			
	2009/2010 Main Estimates	2008/2009 Revised Estimates	2008/2009 Main Estimates	2007/2008 Actuals
REVENUES	1,300,803	1,258,575	1,230,396	1,305,712
OPERATIONS EXPENSE				
Compensation and Benefits	239,712	243,170	240,398	239,784
Grants and Contributions	572,125	566,728	561,199	583,090
Other Expenses	328,151	323,528	319,980	304,703
Amortization	61,604	56,107	56,770	52,229
TOTAL OPERATIONS EXPENSE TO BE VOTED	1,201,592	1,189,533	1,178,347	1,179,806
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	99,211	69,042	52,049	125,906
INFRASTRUCTURE CONTRIBUTIONS	(46,585)	(87,610)	(37,525)	(31,081)
PETROLEUM PRODUCTS REVOLVING FUND - NET REVENUE	-	-	-	(312)
ESTIMATED SUPPLEMENTARY REQUIREMENTS				
Operations Expenditures - Regular	(20,000)	(3,000)	(10,000)	-
ESTIMATED APPROPRIATION LAPSES				
Infrastructure Contributions	10,000	22,000	5,000	-
Regular Operating Activities	15,000	15,000	5,000	-
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	56,754	58,358	46,892	52,904
Expenditures	<u>(56,754)</u>	<u>(58,624)</u>	<u>(46,892)</u>	<u>(52,904)</u>
OPERATING SURPLUS (DEFICIT) FOR THE YEAR	57,626	15,166	14,524	94,513
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR	901,356	886,190	860,712	791,677
ACCUMULATED SURPLUS AT THE END OF THE YEAR	958,982	901,356	875,236	886,190

Summary of Revenues

	(thousands of dollars)			
	2009/2010 Main Estimates	2008/2009 Revised Estimates	2008/2009 Main Estimates	2007/2008 Actuals
GRANT FROM CANADA	864,161	804,858	804,858	842,750
TRANSFER PAYMENTS	92,281	103,135	93,534	102,392
TAXATION REVENUE				
Personal Income Tax	65,910	74,803	65,154	50,018
Corporate Income Tax	82,235	68,802	64,287	104,890
Tobacco Tax	14,651	14,672	14,090	14,624
Fuel Tax	17,487	17,224	18,799	20,307
Payroll Tax	38,976	38,687	37,694	36,740
Property Tax and School Levies	20,143	20,924	19,734	19,489
Insurance Taxes	3,500	3,500	3,500	3,558
	242,902	238,612	223,258	249,626
GENERAL REVENUES				
Revolving Funds Net Revenue	22,879	22,431	22,431	21,792
Regulatory Revenues	16,045	15,296	15,475	14,328
Investment Income	3,359	5,956	5,956	10,308
Other General Revenues	1,276	1,169	1,204	2,463
	43,559	44,852	45,066	48,891
OTHER RECOVERIES				
Lease and Accommodations	913	914	914	1,307
Service	1,768	1,729	1,733	1,168
Program	26,384	26,891	26,971	25,363
Commodity Sales	80	166	66	157
Insurance Proceeds	60	60	60	33
Other Miscellaneous Recoveries	205	99	195	89
Recovery of Prior Years' Expenditures	3,000	3,000	3,000	18,167
	32,410	32,859	32,939	46,284
GRANTS IN KIND	1,401	762	762	596
CAPITAL				
Other	170	2,461	3,976	101
Building Canada	8,925	15,355	12,587	-
Deferred Capital Contributions	14,994	15,681	13,416	15,072
	24,089	33,497	29,979	15,173
TOTAL REVENUES	1,300,803	1,258,575	1,230,396	1,305,712

Note: The \$7.3 million in new revenues announced in the 2009-10 NWT Budget is not included in the 2009-10 Main Estimates.

Summary of Operations Expenditures by Department

		(thousands of dollars)		
	2009/2010 Main Estimates	2008/2009 Revised Estimates	2008/2009 Main Estimates	2007/2008 Actuals
Legislative Assembly	15,650	15,364	15,364	15,415
Executive	11,891	12,657	12,657	13,693
Human Resources	35,079	32,253	32,253	31,648
Aboriginal Affairs and Intergovernmental Relations	6,807	6,500	6,500	6,743
Finance	74,875	83,485	83,485	83,570
Municipal and Community Affairs	86,229	82,441	81,207	95,484
Public Works and Services	56,136	58,182	57,740	52,651
Health and Social Services	313,027	308,872	309,822	312,892
Justice	93,488	93,047	90,873	90,944
Education, Culture and Employment	299,631	293,878	289,964	282,277
Transportation	97,060	96,465	95,947	91,125
Industry, Tourism and Investment	50,870	46,019	45,593	42,522
Environment and Natural Resources	60,849	60,370	56,942	60,842
TOTAL OPERATIONS EXPENDITURES	1,201,592	1,189,533	1,178,347	1,179,806

Summary of Infrastructure Investment by Department

		(thousands of dollars)		
	2009/2010 Main Estimates	2008/2009 Revised Estimates	2008/2009 Main Estimates	2007/2008 Actuals
Tangible Capital Assets				
Legislative Assembly	130	540	540	475
Human Resources	-	70	7,500	2,884
Finance	5,152	12,270	-	670
Municipal and Community Affairs	16	5,505	1,421	4,293
Public Works and Services	29,525	19,973	12,159	15,755
Health and Social Services	24,474	46,209	32,414	8,365
Justice	921	3,005	1,370	813
Education, Culture and Employment	60,878	46,597	24,508	27,138
Transportation	74,406	63,350	56,437	34,007
Industry, Tourism and Investment	2,961	3,489	2,328	1,148
Environment and Natural Resources	1,168	2,450	1,765	3,921
Total Tangible Capital Assets	199,631	203,458	140,442	99,469
Infrastructure Contributions				
Municipal and Community Affairs	28,074	71,026	33,575	28,920
Education, Culture and Employment	16,011	13,584	3,950	2,161
Transportation	2,500	3,000	-	-
Infrastructure Contributions	46,585	87,610	37,525	31,081
TOTAL INFRASTRUCTURE INVESTMENT	246,216	291,068	177,967	130,550

Summary of Cash Flows

	(thousands of dollars)			
	2009/2010 Main Estimates	2008/2009 Revised Estimates	2008/2009 Main Estimates	2007/2008 Actuals
OPERATING TRANSACTIONS				
Cash Received From:				
Canada	1,066,114	1,024,745	1,008,732	1,172,537
Other Revenues	227,339	266,788	236,206	406,927
	1,293,453	1,291,533	1,244,938	1,579,464
Cash Paid For:				
Operations Expenses	(1,184,802)	(1,186,545)	(1,159,866)	(1,208,305)
Projects Performed for Others	-	-	-	(297,179)
	108,651	104,989	85,072	73,980
CAPITAL TRANSACTIONS				
Capital Investment (current year)	(194,141)	(173,855)	(191,871)	(94,258)
Capital Investment (prior year)	(7,603)	(3,990)	(4,950)	-
Proceeds from Disposal of Capital Assets	-	-	-	-
Capital Contributions Received and Deferred	18,500	54,182	53,100	9,994
	(183,244)	(123,663)	(143,721)	(84,264)
INVESTING TRANSACTIONS				
Designated Cash and Investments Purchased	-	-	-	1,038
Loans (Net of Repayments)	(2,200)	(2,200)	(4,450)	(6,851)
	(2,200)	(2,200)	(4,450)	(5,813)
FINANCING TRANSACTIONS				
Repayment of Capital Lease Obligations	(1,730)	(2,156)	(2,641)	(1,613)
	(1,730)	(2,156)	(2,641)	(1,613)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(78,523)	(23,030)	(65,740)	(17,710)
Repayment of Corporate Income Tax Overpayment	(5,100)	(57,879)	(58,000)	(8,243)
Cash and Cash Equivalents at the Beginning of the Year	2,367	83,276	122,206	109,229
	(81,256)	2,367	(1,534)	83,276
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR				

Summary of Total Debt and Estimated Borrowing Capacity

	(thousands of dollars)			
	2009/2010 Main Estimates	2008/2009 Revised Estimates	2008/2009 Main Estimates	2007/2008 Actuals
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(81,256)	2,367	(1,534)	83,276
GUARANTEED DEBT				
NWT Power Corporation	(102,905)	(109,580)	(109,580)	(111,351)
NWT Energy Corporation	(20,758)	(21,297)	(21,297)	(21,775)
NWT Housing Corporation	(25,414)	(26,397)	(26,397)	(27,318)
Yellowknife Public Denominational District Education Authority	<u>(6,651)</u>	<u>(6,651)</u>	<u>(6,651)</u>	<u>(6,651)</u>
TOTAL GUARANTEED DEBT	<u>(155,728)</u>	<u>(163,925)</u>	<u>(163,925)</u>	<u>(167,095)</u>
TOTAL (DEBT) SURPLUS	<u>(236,984)</u>	<u>(163,925)</u>	<u>(165,459)</u>	<u>(167,095)</u>
AUTHORIZED BORROWING LIMIT	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
AVAILABLE BORROWING CAPACITY	<u>263,016</u>	<u>336,075</u>	<u>334,541</u>	<u>332,905</u>

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 15, 2009

	Combined Top Marginal PIT Rate ^(a) (%)	Retail Sales Tax (%)	Fuel Tax ^(b)			Tobacco Tax on Cigarettes ^(c) (\$/ carton)	Payroll Tax ^(d) (%)	Corporate Income Tax			Capital Tax ^(e) (%)
			Gas (\$/ litre)	Diesel (\$/ litre)	Tobacco Tax on Cigarettes ^(c) (\$/ litre)			Small (%)	Large (%)		
Northwest Territories	43.05	-	10.7	9.1	42.00	2	4	11.5	-	-	-
Nunavut	40.50	-	6.4	9.1	42.00	2	4	12	-	-	-
Yukon	42.40	-	6.2	7.2	42.00	-	4	15	-	-	-
British Columbia	43.70	7	14.5	15	35.80	-	2.5	11	0/ 2.0	-	-
Alberta	39.00	-	9	9	37.00	-	-	3	10	-	-
Saskatchewan	44.00	5	15	15	36.60	-	4.5	12	0/ 3.25	-	-
Manitoba	46.40	7	11.5	11.5	35.00	2.15	1	13	0.3/ 3.0	0.225/ 0.675	-
Ontario	46.41	8	14.7	14.3	24.70	1.95	5.5	14	0.29/ 0.58	0.225/ 0.675	-
Quebec	48.22	7.5	15.2	16.2	20.60	4.26	8	11.9	0.29/ 0.58	0.29/ 0.58	-
New Brunswick	46.95	8	10.7	16.9	23.50	-	5	13	0.10/ 3.0	0.2/ 4.0	-
Nova Scotia	48.25	8	15.5	15.4	33.04	-	5	16	0.2/ 4.0	0.2/ 4.0	-
Prince Edward Island	47.37	10	13.2	19.2	39.90	-	3.2	16	0/ 5.0	0/ 5.0	-
Newfoundland	44.50	8	16.5	16.5	36.00	2	5	14	0/ 4.0	0/ 4.0	-
Weighted average ^(f)	45.63	6.8	14.1	14.3	27.77	1.86	5.2	12.6	-	-	-

Notes:

- (a) Combined federal-provincial/ territorial highest personal income tax rates in effect for the 2009 tax year.
- (b) New Brunswick, Newfoundland, Nova Scotia and Quebec apply sales tax to fuel. The NWT's off-highway gasoline tax rate is 6.4 cents/litre.
- (c) Manitoba, New Brunswick, Newfoundland, Nova Scotia and Saskatchewan 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, 2008.