

Fiscal Review

2025-2026

NORTHWEST TERRITORIES

February 6, 2025

Fiscal Review 2025-26

Budget 2025 addresses cost pressures in programs and services as departments continue working towards meeting the fiscal sustainability strategy targets set out in *Restoring Balance*. Work continues to meet the *Restoring Balance* objective of returning the Government of the Northwest Territories (GNWT) to fiscal sustainability by increasing operating surpluses, reducing short-term debt, realigning health spending to make programs more sustainable, and allocating funding to priorities. Additional costs to address low water levels, cost overruns and more funding to right-size health expenditures since the 2024-25 budget have made the fiscal strategy targets much more difficult to attain. Progress towards achieving *Restoring Balance* targets has slowed while the GNWT attempts to right-size department spending systematically to mitigate risk to core programs. The pause is conditional on Canada increasing the federally-imposed borrowing limit to allow the time necessary to further assess how to decrease expenditures and/or increase revenues without compromising program and service delivery.

Further fiscal action will be needed to ensure that expenditure growth slows to a point where it is not outpacing revenue growth so that debt growth is limited.

Fiscal Situation and Medium-Term Outlook

Operating surpluses are projected for the duration of the forecast but with expenditure growth exceeding revenue increases the operating balance is expected to decline every year of the medium-term outlook.

Revenues are projected to increase for the entirety of the forecast, though slower growth is expected in the later years largely because of slower growth in Territorial Formula Financing resulting from continuous low population growth relative to Canada. Average annual revenue growth of 1.1 per cent is expected from 2024-25 to 2028-29.

However, because expenditures are expected to increase at an average annual rate of 1.5 per cent over the same period, the GNWT is not expected to achieve the fiscal strategy objective of ensuring that revenue growth exceeds expenditure growth.

The forecast projects a 1.4 per cent average annual increase in total debt because short-term debt continues to climb. Current short-term borrowing projections are the main factor for the projection that the debt level will breach the \$1.8 billion federally-imposed debt limit in 2028-29. However, short-term borrowing varies within a year because of the timing of when cash is expended and

revenues received and for unanticipated fiscal shocks. The \$120-million cushion recommended under the *Fiscal Responsibility Policy* to manage short-term borrowing is compromised in every year of the medium-term outlook. The federal government is currently considering the GNWT's request for an increase to the federal borrowing limit. The GNWT will need more revenues, savings or efficiencies to meet the fiscal sustainability strategy targets.

Medium-Term Outlook (January 2025 Forecast)

(Millions of Dollars)	2024-25 Projected	2025-26 Main Estimates	2026-27	2027-28 Forecast	2028-29
Total Revenue	2,606	2,658	2,705	2,718	2,726
Operating Expenditures	2,536	2,488	2,557	2,612	2,687
Operating Surplus/(Deficit)	69	170	148	105	39
 Capital Investment	 202	 192	 187	 184	 180
 Total Debt at March 31	 700	 750	 744	 769	 846
Short-Term Debt	1,041	1,022	1,002	995	995
Total Debt	1,741	1,772	1,746	1,764	1,841
 Borrowing Limit	 1,800	 1,800	 1,800	 1,800	 1,800
FRP Borrowing Limit Trigger	120	120	120	120	120
Available Borrowing Capacity	(61)	(92)	(66)	(84)	(161)

Notes: FRP is the *Fiscal Responsibility Policy*. Totals may not add due to rounding.

Operating Expenditures include adjustments for supplementary reserves, infrastructure contributions, deferred maintenance and estimated appropriation lapses.

Restoring Balance: Fiscal Sustainability Strategy

Restoring Balance, the GNWT's fiscal sustainability strategy, includes the following targets for the lifetime of the 20th Assembly ending in fall 2027:

- Short-term debt repayment of \$150 million by the end of the term.
 - Budget 2025 projects GNWT short-term borrowing to increase from \$700 million in 2024-25 to \$750 million by March 31, 2028.
 - Budget 2025 projects to fully fund capital with the cash operating surplus throughout the medium-term outlook (2025-26 to 2027-28). In 2024-25, revised estimates project that the cash operating surplus was \$201 million (adjusted for non-cash items) and capital investment was \$202 million on a cash basis.

- The annual supplementary reserve is limited to \$35 million.
 - There were \$188 million in supplementary expenses approved in 2024-25, partially offset by \$27.5 million in federal funding.
 - Budget 2025 addresses underfunding and maintains a \$35 million reserve.
- The total of annual forced growth (spending for cost and volume increases of existing services) and initiatives is limited to \$10 million annually.
 - Budget 2024 included \$49 million in forced growth and initiative spending.
 - Budget 2025 proposes \$36 million in forced growth and initiatives.

Fiscal Review

2023-24 Final Results

The GNWT ended 2023-24 with an \$8-million operating deficit, which was primarily caused by expenditures for wildfires and floods. Total debt was \$1.5 billion, 14.6 per cent higher than the previous year.

Total revenues were \$2.6 billion, an increase of \$163 million or 6.7 per cent from 2022-23. The main revenue increases were \$92 million from Territorial Formula Financing, \$64 million from other federal transfers, \$28 million in corporate income tax and \$4 million personal income tax revenue. Non-renewable resource revenues decreased \$37 million.

Total department expenditures were \$2.6 billion, a 13.2 per cent increase from 2022-23. Health and Social Services made up the largest portion of departmental spending at \$671 million, or 27 per cent, followed by Education, Culture and Employment and Finance, both at 15 per cent.

2024-25 Revised Estimates

An operating surplus of \$69 million is projected for the 2024-25 revised estimates, a decrease of \$224 million from the budget operating surplus projection of \$294 million. Revenues are projected to be \$2.6 billion and expenditures, including adjustments for infrastructure contributions and deferred maintenance, are estimated to be \$2.5 billion. Debt is expected to be \$1.7 billion by March 31, 2025.

Revenue is estimated to have decreased by \$27 million from the 2024-25 budget. Own source revenues decreased \$4 million, driven by projected declines of \$17 million for corporate income tax revenue and \$25 million for resource revenues. Personal income tax revenue is estimated to have increased \$7 million and carbon tax revenues by \$6 million.

Operating spending for 2024-25 is projected to have increased \$198 million, or 8.4 per cent from budget estimates due to:

- a \$52 million increase in the Department of Environment and Climate Change budget for forest management and fire suppression,

- a \$49 million increase in the Department of Health and Social Services for addressing health care spending cost pressures,
- a \$26 million increase in the Department of Education, Culture and Employment for increased daycare and day home grants, offset by federal support for early learning and childcare, and contributions to education authorities, and
- a \$17 million increase in the Department of Finance for increased contributions to Housing NWT and higher short-term borrowing interest charges.

2025-26 Main Estimates

Total 2025-26 revenues are forecast to be \$2.7 billion and operating expenditures at \$2.5 billion, providing the GNWT a projected operating surplus of \$283 million before adjustments. The operating surplus after adjustments for infrastructure contributions, deferred maintenance and the \$35 million supplementary reserve is \$170 million.

Total revenues are projected to increase \$52 million from the 2024-25 Revised Estimates largely due to increases of \$104 million from the Territorial Formula Financing grant and \$13 million in carbon tax revenues because of the \$15 a tonne increase in the greenhouse gas emissions rate. Carbon tax revenue increases have offsetting expenditures to mitigate the carbon tax effects on the cost of living and economic competitiveness.

Revenue increases are expected to be offset by a projected \$45-million decline in other federal transfers and a forecast \$9-million decrease in personal income taxes and a projected decrease of \$7 million in corporate income taxes. Other general revenues are projected to decrease by \$4 million.

Compared to the 2024-25 Revised Estimates, total spending (departmental spending and adjustments) is forecast to decrease \$48 million or 1.9 per cent because of one-time expenditures made during the year. However, total spending is projected to increased 6.4 per cent, or \$149 million, from the 2024-25 budget to the 2025-26 budget.

GNWT short-term borrowing at March 31, 2026 is forecast at \$700 million, bringing the total 2025-26 year-end debt projection to \$1.772 billion, \$23 million higher than projected for 2024-25. The remaining space between the 2025-26 debt projection and the \$1.8 billion federally-imposed borrowing limit is \$36 million. The *Fiscal Responsibility Policy* requires total borrowing to be at least \$120 million below the limit, so at year-end the GNWT is expected to exceed the limit by \$84 million. This provision acts as an indicator for government to act to ensure there is sufficient fiscal capacity to respond to expenditure shocks.

2025-26 Budget Highlights

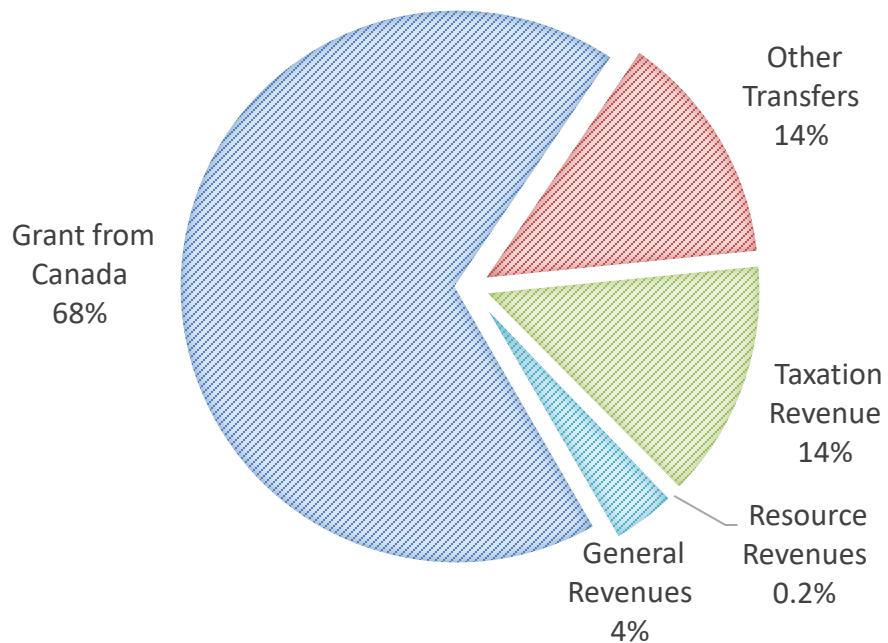
Revenue Initiatives

Budget 2025-26 does not introduce new taxes. However, property and education mill rates will be increased by inflation in keeping with established financial management practices. Property tax mill rate increases are expected to generate an additional \$711,700 in revenues.

The Northwest Territories carbon tax rate will increase \$15 to \$95 a carbon-equivalent tonne of greenhouse gas emissions as of April 1, 2025. Aviation fuel and diesel fuel used to generate electricity for community distribution continues to be exempt from carbon tax. The carbon tax rate increase will generate estimated additional revenue of \$12.9 million, which is returned to residents, communities and industry through carbon tax offsets and used for projects that reduce greenhouse gas emissions.

Effective April 1, 2024, to March 31, 2027, the Northwest Territories carbon tax on diesel heating fuel deliveries for all but large emitters are rebated at source. This decision was made following the federal government's October 2023 announcement to suspend for three years the carbon tax on diesel heating fuel under its backstop carbon pricing system.

Projected 2025-26 Revenues by Source



Department Expenditures

Budget 2025 projects \$2.4 billion in departmental operating expenditures, an increase of 6.5 per cent, or \$145 million, compared to Budget 2024. The projected spending increase is partially offset by \$27 million in federal funding. Collective agreement bargaining increased spending by \$108 million.

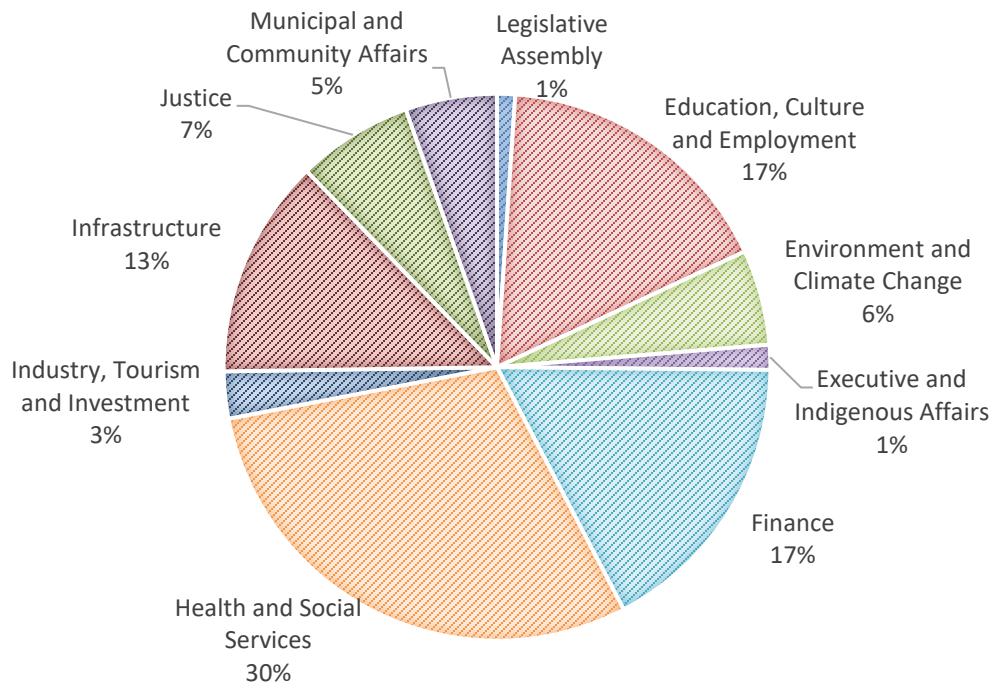
The operating expenditure budget is created by using the previous year's approved department budgets as the base. Expenditures for programs that are ending and other reductions are removed from the base and new funding for increased costs due to inflation or increased demand for programs or services are then added to each department's budget. Finally, new spending on initiatives is considered on a government-wide basis within the limits of the government's fiscal resources.

Spending is budgeted to increase \$145.4 million from the 2024-25 Main Estimates due to:

- \$26.9 million to address higher demand or higher costs for current programming that departments cannot manage in their existing budgets,
- \$9.4 million in new spending for initiatives and enhancements to existing programs,
- \$219.1 million under approved adjustments, and
- \$6.0 million in amortization.

This is partially offset by \$9.1 million from proposed fiscal sustainability reductions and another \$106.9 million in programs that have ended or agreements that have expired and not yet renewed in the upcoming budget. This includes the conclusion of \$29.7 million in federal agreements that may be brought to the Legislative Assembly for renewal later in the fiscal year.

2025-26 Operating Expenditures by Department



The following provides a description of departmental expenditures proposed in Budget 2025.

Legislative Assembly

The Legislative Assembly is projecting a \$829,000 spending decrease from the 2024-25 budget, largely due to a \$1.3-million reduction in expenses that are offset by a \$368,000 increase to address inflationary pressures and \$150,000 for examining electoral boundaries.

Education, Culture and Employment

The 2025-26 budget for the Department of Education, Culture and Employment is \$403 million, a \$29.0-million increase from the previous budget. Increased spending includes \$768,000 to address the higher costs associated with Aurora College and the Senior Citizens Fuel Subsidy and \$28.4 million in other adjustments that includes increased costs associated with the Northwest Territories Teachers' Association and Union of Northern Workers (UNW) collective agreements, federally supported spending for early learning and childcare, and ongoing funding for the Small Community Employment Program. Increased spending is expected to be offset by a proposed \$2.4 million in reduced spending for other programs and \$777,000 primarily for expiring agreements.

The Department budget also includes the following new spending:

- \$4.1 million to implement the actions outlined under the *Canada-Wide Early Learning and Child Care Agreement* (2021-22 to 2025-26). These actions support the development and broad-ranging structural changes to early learning and childcare systems across the Northwest Territories and will support the vision of the agreement that all families in Canada will have access to high-quality, affordable, flexible and inclusive early learning and childcare no matter where they live.

Environment and Climate Change

The 2025-26 budget for the Department of Environment and Climate Change is \$134 million, an increase of \$7.6 million from the 2024-25 budget. The Department has no new initiatives but proposes \$11.4 million for approved spending, including \$7.3 million for the UNW collective agreement, and \$2.7 million in funding from Natural Resources Canada to improve resilience to natural disasters that includes FireSmart protection and resources for enhancing the Department's wildfire preparedness and response efforts. The Department proposes \$705,000 in reduced spending and has \$3.4 million in expiring programs, mainly for federal agreements that may be renewed in 2025-26.

Executive and Indigenous Affairs

The 2025-26 budget for the Department of Executive and Indigenous Affairs is \$35 million, a \$7.9 million increase from the 2024-25 budget. The Department was able to reduce spending by \$484,000 as well as \$104,000 in expired programs. Spending will increase because of \$1.9 million for the UNW collective agreement, \$1.9 million for the Healthcare System Sustainability Unit supported by the Territorial Health Investment Fund, \$824,000 of federally supported funding for the NWT integrated services project which aims to help reduce at-risk youth from offending, and \$211,000 for the National Action Plan to End Gender-Based Violence.

New Department spending is:

- \$3.7 million to temporarily increase shelter capacity and expand transitional and supportive housing options in Yellowknife. This funding aligns with the mandate to address homelessness by enhancing community driven solutions, improving access to mental wellness and addictions recovery services and resourcing shelter services adequately.

Finance

The 2025-26 budget for the Department of Finance is \$326 million, a \$41.9-million increase from the 2024-25 budget, including the \$2.6-million transfer of the Enterprise Information Management Division from the Department of Infrastructure. The Department has \$30.0 million in funding to Northwest Territories Power Corporation (NTPC) ending and \$150,000 in proposed reduced spending.

The Department is projecting to increase spending by:

- \$10.1 million to address inflationary pressures in the medical travel assistance program, Inuvik to Tuktoyaktuk Fibre Line Operations, and technical and operational system support,
- \$38.7 million to adjust the at-source carbon tax rebate for diesel heating fuel (spending is offset by carbon tax revenue),
- \$12 million for NTPC costs associated with low water levels, and
- \$7.5 million for the increased costs of the UNW collective agreement.

Health and Social Services

The 2025-26 budget for the Department of Health and Social Services is \$704 million, a \$62.1-million increase from the 2024-25 budget. The Department identified \$15.4 million in reprofiled spending and has \$28.1 million in expiring programs that may be re-instated with federal support. In addition, there is \$504,000 in spending reductions.

The Department's budget share of total department spending is increasing and is projected to be almost one-third of GNWT department spending in the 2025-26 budget. The main reasons for the increased budget are \$42.7 million for collective bargaining and \$46.9 million for targeted adjustments for health and social services authorities and other cost pressures including:

- \$4.0 million for increased costs for out-of-territory hospitals and physician services for Northwest Territories residents and in-territory services for non-residents, additional Office of the Public Guardian staff, increased payments to the Boreal Health Partnership for services at the Stanton Territorial Hospital, support for the Yellowknife Shelter and Sobering Centre, and long-term care beds in Yellowknife and Inuvik,
- \$13.7 million to cover expected expense increases for physician services,
- \$13.3 million for medical staff relocation and accommodation,
- \$6.2 million for the Respiratory Syncytial Virus program, Covid-19 vaccines, and chemotherapy drug treatments,
- \$5.6 million for more staff and relief positions to address overcapacity at the Stanton Territorial Hospital and Inuvik Regional Hospital,
- \$3.1 million for increased child and family supports to cope with a rising demand for foster families, higher participation rate of existing family programming, and more financial supports for foster families within the territory,
- \$1.1 million for addressing the specialized needs and costs of out-of-territory for patients in short-term and long-term placements in the south,

- \$4.1 million for administrative funding for physicians, funeral burials for individuals with no next of kin, occupational health and safety positions within the health system given an increased number of incidents, improved records management, support for the Corrections Health Services program, positions to address the spread of infection, and funding to cover shortfalls for underfunded sleep diagnostics for physicians to better prescribe therapies,
- \$240,000 for ongoing support for respite services,
- \$869,000 for hematology and medical oncology services in a continued partnership with Alberta Health Services,
- \$709,000 for the Canada-Northwest Territories Agreement to Work Together to Improve Health Care for Canadians that will focus on improving access to mental health and addiction services, and home and community care, and
- \$331,000 to maintain two midwifery positions in communities that do not have birthing services.

New spending includes:

- \$809,000 to support the delivery of the Transitional Housing Addiction Recovery Program in Yellowknife and Inuvik. Transitional housing refers to temporary and supportive accommodations aimed to bridge the gap from unstable housing situations to permanent housing by offering structure, support services, life skills, education and training.

Industry, Tourism and Investment

The Department of Industry, Tourism and Investment budget increased \$1.1 million from the 2024-25 budget to \$66 million in the 2025-26 budget. The Department has \$534,000 in proposed reductions and \$3.5 million in expiring programs, including \$2.4 million relating to the one-time funding for the Hay River Fish Plant Operations. This is offset by \$299,000 proposed to address increasing costs associated with the government diamond valuator contract rates and travel costs.

The Department added \$3.5 million in other adjustments, including \$3.1 million for the UNW collective agreement, \$275,000 for geoscience research on the critical metal potential for the Selwyn Basin and Slave Geological Province, and \$167,000 for the Pan-Territorial Resource Investment Marketing Initiative that helps attract investment to mineral resource projects across the three territories.

The Department has the following proposed initiatives:

- \$500,000 to support the growth and potential of the Northwest Territories film and media sector and Industry, Tourism and Investment's ability to deliver the NWT Film and Media Sector Strategy and Action Plan (*Rolling, Action!*),
- \$100,000 for the Tourism 2025 investment strategy that will fund existing essential programs that provide investment, encourage recovery and growth in the tourism industry, and enable new programs and directions in Northwest Territories communities, and
- \$54,000 to complete the ongoing implementation of the *Mineral Resources Act* (MRA) regulations, which governs mineral rights administration in the Northwest Territories within the existing co-management framework for land, water and resources.

Infrastructure

The 2025-26 budget for the Department of Infrastructure is \$309 million, a \$3.9 million increase from the 2024-25 budget. Spending increases were offset by \$1.8 million in spending reductions and \$7.7 million from expired programs and one-time funding for operations and maintenance ending.

Additional spending to address increased cost pressures include \$2.7 million for increasing utility costs, \$1.4 million for the increased maintenance costs associated with the Mackenzie Valley winter road, and \$86,000 for Tłı̨chǫ winter road construction from Whatì, highway nine junction to Gamètì and Wekweètì and maintenance of the Tłı̨chǫ winter road to Gamètì and Wekweètì.

Spending enhancements of \$8.3 million includes \$6.7 million for the UNW collective agreement and \$1.5 million for the Community Access Program.

Justice

The 2025-26 budget for the Department of Justice is \$163 million, a \$14.0-million increase from the 2024-25 budget, which includes \$345,000 in proposed spending reductions and \$463,000 in ending one-time funding and expiring agreements. The spending reductions are expected to be partially offset by \$372,000 for the RCMP G division emergency response team contract, who are RCMP officers trained to resolve high-risk situations.

Additional spending increases add \$11.9 million, comprising the UNW collective agreement of \$6.7 million, RCMP employee compensation and divisional administration of \$4.9 million, and Judicial Remuneration of \$296,000.

Another \$13.4 million in other adjustments are proposed in Justice's budget including:

- \$800,000 annually over the next three years to support obligations under the Gun and Gang Violence Action Fund, fully offset by funding from the federal government,
- \$499,000 fully offset by the federal government for the Indigenous Justice Program, which seeks to assist Indigenous people in assuming greater responsibility for the administration of initiatives related to community justice and crime prevention through social development and community-based corrections in their communities so that programs include their traditional values and help reduce crime and victimization in their communities,
- \$108,000 to provide First Nations and Inuit communities with enhanced policing services to support community-based policing priorities and activities, and
- \$40,000 to support program development for specialized supports in the legal system for survivors of sexual assault and intimate partner violence. Funding is intended to support the provision of free legal and Emergency Protection Order safety planning advice and options.

Municipal and Community Affairs

The Department of Municipal and Community Affairs 2025-26 budget is \$129 million, a \$26.3-million decrease from the 2024-25 budget. The Department proposes to reduce spending by \$990,000 and had \$32.8 million in programs that expired, including \$29 million in funding for the 2022 Flood and 2023 Wildfire Response and Recovery.

The Department budget includes a proposed \$4.0 million to address inflationary increases and continued pressures in power, heating fuel, diesel, and labour costs associated with operations and maintenance.

The Department has proposed \$3.5 million in enhancements to support ongoing programs:

- \$1.8 million for the UNW collective agreement,
- \$796,000 for integrated climate-resilience for coastal communities to help manage the impacts of coastal erosion, including collaborative planning to address complex climate change risks and the adoption of innovative solutions for reducing risks,
- \$600,000 to provide property tax revenues generated in communities to their respective community governments through grants to support community governments as they work toward assuming full taxation authority, and
- \$258,000 for the Délînjé self-government grant, which funds services such as provision of water, disposal of solid waste, treatment of sewage, fire protection, road maintenance, recreation, local law enforcement, community land use planning, financing, construction and maintenance of community infrastructure, and governance and local administration.

Housing NWT

Housing NWT is a governmental agency mainly funded by the GNWT that also receives revenues from the Canada Mortgage and Housing Corporation. Budget 2025 includes a proposed 2025-26 GNWT contribution of \$81 million.

Housing NWT identified \$1.2 million in reductions that partially offset the nearly \$5.0 million in increased spending. This includes \$3.3 million to address the costs associated with the UNW collective agreement and \$2.9 million in operational and maintenance funding for increased heating fuel, water and sanitation costs involved in the operation of housing units across the territory.

Capital Investment

The 2025-26 capital budget approved in October 2024 contains total planned infrastructure investment of \$339 million, of which one-half, or \$170 million, is for projects that are partially or completely funded by the federal government. The Capital Estimates include \$245 million for departmental capital, \$81 million in infrastructure contributions, \$11.5 million for Housing NWT and almost \$2 million for deferred maintenance. These strategic investments connect communities, reduce the cost of living, and increase the number of homes to meet core housing needs.

The GNWT's capital investments also help support the territorial economy. The NWT Bureau of Statistics estimates that the proposed 2025-26 capital plan will add about \$132 million to the territory's gross domestic product with an estimated 676 full-time job equivalents and almost \$82 million in labour income.

Highlights of the 2025-26 Capital Estimates include:

- \$102 million for highways and roads,
- \$61 million for health care facilities, services, and equipment,

- \$58 million for community government infrastructure,
- \$47 million for renewable energy,
- \$17 million for airports and runways,
- \$10 million for housing,
- \$7 million for technology, and
- \$3 million for new education facilities and renovations for existing facilities.

The 2025-26 Capital Estimates maintains a \$260-million limit on departmental capital spending to reflect the economy's capacity to supply necessary labour and material to complete projects. This maximum does not include infrastructure contributions for community governments, funding for Housing NWT or smaller GNWT capital projects and deferred capital maintenance budgets.

Borrowing Plan

The Legislative Assembly is required to approve an annual *Appropriation Act* to establish limits on GNWT debt for the upcoming year. The borrowing plan projects total GNWT borrowing of \$1.3 billion at fiscal year-end and the requested borrowing amount is \$1.355 billion, which includes a \$50-million contingency amount to address timing issues and a \$5-million contingency for a real return bond.

The 2025-26 borrowing plan for the government reporting entity totals \$1.722 billion. This is a 1.1 per cent decrease from the March 31, 2025 projection.

GNWT short-term debt is forecast to remain constant at \$700 million from March 31, 2025 to March 31, 2026. Internal borrowing is set under territorial legislation that is consistent with the federal borrowing limit.

The forecast \$600 million in long-term debt is down \$10 million, or 1.7 per cent, from the 2024-25 budget. The majority of GNWT long-term debt consists of bonds and P3 debt for the Stanton Territorial Hospital, the Tłchǫ Highway and the Mackenzie Valley Fibre Optic Link.

Borrowing Plan Summary (year ending March 31)

	(Millions of dollars)		<u>Change</u>	
	<u>2025</u>	<u>2026</u>	<u>%</u>	<u>\$</u>
GNWT Debt	1,310	1,300	(0.8)	(10)
Short term	700	700	(0.0)	(0)
Long term	610	600	(1.7)	(10)
Bonds	363	361	(0.6)	(2)
P3	247	239	(3.3)	(8)
Other	0	0	(100.0)	(0)
Contingency	..	55
<i>Appropriation Act Limit</i>	..	1,356
Public Agencies	431	422	(2.1)	(9)
Total Consolidated	1,741	1,722	(1.1)	(19)

Fiscal Responsibility Policy

The *Fiscal Responsibility Policy* commits the GNWT to sustainable borrowing through responsible spending and controlled expenditure growth, while focusing on necessary infrastructure investments required to support the goals and priorities of the Legislative Assembly.

The main provisions of the *Fiscal Responsibility Policy* dictate that:

- Borrowing is undertaken only for infrastructure investments, short-term operational requirements, and self-sustaining loan programs, and not to finance program spending,
- Infrastructure investment is financed with a 50 per cent minimum of cash generated from operating surpluses and a maximum of 50 per cent debt financing,
- Debt servicing payments do not exceed five per cent of total revenues (non-consolidated reporting basis), and
- A cushion of \$120 million under the federally- imposed borrowing limit is required.

The *Policy* allows the GNWT two years to generate operating surpluses to meet the minimum budgeted 50 per cent threshold and the five per cent debt-to-revenue ratio when the GNWT is non-compliant.

Compliance with the *Fiscal Responsibility Policy* prevents the GNWT from borrowing to fund day-to-day operations and exceeding the federally- imposed borrowing limit. As shown in the Fiscal Responsibility Requirements Table, the GNWT currently complies with two of the three main guidelines but is not in compliance with the borrowing cushion provision to maintain \$120 million below the \$1.8 billion federal borrowing limit as total GNWT borrowing exceeds \$1.68 billion.

The \$120 million space between GNWT borrowing and the federal limit is a prudence measure to provide sufficient fiscal room to weather an extreme event. The breach of this provision signals that action is necessary because current borrowing practices are potentially unstable when considering the federal borrowing limit. As a result, the Department of Finance is in discussions with Finance Canada for an increase to the borrowing limit.

Fiscal Responsibility Policy Requirements (\$ millions)

	2024-25	2025-26
Provision 6(3)(a) - Infrastructure Financing		
Capital Acquisitions	202	192
Less: P3 Items - Out of Scope	-	-
Projected Cash Required for Infrastructure Investment Expenditures	202	192
Projected Cash Operating Surplus Required		
Minimum cash required from operating surplus	101	96
Projected Cash Operating Surplus Available		
Projected Operating Surplus	69	170
Add: Non-Cash Item - Amortization	132	139
Total Projected Cash Operating Surplus Available	201	309
Cumulative Non-Compliance Shortfall	-	-
Coverage (Shortfall) in Cash Generated by Operations	100	213
Provision 6(5)(a) - Debt Servicing Payments		
Revenues	2,606	2,658
Maximum Debt Servicing Payments - 5% of revenues	130	133
Projected Debt Servicing Payments		
Short-term Interest Expense	20	20
Government bonds	8	8
Deh Cho Bridge	9	9
P3 Debt Servicing	16	16
Total Debt Servicing Payments	53	53
Projected Debt Servicing Payments as a % of Revenues	2.0%	2.0%
Provision 6(5)(c) - Borrowing Cushion		
Total Debt	1,741	1,772
Borrowing Limit	1,800	1,800
Debt Cushion	120	120
Available Borrowing Capacity	(61)	(92)
Summary Compliance Table		
6(3)(a) Infrastructure Financing (minimum 50% funded by surplus)	Yes	Yes
6(5)(a) Affordable Debt (not to exceed 5% of revenue)	Yes	Yes
6(5)(c) Debt Cushion (\$120 million under limit)	No	No

Risks to the Fiscal Outlook

GNWT fiscal risks include:

- *The Northwest Territories' economic dependence on resources* – Resource sector market fluctuations and global commodity price volatility create uncertainty for resource sector profits and, therefore, GNWT resource revenues. Mineral exploration investments may result in new resource projects opening.
- *Revenue volatility* – Territorial Formula Financing averages 70 per cent of total revenues, affording considerable year-to-year revenue stability. Corporate income tax and resource revenues are the GNWT's most volatile own-source revenues, although the Territorial Formula Financing Grant is responsive over time to corporate income tax changes and resource revenues risk to the operating budget is largely neutralized by the GNWT's commitment to use resource revenues for Heritage Fund contributions, debt repayment and infrastructure and not for operations. Furthermore, 62.5 per cent of resource revenues are shared with other governments, further reducing the revenue risk to the GNWT fiscal framework.
- *Slow revenue growth* – Territorial Formula Financing dominates revenue growth. An underdeveloped private sector limits the ability to raise own-source revenue. Growth in Territorial Formula Financing relies on provincial/local government spending and population growth relative to Canada. The combination of provincial and local government spending forecasts and predicted slow Northwest Territories population growth is expected to reduce long-term average growth in the Territorial Formula Financing Grant to two per cent.
- *Ongoing operating expenditure pressures* – Cost pressures continue, particularly in health services, leaving limited resources to invest in preventative measures to mitigate spending risks and to implement initiatives that enhance or improve programs. The GNWT is actively mitigating this risk through the fiscal sustainability strategy, *Restoring Balance*. The methodology of reducing expenditures and finding value and efficiency will continue throughout the 20th Assembly's term.
- *Unexpected expenditures and capital project cost overruns* – Typical operating expenditure shocks are extraordinary fire suppression needs, flooding, or other natural disasters. All provinces and territories benefit from federal disaster assistance for natural catastrophes, though costs incurred are immediate and assistance follows in later years, causing short-term borrowing increases until the aid is received. Large capital projects increase the risk of significant capital cost overruns. The GNWT limits the annual large capital budget to \$260 million to reduce this risk.
- *Debt financing* - The GNWT uses debt to partially finance its capital program and to meet short-term borrowing requirements within the federally-imposed \$1.8 billion borrowing limit. The following risks are heightened with high levels of borrowing:
 - *Interest rate volatility* – Interest rate changes mostly affect short-term debt because it turns over quickly. The GNWT's debt risk is considered low because debt servicing costs are expected to absorb less than five per cent of total revenues over the outlook.
 - *Credit Rating* – Keeping a high credit rating leads to lower borrowing costs and less interest rate risk. A high rating reflects fiscal sustainability within the GNWT for lenders looking at the GNWT as a place to invest. Institutional investors often have restrictions on where they can invest their money based on a minimum credit rating.

Summary of Operations

	(thousands of dollars)			
	2023-2024 Actuals	2024-2025 Main Estimates	2024-2025 Revised Estimates	2025-2026 Main Estimates
	2,566,746	2,632,584	2,605,639	2,657,873
REVENUES				
OPERATIONS EXPENSES				
Compensation and Benefits	444,777	425,518	466,732	472,862
Grants, Contributions and Transfers	1,107,637	1,092,315	1,174,033	1,209,392
Amortization	124,551	135,761	135,761	141,802
Chargebacks	30,961	34,176	34,386	33,558
Computer Hardware and Software	10,039	7,691	7,715	8,600
Contract Services	357,558	271,030	314,848	243,934
Controllable Assets	2,737	2,911	2,911	2,830
Fees and Payments	241,189	126,211	127,716	128,160
Interest	50,358	27,263	32,263	27,263
Loss on Sale of Assets	243	-	-	-
Materials and Supplies	37,248	22,331	30,093	22,203
Purchased Services	21,889	17,615	18,900	17,853
Travel	22,008	16,121	17,188	14,500
Utilities	59,617	48,033	52,343	49,644
Valuation Allowances	5,937	2,833	2,833	2,598
TOTAL OPERATIONS EXPENSES TO BE VOTED	2,516,749	2,229,809	2,417,722	2,375,199
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	49,997	402,775	187,917	282,674
Infrastructure Contributions	(55,766)	(77,080)	(116,775)	(80,827)
Deferred Maintenance	(2,140)	(1,800)	(1,800)	(1,800)
Petroleum Products Stabilization Fund Net Profit (Loss)	312	-	-	-
Supplementary Reserve	-	(35,000)	-	(35,000)
Estimated Appropriation Lapses	-	5,000	-	5,000
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	69,085	54,576	56,252	72,723
Expenditures	(69,085)	(54,576)	(56,252)	(72,723)
OPERATING SURPLUS FOR THE YEAR	(7,597)	293,895	69,342	170,047
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,859,182	1,709,947	1,851,585	1,920,927
ACCUMULATED SURPLUS, END OF YEAR	1,851,585	2,003,842	1,920,927	2,090,974

Summary of Revenues**(thousands of dollars)**

	2023-2024 Actuals	2024-2025 Main Estimates	2024-2025 Revised Estimates	2025-2026 Main Estimates
GRANT FROM CANADA	1,610,836	1,699,357	1,699,357	1,803,314
TRANSFER PAYMENTS	477,242	412,693	414,998	369,687
TAXATION REVENUE				
Personal Income Tax	124,297	127,848	135,035	126,449
Corporate Income Tax	76,775	55,609	38,905	31,695
Cannabis Excise Tax	1,049	1,090	1,912	2,008
Carbon Tax	33,595	78,249	84,657	97,510
Tobacco Tax	11,723	14,635	11,203	10,728
Vaping Products Tax	-	252	337	450
Fuel Tax	20,716	20,486	20,739	20,303
Payroll Tax	51,477	50,847	53,807	53,428
Property Taxes and School Levies	27,296	28,843	27,030	27,742
Insurance Premium Taxes	7,132	5,610	5,610	6,000
	354,060	383,469	379,235	376,313
NON-RENEWABLE RESOURCE REVENUE				
Licences, Rental and Other Fees	3,035	4,001	4,001	4,249
Minerals, Oil and Gas Royalties	(2,587)	26,801	1,651	1,772
Quarry Fees	108	205	205	205
	556	31,007	5,857	6,226
GENERAL REVENUES				
Revolving Funds Net Revenue	25,432	24,628	23,613	24,479
Regulatory Revenues	27,378	28,207	28,467	31,468
Interest	336	340	340	320
Investment Income	8,238	1,788	1,788	400
Lease	4,663	4,722	4,722	4,786
Program	27,922	25,956	27,234	27,190
Grants in Kind	336	-	-	-
Service and Miscellaneous	5,342	17,417	17,028	10,690
Recovery of Prior Years' Expenditures	24,405	3,000	3,000	3,000
	124,052	106,058	106,192	102,333
TOTAL REVENUES	2,566,746	2,632,584	2,605,639	2,657,873

Summary of Operations Expenditure

(thousands of dollars)

	2023-2024 Actuals	2024-2025 Main Estimates	2024-2025 Revised Estimates	2025-2026 Main Estimates
Department				
Legislative Assembly	26,076	26,275	26,960	25,446
Education, Culture and Employment	383,925	374,256	399,860	403,245
Environment and Climate Change	236,323	126,205	177,927	133,814
Executive and Indigenous Affairs	28,936	27,090	33,115	35,026
Finance	383,742	360,829	377,855	407,895
Health and Social Services	671,143	642,091	690,891	704,240
Industry, Tourism and Investment	66,736	64,901	69,832	66,004
Infrastructure	334,176	304,725	320,131	308,403
Justice	146,197	148,586	163,443	162,606
Municipal and Community Affairs	239,495	154,851	157,708	128,520
	2,516,749	2,229,809	2,417,722	2,375,199
Expenditure Category				
Compensation and Benefits	444,777	425,518	466,732	472,862
Grants, Contributions and Transfers	1,107,637	1,092,315	1,174,033	1,209,392
Amortization	124,551	135,761	135,761	141,802
Chargebacks	30,961	34,176	34,386	33,558
Computer Hardware and Software	10,039	7,691	7,715	8,600
Contract Services	357,558	271,030	314,848	243,934
Controllable Assets	2,737	2,911	2,911	2,830
Fees and Payments	241,189	126,211	127,716	128,160
Interest	50,358	27,263	32,263	27,263
Loss on Sale of Assets	243	-	-	-
Materials and Supplies	37,248	22,331	30,093	22,203
Purchased Services	21,889	17,615	18,900	17,853
Travel	22,008	16,121	17,188	14,500
Utilities	59,617	48,033	52,343	49,644
Valuation Allowances	5,937	2,833	2,833	2,598
	2,516,749	2,229,809	2,417,722	2,375,199

Summary of Infrastructure Investment

(thousands of dollars)

	2023-2024 Actuals	2024-2025 Capital Estimates	2024-2025 Revised Estimates	2025-2026 Capital Estimates
Tangible Capital Assets				
Legislative Assembly	471	105	105	500
Education, Culture and Employment	10,139	3,590	20,366	1,705
Environment and Climate Change	5,774	21,078	22,216	25,096
Finance	4,993	3,847	26,343	5,068
Health and Social Services	17,140	56,997	75,496	61,932
Industry, Tourism and Investment	5,768	4,428	7,991	6,649
Infrastructure	131,484	176,779	163,337	142,625
Justice	915	1,480	3,359	1,480
Municipal and Community Affairs	80	166	51,706	171
	176,764	268,470	370,919	245,226
Infrastructure Contributions				
Education, Culture and Employment	4,134	-	3,695	625
Infrastructure	5,201	22,500	58,500	40,450
Municipal and Community Affairs	43,874	54,580	54,580	39,752
	53,209	77,080	116,775	80,827
Deferred Maintenance (non-capital)				
Infrastructure	2,140	1,800	1,800	1,800
	2,140	1,800	1,800	1,800
Total Infrastructure Investment	232,113	347,350	489,494	327,853

Summary of Cash Flow

	(thousands of dollars)			
	2023- 2024 Actuals	2024-2025 Main Estimates	2024-2025 Revised Estimates	2025-2026 Main Estimates
OPERATING TRANSACTIONS				
Cash Received From:				
Canada	2,088,000	2,112,000	2,114,000	2,173,000
Other Revenues	479,000	521,000	492,000	485,000
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	2,567,000	2,633,000	2,606,000	2,658,000
Cash Paid For:				
Operations Expenses	(2,448,000)	(2,331,203)	(2,508,811)	(2,493,000)
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Cash Provided By Operating Transactions	119,000	301,797	97,189	165,000
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CAPITAL TRANSACTIONS				
	(175,000)	(214,000)	(202,000)	(192,000)
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INVESTING TRANSACTIONS				
	(34)	(4,000)	(4,000)	(10,000)
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FINANCING TRANSACTIONS				
	134,000	(50,000)	(17,000)	(13,000)
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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	77,966	33,797	(125,811)	(50,000)
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Cash and Cash Equivalents, Beginning of Year	(652,155)	(683,797)	(574,189)	(700,000)
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CASH AND CASH EQUIVALENTS, END OF YEAR	(574,189)	(650,000)	(700,000)	(750,000)

Summary of Debt and Estimated Borrowing Capacity

	(thousands of dollars)			
	2023-2024 Actuals	2024-2025 Main Estimates	2024-2025 Revised Estimates	2025-2026 Main Estimates
SHORT TERM DEBT				
Government of the Northwest Territories	574,189	650,000	700,000	750,000
Hay River Health and Social Services Authority	-	1,000	1,000	1,000
NWT Hydro Corporation	38,966	75,000	150,000	85,000
	613,155	726,000	851,000	836,000
LONG TERM DEBT				
Government of the Northwest Territories:				
Bonds repayable, GNWT	180,022	180,000	180,022	180,022
Deh Cho Bridge, Real Return Bonds	185,021	183,478	183,359	181,330
Mackenzie Valley Fibre Optic Link, P3 debt	64,000	60,725	60,725	57,242
Stanton Territorial Hospital, P3 debt	120,150	116,985	116,985	113,944
Tłı̨chǫ All-Season Road, P3 debt	69,895	69,388	69,388	67,843
Canada Mortgage and Housing Corporation	22	-	-	-
Public Agencies:				
Housing NWT	3,337	2,616	2,616	1,911
NWT Hydro Corporation	338,958	258,639	258,764	316,592
TOTAL DEBT	1,574,560	1,597,831	1,722,859	1,754,884
OBLIGATIONS UNDER CAPITAL LEASES				
NWT Hydro Corporation	15,173	14,735	14,735	14,362
LOAN GUARANTEES				
Housing NWT	2,330	1,544	1,495	876
Prosper NWT	2,000	2,000	2,000	2,000
TOTAL GROSS BORROWING PER BORROWING REGULATIONS	1,594,063	1,616,110	1,741,089	1,772,122
TERRITORIAL BORROWING	1,594,063	1,616,110	1,741,089	1,772,122
TERRITORIAL BORROWING LIMIT	1,800,000	1,800,000	1,800,000	1,800,000
AVAILABLE BORROWING AUTHORITY FOR FISCAL PLANNING PURPOSES	205,937	183,890	58,911	27,878

Provincial/Territorial Tax Rates at January 30, 2025

	Combined		Retail	Fuel Tax ^(b)		Carbon Tax ^(c)		Tobacco	Payroll	Corporate		Capital Tax on Financial Institutions ^(f)
	Top Marginal	Personal Income Tax ^(a) (%)		Sales Tax (%)	Gasoline (\$/litre)	Diesel (\$/litre)	Gasoline (\$/litre)	Diesel (\$/litre)		Small (%)	Large (%)	
Northwest Territories	47.05	-	10.7	9.1	17.61	21.39	68.80	2.00	2.0	11.5	-	
Nunavut	44.50	-	6.4	9.1	17.61	21.39	60.00	2.00	3.0	12.0	-	
Yukon	48.00	-	6.2	7.2	17.61	21.39	72.00	-	-	12.0	-	
British Columbia	53.50	7.0	14.5	15.0	17.61	20.74	65.00	1.95	2.0	12.0	-	
Alberta	48.00	-	13.0	13.0	17.61	21.39	60.00	-	2.0	8.0	-	
Saskatchewan	47.50	6.0	15.0	15.0	17.61	21.39	58.00	-	1.0	12.0	4.0	
Manitoba	50.40	7.0	12.5	12.5	17.61	21.39	60.00	2.15	-	12.0	6.0	
Ontario	53.53	8.0	9.0	9.0	17.61	21.39	36.95	1.95	3.2	11.5	1.25	
Quebec	53.31	9.975	19.2	20.2	-	-	41.80	4.26	3.2	11.5	1.25	
New Brunswick	52.50	10.0	10.87	15.45	17.61	21.39	51.04	-	2.5	14.0	5.0	
Nova Scotia	54.00	10.0	15.5	15.4	17.61	21.39	59.04	-	2.5	14.0	4.0	
Prince Edward Island	52.00	10.0	8.47	14.15	17.61	21.39	59.04	-	1.0	16.0	5.0	
Newfoundland & Labrador	54.80	10.0	7.5	9.5	17.61	21.39	65.00	2.00	2.5	15.0	6.0	
Weighted average ^(g)	52.51	7.4	13.0	13.4	13.75	16.61	47.51	2.07	2.7	11.4	1.41	

Notes:

(a) Combined federal-provincial/territorial highest 2025 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 do not include surtaxes that apply only in Victoria and the Lower Mainland. Quebec fuel tax rates also vary regionally.

(c) Carbon pricing is standardized for all Canadian jurisdictions effective July 1, 2023, except for Quebec that has cap and trade. British Columbia's diesel tax rate is based on lower carbon content fuel.

(d) British Columbia, Manitoba and Saskatchewan apply provincial sales tax to tobacco products. Harmonized Sales Tax is applied to tobacco products in Ontario, New Brunswick, Prince Edward Island, Newfoundland & Labrador, and Nova Scotia. Quebec does not apply sales tax to tobacco products.

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

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

(g) Average weighted by provincial/territorial populations at July 1, 2024.