

# **Budget Address**

## **2015 – 2016**

***NORTHWEST TERRITORIES***

### **BUDGET PAPERS**

**B ♦ Fiscal Review**

**February 5, 2015**

## FISCAL REVIEW

The 2015-16 Budget continues the fiscal plan started at the beginning of the 17<sup>th</sup> Legislative Assembly to carefully manage expenditure growth to ensure operating surpluses are available to make the strategic infrastructure investments necessary to support the Assembly's vision of strong individuals, families and communities sharing the benefits and responsibilities of a unified, environmentally sustainable and prosperous Northwest Territories.

### Fiscal Strategy

The GNWT uses four major fiscal goals to frame its budgetary decisions:

- To protect programs and services while managing expenditure growth;
- To maintain a stable tax environment to support the economy;
- To achieve operating surpluses each year to be able to invest in infrastructure and make debt payments in adherence to the guidelines specified in the *Fiscal Responsibility Policy*; and
- To keep a \$100 million cushion between total borrowing and the federally-imposed \$800 million borrowing limit.

The fiscal strategy consists of capping forced growth in existing programs and services, funding priority initiatives from a combination of savings and new funds, and limiting growth in the public service. By focusing on managing expenditure growth, the fiscal strategy provides for a sustainable fiscal framework that permits continued investment in infrastructure to grow the economy and population.

### Fiscal Situation

The GNWT has followed the same fiscal strategy since the 2010-11 Budget, which is to manage expenditure growth below revenue growth in order to gradually increase the operating surpluses available to invest in infrastructure. Efforts to manage the growth in spending have been successful, contributing to three years of consecutive surpluses and a projected surplus in 2014-15. The GNWT has maintained fiscal prudence in its operating budget with growth in program spending averaging nearly half of what it was four years ago; and generating operating surpluses has allowed for an additional \$100 million in capital investment in 2014-15 and 2015-16.

### **2013-14 Final Results**

Total revenues in 2013-14 were \$1.63 billion, down 0.8 per cent from 2012-13 because of the effect of smaller recoveries of prior years' expenditures; if these were not included, revenues would have increased 0.4 per cent. Increased revenues from Territorial Formula Financing and investment income were offset by declines in other transfer payments and personal and corporate income taxes.

Total expenditures in 2013-14 increased 3.7 per cent, or \$55.4 million, to \$1.54 billion from 2012-13. The operating surplus in 2013-14 was \$94 million, which was \$69 million less than the 2012-13 surplus of \$163 million. The reduction in the operating surplus was caused by expenditure growth outpacing revenue growth during 2013-14.

### **2014-15 Revised Estimates**

The 2014-15 operating surplus is projected to be \$109 million after adjustments, \$91 million lower than projected in the 2014-15 Main Estimates, due mainly to \$75 million in expenditure shocks fighting forest fires during the worst fire season in decades and offsetting diesel electrical generation costs made necessary by the lowest water levels in 64 years on the Snare River.

The revised 2014-15 revenue forecast is \$7.8 million lower than the 2014-15 Main Estimates, having decreased to \$1.84 billion. The \$63 million decrease in forecasted own-source revenues, due mainly to decreased corporate income tax and resource royalties forecasts, was mostly offset by a \$55 million increase in federal transfers, primarily for the Inuvik to Tuktoyaktuk Highway and devolution implementation.

Capital investment expenditures for 2014-15 are expected to be \$323 million, \$100 million more than projected in the 2014-15 Main Estimates. Most of the increase was due to the start of construction of the Inuvik to Tuktoyaktuk Highway, as well as capital carry-overs from 2013-14. Total debt at March 31, 2015 is forecast to be \$690 million. Taking into account other borrowing instruments for purposes of the federally-imposed \$800 million borrowing limit, total GNWT borrowing at March 31, 2015 is projected to be \$730 million, leaving \$70 million in borrowing room.

### **2015-16 Budget**

The 2015-16 Budget proposes operating expenditures of \$1.648 billion and forecasts revenues of \$1.827 billion. After taking into account infrastructure contributions and supplementary reserve requirements, an operating surplus of \$147 million is projected.

Infrastructure investments for 2015-16, approved in November 2014, are budgeted to be \$278 million, including infrastructure contributions. Short-term debt is projected to be \$272 million at March 31, 2016. Direct long-term debt is forecast to be \$181 million, while debt of public agencies such as the NWT Hydro Corporation, the NWT Housing Corporation, and the Yellowknife Catholic Schools will total \$226 million. After adding the projected \$35 million in other instruments included under the definition of borrowing for the purposes of the borrowing limit, borrowing is expected to be \$714 million at March 31, 2016, leaving \$86 million in available borrowing room under the borrowing limit.

## Revenues

### Revenue Forecast

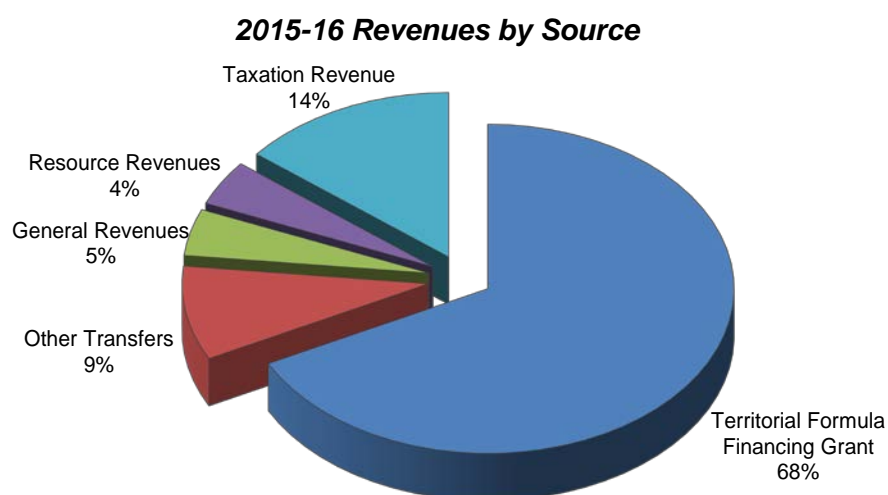
Total revenues are forecast to decrease \$11 million to \$1.83 billion from the 2014-15 revised Estimates to the 2015-16 Main Estimates, representing a 0.6 per cent decline. The Territorial Formula Financing Grant, which continues to make up the majority of GNWT revenues, will increase 2 per cent, or \$24 million, in 2015-16. Other transfers are forecast to fall by \$51 million primarily because of the completion of federal funding for devolution implementation.

GNWT own-source revenues are expected to account for 23 per cent of total revenues in 2015-16. Tax revenues are expected to increase 5.3 per cent due mainly to a forecasted increase in corporate income tax. The remainder of own-source revenues are expected to remain broadly stable.

### Revenue Initiatives

No new taxes are included in the 2015-16 Budget.

In keeping with the existing indexation policy, property tax mill rates and a number of fees will be adjusted for inflation, effective April 1, 2015. This move is in line with the GNWT's policy of indexing tobacco and property tax rates, liquor mark-ups, and fees, where practicable. Tobacco tax rates and liquor mark-ups will remain the same due to concern that these are already among the highest of all provinces and territories, and that further increases at this time could pose challenges to enforcement.

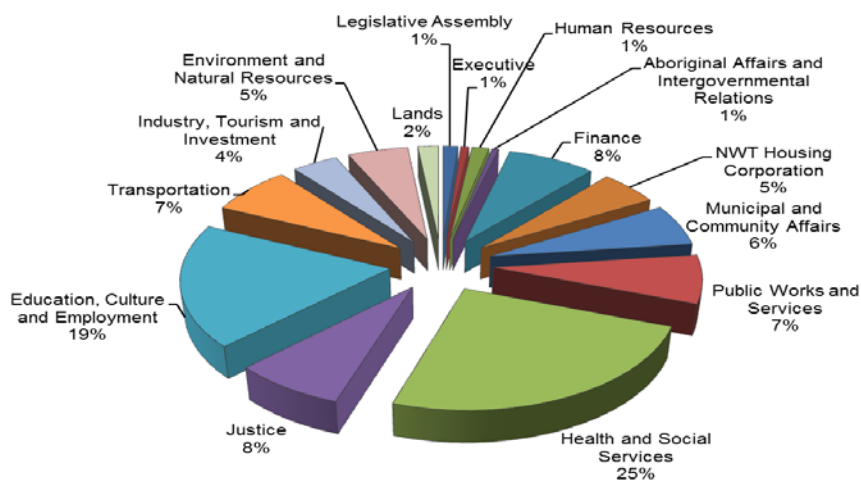


### Operating Expenditures

The 2015-16 Budget proposes \$1.648 billion in operating expenditures, of which \$930 million is budgeted for social programs such as education, health care, social services, housing, policing and corrections.

Operating expenditures are forecast to increase \$35 million from 2014-15 Main Estimates. Increased costs within existing programs (forced growth) and other adjustments are budgeted at \$46 million. These costs are partially offset by \$23 million in sunsetted programs and \$12.6 million in reductions to department budgets. Also included is \$24.2 million in new initiatives.

### 2015-16 Operations Expenditures by Department



## Initiatives

During the first three years of the 17<sup>th</sup> Assembly, the GNWT engaged in a collaborative effort with stakeholders to develop strategies aimed at improving the well-being of NWT residents, reducing the cost of living, and growing the NWT economy. Almost \$123 million was invested in new initiatives over the first three years of this Assembly, including the \$33.8 million multi-year funding to the NWT Power Corporation to allow a phase-in of power rate increases and \$20 million in one-time funding to offset the increase power costs caused by more diesel generation due to low water in the Snare River hydro system.

The 2015-16 Budget provides for \$24.2 million in new initiatives through both new funds and re-profiled funds from existing department budgets. This will bring total new on-going and one-time funding over the life of the 17<sup>th</sup> Legislative Assembly to \$147 million.

### Investing in People

By the end of the 17<sup>th</sup> Legislative Assembly, \$19.3 million will have been invested in new initiatives to support the strategic goal of healthy, educated people free from poverty, including actions under several frameworks developed in collaboration with stakeholders, such as the *NWT Anti-Poverty Strategic Framework*, the *Mental Health and Addictions Action Plan*, and the *Early Childhood Development Framework*. The 2015-16 Budget provides \$4.9 million in funding for actions in support of improving health and well-being, consisting of the following initiatives:

- \$1.12 million to support the *Early Childhood Development Action Plan*, including \$391,000 to increase wages and training for early childhood program staff in a number of communities, and \$729,000 for six Regional Early Intervention Coordinators to provide a community-based early intervention service delivery to improve the care of youngsters.
- \$1.01 million to support the midwifery program.

- \$618,000 for direct care supports in three facilities: the 29-bed Aven Manor in Yellowknife; the 18-bed Elders Care Home in Fort Simpson; and the 28-bed Northern Lights Special Care Home in Fort Smith.
- \$432,000 for a pilot project in Yellowknife and Inuvik to establish a unit that can integrate cases, especially cases of people with complex needs, across three departments and the NWT Housing Corporation.
- \$646,000 for five regional employment officers to ensure that long-term employable income assistance clients are supported to gain permanent employment.
- \$1.1 million for specialized courts, including funding to hire six new staff positions: a Manager of Specialized Courts, a Program/Research Analyst, two Case Managers, a Psychologist and a Program Assistant and \$236,000 to determine the feasibility and possible implementation of a specialized Wellness Court.
- \$8,000 to promote treatment options and prevention for mental health and addictions.
- \$5,000 for continued treatment options under the renal care program of northern Alberta.

### Investing in People (*thousands of dollars*)

	2012-13	2013-14	2014-15	2015-16	TOTAL
Early childhood education and care - wages and training			511	391	902
Regional Early Intervention Coordinators				729	729
Expansion of the Midwifery program		449	515	1,006	1,970
Long-term Care Facility Staffing Increase		1,129		618	1,747
Integrated Case Management pilot program			895	432	1,327
Establishment of 5 Regional Employment Service Officers				646	646
Specialized Wellness Court			305	1,108	1,413
Mental Health and Addictions Prevention and Promotion		1,145		8	1,153
Dialysis Services - Northern Alberta Renal Program		229		5	234
Youth Officer- Behchokò			129		129
Day shelter funding			150		150
Coordination and stakeholder engagement			223		223
NGO and Aboriginal government initiatives			500		500
Children and Youth Resiliency Program			500		500
"Hard to House" units in non-market communities			680		680
Territorial On-The-Land Treatment Program			900		900
Healthy food for children and youth			1,000		1,000
Outreach and Healthy Family Programs			1,520		1,520
Vaccination Program for Children		142			142
RCMP and Victims Services Program Funding in Tulita		247			247
New Public Housing Rent Scale	1,000				1,000
New Rent Supplement Program for Market Rentals	1,173				1,173
Community Safety Strategy Implementation	148				148
RCMP Contract for Managing Impacts of Development	128				128
Family Violence Action Plan - RCMP Coordinator	137				137
Child and Family Services Committees	500				500
Office of the Children's Lawyer	150				150
	3,236	3,341	7,828	4,943	19,348

## Investing in the Economy

Budget 2015-16 continues actions to build a diversified economy that will provide all communities and regions with opportunities for resident employment and business success. These actions will complement the \$11.8 million in new initiatives from previous 17<sup>th</sup> Assembly budgets to strengthen regional economies and implement actions identified in the *Economic Opportunity Strategy* and the *Mineral Development Strategy*. The \$33.8 million multi-year funding to ease the transition to higher electricity rates and the \$20 million to subsidize rate payers for higher diesel generation costs in 2014 are included as actions to reduce the cost of living, bringing total economic investments over the life of the 17<sup>th</sup> Legislative Assembly to \$71 million. Budget 2015-16 proposes the following \$5.2 million in new initiatives to grow the economy.

- \$1.0 million in funding to support hosting the 2018 Arctic Winter Games in a community, or group of communities, outside of Yellowknife.

### Investing in the Economy (*thousands of dollars*)

	2012-13	2013-14	2014-15	2015-16	TOTAL
<b>Supporting Economic Diversification &amp; Growth</b>					
Support to Host the 2018 Arctic Winter Games				1,000	1,000
Increased Tourism Industry Marketing Contribution		600			600
Mackenzie Valley Fibre Optic Link Project (Capital)		7,000			7,000
Hosting of Internal Trade Ministers Meeting	100				100
<b>Initiatives under the Economic Opportunities Strategy</b>					
Film Industry Pilot Rebate Program			100	100	200
Business Internship Program			100	100	200
Development of Regional Economic Plans			150	200	350
Development of an agriculture strategy			150	100	250
NWT commercial fishing industry support			200	1,500	1,700
Tourism promotion and training initiatives			461	261	722
Convention Bureau				100	100
Community Tourism Infrastructure				100	100
New Economic Development Strategy	397				397
<b>Initiatives under the Mineral Development Strategy</b>					
Mineral Development Strategy and Action Plan	643				643
Geoscience career training				300	300
Support for Aboriginal engagement and participation			100	100	200
NWT business supply opportunities			152	149	301
Promotion of NWT mineral exploration and development			200	140	340
Improved geoscience information and research			655	650	1,305
Creation of NWT Mining Incentive Program			400	400	800
Mining workforce development and training			162		162
Slave Geologic Province Corridor Access Study			200		200
Maximizing Northern Residency from Mining	100				100
<b>Reducing the Cost of Living</b>					
Phase in of NTPC rate increases	17,600	11,400	24,800	-	53,800
	18,840	19,000	27,830	5,200	70,870

- \$2.46 million for initiatives to support the *Economic Opportunities Strategy*, including the establishment of a convention bureau, funding for the agriculture strategy, a film industry pilot project, a business internship, and support for the commercial fishing industry.
- \$1.74 million in support of measures under the *Mineral Development Strategy*, including funding for the Geoscience Field Assistant Training Program and a geoscience career liaison coordinator and the hiring of a geophysicist, a surficial geologist and a northern mining business development officer and support for incentive programs for exploration, scientific resource deficits, and coordination between industrial market segments.

### ***Supporting our Environment***

Budget 2015-16 continues support for environmental stewardship to ensure an environment that will sustain present and future generations with \$1.27 million in new initiatives including:

- \$577,000 to take over the operation of the Taiga Environmental Laboratory. These added costs are expected to be partially offset by the revenues that will be received from the facility's operations.
- \$694,000 to establish the Western Arctic Centre for Geomatics in Inuvik - a three staff office that will provide geomatics services such as remote sensing and research support.

#### **Support for Environmental Stewardship (*thousands of dollars*)**

	2012-13	2013-14	2014-15	2015-16	TOTAL
Taiga Environmental Laboratory				577	577
Western Arctic Centre for Geomatics				694	694
<i>Water Stewardship Strategy Action Plan</i>	905				905
Water Monitoring	100				100
	1,005	-	-	1,271	2,276

### ***Investing in Energy***

The 2015-16 Budget adds \$4 million in continuing initiatives to reduce the territory's reliance on non-renewable energy sources, with objectives to lower the cost of living and reduce NWT greenhouse gas emissions, including:

- \$700,000 to the NWT Housing Corporation to install solar panels on 30 public housing units in six communities to supply energy for the mechanical and electrical systems.
- \$500,000 for a photovoltaic electricity generation project in Colville Lake. The solar panels will be integrated with a new diesel plant, battery system, and wind turbine to diversify the power generation sources and improve overall system reliability.
- \$450,000 to promote community biomass energy projects and project evaluation of biomass projects.
- \$400,000 in additional funding to support the continued presence of Arctic Energy Alliance regional energy advisors in the Beaufort Delta, Sahtu, Tẖcẖo, South Slave and Deh Cho regions, bringing the total funding to \$1.13 million per year.



- \$400,000 to convert all existing high pressure sodium streetlights in NTPC thermal communities to more efficient light emitting diode (LED) streetlights.
- \$300,000 to fund the Hot Water Heater Replacement program, which is designed to replace domestic electric hot-water heaters with oil- or propane-fired heaters in non-hydro communities to reduce operating costs and increase overall energy efficiency.
- \$200,000 for energy efficiency programs, including enhancements to current activities and efforts at commercial energy conservation and to provide businesses with capital funding to become more energy efficient.
- \$325,000 for liquefied natural gas (LNG) initiatives, including \$175,000 to fund a feasibility study for a plant in Yellowknife that could potentially supply electricity to mines in the North Slave region while maintaining sufficient redundancy within the existing Snare River hydroelectricity system, and \$150,000 to extend work completed to date in Fort Simpson by studying the feasibility of an LNG facility in one of three candidate communities: Fort Liard, Fort MacPherson and Tuktoyaktuk.
- \$175,000 to test the feasibility of large-scale wind-generated power in either the Storm Hills, 50 km north of Inuvik, or at a location closer to Inuvik where electrical output would be lower but capital costs cheaper. Wind-monitoring stations at Storm Hills have established the existence of world-class winds.
- \$125,000 to advance solar energy smart grid technology in communities by monitoring load profiles to develop a load control system that more efficiently uses diesel fuel and increases the use of renewable energy.
- \$100,000 in additional funds to support the Alternative Energy Technology program, which provides up to one-half of the project cost for biomass and other alternative energy projects.
- \$100,000 for the Energy Efficiency Incentive Program to help address up-front cost barriers faced by consumers to become more energy efficient.
- \$100,000 to study the feasibility of installing an organic Rankine cycle generator in one of the thermal communities to use the residual heat from a power plant for more electrical generation.
- \$50,000 to continue gathering hydrometric data on the Kakisa River to better understand its hydrology and hydro-generation potential. The hydrometric station was installed in 2013 and the continued funding will provide two years of data.
- \$50,000 for the NWT Wind Monitoring Program administered by Aurora Research Institute for projects in Yellowknife, Inuvik, Colville Lake and one other location to be determined.
- \$15,000 for the Electric Vehicle Demonstration project as a follow-up project to the Electric Vehicle Update published by the Arctic Energy Alliance in 2013. This project will determine the demand for electric vehicles and which models of electric vehicles will function properly and efficiently in the NWT.

### Improving Energy Conservation and Promoting Alternative Sources of Energy (thousands of dollars)

	2012-13	2013-14	2014-15	2015-16	TOTAL
Energy efficiency upgrades for public housing	700	700	700	700	2,800
Photovoltaic Electricity Generation in Colville Lake				500	500
Biomass project funding, promotion and evaluation		400	450	450	1,300
Arctic Energy Alliance: core funding for regional advisors	200	125	400	400	1,125
LED Streetlight Conversion Project				400	400
Hot Water Heater Replacement Program				300	300
Commercial Energy Conservation and Efficiency Program	200	200	200	200	800
Liquid natural gas conversion feasibility study			150	175	325
Storm Hills Wind Feasibility				175	175
Natural Gas Conversion Project				150	150
Smart grid pilot project		125	125	125	375
Alternative Energy Technology Program		100	100	100	300
Energy Efficiency Incentive Program	150	100	100	100	450
Electricity from Residual Heat				100	100
Water monitoring for hydro potential		50	50	50	150
Wind energy project development			100	50	150
Electric vehicle demonstration project			15	15	30
<i>Greenhouse Gas Strategy</i>		200	200		400
Great Bear River Mini-Hydro project pre-feasibility			200		200
Solar PV electricity generation installation		250	500		750
NT Energy Corp. core funding	700	700	700		2,100
Whatì connection to hydro: costing and design		250	1,400		1,650
Community Scale Wind Demonstration Project		100			100
Liquid Natural Gas Solutions for Inuvik		100			100
<i>Biomass Energy Strategy</i>	100				100
Electric Boiler System (Fort Smith)	400				400
Infrastructure climate change impacts research	142				142
Medium/Long-term Energy Options for Inuvik	100				100
NWT Energy Plan Renewal	150				150
Regional Hydro and Renewable Energy Solutions	100				100
Short-term Biomass Options for Inuvik	100				100
Wood Pellet Boiler (Fort Providence)	450				450
	3,492	3,400	5,390	3,990	16,272

## Devolution Implementation

On April 1, 2014 the GNWT took over responsibility for the management of NWT lands, waters, and resources. The 2014-15 Budget included a \$67 million adjustment to the Gross Expenditure Base in the Territorial Formula Financing Grant revenue to administer the programs and services transferred from the federal government and \$59 million in spending to assume the responsibilities and duties under the Devolution Agreement, including creation of a Lands Department and new responsibilities for the departments of Environment and Natural Resources and Industry, Tourism and Investment. A \$10 million reserve was set aside for other devolution expenditures that may arise.

The 2015-16 Budget adds \$3.34 million to complete devolution implementation and to fund activities necessary to deliver new resource management program responsibilities that were not identified in the initial implementation process including:

- \$1.15 million to address the impact of final devolution implementation actions on regular department budgets.
- \$1.0 million to establish a new Liabilities and Financial Assurances Division and coordinate management of financial securities for resource developments to ensure that companies will meet their obligations for the closure and reclamation of disturbed sites.
- \$400,000 in additional funding for diamond valuation services for the collection of diamond royalties in accordance with the *NWT Mining Regulations*.
- \$220,000 for continued funding of the Office of the Oil and Gas Regulator in the Department of Industry, Tourism and Investment.
- \$151,000 to hire a coordinator for the administration of the *Mackenzie Valley Resource Management Act*.
- \$143,000 to establish a lands and resources specialist position within the Department of Industry, Tourism and Investment
- \$133,000 to hire an additional resource management officer in the Lands Department.
- \$139,000 to hire a legislation advisor in the Department of Lands.

### Devolution Implementation\* (*thousands of dollars*)

	2012-13	2013-14	2014-15	2015-16	TOTAL
Devolution Negotiations	1,964				1,964
Devolution Implementation Activities	6,071	6,071		1,151	13,293
Lands and Financial Assurances Division				1,006	1,006
Diamond Valuation Service Contract				400	400
Office of the Oil and Gas Regulator				220	220
Mackenzie Valley Resource Management Act Coordinator				151	151
Lands and Resources Specialist				143	143
Resource Management Officer (Lands)				133	133
Legal Advisor (Lands)				139	139
Funding for Aboriginal Government Participation	1,266				1,266
	9,301	6,071	-	3,343	18,715

\*Does not include funding included in the 2014-15 Budget or through 2014-15 supplemental appropriations.

## ***Investing to Enhance Service Delivery***

By the end of the 17<sup>th</sup> Legislative Assembly, \$19.6 million will have been directed to improving program efficiency and effectiveness in order to improve the outcomes for residents and businesses in their dealings with the territorial government. The 2015-16 Budget continues these efforts with a total of \$5.6 million in new or continued actions including:

- \$2.47 million to enhance the delivery of French language services and communications.
- \$1.54 million to upgrade regional Health and Social Services Authorities' computer systems and to integrate these systems with an Information Systems Service Centre that will administer and support enterprise-wide health services application systems.
- \$813,000 for decentralization actions including costs associated with moving the Territorial Parks Office from Yellowknife to Hay River and tenant improvements.
- \$268,000 to the Department of Municipal and Community Affairs to hire a Policy Officer and Community Planner.
- \$210,000 for the consolidation of energy functions in the Department of Public Works and Services.
- \$85,000 to build a geological collections storage facility.
- \$83,000 to fund the *Biology Casework Analysis Agreement*.

### **Enhancing Service Delivery (*thousands of dollars*)**

	2012-13	2013-14	2014-15	2015-16	TOTAL
Improving French Program and Service Delivery	150			2,470	2,620
IT/ISS Shared Services for Health Authorities			391	1,540	1,931
Decentralization Initiatives				813	813
Policy Officer and a Community Planner (MACA)				268	268
Consolidation of Energy Functions in PWS				210	210
Geological Collections Storage Facility				85	85
Biology Casework Analysis Agreement				83	83
Final Phase of Procurement Shared Services				47	47
Territorial Support Network for Medical Evacuations and Travel		472		29	501
Electronic Medical Records Implementation		489		14	503
Building Clinical Governance Capacity		550		12	562
Ground ambulance and highway rescue services support			350		350
Personal support worker training for long-term care facility			604		604
Increase funding under the existing Housing for Staff program			783		783
Med-Response service for medical evacuations and travel			790		790
Jimmy Erasmus Seniors' Home			1,400		1,400
Service shortfall funding resulting from termination of THSSI			7,204	40	7,244
Development of Energy Investment Decision Framework		100			100
Aboriginal Consultation Unit	50				50
Land Administration Survey Program	185				185
Regional Operations of Land Administration Program	462				462
	847	1,611	11,522	5,611	19,591

- \$47,000 to complete implementation of Procurement Shared Services within the GNWT.
- \$40,000 to compensate for lost funding under the federal Territorial Health System Sustainability Initiative (THISSI).
- \$29,000 for a Medevac Triage and Afterhours Pilot Project under the Territorial Support Network (TSN). The TSN provides practitioner-to-practitioner distance support for life-dependent emergency medical evacuation triage and coordination services and remote emergency care support services for healthcare providers on a continuous basis.
- \$14,000 in additional funds for the continued roll-out of electronic medical records.
- \$12,000 for enhanced clinical governance standards and monitoring to ensure health care best practices.

### **Infrastructure**

The 2015-16 capital budget, approved in November 2014, provides for investments of \$249 million in infrastructure and \$28 million in infrastructure contributions to communities. Included in the 2015-16 Main Estimates is \$36 million in housing investments to be delivered through the NWT Housing Corporation (NWT HC). Including the proposed housing investment through NWT HC, the total planned infrastructure investment in 2015-16 will be \$314 million.

This plan represents the second year of a two-year increase to the capital plan of \$50 million per year. Although this short-term increase will help to address some critical infrastructure priorities, the GNWT will continue to have a significant infrastructure deficit.

Major highlights of the 2015-16 infrastructure plan include:

- \$108 million for highways and winter roads. This includes funding for the Inuvik-Tuktoyaktuk Highway that is partially funded by the federal government;
- \$84 million for health facility replacements, renovations and information system upgrades, including funding required for the renovation of the Stanton Territorial Hospital;
- \$28 million in Formula Funding for community infrastructure;
- \$15 million for small capital projects across all departments;
- \$7 million to begin replacing the air tanker fleet that supports forest fire operations;
- \$6 million for information technology projects;
- \$3 million to continue the Capital Asset Retrofit Program for energy efficiency upgrades to GNWT buildings, including the installation of biomass heating systems; and
- \$2.5 million for improvements to NWT parks.

The GNWT has concluded an agreement with the federal government that will provide \$258 million over 10 years under the New Build Canada Agreement in infrastructure. A request for a supplementary appropriation to include the first bundle of New Building Canada Plan projects in the *2015-16 Infrastructure Acquisition Plan* will be made in the February-March 2015 session.

## Medium-Term Outlook

Over the four-year period from 2015-16 to 2019-20, total revenues are projected to grow 0.4 per cent, or about 0.1 per cent annually, while expenditures are forecast to grow 8.4 per cent, or about 2.1 per cent per year. Expenditure growth is based on assuming forced growth (increased costs for existing programs and services) of 1.5 per cent annually, no new initiatives unless found through re-profiling funds from existing department budgets, and an annual capital budget of \$75 million.

Under current fiscal projections and capital investment plans, the GNWT will not be able to sustain the \$100 million cushion below the \$800 million borrowing limit because smaller operating surpluses will result in more short-term borrowing.

Increasing revenues will be challenging. NWT economic activity is only four-fifths of what it was in 2007 because resource production is declining and business capital investment is significantly lower. Lower levels of economic activity are the main reason for the NWT's flat population growth since 2004.

About two-thirds of GNWT revenues come from Territorial Formula Financing Grant, which is outside the ability of the GNWT to influence. The GNWT's Territorial Formula Financing entitlement is projected to increase about 0.3 per cent annually over the next four years, due to assumptions about provincial/local government spending and NWT population growth rates, which are the main variables that determine its growth. Both the provinces' attempts to return to balanced budgets through reduced spending, and a stagnant, or declining, NWT population will slow the growth in Territorial Formula Financing, and therefore in total revenues.

To address the need for economic growth, the GNWT has put in place a number of strategies to help create the environment for a more robust and vibrant economy; setting a target to increase the NWT population by 2,000 people by the year 2019. As well, the GNWT will continue to work collaboratively with the federal government to raise the federally-imposed borrowing limit taking into account the self-financing nature of most of the GNWT's current borrowing as well as the critical role of infrastructure in growing the NWT economy.

Actions to increase revenues, however, are a long-term strategy. To maintain fiscal sustainability over the medium term will require more actions on the expenditure side. The fiscal strategy has been to keep expenditure growth below revenue growth in order to increase operating surpluses to pay down debt and to make more capital investments. Based on current revenue forecasts, maintaining expenditure growth in line with flat revenue growth will require reductions to existing programs and services in future budgets.

**Medium-Term Outlook (\$ millions)**

	2013-14 (Actuals)	2014-15 (Forecast)	2015-16 (Forecast)	2016-17 (Forecast)	2017-18 (Forecast)	2018-19 (Forecast)	2019-20 (Forecast)
<b>OPERATING SUMMARY</b>							
Total Revenues	1,632	1,837	1,827	1,820	1,885	1,858	1,835
Total Expenditures <sup>1</sup>	(1,538)	(1,727)	(1,680)	(1,699)	(1,733)	(1,760)	(1,822)
Operating Surplus (deficit)	<b>94</b>	<b>109</b>	<b>147</b>	<b>121</b>	<b>152</b>	<b>98</b>	<b>13</b>
<b>CAPITAL INVESTMENT</b>	<b>185</b>	<b>234</b>	<b>235</b>	<b>204</b>	<b>155</b>	<b>124</b>	<b>117</b>
<b>TOTAL (DEBT) AT MARCH 31</b>							
Cash Surplus (Deficit) at year end	(158)	(287)	(272)	(281)	(250)	(172)	(121)
Long Term Debt and Guaranteed Debt <sup>2</sup>	(444)	(443)	(442)	(520)	(510)	(500)	(638)
Total (Debt) at March 31	<b>(602)</b>	<b>(730)</b>	<b>(714)</b>	<b>(801)</b>	<b>(760)</b>	<b>(672)</b>	<b>(759)</b>
<b>BORROWING LIMIT</b>	800	800	800	800	800	800	800
<b>AVAILABLE BORROWING CAPACITY</b>	<b>198</b>	<b>70</b>	<b>86</b>	<b>(1)</b>	<b>40</b>	<b>128</b>	<b>41</b>

<sup>1</sup> Includes infrastructure contributions.

<sup>2</sup> Includes debt of the NWT Power Corp., NWT Energy Corp., NWT Housing Corp., Deh Cho Bridge, and debt of the Yellowknife Public Denominational District Educational Authority.

Total may not equal sum of individual figures due to rounding.

**Risks to Fiscal Outlook**

Debt risk is currently considered insignificant because debt servicing costs absorbs less than one per cent of total revenues due to a relatively low overall debt burden and low current interest rates.

However, a number of other fiscal risks exist for the GNWT:

- The dependence of the NWT economy on resource industries - although the public sector is the single largest factor in the NWT's economy, the resource industries are also significant. Activity in the resource sector is highly variable and the economic effects and implications for GNWT revenues can vary significantly from year to year. Resource sector activity has implications for long-term economic growth and own-source revenue volatility for the GNWT.
- Revenue volatility - historically, corporate income tax has been the GNWT's most volatile own-source revenue but the Territorial Formula Financing Grant is responsive over time to changes in corporate income tax revenues. As of April 1, 2014, the GNWT collects resource revenues, which also can be volatile and the variability in resource revenues will not be offset through Territorial Formula Financing because resource revenues are outside of the formula. Resource revenues are very sensitive to commodity price swings, exchange rate fluctuations, and operational decisions made by the resource developers, which makes resource revenue forecasting challenging. The risk to the operating budget

of large resource revenue shocks is largely neutralized by the GNWT's commitment not to spend resource revenues on operations, but rather only on contributions to the Heritage Fund, debt repayment and infrastructure.

- Slowing revenue growth - the Territorial Formula Financing Grant is two-thirds of total revenues, affording considerable year-to-year stability to the budget. However, growth in the Grant relies heavily on NWT population growth relative to Canada's and provincial/local government spending. Flat population growth, or declines, as in 2014, and further provincial and local government fiscal austerity measures will cause growth in the Territorial Formula Financing Grant to decrease.
- On-going operating expenditure pressures - constant pressure exists to enhance current programs and to implement new initiatives while not reducing existing program and service expenditures. Although the GNWT has made steady progress in reducing the rate of growth in program spending, continued efforts will be necessary to ensure that the expenditure growth matches revenue growth or the budgetary position could deteriorate.
- Unexpected expenditures and capital project cost overruns - operating expenditure shocks are usually unexpected events such as extraordinary fire suppression needs or other natural disasters. With the undertaking of large capital projects, the risk of capital cost over-runs that may have an impact on the fiscal framework is heightened.



## Summary of Operations

	(thousands of dollars)			
	2015-2016 Main Estimates	2014-2015 Revised Estimates	2014-2015 Main Estimates	2013-2014 Actuals
<b>REVENUES</b>	<b>1,826,794</b>	<b>1,837,716</b>	<b>1,845,501</b>	<b>1,631,779</b>
<b>OPERATIONS EXPENSE</b>				
Compensation and Benefits	376,235	360,370	351,872	320,883
Grants, Contributions and Transfers	762,611	770,142	750,665	691,751
Amortization	80,990	80,874	85,233	77,019
Chargebacks	18,070	17,910	17,826	17,070
Computer Hardware and Software	5,905	6,186	6,080	7,436
Contract Services	209,418	249,793	210,418	193,235
Controllable Assets	4,016	3,992	3,971	4,376
Fees and Payments	82,818	82,508	82,501	90,418
Interest	11,604	13,153	13,153	10,570
Loss on Sale of Assets	-	-	-	306
Materials and Supplies	19,702	25,534	19,484	20,659
Purchased Services	14,164	13,907	12,352	12,802
Travel	19,779	27,175	20,062	17,832
Utilities	39,739	40,218	36,836	38,719
Valuation Allowances	2,469	2,469	2,469	2,963
<b>TOTAL OPERATIONS EXPENSE TO BE VOTED</b>	<b>1,647,520</b>	<b>1,694,231</b>	<b>1,612,922</b>	<b>1,506,039</b>
<b>OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS</b>	<b>179,274</b>	<b>143,485</b>	<b>232,579</b>	<b>125,740</b>
Infrastructure Contributions	(28,463)	(33,906)	(29,263)	(31,444)
Deferred Maintenance	(4,149)	(3,400)	(3,400)	-
Petroleum Products Stabilization Fund net profit (loss)	64	454	178	(284)
Supplementary Reserve	(30,000)	(18,000)	(30,000)	-
Estimated Appropriation Lapses	30,000	20,000	30,000	-
<b>WORK PERFORMED ON BEHALF OF OTHERS</b>				
Recoveries	76,560	83,913	50,654	60,649
Expenditures	(76,560)	(83,913)	(50,654)	(60,649)
<b>OPERATING SURPLUS FOR THE YEAR</b>	<b>146,726</b>	<b>108,633</b>	<b>200,094</b>	<b>94,012</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>1,272,101</b>	<b>1,163,468</b>	<b>877,342</b>	<b>1,069,456</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>1,418,827</b>	<b>1,272,101</b>	<b>1,077,436</b>	<b>1,163,468</b>

## Summary of Revenues

	(thousands of dollars)			
	2015-2016 Main Estimates	2014-2015 Revised Estimates	2014-2015 Main Estimates	2013-2014 Actuals
<b>GRANT FROM CANADA</b>	<b>1,232,755</b>	<b>1,208,840</b>	<b>1,208,840</b>	<b>1,121,244</b>
<b>TRANSFER PAYMENTS</b>	<b>168,796</b>	<b>220,088</b>	<b>164,902</b>	<b>131,682</b>
<b>TAXATION REVENUE</b>				
Personal Income Tax	108,379	107,873	104,862	89,451
Corporate Income Tax	40,640	29,020	53,119	81,256
Tobacco Tax	15,811	15,952	15,826	15,683
Fuel Tax	18,817	18,658	18,890	18,514
Payroll Tax	42,743	41,987	45,206	41,245
Property Taxes and School Levies	28,797	28,780	27,885	27,866
Basic Insurance Premium Tax	4,600	4,500	4,500	4,329
Fire Insurance Premium Tax	480	460	460	316
	<b>260,267</b>	<b>247,230</b>	<b>270,748</b>	<b>278,660</b>
<b>Non-renewable Resource Revenue</b>				
Minerals, Oil and Gas Royalties	78,940	78,903	120,000	-
Licences, Rental and Other Fees	2,283	1,385	1,730	-
Quarry Fees	-	-	-	58
	<b>81,223</b>	<b>80,288</b>	<b>121,730</b>	<b>58</b>
<b>GENERAL REVENUES</b>				
Revolving Funds Net Revenue	26,936	24,720	25,372	24,124
Regulatory Revenues	21,816	21,427	21,316	22,255
Investment Income	1,140	1,130	1,130	11,577
Lease	5,203	5,368	5,368	4,766
Program	24,381	24,325	21,790	28,893
Grants in kind	593	593	593	593
Service and miscellaneous	684	707	712	772
Recovery of Prior Years' Expenditures	3,000	3,000	3,000	7,155
	<b>83,753</b>	<b>81,270</b>	<b>79,281</b>	<b>100,135</b>
<b>TOTAL REVENUES</b>	<b>1,826,794</b>	<b>1,837,716</b>	<b>1,845,501</b>	<b>1,631,779</b>

## Summary of Operations Expenditures by Department

	(thousands of dollars)			
	2015-2016 Main Estimates	2014-2015 Revised Estimates	2014-2015 Main Estimates	2013-2014 Actuals
Legislative Assembly	21,175	19,013	18,989	18,656
Aboriginal Affairs and Intergovernmental Relations	9,340	9,236	9,230	8,192
Education, Culture and Employment	309,786	305,842	305,599	294,837
Environment and Natural Resources	85,981	133,823	86,093	81,549
Executive	11,335	22,135	11,178	23,825
Finance	211,262	230,499	210,630	175,251
Health and Social Services	406,886	392,509	391,929	390,978
Human Resources	24,324	23,766	23,636	19,474
Industry, Tourism and Investment	65,677	62,585	62,215	44,515
Justice	128,797	125,606	124,955	118,676
Lands	29,268	28,084	26,830	-
Municipal and Community Affairs	103,477	99,829	99,801	98,294
Public Works and Services	120,750	119,153	115,676	111,671
Transportation	119,462	122,151	126,161	120,121
<b>TOTAL OPERATIONS EXPENDITURES</b>	<b>1,647,520</b>	<b>1,694,231</b>	<b>1,612,922</b>	<b>1,506,039</b>

### Summary of Infrastructure Investment by Department

	(thousands of dollars)			
	2015-2016 Capital Estimates	2014-2015 Revised Estimates	2014-2015 Capital Estimates	2013-2014 Actuals
<b>Tangible Capital Assets</b>				
Legislative Assembly	150	657	329	46
Education, Culture and Employment	5,796	5,782	2,479	7,416
Environment and Natural Resources	11,343	3,079	2,235	1,972
Finance	210	1,031	450	19
Health and Social Services	83,606	88,599	60,488	37,121
Human Resources	440	441	441	393
Industry, Tourism and Investment	2,575	4,865	2,640	1,594
Justice	17,166	4,839	4,088	508
Public Works and Services	12,525	29,720	26,505	23,161
Transportation	111,489	146,372	90,400	120,942
	<b>245,300</b>	<b>285,385</b>	<b>190,055</b>	<b>193,172</b>
<b>Infrastructure Contributions</b>				
Municipal and Community Affairs	28,002	32,376	28,002	29,529
Education, Culture and Employment	461	1,530	1,261	1,915
	<b>28,463</b>	<b>33,906</b>	<b>29,263</b>	<b>31,444</b>
<b>Deferred Maintenance</b>				
Education, Culture and Employment	300	-	-	-
Health and Social Services	789	1,400	1,400	-
Justice	620	-	-	-
Public Works and Services	2,000	2,000	2,000	-
Transportation	440	-	-	-
	<b>4,149</b>	<b>3,400</b>	<b>3,400</b>	<b>-</b>
<b>Total Capital Estimates</b>	<b>277,912</b>	<b>322,691</b>	<b>222,718</b>	<b>224,616</b>

### Summary of Debt and Estimated Borrowing Capacity

	(thousands of dollars)			
	2015-2016 Main Estimates	2014-2015 Revised Estimates	2014-2015 Main Estimates	2013-2014 Actuals
<b>SHORT TERM DEBT</b>				
GNWT short-term loans	272,000	287,000	235,509	158,298
GNWT bank overdraft	-	-	-	-
NWT Hydro Corporation	31,000	24,000	5,000	16,362
	<b>303,000</b>	311,000	240,509	174,660
<b>GNWT LONG TERM DEBT</b>				
Deh Cho Bridge - Real Return Bonds	180,023	179,280	179,241	179,264
Canada Mortgage and Housing Corporation	668	737	737	802
<b>PUBLIC AGENCY DEBT</b>				
NWT Hydro Corporation	183,735	186,305	186,306	188,748
NWT Housing Corporation	10,045	10,862	10,862	11,633
Yellowknife Catholic Schools	1,599	2,302	2,313	2,965
<b>TOTAL DEBT</b>	<b>679,070</b>	690,486	619,968	558,072
<b>OBLIGATIONS UNDER CAPITAL LEASES</b>				
GNWT	1,298	1,637	1,637	1,960
NWT Housing Corporation	52	282	602	1,216
Other public agencies	-	-	-	-
NWT Hydro Corporation	19,719	20,600	18,821	21,464
<b>LOAN GUARANTEES</b>				
GNWT	-	-	-	-
NWT Business Development and Investment Corp.	-	-	-	-
Other public agencies	250	250	-	250
NWT Housing Corporation	21,881	23,997	24,734	25,619
<b>TOTAL GROSS BORROWING PER BORROWING REGULATIONS</b>	<b>722,270</b>	737,252	665,762	608,581
<b>LESS:</b>				
<b>EXTERNALLY RESTRICTED SINKING FUNDS</b>				
NWT Power Corporation	(8,117)	(7,207)	(7,419)	(6,513)
<b>TERRITORIAL BORROWING</b>	<b>714,153</b>	730,045	658,343	602,068
<b>TERRITORIAL BORROWING LIMIT</b>	<b>800,000</b>	800,000	800,000	800,000
<b>AVAILABLE BORROWING AUTHORITY FOR FISCAL PLANNING PURPOSES</b>	<b>85,847</b>	69,955	141,657	197,932

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**PROVINCIAL/ TERRITORIAL TAX RATES AS AT JANUARY 21, 2015**


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	Combined Top Marginal Personal Income Tax <sup>(a)</sup> (%)	Retail Sales Tax (%)	Fuel Tax <sup>(b)</sup>		Tobacco Tax <sup>(c)</sup> (\$/carton)	Payroll Tax <sup>(d)</sup> (%)	Corporate Income Tax		Capital Tax on Financial Institutions (%)
			Gasoline (¢/litre)	Diesel (¢/litre)			Small (%)	Large (%)	
Northwest Territories	43.05	-	10.70	9.10	57.20	2.00	4.0	11.5	-
Nunavut	40.50	-	6.40	9.10	50.00	2.00	4.0	12.0	-
Yukon	42.40	-	6.20	7.20	42.00	-	3.0	15.0	-
British Columbia	45.80	7.0	21.17	22.67	47.80	-	2.5	11.0	-
Alberta	39.00	-	9.00	9.00	40.00	-	3.0	10.0	-
Saskatchewan	44.00	5.0	15.00	15.00	50.00	-	2.0	12.0	3.25
Manitoba	46.40	8.0	14.00	14.00	58.00	2.15	0.0	12.0	3.0
Ontario	49.53	8.0	14.70	14.30	27.95	1.95	4.5	11.5	-
Quebec	49.97	9.975	19.20	20.20	29.80	4.26	8.0	11.9	-
New Brunswick	46.84	8.0	13.60	19.20	38.00	-	4.5	12.0	4.0
Nova Scotia	50.00	10.0	15.50	15.40	47.04	-	3.0	16.0	4.0
Prince Edward Island	47.37	9.0	13.10	20.20	45.00	-	4.5	16.0	5.0
Newfoundland & Labrador	42.30	8.0	16.50	16.50	47.00	2.00	3.0	14.0	4.0
Weighted average <sup>(e)</sup>	47.45	7.3	15.90	16.32	35.29	1.85	4.6	11.6	0.5

## Notes:

(a) Combined federal-provincial/ territorial highest 2015 personal income tax rate and surtax.

(b) The NWT's off-highway gasoline tax rate is 6.4 cents/litre. British Columbia fuel tax rates include carbon tax, and are applicable in regions outside Victoria and the Lower Mainland. In British Columbia, carbon tax rates are uniform across the province; however, there are different fuel tax rates for different regions. Quebec fuel tax rates also vary regionally.

(c) British Columbia, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Ontario and Saskatchewan apply sales tax to sales of tobacco.

(d) NWT and Nunavut levy payroll taxes on employees. Other provinces that levy payroll taxes provide exemptions for small business and/or rates vary depending on payroll size.

(e) Average weighted by provincial/ territorial populations estimated at July 1, 2014.

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