

Budget Address

2019-2020

Northwest Territories

Budget Papers

◆ **Fiscal Review**

February 6, 2019

FISCAL REVIEW

Budget 2019-20, the last budget of the 18th Legislative Assembly, continues the fiscal plan to carefully manage increases in spending for existing programs and services so that other priority investments to support the Assembly's Mandate are possible. This prudent management of expenditures has sustained the Government of the Northwest Territories' (GNWT) efforts throughout the 18th Legislative Assembly to improve its fiscal position despite \$81 million in revenue declines from 2016-17 to 2018-19.

Even with the revenue challenges, measures taken to re-allocate resources and find savings have allowed the government to advance its mandate and invest in the Assembly's priorities, while leaving the overall fiscal situation no worse than when the Assembly started.

Fiscal Strategy

The fiscal strategy adopted early in the 18th Legislative Assembly has three main objectives:

- **Limit spending growth to revenue growth** to ensure program spending is fiscally sustainable;
- **Expand operating surpluses** by reducing operating expenditures and increasing revenues so that there are funds available to invest in the territory's infrastructure deficit and make other strategic investments in the Assembly's priorities; and
- **Establish a solid fiscal position for the next Assembly** by returning the GNWT to a small cash surplus position by the end of the life of the 18th Assembly.

Progress towards greater fiscal sustainability was made in the first three budgets of this Assembly as expenditure growth was held to 0.5 per cent annually over the first three years. This achievement was overshadowed by economic conditions which caused a revenue decrease of 0.8 per cent over the same period. The two years of revenue declines mean that significant progress on the three objectives of the fiscal strategy is unlikely to be achieved during the life of this Assembly.

Although operating expenditure growth is below historical averages, the average 2.1 per cent forecast growth over the 18th Assembly is greater than revenue growth of 1.3 per cent.

As noted, the government has been able to invest in the Assembly's priorities. With growth in operating expenditures exceeding revenues, the operating surplus has declined.

The objective to return the GNWT to a small cash surplus position will not be met. By no coincidence, the revenue decline of \$81 million over two years is the same amount as the cash deficit increased over the same period. The 19th Assembly will begin its term with a higher short-term borrowing amount than originally projected in the 2016-17 Budget. However, the projection for the medium term is for revenue growth to outpace expenditure growth and which should lead to improvements in the cash deficit.

Following the fiscal strategy requires fiscal discipline, particularly on the expenditure side because most of the GNWT's budget is funded through federal transfers. Approximately 80 per cent of total GNWT revenues come from federal transfers, which are beyond the control of the GNWT to directly influence. Moreover, the Northwest Territories has a small, resource-based economy and a small population and this limits the practicality of increasing revenues through increased taxes or other own-source revenues.

Revenue actions could be part of a longer-term fiscal strategy for the GNWT. However, because of the relatively small portion of the budget that is funded through own-source revenues, new taxes or increased rates alone would not generate significant new revenues, unless they were very large. Major tax increases would have potentially significant implications for the cost of living and doing business in the Northwest Territories, which in turn could negatively affect the economy. The adoption of new own-source revenues would need to be based on several principles: revenue-raising potential; the principles of sound tax policy, including predictability, fairness, efficiency and ease of administration; and potential impact on the economy.

About the GNWT Budget

The GNWT has two spending budgets: an operating budget to pay for the delivery of government programs and services, and a capital budget to fund infrastructure. Total revenues must pay for both budgets, or the government must borrow and increase its debt. Borrowing is limited by the federally-imposed borrowing limit of \$1.3 billion and the GNWT's own debt management guidelines described in the *Fiscal Responsibility Policy*.

Under the *Fiscal Responsibility Policy*, the GNWT requires operating surpluses to fund at least half of the annual infrastructure budget that provides the housing, health centres, schools, roads and airports that serve Northwest Territories residents and economy. Therefore, the GNWT may only borrow to pay for a maximum of 50 per cent of the annual infrastructure budget.

Fiscal Situation and Outlook

Total revenue is estimated to be \$1.933 billion in 2019-20, an increase of \$144 million from 2018-19, following two years of revenue declines. This revenue increase is due, in part, to specific project or program investments by the federal government and introduction of the NWT Carbon Tax. The revenue declines have put pressure on the GNWT's fiscal plan, but expenditure management throughout the lifetime of the 18th Assembly and an expected increase in revenue in 2019-20 will prevent a more serious deterioration.

While the fiscal strategy aimed to reduce short-term borrowing over the course of the Assembly, the reduced operating surpluses means that the GNWT will end up increasing short-term borrowing by \$81 million over the length of this Assembly. As noted, this increase corresponds with the two years of revenue decline. While the overall increase in short-term debt is lower than the previous two Assemblies, the 18th Assembly will transition to the next government with continued challenges related to short-term debt.

The GNWT's continuing fiscal prudence is recognized by Moody's Investors Service, which has assigned the GNWT a credit rating of Aa1 continuously since 2006 – one of the highest ratings available. As a result, the GNWT is able to borrow on favourable terms.

Medium-Term Outlook

The Government's medium-term outlook (2019-20 to 2023-24) projects operating surpluses increasing until 2021-22, but total borrowing will also increase and is projected to be within \$57 million of the borrowing limit in 2021-22 before starting to decline.

Revenue growth is forecast to be moderate over the medium term, with a forecast increase of 2.7 per cent annually from 2019-20 to 2023-24. Revenue growth in the coming years will continue to be impacted by federal funding of specific projects and programs and the full implementation of the NWT Carbon Tax. The medium-term outlook forecasts expenditures to grow an average 2.5 per cent annually, below revenue growth, which will increase operating surpluses in the years ahead and help the GNWT reduce its short-term borrowing. The expenditure growth projections assume costs for existing programs and services and new initiatives will be modest, but does not incorporate any reductions.

The GNWT will remain below the federally-imposed borrowing limit of \$1.3 billion throughout the forecast period, and total debt-servicing payments will remain below the 5 per cent limit required under the *Fiscal Responsibility Policy*. Adherence to the *Fiscal Responsibility Policy* also requires annual operating surpluses to fund at least half of infrastructure investment. The outlook maintains core infrastructure spending at a generally steady pace. Large infrastructure projects such as the Inuvik-Tuktoyaktuk Highway and the Stanton Territorial Hospital Renewal Project are either complete or are nearing completion. Other projects such as the Tłı̄ch̄o All-Season Road, Mackenzie Valley Highway, and green energy projects, are included in the 2019-20 Capital Estimates. Some additional long-term debt, especially by NWT Hydro Corporation, will be required. Total debt is expected to peak in 2021-22.

Over two-thirds of GNWT total revenues come from Territorial Formula Financing and are outside the ability of the GNWT to influence. The Territorial Formula Financing entitlement is projected to increase 2.6 per cent annually over the medium-term outlook based on provincial/local government spending and Northwest Territories population growth relative to national growth projections, which are the main variables that determine its growth. Expenditure restraint measures by provincial governments and persistently low growth in the territorial population have contributed to relatively weak growth in Territorial Formula Financing and, therefore, total revenues.

The GNWT has put in place a number of strategies to help create the environment for a more robust and vibrant economy. In addition, the GNWT has the fiscal capacity to make strategic infrastructure investments, while adhering to its *Fiscal Responsibility Policy* and the federally-imposed borrowing limit. In time, these steps should help diversify the economy and broaden the economic and employment bases from their current reliance on government and mining.

Risks to Fiscal Outlook

The GNWT is subject to a number of fiscal risks, including:

- *The Northwest Territories economy's dependence on resource industries* – Resource sector activity can fluctuate significantly and results in the territory having the highest variability in economic growth in Canada. Resource sector activity has implications for long-term economic growth and creates significant volatility in GNWT own-source revenues.
- *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. Resource revenues are volatile and their variability will not be offset through Territorial Formula Financing, because resource revenues are outside of the formula. Resource revenues are 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.
- *Increased interest rates* – Debt risk is currently considered to be low because debt servicing costs are expected to absorb less than two per cent of total revenues over the outlook. A relatively low overall debt burden provides protection against the risk of rising interest rates. If rates increase, more interest will be paid on the current stock of debt, increasing debt service payments and decreasing the amount of money available for programs, services, and infrastructure investment.
- *Slow revenue growth* – Territorial Formula Financing is almost 70 per cent of total revenues, affording considerable year-to-year stability to the budget. However, growth in Territorial Formula Financing relies heavily on Northwest Territories population growth relative to Canada's and provincial/local government spending. Flat population growth (or declines) or further provincial and local government fiscal austerity measures would reduce growth in the Territorial Formula Financing Grant.

- *On-going operating expenditure pressures* – Constant pressure exists to enhance current programs and to implement 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 expenditure growth matches revenue growth, or the budgetary position could deteriorate.
- *Unexpected expenditures and capital project cost overruns* – Typical operating expenditure shocks are extraordinary fire suppression needs or other natural disasters. With the undertaking of large capital projects, the risk of capital cost overruns that may have an impact on the fiscal framework is heightened.

Fiscal Review

2018-19 Revised Estimates

The 2018-19 operating surplus is projected to be \$40 million; \$17 million higher than projected at the time of the 2018-19 Main Estimates, due to additional revenue of \$40 million, partially offset by \$18 million in increased expenditures and \$5 million in other adjustments. The revised 2018-19 revenue forecast is \$1.789 billion. Transfers are expected to increase \$55 million from the 2018-19 Main Estimates, mainly because of additional federal specific-purpose transfers for infrastructure, education and climate change. Own-source revenue projections are revised downward by \$15 million due mainly to a decline in estimated corporate income tax of \$37 million, partially offset by a \$7 million projected increase in personal income tax and a \$13 million increase in the resource revenue forecast.

Operating expenses are expected to increase to \$1.731 billion in 2018-19, up 1.1 per cent from the 2018-19 Main Estimates. Careful expenditure management continues, with revised 2018-19 operating expenditures 1.9 per cent higher than 2017-18 actual expenditures.

Total borrowing at March 31, 2019 is forecast to be \$1 billion, leaving \$300 million in borrowing room available from the federally-imposed borrowing limit of \$1.3 billion.

2019-20 Budget

The 2019-20 Budget forecasts revenues of \$1.933 billion and projects operating expenditures after adjustments of \$1.873 billion, which will result in an operating surplus of \$60 million.

Total revenues are forecast to rise \$144 million from the 2018-19 Revised Estimates to the 2019-20 Main Estimates. The Territorial Formula Financing Grant will increase \$53 million, in 2019-20. Other transfers are forecast to increase \$31 million, from \$203 million to \$234 million, as a result of \$28 million in additional specific-purpose transfers from the federal government for infrastructure.

GNWT own-source revenues are expected to account for 20 per cent of total revenues in 2019-20. Tax revenues are expected to increase \$41 million, mainly because of a \$29 million increase in corporate income tax and \$16 million for the first year of carbon tax revenue, partially offset by a

\$6 million forecast decrease in personal income tax. Resource revenues are expected to increase \$17 million in 2019-20 to \$47 million.

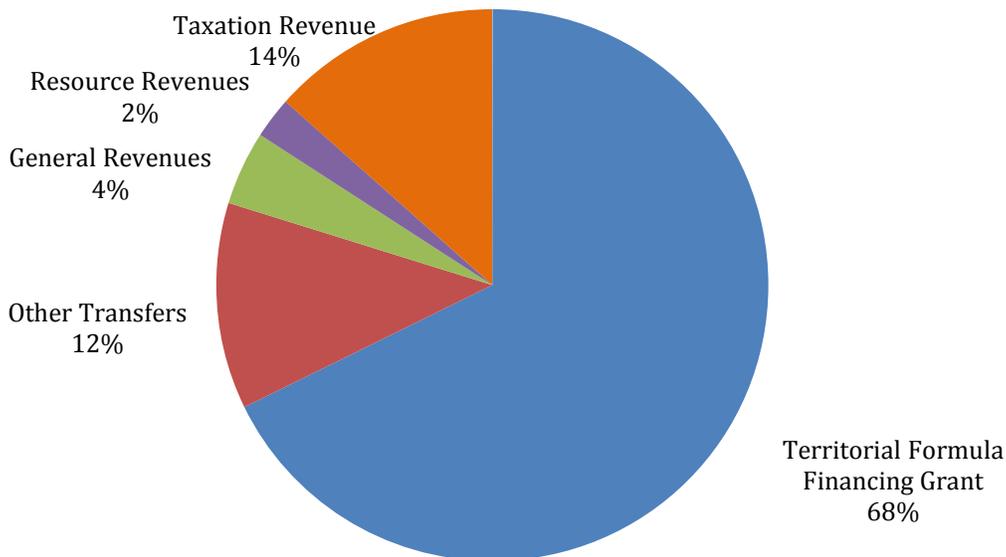
Total 2019-20 operating expenditures are expected to increase \$89 million, or 5.2 per cent, from the 2018-19 Main Estimates. These are driven primarily by departmental spending in Health and Social Services (an increase of \$34 million or 7.4 per cent), Infrastructure (\$25 million or 10.5 per cent) and Education, Culture and Employment (\$10 million or 3 per cent).

Budget 2019-20 forecasts that the GNWT's short-term debt will increase to \$325 million at March 31, 2020. Total debt, which includes the NWT Hydro Corporation and other public agencies, is expected to increase to \$1,113 million at March 31, 2020, leaving \$187 million in available borrowing capacity.

BUDGET 2019-20

Revenue Initiatives

Projected 2019-20 Revenues by Source



Budget 2019-20 does not contain any tax rate increases, other than the annual adjustment of property tax mill rates for inflation, effective April 1, 2019. These increases result from the GNWT's ongoing policy of indexing property tax rates, liquor mark-ups, and fees, where practicable.

On July 11, 2018 the GNWT announced its plans for a carbon tax in response to its commitment under the *Pan-Canadian Framework on Clean Growth and Climate Change* to introduce carbon pricing. Under the proposed plan, the GNWT will introduce a carbon tax on fuels effective July 1,

2019 at \$20 per tonne of greenhouse gas emissions. The tax rate would be increased by \$10 per tonne each year until it reaches \$50 per tonne in 2022. The revenues from the carbon tax will be recycled through rebates, offsets and initiatives to reduce greenhouse gas emissions.

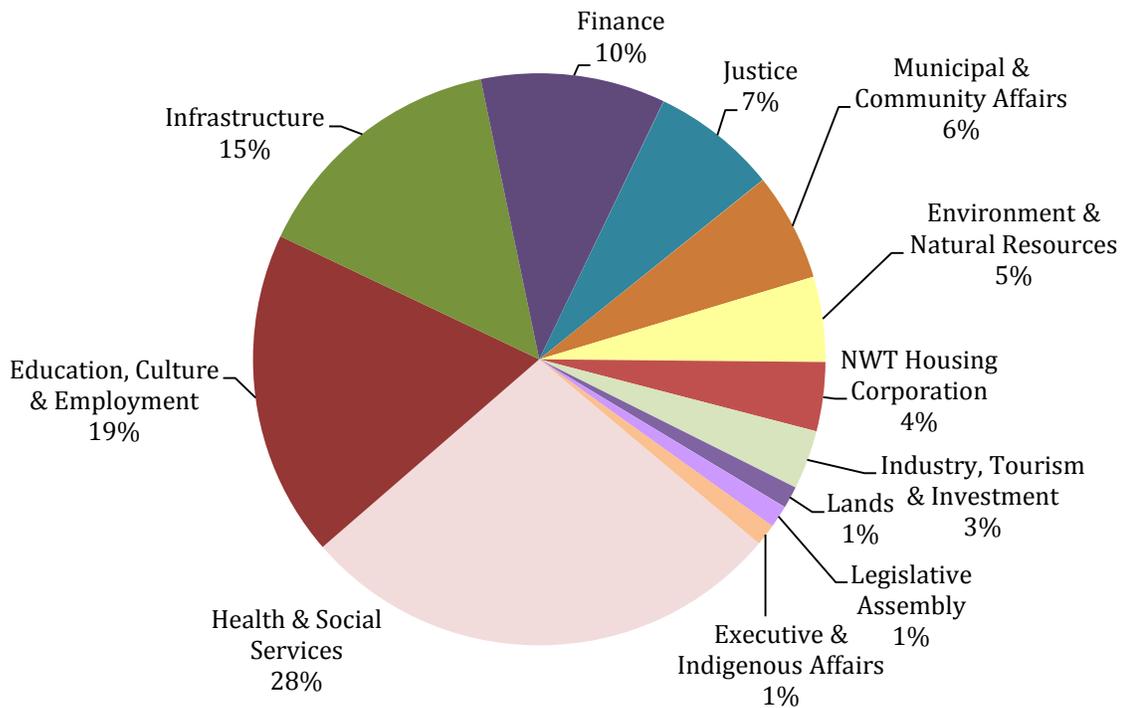
In Budget 2017-18 the government committed to investigating the possibility of introducing a sugary drinks tax with the objective to discourage the consumption of sugary drinks, in the expectation that reduced sugar consumption will reduce certain health problems including obesity and diabetes and improve oral health. A sugar-sweetened drinks tax proposal is being developed with public engagement planned in early 2019. A report detailing the findings will be released to the public later in the year.

Operating Expenditures

The 2019-20 Budget proposes \$1.802 billion in departmental operating expenditures, of which \$1.1 billion, or 60 per cent, is budgeted for social programs such as education, health care, social services, housing, policing and corrections.

Operating expenditures are budgeted to increase \$89 million from the 2018-19 Main Estimates, with \$70 million in proposed initiatives, \$17 million for increased costs within existing programs, and \$22 million in amortization. New initiatives have been partially offset with \$20 million in savings and expiring programs and \$30 million in new federal transfers and carbon tax revenue.

2019-20 Operations Expenditures by Department



Budget Highlights

The new spending proposed in the 2019-20 Budget is focused on four priorities: community wellness and safety; economic growth, labour force development and land management; environment and climate change; and governance.

Community Wellness and Safety

Budget 2019-20 proposes \$31.1 million in new community wellness and safety funding, focused mainly on building positive health outcomes for residents of the Northwest Territories, including:

- \$15.179 million for the Stanton Territorial Hospital, including an annual service payment and to commission the hospital for use;
- \$3.279 million to increase the capacity of Child and Family Services, including hiring more social workers across the territory and adding support positions at the Health Authority and department level to ensure consistency and sufficient oversight;
- \$2.064 million for additional school and community child and youth care counsellors in the Beaufort Delta and Sahtu regions and to improve the delivery of mental health support to the smallest communities in these regions;
- \$1.734 million to establish a combined day shelter and sobering centre program;
- \$1.608 million for health services for standard physician contracts for 2016 to 2021;
- \$1.348 million to establish a NWT-wide 911 Service;
- \$998,000 to increase the Income Assistance disability and aged allowance rates;
- \$782,000 to commission the Sahtú Got'iné Regional Health and Social Services Centre and Sahtú Dene Nechá Kó Long Term Care Facility in Norman Wells;
- \$500,000 in additional contribution funding to be distributed among a number of family violence shelters across the NWT;
- \$432,000 for the continued expansion of the Northern Distance Learning program;
- \$401,000 to enhance rehabilitation services for children, comprising three new positions – Speech Language Therapist, Occupational Health Therapist, and Audiologist;
- \$400,000 for land-based mobile addictions treatment and aftercare;
- \$397,000 in funding for five emergency shelters to hire additional support personnel;
- \$379,000 to establish a Specialized Territorial Support Team consisting of three new positions – an Educational Psychologist, a Behavioural Specialist, and an Occupational Therapist – along with funding to develop resources for students and teachers;

- \$373,000 for Territorial Midwifery Program enhancements, including a clinical specialist and two midwives;
- \$352,000 for chemotherapy program service delivery improvements at Stanton Territorial Hospital, including an additional nurse and clerk;
- \$350,000 in increased funding to stabilize non-government organization operations;
- \$315,000 to expand Northern Studies by enhancing the Northern Studies 10 curriculum, and developing new Northern Studies 20 (grade 11) and 30 (grade 12) curricula;
- \$120,000 to create a new program coordinator position at Stanton Hospital to enhance support for children with suspected or diagnosed autism; and
- \$100,000 per year for three years as a contribution to an affordable housing partnership with Habitat for Humanity to build up to two affordable housing units per year (total of up to six over three years) in the Northwest Territories with priority given to units outside of Yellowknife.

Economic Growth, Labour Force Development and Land Management

Budget 2019-20 proposes \$9.8 million in new expenditures to assist in economic and workforce development and land management, including:

- \$2.992 million for the Canada-Northwest Territories Workforce Development Agreement to train labour, support workforce development, and build employment partnerships;
- \$1.2 million for the Slave Geological Province Exploration Development Initiative, which NWT Geological Survey cost-shares for geoscience activities;
- \$1.013 million to deliver Investing in Canada Infrastructure Plan resources, supporting six new positions for the GNWT;
- \$800,000 in additional funding to support annual large-scale tourism marketing campaigns;
- \$674,000 to enforce land tenure and develop an approach to address unauthorized and rights-based occupancy;
- \$753,000 for a Wek'èezhìi public land-use planning committee and Behchokò office;
- \$563,000 to address equity lease issues over a shortened three-year time frame including adding two lands specialist positions;
- \$375,000 to implement the *NWT Petroleum Resources Strategy*;
- \$329,000 for a new geotechnical advisor position to support management of public land and a new geomatics analyst position for territorial land administration;

- \$250,000 to establish a new director position for major projects in the Department of Infrastructure to lead the advancement of various large capital commitments with federal funding;
- \$225,000 to develop and implement a knowledge economy strategy, including a new senior knowledge economy advisor position for three years;
- \$200,000 to increase funding for the NWT Arts Council;
- \$181,000 to create a new film officer position, market the NWT Film Rebate Program, and expand the capacity of the NWT Film Commission;
- \$150,000 to determine the feasibility of building the Centre for Northern Sustainability and Community Resilience, intended to be a northern centre of excellence for the knowledge economy; and
- \$104,000 to increase the Student Financial Assistance course reimbursement rate from \$500 to \$800, and to increase the lifetime limit on course reimbursements from \$5,000 to \$8,800.

Environment and Climate Change

Budget 2019-20 proposes an additional \$20.8 million for actions that support reducing greenhouse gas emissions including:

- \$12.5 million for NWT Carbon Tax rebates and benefits, including heating fuel tax rebates for all but large emitters, transfers to individuals to offset the impact of carbon pricing, NTPC rebates for tax paid on fuel used to generate electricity for non-large emitters, annual rebates to large emitters of 75 per cent of the carbon tax paid on non-motive fuel with the remaining 25 per cent put into individual industrial trusts for large emitters to invest in emission reduction, and administration costs;
- \$7.746 million under the Low Carbon Economy Leadership Fund Agreement for incremental Arctic Energy Alliance programs and services, the greenhouse gas grant funds for government, commercial and industrial organizations, active forestry carbon sequestration, and funding under the NWT Housing Corporation; and
- \$555,000 to implement the *2030 NWT Climate Change Strategic Framework*, including additional funds for data management, reporting and outreach.

Governance

Budget 2019-20 proposes \$9.2 million in new funding and enhancements to support the 18th Legislative Assembly's priority for more effective governance including:

- \$3.078 million for public service compensation after a two-year wage freeze, including \$1.772 million for collective bargaining increases for teachers for 2016 to 2020 and \$1.306 million for a one per cent increase for non-unionized GNWT employees that were implemented in 2018-19;
- \$1.899 million for several departments to address their responsibilities under the federal initiative to legalize non-medicinal cannabis;
- \$750,000 in additional funding for community government operations and maintenance;
- \$650,000 to further support community governments in providing water and sewer services;
- \$407,000 to support the Enterprise Licensing and Permitting Service and Support Model, comprising three new positions and related operating expenses;
- \$400,000 to establish a new program to provide contributions to offset the costs of secondment agreements for Indigenous Governments;
- \$400,000 to create a new Information Systems Shared Services unit;
- \$389,000 to adjust funding provided under the Délı̄ne Financing Agreement pursuant to the agreement's funding formula;
- \$300,000 for two new Government Services Officer positions for each Jean Marie River and Sambaa K'e;
- \$269,000 to establish an Access To Information and Protection of Privacy shared-services unit;
- \$250,000 for travel and contract services as part of self-government implementation;
- \$234,000 to fund incremental Technology Service Centre chargeback costs relating to the establishment of an Information Systems Shared Services unit;
- \$124,000 for a Legal Aid Commission program support manager to better organize the division in response to rising demand for services and a larger staff complement; and
- \$38,000 for the Women's Advisory Council to advance the objectives of the Women in Politics initiative by developing a communications plan and undertaking an awareness campaign.

Infrastructure

The 2019-20 capital budget approved in October 2018 is \$88 million higher than in the 2018-19 capital budget. Total budgeted spending is \$325 million, including \$199 million for the GNWT's own capital plans, \$29 million for community infrastructure investments, \$45 million for energy and other infrastructure contributions, and \$50 million for public/private partnerships (primarily the Tłchq All-Season Road). If the NWT Housing Corporation's \$18 million in housing investment is included, total planned infrastructure investment in 2019-20 will be \$343 million.

Highlights of the 2019-20 Capital Estimates include:

- \$118 million for highways, winter roads, bridges, and culverts across the NWT. This includes funding of \$47 million for the Tłchq All-Season Road project, \$22 million under the National Trades Corridors Fund, and \$34 million for Building Canada Plan projects;
- \$42 million towards energy projects under the Investing in Canada Plan, which includes \$18 million for the Inuvik Wind Project;
- \$62 million for health facility replacements, renovations, and equipment, which includes funding of \$25 million for long-term care facilities in Hay River and Inuvik;
- \$29 million to continue to provide funding to community governments for their infrastructure needs;
- \$17 million for new education facilities and renovations to existing facilities, which includes \$12 million for the major retrofit of the Mangilaluk School in Tuktoyaktuk and \$3 million for the replacement of J.H. Sissons in Yellowknife;
- \$9 million for deferred maintenance and energy upgrades to existing GNWT assets; and
- \$8 million for new and enhanced information technology functionality and upgrades.

By the end of the 18th Legislative Assembly the GNWT will have invested \$1.1 billion to meet the territory's infrastructure requirements. This investment involves maintaining existing assets, improving the housing stock, investing to encourage economic growth, and investing to meet legislative requirements to deliver government programs and services. Investments in strategic infrastructure will better position the Northwest Territories to take advantage of economic opportunities and support solutions to problems caused by climate change. The discipline exercised in the operating budget has allowed the GNWT to partner with the federal government in infrastructure initiatives such as the Investing in Canada Infrastructure Plan, the Building Canada Plan and the Low Carbon Economy Leadership Fund, which has helped make this significant investment possible.

Summary of Operations

(thousands of dollars)

	2019-2020 Main Estimates	2018-2019 Revised Estimates	2018-2019 Main Estimates	2017-2018 Actuals
REVENUES	1,933,297	1,789,417	1,749,337	1,853,794
OPERATIONS EXPENSE				
Compensation and Benefits	372,208	363,180	360,039	361,733
Grants, Contributions and Transfers	846,293	826,885	815,408	794,855
Amortization	123,014	100,790	100,790	95,052
Chargebacks	21,909	21,610	21,523	23,819
Computer Hardware and Software	5,729	5,729	5,700	6,710
Contract Services	219,691	205,900	203,999	186,724
Controllable Assets	3,226	3,170	3,126	5,189
Fees and Payments	106,076	101,055	100,646	112,260
Interest	11,246	11,434	11,434	17,374
Loss on Sale of Assets	-	-	-	1,582
Materials and Supplies	19,684	19,427	19,214	23,961
Purchased Services	14,151	14,172	14,021	14,378
Travel	19,863	19,779	19,277	16,343
Utilities	36,294	35,502	35,437	36,373
Valuation Allowances	2,419	2,419	2,419	2,595
TOTAL OPERATIONS EXPENSE TO BE VOTED	1,801,803	1,731,052	1,713,033	1,698,948
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	131,494	58,365	36,304	154,846
Infrastructure Contributions	(74,275)	(29,339)	(27,748)	(5,000)
Deferred Maintenance	(2,000)	(2,838)	(2,000)	-
Petroleum Products Stabilization Fund net profit (loss)	(200)	(1,000)	(150)	(510)
Supplementary Reserve	(20,000)	(15,000)	(20,000)	-
Estimated Appropriation Lapses	25,000	30,000	37,000	-
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	99,256	129,219	109,806	105,497
Expenditures	(99,256)	(129,219)	(109,806)	(105,497)
OPERATING SURPLUS FOR THE YEAR	60,019	40,188	23,406	149,336
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,876,621	1,836,433	1,761,880	1,687,097
ACCUMULATED SURPLUS, END OF YEAR	1,936,640	1,876,621	1,785,286	1,836,433

Summary of Revenues

(thousands of dollars)

	2019-2020 Main Estimates	2018-2019 Revised Estimates	2018-2019 Main Estimates	2017-2018 Actuals
GRANT FROM CANADA	1,309,300	1,256,289	1,256,289	1,232,439
TRANSFER PAYMENTS	233,595	202,900	148,247	185,654
TAXATION REVENUE				
Personal Income Tax	104,369	110,172	103,076	87,530
Corporate Income Tax	23,331	(5,469)	31,299	60,006
Cannabis Excise Tax	747	373	-	-
Carbon Tax	16,190	-	-	-
Tobacco Tax	15,100	15,332	16,087	15,598
Fuel Tax	21,062	20,993	21,684	20,925
Payroll Tax	44,355	43,486	44,866	42,633
Property Taxes and School Levies	29,750	29,211	29,235	28,744
Insurance Premium Taxes	5,100	4,850	4,850	5,169
	260,004	218,948	251,097	260,605
Non-renewable Resource Revenue				
Licences, Rental and Other Fees	2,532	3,832	2,432	26,184
Minerals, Oil and Gas Royalties	43,822	25,456	13,460	39,862
Quarry Fees	180	180	180	122
	46,534	29,468	16,072	66,168
GENERAL REVENUES				
Revolving Funds Net Revenue	32,482	31,153	28,410	30,614
Regulatory Revenues	25,404	24,247	23,154	26,745
Interest	280	325	325	335
Investment Income	480	480	480	3,730
Lease	3,580	3,815	3,815	4,913
Program	16,757	17,290	16,946	19,861
Grants in kind	140	214	214	443
Service and miscellaneous	1,741	1,288	1,288	6,893
Recovery of Prior Years' Expenditures	3,000	3,000	3,000	15,394
	83,864	81,812	77,632	108,928
TOTAL REVENUES	1,933,297	1,789,417	1,749,337	1,853,794

Summary of Operations Expenditures

(thousands of dollars)

	2019-2020 Main Estimates	2018-2019 Revised Estimates	2018-2019 Main Estimates	2017-2018 Actuals
Department				
Legislative Assembly	22,443	20,849	20,790	18,376
Education, Culture and Employment	332,121	327,058	322,310	322,912
Environment and Natural Resources	86,693	88,059	88,022	95,463
Executive and Indigenous Affairs	22,103	21,869	21,388	18,941
Finance	258,202	252,543	250,745	247,230
Health and Social Services	495,934	463,773	461,563	445,642
Industry, Tourism and Investment	59,974	57,283	57,112	58,314
Infrastructure	264,013	245,492	238,906	243,997
Justice	127,617	124,959	124,577	123,683
Lands	22,584	21,348	20,737	18,213
Municipal and Community Affairs	110,119	107,819	106,883	106,177
	1,801,803	1,731,052	1,713,033	1,698,948
Expenditure Category				
Compensation and Benefits	372,208	363,180	360,039	361,733
Grants, Contributions and Transfers	846,293	826,885	815,408	794,855
Amortization	123,014	100,790	100,790	95,052
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Utilities	36,294	35,502	35,437	36,373
Valuation Allowances	2,419	2,419	2,419	2,595
	1,801,803	1,731,052	1,713,033	1,698,948

Summary of Infrastructure Investment

(thousands of dollars)

	2019-2020 Capital Estimates	2018-2019 Revised Estimates	2018-2019 Capital Estimates	2017-2018 Actuals
Tangible Capital Assets				
Legislative Assembly	-	390	390	47
Education, Culture and Employment	14,658	19,791	11,208	22,748
Environment and Natural Resources	2,423	7,709	2,974	5,840
Finance	1,630	7,130	7,130	2,135
Health and Social Services	59,624	31,932	13,975	18,497
Industry, Tourism and Investment	11,530	10,499	3,773	2,819
Infrastructure	103,806	138,182	64,102	103,446
Justice	4,341	23,329	4,892	9,418
Lands	932	1,692	1,623	683
Municipal and Community Affairs	-	115	115	-
	198,944	240,769	110,182	165,633
Infrastructure Contributions				
Education, Culture and Employment	3,000	1,827	300	559
Finance	-	255	255	-
Infrastructure	42,275	-	-	-
Municipal and Community Affairs	29,000	27,257	27,193	28,086
	74,275	29,339	27,748	28,645
Deferred Maintenance (non-capital)				
Education, Culture and Employment	-	-	-	75
Health and Social Services	-	-	-	40
Infrastructure	2,000	2,838	2,000	264
	2,000	2,838	2,000	379
Public Private Partnerships				
Health and Social Services	2,954	62,063	30,112	91,964
Infrastructure	46,800	67,000	67,000	-
	49,754	129,063	97,112	91,964
Total Capital Estimates	324,973	402,009	237,042	286,621

Summary of Debt and Estimated Borrowing Capacity

(thousands of dollars)

	2019-2020 Main Estimates	2018-2019 Revised Estimates	2018-2019 Main Estimates	2017- 2018 Actuals
SHORT TERM DEBT				
Government of the Northwest Territories	325,000	318,000	301,000	297,076
Hay River Health and Social Services Authority	1,000	1,000	1,000	-
NWT Hydro Corporation	135,911	25,567	19,671	-
	461,911	344,567	321,671	297,076
LONG TERM DEBT				
Government of the Northwest Territories:				
Deh Cho Bridge - Real Return Bonds	175,850	177,759	176,607	177,209
Mackenzie Valley Fibre Optic Link, P3 debt	75,300	77,700	75,000	79,900
Stanton Territorial Hospital, P3 debt	135,700	138,500	135,700	86,581
Tłı̨chǫ All-Season Road, P3 debt	19,560	8,160	50,100	-
Canada Mortgage and Housing Corporation	366	444	444	521
Public Agencies:				
NWT Hydro Corporation	209,168	213,515	253,088	226,393
NWT Housing Corporation	5,946	6,553	6,456	8,256
Yellowknife Catholic Schools	-	-	-	663
	1,083,801	967,198	1,019,066	876,599
OBLIGATIONS UNDER CAPITAL LEASES				
Government of the Northwest Territories	-	337	337	949
NWT Hydro Corporation	16,802	17,256	17,255	17,671
LOAN GUARANTEES				
NWT Business Development and Investment Corp.	2,100	2,500	2,500	2,101
NWT Housing Corporation	10,522	12,510	12,684	15,166
TOTAL GROSS BORROWING PER BORROWING REGULATIONS	1,113,225	999,801	1,051,842	912,486
LESS:				
EXTERNALLY RESTRICTED SINKING FUNDS				
NWT Hydro Corporation	-	-	-	(6,278)
TERRITORIAL BORROWING	1,113,225	999,801	1,051,842	906,208
TERRITORIAL BORROWING LIMIT	1,300,000	1,300,000	1,300,000	1,300,000
AVAILABLE BORROWING AUTHORITY FOR FISCAL PLANNING PURPOSES	186,775	300,199	248,158	393,792

Provincial/Territorial Tax Rates at January 1, 2019

	Combined	Retail Sales Tax (%)	Fuel Tax ^(b)		Tobacco Tax ^(c) (\$/carton)	Payroll Tax ^(d) (%)	Corporate Income Tax		Capital Tax on Financial Institutions ^(e) (%)
	Top Marginal Personal Income Tax ^(a) (%)		Gasoline (¢/litre)	Diesel (¢/litre)			Small	Large	
							(%)	(%)	
Northwest Territories	47.05	-	10.7	9.1	60.80	2.00	4.0	11.5	-
Nunavut	44.50	-	6.4	9.1	60.00	2.00	4.0	12.0	-
Yukon	48.00	-	6.2	7.2	60.00	-	2.0	12.0	-
British Columbia	49.80	7.0	22.28	23.95	55.00	-	2.0	12.0	-
Alberta	48.00	-	19.73	21.03	50.00	-	2.0	12.0	-
Saskatchewan	47.50	6.0	15.0	15.0	54.00	-	2.0	12.0	4.0
Manitoba	50.40	8.0	14.0	14.0	59.00	2.15	0.0	12.0	6.0
Ontario	53.53	8.0	14.7	14.3	36.95	1.95	3.5	11.5	1.25
Quebec	53.31	9.975	19.2	20.2	29.80	4.26	6.0	11.6	1.25
New Brunswick	53.30	10.0	15.5	21.5	51.04	-	2.5	14.0	5.0
Nova Scotia	54.00	10.0	15.5	15.4	55.04	-	3.0	16.0	4.0
Prince Edward Island	51.37	10.0	9.68	15.83	50.00	-	3.5	16.0	5.0
Newfoundland & Labrador ^(f)	51.30	10.0	16.5	16.5	49.00	2.00	3.0	15.0	6.0
Weighted average ^(g)	51.97	7.3	17.3	17.9	41.68	1.83	3.5	11.9	1.42

Notes:

(a) Combined federal-provincial/ territorial highest 2019 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, which are uniform across the province, but does not include surtaxes that apply only in Victoria and the Lower Mainland. Quebec fuel tax rates also vary regionally. Alberta's fuel tax rate includes carbon tax.

(c) Manitoba and Saskatchewan apply provincial sales tax to tobacco product sales. Harmonized sales tax is applied to tobacco product sales in Ontario, New Brunswick, Prince Edward Island, Newfoundland & Labrador, and Nova Scotia. BC's provincial sales tax does not apply to tobacco products. Quebec does not apply the Quebec sales tax to sales of tobacco products.

(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) Ontario and Quebec levy capital taxes on life insurance institutions. Saskatchewan and Manitoba also levy capital tax on provincial crown corporations.

(f) Newfoundland & Labrador taxpayers pay a temporary deficit reduction levy of up to \$1,800.

(g) Average weighted by provincial/ territorial populations at July 1, 2018.