



BUDGET DIALOGUES 2022

What We Heard Report

JUNE – JULY 2022

DIALOGUES SUR LE BUDGET 2022

Rapport sur ce que nous avons entendu

JUIN ET JUILLET 2022

Le present document contient la traduction française
du sommaire et du message de la ministre.

Government of Northwest Territories
Gouvernement des Territoires du Nord-Ouest



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English

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French

Kīspin ki nitawihṭīn ē nīhīyawihk ōma ācimōwin, tipwāsinān.

Cree

Tłıchq yatı k'èè. Dı wegodi newq dè, gots'o gonede.

Tłıchq

ʔerihṭ'ís Dēne Sų́líné yatı t'a huts'elkēr xa beyáyatı theᓯᓯ ʔat'e, nuwe ts'ēn yóṭı.

Chipewyan

Edı gondı dehgáh got'ıe zhatıé k'ée edat'éh enahddhę nıde naxets'é edahí.

South Slavey

K'áhshó got'ıne xədə k'é hederı ʔedıht'ıé yerıniwę níde dúle.

North Slavey

Jii gwandak izhii ginjik vat'atr'ijáhch'uu zhit yinohtan jí', diits'at ginohkhii.

Gwich'in

Uvanittuaq ilitchurisukupku Inuvialuktun, ququaqłuta.

Inuvialuktun

Ĉ'đđ ɳɳ^{sb}Δ^c ʌʀLJΔ^r Δ^{sb}ɳɳ^cʀLɳɳ^b, ɳ^cɳ^aɳ^c ɳ^{sb}ɳ^aɳ^c.

Inuktitut

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Inuinnaqtun

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Minister's Message

Instead of simply creating budgets that reflect what the Government of the Northwest Territories (GNWT) has always done, we need to look at everything we are proposing and ask ourselves: Is this what NWT residents want and need? Who is this activity supposed to benefit and does it actually deliver those benefits? Are there more important priorities we aren't addressing because we are currently invested in this activity? What changes can we make to make sure this activity is in line with public priorities and needs?

Early in the life of this government, the 19th Assembly committed to making government more open and transparent. That is why I've committed to engaging with the public, Indigenous governments, and community governments, as well as stakeholder groups like the not-for-profit sector and business and industry.

Hearing from the public about what priorities and budget categories are most important to them will help the GNWT make sure its upcoming budgets and business plans are aligned with the government's mandate and better reflect the views of the public.

Over the course of our various sessions, we've heard from many NWT residents. They've shared with us their concerns, ideas and hopes for the upcoming budget. Their feedback will be used to help guide the final year of the 19th Legislative Assembly. This government remains committed to a more collaborative and open relationship with the public, and will work to incorporate the feedback we receive through this process into the budget and business plans wherever possible.

Thank you to all of those who have offered their time and knowledge to this effort. The valuable information and insight they provided will be crucial to our future planning and problem solving as we continue to support the North's economic development in a manner that best serves all of its residents.

Honourable Caroline Wawzonek
Minister of Finance

Message de la ministre

Au lieu d'uniquement établir des budgets qui reflètent ce que le Gouvernement des Territoires du Nord-Ouest (GTNO) a toujours fait, nous devons examiner tout ce que nous proposons et nous demander : est-ce que c'est ce que veulent les Ténos et ce dont ils ont besoin? À qui ce projet est-il censé profiter, et apporte-t-il réellement ces avantages? Y a-t-il des priorités plus importantes auxquelles nous ne répondons pas parce que nous nous consacrons actuellement à ce projet? Quels changements pouvons-nous apporter pour nous assurer que ce projet est conforme aux priorités et aux besoins du public?

Dès le début, la 19e Assemblée s'est engagée à rendre le gouvernement plus ouvert et transparent. C'est pourquoi j'ai choisi de m'entretenir avec le public, avec les représentants des gouvernements autochtones, d'entreprises et d'administrations communautaires, ainsi qu'avec des intervenants d'organismes à but non lucratif et du secteur industriel.

Échanger avec les Ténos sur les priorités et les catégories budgétaires qui sont les plus importantes à leurs yeux permettra au GTNO de s'assurer que les prochains budgets et plans d'activités respectent son mandat et reflètent mieux les opinions du public.

Au cours de nos séances, nous avons entendu les commentaires de nombreux résidents des TNO. Ils nous ont fait part de leurs préoccupations, de leurs idées et de leurs espoirs sur le prochain budget. Ces commentaires serviront à établir nos priorités pour la dernière année de la 19e Assemblée législative. Notre gouvernement reste déterminé à établir une relation de collaboration plus ouverte avec le public, et s'efforcera de tenir compte, autant que possible, des commentaires reçus dans le cadre de ce processus lors de l'établissement de futurs budgets et plan d'activités.

Je remercie toutes les personnes qui ont donné de leur temps et partagé leurs connaissances pendant ces échanges. Les informations et les idées précieuses qu'elles ont fournies seront cruciales pour la planification de nos futurs budgets et la résolution de problèmes, alors que nous continuons à soutenir le développement économique du Nord d'une manière qui sert au mieux l'ensemble de ses résidents.

Madame Caroline Wawzonek
Ministre des Finances

Executive Summary

Budget Dialogues 2022 is part of a commitment to engage Northwest Territories residents and businesses in the Government's budgeting process in each year of its term, to discover their views on fiscal choices. This is the final set of budget dialogues before the 19th Legislative Assembly approves its last budget.

The Minister of Finance held four separate stakeholder sessions with Indigenous governments, business groups, community governments, and non-government organizations, as well as two public web conferences.

Several economic concerns were brought up by different individuals and groups including: energy, particularly hydroelectricity; advancing the Government of the Northwest Territories' (GNWT) procurement review; and the costs of living and doing business in the territory. In addition to these issues, the main themes that emerged from the 2022-23 Budget Dialogues included:

- Labour shortages are an economic constraint on the NWT. The primary reason is not, however, an inability to attract labour, but a lack of housing for that new labour force.
- Already high living costs are exacerbated by this housing shortage. A shortage of affordable housing is viewed as limiting economic growth. Housing costs and development issues, including scarce land availability, contribute to high living costs.
- The GNWT should consider multi-year funding for organizations that provide programs and services on behalf of government and address the underfunding of these organizations.

Sommaire

Les Dialogues sur le budget 2022 sont un des engagements pris par le gouvernement pour favoriser la participation annuelle des résidents et des entreprises des Territoires du Nord-Ouest (TNO) au processus budgétaire du gouvernement, afin d'obtenir leurs points de vue sur les choix fiscaux. Les présents dialogues sont les derniers avant que la 19^e Assemblée législative n'approuve son dernier budget.

La ministre des Finances a tenu quatre séances distinctes avec des représentants de gouvernements autochtones, d'entreprises, d'administrations communautaires et d'organisations non gouvernementales, ainsi que deux vidéoconférences publiques en ligne.

Plusieurs préoccupations économiques ont été soulevées par différents individus et groupes d'intervenants, notamment : l'énergie, en particulier l'hydroélectricité; la poursuite de l'examen du processus d'approvisionnement du gouvernement des Territoires du Nord-Ouest (GTNO); et le coût de la vie et des affaires aux TNO. En plus de ces préoccupations, les principaux thèmes qui ont émergé des Dialogues sur le budget 2022-2023 sont les suivants :

- La pénurie de main-d'œuvre constitue une contrainte économique pour les TNO. La raison principale n'est toutefois pas l'incapacité d'attirer de la main-d'œuvre, mais le manque de logements pour celle-ci.
- Le coût de la vie déjà élevé est exacerbé par cette pénurie de logements. Le manque de logements abordables limite la croissance économique. Les coûts du logement et les problèmes de développement, y compris la rareté des terrains disponibles, contribuent au coût élevé de la vie.
- Le GTNO devrait envisager de mettre en place un financement pluriannuel pour les organisations offrant des programmes et des services au nom du gouvernement et de remédier au sous-financement de ces dernières.

Budget Dialogues 2022

A. Context

The purpose of *Budget Dialogues 2022* is to engage residents and businesses in the Government of the Northwest Territories' (GNWT) budgeting process, to discover their views on fiscal choices and where they see opportunities for reducing costs.

Budget 2022-23 continued the GNWT's fiscal strategy of avoiding operating deficits while continuing to invest in priority areas.

There are four main objectives under the fiscal strategy:

- an initial allocation of \$25 million over the life of the 19th Assembly to advance mandate priorities, with \$10 million spent in 2020-21;
- continue to build on the relationship with the federal government to take advantage of funding opportunities to advance GNWT priorities, such as housing investments, and develop more flexibility when cost-sharing projects;
- seek opportunities for collaboration with other governments to advance shared priorities, so limited resources can be targeted to advance projects that benefit all residents; and
- implement low- or no-cost initiatives to improve fiscal planning, including four-year business plans to bring the longer-term horizon into view and an emphasis on increased program evaluation to bring more value from expenditures. This objective will include strategic reviews to ensure programs and services are meeting expectations and that budgeted expenditures for these programs are properly aligned with the mandate and all additional revenue options are considered.

Fiscal Situation and Outlook

The 19th Assembly inherited a fiscal situation characterized by an operating deficit in 2019-20. Since then, stronger revenue growth combined with careful management of operating expenditures have produced operating surpluses of \$67 million for 2020-21 and a projected \$28 million surplus for 2021-22.

A \$131 million operating surplus was projected in the 2022-23 budget, but this projection was published before the significant flooding events that occurred in spring of 2022. While operating surpluses are forecast for the remainder of the 19th Assembly and in the Medium-Term Outlook up to 2025-26, these surpluses are not sufficient to generate the cash required to fund the GNWT's growing capital budget and reduce its short-term debt. Over the medium term, the fiscal situation is unsustainable, as average annual revenues are forecast to decline 0.1 per cent while operating expenditures are projected to grow 0.1 per cent annually over the five-years.

Projections show long-term debt (including NTPC) will continue to increase and that the federally imposed borrowing limit could be exceeded by 2026-27. The limit was increased by \$500 million to \$1.8 billion in September 2020.

The last capital budget for the remainder of the 19th Legislative Assembly will have implications for the operating budget. Ensuring an operating surplus is important for compliance under the *Fiscal Responsibility Policy*. This may mean reallocating funds from within existing program areas to fund new programs, and reviewing current programs to evaluate or improve efficiency, or finding new revenue sources.

B. Process/Format

All Budget Dialogues conferences were conducted via a webinar format.

The Minister of Finance hosted each webinar, beginning with a presentation summarizing recent operating expense budgets and the fiscal context of the GNWT, and then opening the floor to hear what participants had to say and answering questions arising from the conversation. The Minister encouraged a dialogue with participants about how the GNWT budget could address their concerns about economic, fiscal and social issues facing the territory. Discussions with participants were informed by the following questions:

- 1) What do we want our economy to look like?
- 2) What types of jobs do we want in our territory? Which industries do you think the GNWT should focus on supporting?
- 3) How can the private sector support the economic vision?
- 4) How can government support private businesses?

Four conferences were held separately for Indigenous governments, business, community governments and non-governmental organizations. In addition to this, two public sessions were held (a day session on July 4th and an evening session on July 19th).

C. Participants

The following table summarizes the participants by group. Sessions that were open to the public were anonymous, with two individuals participating on July 4th and seven on July 19th.

Group	Participating Organisation
Indigenous Governments (June 27 th)	Gwich'in Tribal Council Tłıchq Government
Business Groups (June 28 th)	Yellowknife Chamber of Commerce NWT Chamber of Commerce Canadian Federation of Independent Business (NWT)
Community Governments (June 29 th)	City of Yellowknife Mayor Town of Hay River Mayor Hamlet of Paulatuk Mayor Northwest Territories Association of Communities
Non-Governmental Organisations (July 5 th)	Salvation Army YWCA NWT Native Women's Association of the NWT Yellowknife Community Foundation Inclusion NWT

Budget Dialogues 2022 Results

Interest Groups

Four main themes arose from the Budget Dialogues with the various Interest Groups:

- labour market issues,
- housing challenges,
- economic difficulties including the high costs of the North and energy prices, and
- funding models for community governments and non-government organizations.

Labour Market Issues

One of the main topics of discussion: labour market issues, especially staff shortages. All business groups stated labour shortages as the most significant challenge facing companies. Mention was made that the service industry was making adjustments to deal with lack of staff. For example, some restaurants and bars were open fewer days or shorter hours. Meanwhile, employees are able to use their market power to increase their bargaining position and make scheduling difficult.

Staffing issues were voiced by community governments, who need people for internal administration as well as needing staff so that these governments can maintain their business of public administration for the community itself. Finding employees at the entry level for positions is difficult in this market, and high-skilled labour in distant or remote communities is also a challenge.

Indigenous governments also expressed that they are affected by labour shortages. They can create jobs but the community labour force needs to be able to fill them. Indigenous governments said that resources must be matched with where they are needed, with education and social programs offered as examples to help address the labour shortage.

Non-government organizations had their own set of labour issues, as one group expressed difficulty in providing equal pay for equal jobs if their funding was not the same as different non-government organizations, creating an uneven playing field for recruiting and retaining workers. In a discussion about potential solutions, a suggestion to experiment with a four-day work week was raised as a method of attracting and retaining labour.

Housing again is key. Organizations facing labour shortages recruit employees from outside of the territory. Community governments and business groups note that housing is an important factor in bringing people to the territory, a major part of economic development. Businesses are actively bringing people to the territory but the lack of housing has created situations where candidates declined job offers due to lack of affordable accommodation.

Housing

The lack of affordable housing is not an issue limited to addressing labour shortages. Community governments said doctors have difficulty finding housing, which contributes to limiting the capacity of the NWT's health care system. They also said housing is a large piece of the puzzle for social supports, and it should be included in a roundtable of various government and agency bodies including RCMP, educators, and hospital administration, as social issues at the community level are worsening. The cost of housing is directly related to the high cost of living in the territory. There are several barriers or setbacks to development, including a lack of available land in some areas, which is contributing to a tight real estate market.

Indigenous governments stated housing was a priority, requesting to invest money into upgrades and renovations of existing housing stock. With federal money received, one government wanted to work with the GNWT to avoid duplication and competition and to focus on housing in a collaboration of leadership.

Economy and High Costs of Living and Commerce

Community governments stated that shipping costs were very high, factoring into overall high costs of living. Revenue is needed to maintain equipment. There was a suggestion to increase the federal gas tax that flows to municipalities to solve the revenue problem. One community government had looked at reducing greenhouse gases previously and sees natural and cleaner energy as a long-term economic opportunity for the North, quoting an example from Alaskan communities owning their own electrical infrastructure. Other community governments echoed energy as an opportunity, particularly hydro-electric power, if the Northwest Territories could find buyers.

European towns were brought up as a reference for examples of effective economic support for small, remote populations such as stable and cheap electricity, presence of post-secondary education, and an educated workforce. Technological firms and cold weather research were sources of economic activity for them, and that could serve as a model for the Northwest Territories.

The costs of commerce were cited as a concern by business groups, with suggestions for the GNWT to help with fuel costs or property tax mill rates. All business groups appreciated a steady and predictable tax regime that introduced no new taxes and supported residents and industries like tourism and mining.

One community government stated that support to specific industries would be more economically stimulating, rather than blanket policies that apply economy-wide, as some industries need more support than others. They also said that economic diversity is valuable as external events can shock local economies that have not diversified their economic base. For instance, global mining trends affect the

territorial mining industry, geopolitics or health issues like the pandemic affect tourism, and flooding in one area can impact demand for services in other regions.

The procurement review was anticipated by Indigenous governments and business groups. Both groups expressed interest in advancing the recommendations in the review for better certainty in business planning.

Funding Models

Community governments and non-government organizations voiced opinions on the way they are funded by the GNWT.

Community governments were concerned about underfunding, which prevents them from bidding on events that may boost economic activity. While some events cost little and draw participants and activities that contribute to the economy, other larger events require bidding, and the costs are prohibitive given chronic underfunding (e.g. Canada Winter Games).

Community governments were concerned about operating costs within the context of capital transfers with the federal government. While federal transfers to support infrastructure investment were welcomed, a facility cannot be opened without similar support for operating and maintaining it. Community Governments suggested that the GNWT could be more aware of this dynamic when discussing transfers with the federal government. The underfunding gap should be fixed, because without it community governments are limited in their capacity to develop infrastructure. Land development contributes to an increase in the housing stock, which is needed given the high cost of living.

Non-government organizations encouraged further dialogue on incremental increases to their funding, but primarily expressed that commitment to multi-year funding agreements would be helpful. These would support continuity and relax some restraints on applications, as they are time-consuming processes for these organizations. A multi-year funding plan would help non-government organizations by creating stability in revenue, enabling them to better plan their activities.

Other Issues Heard

Indigenous governments brought up the need for students and upgrades as part of education modernization. Infrastructure depreciation is outpacing renewal and capital assets are aging overall. They would like to see the budget categorized by region.

Business groups stated that red tape is a cost that falls on small business owners. In addition to running their companies, reporting and complying with regulation requirements usually fall on the entrepreneurs who are taking all of the risk of a business venture.

Community governments suggested targeting international students to increase enrolment at eligible programs at Aurora College. Too few students lead to programs being withdrawn, while a few more students would have made them viable. Community governments suggested the GNWT needs to make training available for both international and territorial students and residents.

Non-government organizations stated that they have been criticized for not enough Indigenous representation in their workforce, but there are not many applicants, or few identify as such. Non-government organizations would like a strategy that recognizes that there may be a reluctance on the part of Indigenous workers to work for these organizations. A way to reach out to or train Indigenous jobseekers was also suggested. Non-government organizations sought transparency in GNWT fiscal reporting, inquiring about performance of budget compared to actual results, and requesting a breakdown of where funds have been spent.

Public Engagement

From the July 4th webinar, concerns were raised about the increasing costs of power during difficult economic times. This fear of increased costs of living was accompanied by a question of increased power subsidies. To transition to lower power costs there will need to be investment in infrastructure, meaning increased costs in the short term, but more easily available, cleaner energy in the medium- to long-term. In terms of subsidies, especially during inflationary periods, the situation will be monitored to see at which point the costs get to such a stage that an increase to a subsidy is necessary.

The July 19th webinar had an emphasis on economic development and the capital requirements needed to achieve necessary growth. The three current major capital projects provide different avenues for economic growth. There was an echo from the first public session stressing the importance of clean energy. However, capital projects lead to increased debt. Offsetting this by making operation expenditures more efficient and more closely aligned with operational revenues was suggested, and there were questions about progress under the Government Renewal Initiative to achieve this objective.¹

¹ The Government Renewal Initiative (GRI) is an ongoing process to have departments evaluate programs to determine where financial improvements could be made.

Budget Dialogues 2022 Next Steps

Budget Dialogues 2022 is part of an ongoing discussion with Northwest Territories residents about the fiscal constraints facing the GNWT and the priorities in a given budget. This report summarizes the results of the dialogue and will be used in the upcoming budget planning cycle to shape Budget 2023.

Participation was low relative to the first year of the Assembly, but the discussions were more focused as a result and provided much value for the Minister of Finance. Between revenues and expenditures, most discussions were based on spending, suggesting that there was little interest in revenue measures. Spending measures focusing on the issues heard would help improve the more important issues facing the territory, and often match with the stated priorities of the 19th Assembly.

- Under revenue, the GNWT heard from business groups that no new taxes were appreciated and maintained competitiveness relative to other jurisdictions. Very little discussion on raising taxes was heard, with only a reference to increasing gas tax transfers from the federal government.
- For spending, support for dealing with labour and housing shortages was a common theme. Infrastructure spending was a high priority among several groups, including the general public. Economic issues around prices for fuel, shipping, costs of living and doing business were all top-of-mind among participants, and opportunities were seen in energy projects. Community governments and NGOs stated underfunding and multi-year agreements were areas for GNWT improvement.

The information received will be used in drafting the fourth and final budget of the 19th Legislative Assembly. Our sincere gratitude to all the participants who gave their time and knowledge to this effort. The valuable information and insight they provided will be crucial to our future planning and problem solving as we continue to guide the North's economic development in a manner that best serves all of its residents.