

Fiscal Review

2020-2021

Northwest Territories

February 25, 2020

FISCAL REVIEW

2019-20 Revised Estimates

The operating balance is revised to a \$70 million deficit in 2019-20, down from the projected surplus of \$60 million projected in Budget 2019 and higher than the deficit of \$25 million in 2018-19. The \$130 million increase in the deficit compared to Budget 2019 is due to a decrease in revenue of \$80 million, a \$39 million increase in departmental expenditures and \$11 million in other spending adjustments.

Total revenue is projected to be \$1.853 billion in 2019-20, down 4.2 per cent from original projections in Budget 2019. While weak performance of the territorial economy had an impact on taxation revenues, delayed cash flow of federal funding also made 2019-20 revenue appear lower, though much of that funding will be carried into 2020-21. Personal income tax is revised down \$8 million. Corporate income tax is expected to be negative, down \$35 million from 2019-20 Main Estimates. Other taxes are revised down \$4 million. Resource revenues are projected to be down \$7 million compared to Budget 2019. Major transfers of Territorial Formula Financing, Canada Health Transfer and Canada Social Transfer are largely unchanged from Budget 2019 and comprise a majority of revenue. Other transfer payments are revised down \$29 million, which include \$47 million in lower funding for the Investing in Canada Plan and the National Trade Corridors Fund, partially offset by \$12 million in new federal funding for the Tłı̨chʼo All-Season Road.

Total departmental spending is estimated to be \$1.841 billion. Departments are projected to have increased spending above original estimates by 2.2 per cent. The Department of Health and Social Services is projected to have the largest spending increase by \$9 million, a 1.8 per cent increase compared to Budget 2019. Municipal and Community Affairs is projected to have an increase of \$5 million. Environment and Natural Resources expects a \$4 million increase compared to the 2019-20 Main Estimates. Education, Culture and Employment forecasts an increase of \$5 million for 2019-20 compared to initial estimates, though this represents a 1.4 per cent increase from Budget 2019.

2020-21 Main Estimates

Budget 2020 forecasts a \$203 million surplus, with revenue at \$2.186 billion and total expenditures at \$1.983 billion, which include departmental spending, infrastructure contributions and other items. Revenue is estimated to increase \$333 million in 2020-21 compared to 2019-20 Revised Estimates, with half of the increase due to federal infrastructure funding, both new and carried forward from 2019-20. Territorial Formula Financing will increase \$103 million due to weak own-source revenue performance in recent years, including a decline in resource revenues.

Own-source revenue is projected to increase \$63 million in 2020-21, driven by corporate income tax revenue expected to increase from a negative \$12 million in 2019-20 to positive \$25 million in 2020-21. Carbon tax is estimated to increase \$17 million due to its first full year of implementation and a higher rate. Personal income tax revenue is projected to increase \$10 million in 2020-21. Resource revenue is forecast to decline \$6 million due to uncertain market conditions in the diamond industry. Net revenue of revolving funds is expected to contribute a \$2 million increase in 2020-21, with the increase evenly split between Marine Transportation Services and the Yellowknife Airport.

Total departmental spending is estimated to be \$1.896 billion in 2020-21, representing an increase of 3.0 per cent from 2019-20 Revised Estimates. Budget 2020 allocates an \$18 million increase for Health and Social Services, the largest increase among departments representing a 3.6 per cent growth rate. The largest relative change is a 7.6 per cent increase for Environment and Natural Resources, which is an increase of \$7 million. The Department of Finance spending is expected to increase \$16 million, or 6.0 per cent. The Department of Justice is estimated to have a 3.9 per cent increase, or \$5 million. The Department of Infrastructure is projected for a \$5 million increase, representing a 2.0 per cent growth from 2019-20 Revised Estimates. Education, Culture and Employment is allocated a \$4 million increase, restrained at 1.3 per cent growth. Both Lands and Municipal and Community Affairs are projected to have increases of less than one per cent. Industry, Tourism and Investment and Executive and Indigenous Affairs are estimated to have lower budgets in 2020-21 compared to the 2019-20 Revised Estimates.

Medium-Term Outlook

The medium-term outlook forecasts surpluses over the next four years, with a narrowing surplus each year. The surplus is projected to decline to \$147 million in 2021-22, \$116 million in 2022-23, and \$3 million by 2023-24. While 2020-21 revenue is high due to federal funding commitments, revenue is projected to peak in 2021-22 with 1.6 per cent growth and decline in each of the following two years.

Total expenditures are projected to increase modestly over the projection period and are forecast to grow 2.3 per cent annually over the next four years. Much of the projected growth is expected in the next two years, at 3.1 per cent and 4.6 per cent in 2020-21 and 2021-22, respectively.

Over the medium term outlook, total debt is projected to increase each year, driven by increases in short-term borrowing. The increasing debt is expected to cause the GNWT to exceed the federally-imposed borrowing limit of \$1.3 billion in 2021-22.

The outlook supports a strong capital investment program for the Northwest Territories, investing in needed infrastructure to build the territory, develop the economy, and provide necessary programs and services to NWT residents that are comparable to those available to other Canadians. Infrastructure investment includes projects with federal partnerships in our transportation and energy networks, such as pre-development for the Taltson expansion, the Mackenzie Valley Highway phases under the National Trade Corridors Fund, and the Tłı̄chǫ All-Season Road, as well as *Investing in Canada Plan* infrastructure projects such as the wind/power plant in Sachs Harbour, the wind project in Inuvik, various renewable solutions for off-grid diesel, Northwest Territories Power Corporation upgrades, transmission in Whatì and the Bluefish Hydro upgrade, the LNG project in Fort Simpson, the transmission project in Fort Providence, the Yellowknife Vulnerable

Persons Shelter, and the new fish plant in Hay River and remote collection stations around Great Slave Lake.

Risks to the Fiscal Outlook

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

- *The Northwest Territories' economic dependence on resources* – Resource sector activity can fluctuate significantly and results in the territory having the highest variability in economic growth in Canada since 1999. Resource sector activity has implications for long-term economic growth and creates significant volatility in GNWT own-source revenues. GDP is expected to have declined in 2019, and several own-source revenues fell in 2019; however, GDP and own source revenues are expected to increase in 2020.
- *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. 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* – As debt increases throughout the outlook, the risk of higher interest rates becomes a concern. However, debt risk is considered to be low because debt servicing costs are expected to absorb less than five 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 65 per cent of total revenues, affording considerable year-to-year stability to the budget. Growth in Territorial Formula Financing relies heavily on Northwest Territories population growth relative to Canada's and provincial/local government spending. The territory's share of Canada's population is declining and provincial and local government fiscal austerity measures would reduce growth in the Territorial Formula Financing Grant. This contributes to the decelerating revenue growth and declining operating surplus in the outlook.
- *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 been responsible with program spending and has partnered with the federal government for several capital programs, continued efforts will be necessary to ensure fiscal sustainability, 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 is heightened.

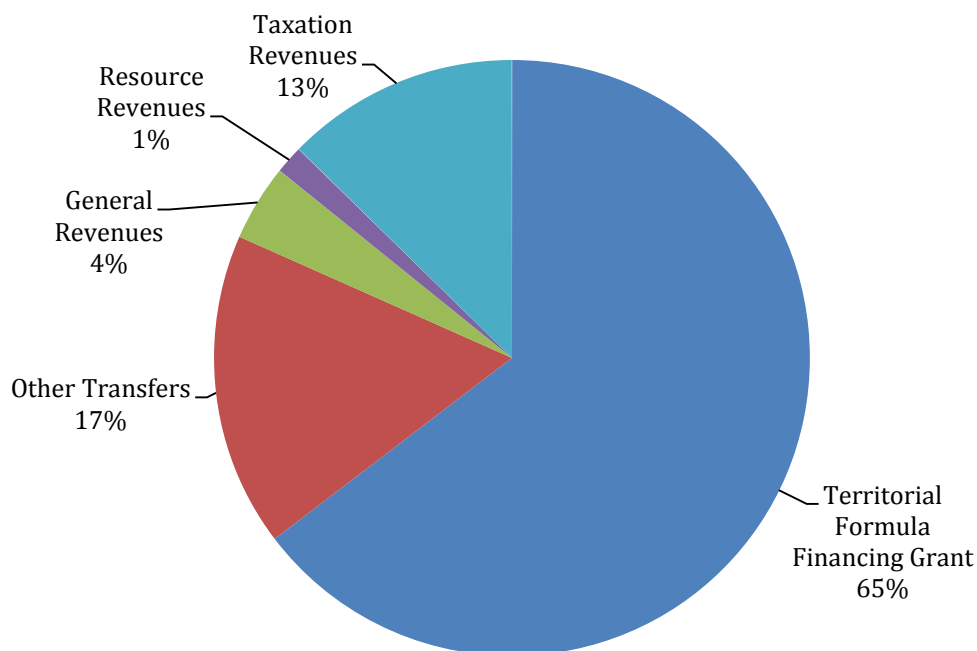
2020-21 Budget

Revenue Initiatives

Budget 2020-21 does not contain any new taxes. However, property mill rates and some fees will be increased by inflation.

In keeping with the GNWT commitments under the *Pan-Canadian Framework on Clean Growth and Climate Change*, the NWT carbon tax will increase from \$20 per carbon-equivalent tonne of greenhouse gas emissions to \$30 per tonne on July 1, 2020. The carbon tax rates are set in the *Petroleum Products and Carbon Tax Act* and will increase annually by \$10 per tonne until they reach \$50 per tonne. The carbon tax revenues generated are recycled into the economy through the Cost of Living Offset benefit, full rebates for carbon tax paid on heating fuel and fuel used for community electricity production, the exemption for aviation fuel, the large-emitter rebates and grants, and greenhouse gas-reducing investments by the GNWT.

Projected 2020-21 Revenues by Source

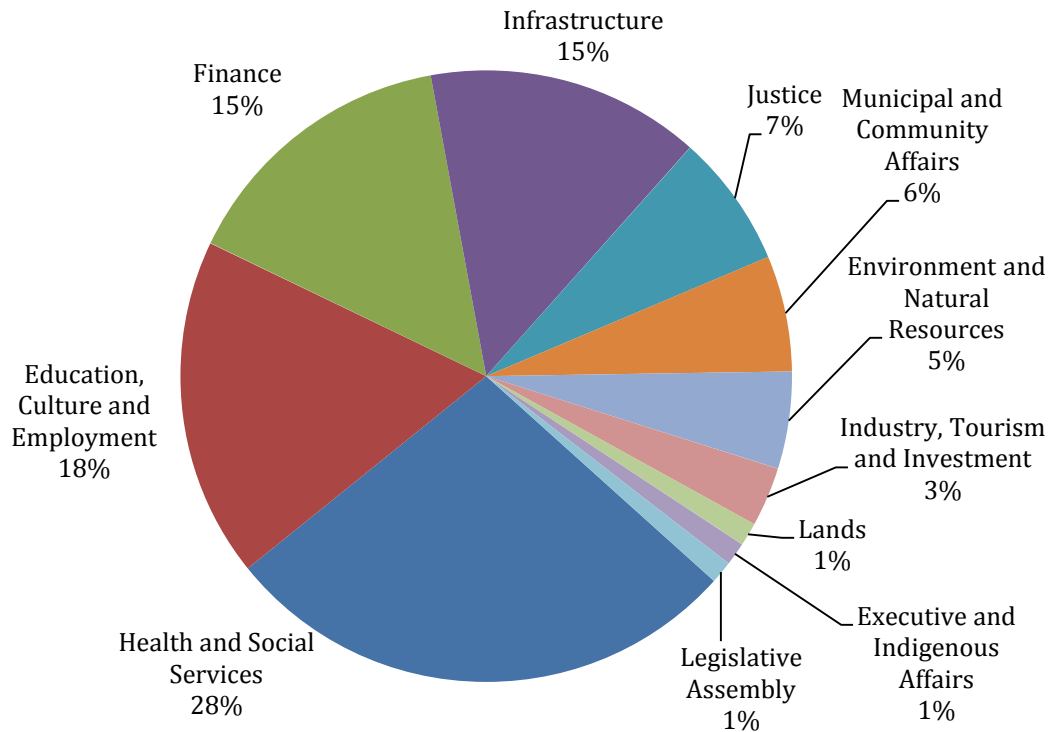


Operating Expenditures

Budget 2020-21 projects \$1.896 billion in departmental operating expenditures, of which \$1.2 billion, or over 60 per cent, is dedicated to social programs in education, health care, social services, housing, policing and corrections. Departmental spending is expected to increase \$94 million compared to Budget 2019, roughly split between social programs, up \$50 million, and all other spending, up \$44 million.

Compared to Budget 2019, the operating expenditure increases mainly result from the increased costs and demands for services, representing \$61 million of new spending, of which \$39 million is proposed for collective bargaining increases for departments and health authorities. Another \$40 million is allocated from approved adjustments from the Financial Management Board, which includes \$29 million in federal funding to support these adjustments. Initiatives constitute \$6 million and amortization contributes another \$2 million, for a total of \$109 million of new spending in Budget 2020 compared to Budget 2019. These increases are partially offset by \$15 million of savings from programs expiring for a net increase of \$94 million, or 5.2 per cent, compared to the 2019-20 Main Estimates.

2020-21 Operations Expenditures by Department



Education, Culture and Employment

- \$2.033 million to address increased Income Assistance clients and higher rents and utilities
- \$604,000 to expand the Northern Distance Learning program to five more schools, reach more students, and enhance the program
- \$319,000 to expand the Specialized Territorial Support Team for schools with specialists for mental health and speech and language
- \$269,000 to align student transportation funding with expenditures
- \$129,000 for a Student Records Coordinator to process information requests related to Day School Settlement Records
- \$129,000 to expand the Northern Studies curricula, including audio, visual and print resource development, assessment tools, and teacher training

Environment and Natural Resources

- \$3.548 million to advance activities under three Challenge Nature Fund Agreements with Environment and Climate Change Canada, part of a four-year delivery with half of the funds for the Thaidene Nëné project and the remainder for two Indigenous and protected areas, Ts'udé Niliné Tuyeta and Dinàgà Wek'èhodi
- \$1.992 million for operations and maintenance of the air tanker fleet for forest fire suppression
- \$1.365 million for conservation and recovery of the Bathurst and Bluenose-East barren-ground caribou herds
- \$960,000 (includes \$63,000 for the Department of Lands) to support boreal caribou range planning under the Conservation Agreement and implementation of the Northwest Territories-Indigenous Component Agreement with Environment and Climate Change Canada
- \$825,000 for the management and negotiations of offshore oil and gas resources under the *Pan-Territorial Vision for Sustainable Development* in collaboration with the departments of Executive and Indigenous Affairs and Industry, Tourism and Investment
- \$175,000 to increase monitoring a larger number of sites of candidate protected areas
- \$45,000 to support the wildlife monitoring program as part of the commitments of the environmental assessment of the Inuvik-Tuktoyaktuk Highway

Finance

- \$10.6 million to offset the cost of carbon tax through the Cost of Living Offset; rebates for the tax paid on heating fuel; large emitter carbon tax rebates and grants; and rebates for the tax paid on fuel to generate electricity for distribution
- \$4.545 million to meet debt servicing requirements primarily on increased short-term borrowing
- \$337,000 to improve accessibility of government services by creating a single, secure online portal for residents and businesses for existing online services and bring an additional 40 licences and permits online

Health and Social Services

- \$10.011 million to administer activities under the Northern Wellness Agreement with the federal government, including ten positions to administer contribution funding for community health and wellness programs
- \$2.580 million to the Stanton Territorial Hospital for operations, including orderlies and behavioural health workers, medical unit services, emergency department triage, P3 contract administration, day procedures, medical devices, rehabilitation services, clinical laboratory services, long-term and continued care services and other expenses
- \$2.119 million in federal health spending, including \$1.488 million from agreements for mental health and addictions, and home care and community care, and \$631,000 for public education and awareness for cannabis, emergency treatment, climate change and health adaptation capacity building, the Canadian Partnership Against Cancer Funding Agreement, the Pan-Canadian Pharmaceutical Alliance, and enhanced community-based monitoring of seasonal influenza
- \$1.102 million to health authorities for costs of insured hospital services
- \$777,000 to upgrade software and equipment for collecting and managing information to improve patient care in health and social service delivery
- \$609,000 to upgrade software for pharmacy information services for better risk management for patients at Stanton Territorial Hospital
- \$379,000 to support community health programs, support services, diagnostic and therapeutic services, social programs, ambulance services and other health programs and services
- \$179,000 to provide increased contributions to AVENS – A Community for Seniors

Industry, Tourism and Investment

- \$268,000 to promote a growing tourism industry, with \$176,000 supporting increased activity in the Beaufort Delta region from the Inuvik-Tuktoyaktuk Highway and \$92,000 for enforcement and public safety in North Slave parks along the Ingraham Trail for aurora viewing
- \$250,000 to support implementation of two socio-economic agreements
- \$150,000 to support economic diversification and development to extend the Fishing Sector Support Officer position
- \$30,000 to continue implementing the *Petroleum Resources Strategy*, with another \$225,000 to come in 2021-22
- \$25,000 to continue the rollout of the *Petroleum Resources Strategy* in the Beaufort Delta and South Slave for energy security feasibility studies for a \$175,000 investment this year, which could lead to cost-sharing further work with the federal government at 80 per cent and Indigenous governments and the GNWT at 10 per cent each

Infrastructure

- \$3.949 million to support 72 long-term care beds in Yellowknife for their net lease payments and operations and maintenance costs
- \$2.380 million from the federal Low Carbon Economy Leadership Fund, which includes \$300,000 for incremental Arctic Energy Alliance programs and services
- \$2.226 million for operations and utilities of newly acquired buildings, including the Stanton Territorial Hospital, the fish plant in Hay River, biomass heating plants and the Yellowknife Visitor Centre
- \$659,000 to provide increased maintenance on the Dempster Highway (Highway 8, km 0 to 272) to reflect its increased usage from the Inuvik-Tuktoyaktuk Highway
- \$390,000 to develop and implement the Permafrost Data Management and Analytical System for the Dempster and Inuvik-Tuktoyaktuk Highways Project under the Northern Transportation Adaptation Initiative
- \$250,000 to address increased costs for the Lafferty and Ndulee ferries, including increased regulatory costs, costs for longer trips around shallow water due to climate change, and an addition to base funding to cover inflationary effects

Justice

- \$1.613 million to support RCMP services, including increases in custody transfer costs, national service rates and number of positions, hangar operation costs, and isolated post and housing requirements

- \$827,000 in ongoing funding to turn the Integrated Case Management program into a permanent program
- \$506,000 to enforce land tenure and develop an approach to address unauthorized and rights-based occupancy
- \$465,000 to support development of the NWT Gun and Gang Strategy, funded through the federal Gun and Gang Violence Action Fund
- \$240,000 to increase base funding for victims' services
- \$163,000 to support a full-time position in Legal Aid Services for delivering the Agreement Respecting Access to Justice with the federal government, previously created and funded internally
- \$155,000 to support family justice programming through the Canadian Family Justice Fund Agreement for 2017-2022 with the federal government
- \$96,000 to increase base funding for coroner services operations
- \$95,000 to provide all Supreme Court jury trials with contract court reporters
- \$39,000 to continue implementing cannabis legalization

Municipal and Community Affairs

- \$5.186 million to increase the Grant-in-Lieu of Property Tax Program to reflect new capital assets, including Stanton Territorial Hospital, Yellowknife Day and Sobering Centre, St. Joseph modular classrooms, the Woodland Manor expansion in Hay River, Aurora College and warehouse in Fort Smith, the regional laboratory in Fort Simpson, and the Shell Lake office in Inuvik;
- \$158,000 for increased support for seniors under the *Senior Citizens and Disabled Persons Property Tax Relief Act* with a higher number of seniors and higher rates

Budgetary Process

The GNWT's budget is pressured by both sides of the ledger: revenues and expenditures. The drivers of each are unique and sometimes related, but the basic picture is a challenging one: large and modestly growing federal transfers and flat own-source revenues combined with operating and capital spending pressures. The pressures have been met in part through a reduction in the amount of the operating surplus and increased borrowing, with debt now bumping up against the federally imposed borrowing limit.

Revenue

The GNWT is heavily reliant on federal financial support and as a result possesses limited ability to significantly increase total revenues. In 2020-21, federal transfers will amount to \$1.785 billion, out of total revenues of \$2.186 billion, or slightly more than 80 per cent; these are beyond the control of the GNWT.

About 20 per cent of revenues are from a variety of own-source revenues and are broadly under the ability of the GNWT to control or at least influence. The disproportionate ratio between the figures means that, in effect, aggregate taxes would have to increase five per cent just to increase the GNWT's total revenue by one per cent. If the increase were to be concentrated in only one area rather than be applied across the board to all taxes, the increase would have to be much larger. For instance, the largest source of own-source revenue, personal income tax, is about one-quarter of all own-source revenues, or five per cent of total revenues. Personal income tax revenue would have to increase by 20 per cent to allow the GNWT to increase its total revenues by one per cent.

Weakness in the economy and a slow growing population contribute to low growth in own-source revenues. The economy has been affected by the collapse in oil prices since 2014 and challenges in the diamond mining sector – historically, important drivers of jobs and tax revenue. While corporate income tax receipts have been affected, the stagnation applies to most own-source revenues, including personal income tax. The combination of public administration, health and social assistance and educational services is the largest economic sector and personal income tax revenue from employees in this sector contributes to a level of stability within own-source revenues.

The NWT's economy employs numerous fly-in/fly-out workers who do not live in the territory. The cost of living is one reason why these workers choose to live outside the NWT. A tax advantage would provide an incentive to move to the territory, in addition to retaining population; increases in taxes or the cost of living would dissuade these workers from residing in the territory. While the NWT attracts migrants, it also has a high out-migration rate to other parts of Canada. This dynamic has kept the NWT's population growth below most provinces and Canada as a whole. As a result, revenue growth is further limited.

The GNWT considers the impact that tax measures could have on its competitiveness as a place to live and do business. The cost of living in the NWT would be pressured by tax increases. Small tax increases would not raise a material amount of revenue but could still affect perceptions of the attractiveness of the NWT as a destination to live and work.

Raising revenue will face a number of challenges:

- Volatility and weakness in corporate income tax and resource revenues
- Stagnant own-source revenues
- Underdeveloped private sector and narrow economic base
- Dependence on federal transfers

Expenditure Challenges

The GNWT is responsible for a considerable amount of money each year, budgeted at \$1.896 billion in 2020-21 for total departmental spending. This \$42,000 per person is significantly higher than provincial per capita spending and reflects the harsh climate, dispersed population, and lack of economies of scale in the NWT. Operating spending has grown over time through a combination of initiatives, adjustments and forced growth (i.e. increases based on higher costs and demand for services).

Operating spending runs the day-to-day business of government, but capital investments build the infrastructure to support operations. The territory's infrastructure lags the national average with the oldest average age among provinces and territories. The state of infrastructure is a drag on economic growth since opportunities to do business are hampered by sub-optimal capital. The attractiveness of the NWT as a place to live can be negatively affected, leading to out-migration and weak economic growth.

The result is a squeeze on the overall budget. In particular, the GNWT has:

- *On-going operating expenditure pressures* – Constant pressure exists to enhance current programs and to implement new initiatives while not reducing existing program and service expenditures. Although the GNWT has made steady progress in reducing the rate of growth in program spending, continued efforts will be necessary to ensure that expenditure growth matches revenue growth, or the budgetary position could deteriorate.
- *Unexpected expenditures and capital project cost overruns* – Operating expenditure shocks are usually unexpected events such as extraordinary fire suppression needs or other natural disasters. With the undertaking of large capital projects, the risk of capital cost overruns is heightened.

Given the serious constraints on revenues, budget equilibrium will likely have to be achieved largely through ongoing, long-term expenditure management. Strategic investments in transportation and energy infrastructure remain priorities because they will support the economy over time and lower the territory's high energy costs.

The GNWT has put in place a number of strategies to help create the environment for a more vibrant economy. In addition, the GNWT will make strategic and affordable infrastructure investments. These strategies should help the economy strengthen and diversify.

A key objective will be to achieve increased value for money, so as to achieve a more efficient allocation of funds that will provide better outcomes for NWT residents. It will also allow the GNWT to achieve a better balance between operating and capital spending and between revenue and expenditure growth. This would alleviate the need to increase taxes or borrow more.

Debt Position and Financing

The GNWT issues debt to partially finance its capital program and to meet short-term borrowing requirements. The amount of the debt has increased almost continuously since 2009-10, reflecting investments in capital programs with additional infrastructure built or improved throughout the territory. The GNWT has also taken advantage of cost-shared dollars with the federal government

to develop the territory's infrastructure network. At all times, the GNWT endeavours to keep its debt affordable, and a variety of tools are used to monitor debt to ensure its sustainability, the principle ones being:

- *Fiscal Responsibility Policy*,
- Borrowing Limit, and
- Credit Rating.

Fiscal Responsibility Policy

The GNWT feels strongly that its underlying ability to manage debt is higher than the current federal borrowing limit would suggest. To that end, the GNWT has relied on the *Fiscal Responsibility Policy* to guide its debt management policies. The *Policy* is based on the premise that:

- The GNWT will fund at least 50 per cent of infrastructure investment from cash operating surpluses; and
- Debt servicing payments will be held below five per cent of total revenues.

In keeping with the *Policy*, the GNWT's budget continues to fund capital projects at a sustainable level, in part because of efforts that were undertaken in recent years to lower the growth rate of operating expenditures.

Borrowing Limit

The federally-imposed borrowing limit is \$1.3 billion.

The GNWT's total debt at the end of 2020-21 is forecast to be \$1.200 billion, up from \$1.182 billion at the end of 2019-20. Of the 2020-21 amount, \$706 million is long-term and guaranteed debt, and \$494 million is short-term borrowing. The available borrowing capacity is forecast to be \$100 million by the end of 2020-21. However, debt will continue to escalate over the medium-term (to 2023-24) and will be over the limit beginning in 2021-22.

Credit Rating

The *Fiscal Responsibility Policy* is a major component in the GNWT's Aa1 rating from Moody's Investors Service. In July 2019, one of the major international credit rating agencies, Moody's Investors Service, confirmed the GNWT's Aa1 (Stable) credit rating, for the twelfth consecutive year. This rating is one of the highest available and serves as validation that the financial management of the GNWT is sound and prudent.

Business Plan Development and Review

The annual business plans link strategic planning with resource allocation. The business planning process includes setting goals, developing strategies to achieve the goals, and establishing targets

and outcome measures. The departmental business plans are developed to support the overall Government's goals and objectives. As part of the process, departments identify the challenges and pressures confronting them, and map out how to meet those challenges within available resources. Business plans identify key strategies that each department will implement to achieve its goals, and also identify outcome measures and targets to be achieved. Business plans focus not only on operating budgets, but capital as well.

To help achieve greater effectiveness and efficiency in its spending, the GNWT will be moving toward a four-year planning horizon for business plans, beginning 2020-21. Greater value for money will be targeted through this approach, allowing each dollar to be stretched further.

This exercise will improve planning and is consistent with execution toward long-term results. The goal is to examine the overall financial process in a holistic, comprehensive and systematic manner that will be conducive to achieving optimal long-term results throughout the government.

Summary of Operations

	(thousands of dollars)			
	2020-2021	2019-2020	2019-2020	2018-2019
	Main	Revised	Main	2018-2019
	Estimates	Estimates	Estimates	Actuals
REVENUES	2,186,168	1,852,933	1,933,297	1,770,904
OPERATIONS EXPENSE				
Compensation and Benefits	399,767	387,213	372,312	366,388
Grants, Contributions and Transfers	892,244	863,060	844,048	816,834
Amortization	125,054	123,014	123,014	110,029
Chargebacks	22,502	22,469	22,469	22,347
Computer Hardware and Software	5,736	5,742	5,733	11,328
Contract Services	223,661	220,574	216,893	187,770
Controllable Assets	3,343	3,253	3,253	9,197
Fees and Payments	107,523	106,483	106,383	115,394
Foreign Currency Exchange Loss	-	-	-	-
Interest	20,591	16,546	16,546	20,977
Loss on Sale of Assets	-	-	-	71
Materials and Supplies	19,983	20,211	19,593	23,490
Purchased Services	15,449	13,935	13,873	14,303
Travel	19,345	19,721	18,973	15,412
Utilities	38,248	36,294	36,294	40,482
Valuation Allowances	2,419	2,419	2,419	3,102
TOTAL OPERATIONS EXPENSE TO BE VOTED	1,895,865	1,840,934	1,801,803	1,757,124
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	290,303	11,999	131,494	13,780
Infrastructure Contributions	(75,317)	(79,575)	(74,275)	(33,067)
Deferred Maintenance	(2,000)	(2,775)	(2,000)	(4,652)
Petroleum Products Stabilization Fund net profit (loss)	(200)	50	(200)	(1,145)
Supplementary Reserve	(30,000)	(20,000)	(20,000)	-
Estimated Appropriation Lapses	20,000	20,000	25,000	-
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	87,362	143,654	99,256	111,996
Expenditures	(87,362)	(143,654)	(99,256)	(111,996)
OPERATING SURPLUS FOR THE YEAR	202,786	(70,301)	60,019	(25,084)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,718,828	1,789,129	1,852,597	1,814,213
ACCUMULATED SURPLUS, END OF YEAR	1,921,614	1,718,828	1,912,616	1,789,129

Summary of Revenues

	(thousands of dollars)			
	2020-2021 Main Estimates	2019-2020 Revised Estimates	2019-2020 Main Estimates	2018-2019 Actuals
GRANT FROM CANADA	1,412,734	1,309,278	1,309,300	1,256,289
TRANSFER PAYMENTS	372,237	205,293	233,595	172,317
TAXATION REVENUE				
Personal Income Tax	106,129	95,948	104,369	110,609
Corporate Income Tax	25,262	(12,020)	23,331	(4,752)
Cannabis Excise Tax	331	317	747	111
Carbon Tax	28,739	12,219	16,190	-
Tobacco Tax	15,002	15,294	15,100	15,822
Fuel Tax	21,614	21,546	21,062	22,863
Payroll Tax	44,670	44,053	44,355	43,445
Property Taxes and School Levies	29,858	29,305	29,750	26,550
Insurance Premium Taxes	5,400	5,100	5,100	5,814
Land Transfer Tax	-	-	-	-
	277,005	211,762	260,004	220,462
Non-renewable Resource Revenue				
Licences, Rental and Other Fees	2,507	2,532	2,532	4,246
Minerals, Oil and Gas Royalties	30,681	36,494	43,822	18,930
Quarry Fees	100	180	180	82
	33,288	39,206	46,534	23,258
GENERAL REVENUES				
Revolving Funds Net Revenue	37,978	35,890	32,482	25,844
Regulatory Revenues	24,921	25,520	25,398	24,359
Interest	680	680	680	781
Investment Income	-	-	-	1,907
Lease	4,009	3,580	3,580	3,898
Program	18,001	16,628	16,628	21,545
Grants	-	-	-	39
Grants in kind	140	140	140	266
Service and miscellaneous	2,175	1,956	1,956	5,754
Recovery of Prior Years' Expenditures	3,000	3,000	3,000	14,185
	90,904	87,394	83,864	98,578
TOTAL REVENUES	2,186,168	1,852,933	1,933,297	1,770,904

Summary of Operations Expenditures

	(thousands of dollars)			
	2020-2021	2019-2020	2019-2020	2018-2019
	Main	Revised	Main	2018-2019
	Estimates	Estimates	Estimates	Actuals
Department				
Legislative Assembly	22,720	22,621	22,443	19,634
Education, Culture and Employment	340,268	335,944	331,410	332,068
Environment and Natural Resources	97,085	90,230	86,425	87,613
Executive and Indigenous Affairs	22,886	23,322	22,103	19,975
Finance	283,107	266,962	261,847	243,087
Health and Social Services	522,011	504,062	495,323	485,960
Industry, Tourism and Investment	59,585	61,091	59,902	56,049
Infrastructure	275,029	269,714	263,387	256,963
Justice	133,617	128,542	126,260	126,972
Lands	23,364	23,264	22,584	20,322
Municipal and Community Affairs	116,193	115,182	110,119	108,481
	1,895,865	1,840,934	1,801,803	1,757,124
Expenditure Category				
Compensation and Benefits	399,767	387,213	372,312	366,388
Grants, Contributions and Transfers	892,244	863,060	844,048	816,834
Amortization	125,054	123,014	123,014	110,029
Chargebacks	22,502	22,469	22,469	22,347
Computer Hardware and Software	5,736	5,742	5,733	11,328
Contract Services	223,661	220,574	216,893	187,770
Controllable Assets	3,343	3,253	3,253	9,197
Fees and Payments	107,523	106,483	106,383	115,394
Foreign Currency Exchange Loss	-	-	-	-
Interest	20,591	16,546	16,546	20,977
Loss on Sale of Assets	-	-	-	71
Materials and Supplies	19,983	20,211	19,593	23,490
Purchased Services	15,449	13,935	13,873	14,303
Travel	19,345	19,721	18,973	15,412
Utilities	38,248	36,294	36,294	40,482
Valuation Allowances	2,419	2,419	2,419	3,102
	1,895,865	1,840,934	1,801,803	1,757,124

Summary of Infrastructure Investment

	(thousands of dollars)			
	2020-2021 Capital Estimates	2019-2020 Revised Estimates	2019-2020 Capital Estimates	2018-2019 Actuals
Tangible Capital Assets				
Legislative Assembly	3,000	127	-	263
Education, Culture and Employment	25,713	18,638	14,059	18,777
Environment and Natural Resources	2,159	5,511	2,159	4,190
Finance	4,277	14,643	5,191	2,247
Health and Social Services	52,356	56,572	59,624	9,867
Industry, Tourism and Investment	3,786	17,549	11,530	4,314
Infrastructure	143,833	144,589	101,806	75,430
Justice	1,541	15,990	4,341	11,509
Lands	234	234	234	65
Municipal and Community Affairs	-	-	-	124
	236,899	273,853	198,944	126,786
Infrastructure Contributions				
Education, Culture and Employment	8,085	5,000	3,000	1,057
Finance	-	-	-	255
Infrastructure	38,232	45,575	42,275	7,401
Municipal and Community Affairs	29,000	29,000	29,000	27,257
	75,317	79,575	74,275	35,970
Deferred Maintenance (non-capital)				
Education, Culture and Employment	-	-	-	-
Health and Social Services	-	-	-	-
Infrastructure	2,000	2,775	2,000	2,062
	2,000	2,775	2,000	2,062
Public Private Partnerships				
Health and Social Services	-	18,366	2,954	79,289
Infrastructure	84,390	33,045	46,800	24,917
	84,390	51,411	49,754	104,206
Total Capital Estimates	398,606	407,614	324,973	269,024

Summary of Debt and Estimated Borrowing Capacity

	(thousands of dollars)			
	2020-2021 Main Estimates	2019-2020 Revised Estimates	2019-2020 Main Estimates	2018-2019 Actuals
SHORT TERM DEBT				
Government of the Northwest Territories	465,000	488,000	325,000	324,478
Hay River Health and Social Services Authority	1,000	1,000	1,000	-
NWT Hydro Corporation	28,286	43,663	135,911	9,041
	494,286	532,663	461,911	333,519
LONG TERM DEBT				
Government of the Northwest Territories:				
New Long Term Debt - term and rate to be determined	40,000	-	-	-
Deh Cho Bridge - Real Return Bonds	175,452	175,850	175,850	176,439
Mackenzie Valley Fibre Optic Link, P3 debt	72,651	75,190	75,300	77,700
Stanton Territorial Hospital, P3 debt	130,431	133,597	135,700	136,654
Tłı̄chǫ All-Season Road, P3 debt	128,993	48,911	19,560	21,367
Canada Mortgage and Housing Corporation	284	366	366	445
Public Agencies:				
NWT Hydro Corporation	204,564	209,168	209,168	212,303
NWT Housing Corporation	5,354	5,946	5,946	6,455
TOTAL DEBT	1,252,015	1,181,691	1,083,801	964,882
OBLIGATIONS UNDER CAPITAL LEASES				
Government of the Northwest Territories	-	-	-	337
NWT Hydro Corporation	16,389	16,802	16,802	17,221
NWT Housing Corporation	-	-	-	-
LOAN GUARANTEES				
GNWT	-	-	-	-
Other public agencies	-	-	-	-
NWT Business Development and Investment Corp.	-	2,100	2,100	2,100
NWT Housing Corporation	8,443	10,519	10,522	12,944
TOTAL GROSS BORROWING PER BORROWING REGULATIONS	1,276,847	1,211,112	1,113,225	997,484
LESS: EXTERNALLY RESTRICTED SINKING FUNDS				
NWT Hydro Corporation	-	-	-	-
Government of the Northwest Territories	(77,340)	(29,340)	-	-
TERRITORIAL BORROWING	1,199,507	1,181,772	1,113,225	997,484
TERRITORIAL BORROWING LIMIT	1,300,000	1,300,000	1,300,000	1,300,000
AVAILABLE BORROWING AUTHORITY FOR FISCAL PLANNING PURPOSES	100,493	118,228	186,775	302,516

Provincial/Territorial Tax Rates at February 20, 2020

	Combined Top Marginal Personal Income Tax ^(a) (%)	Retail Sales Tax (%)	Fuel Tax ^(b)		Carbon Tax ^(c)		Tobacco Tax ^(d) (\$/carton)	Payroll Tax ^(e) (%)	Corporate Income Tax		Capital Tax on Financial Institutions ^(f) (%)
			Gasoline (¢/litre)	Diesel (¢/litre)	Gasoline (¢/litre)	Diesel (¢/litre)			Small	Large	
Northwest Territories	47.05	-	10.7	9.1	4.70	5.50	60.80	2.00	4.0	11.5	-
Nunavut	44.50	-	6.4	9.1	4.42	5.37	60.00	2.00	3.0	12.0	-
Yukon	48.00	-	6.2	7.2	4.42	5.37	60.00	-	2.0	12.0	-
British Columbia	53.50	7.0	14.5	15.0	8.89	10.23	59.00	1.95	2.0	12.0	-
Alberta	48.00	-	13.0	13.0	4.42	5.37	55.00	-	2.0	10.0	-
Saskatchewan	47.50	6.0	15.0	15.0	4.42	5.37	54.00	-	2.0	12.0	4.0
Manitoba	50.40	7.0	14.0	14.0	4.42	5.37	60.00	2.15	0.0	12.0	6.0
Ontario	53.53	8.0	14.7	14.3	4.42	5.37	36.95	1.95	3.2	11.5	1.25
Quebec	53.31	9.975	19.2	20.2	-	-	29.80	4.26	5.0	11.5	1.25
New Brunswick	53.30	10.0	15.5	21.5	4.42	5.37	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	8.47	14.15	4.42	5.37	50.00	-	3.0	16.0	5.0
Newfoundland & Labrador	51.30	10.0	16.5	16.5	4.42	5.37	49.00	2.00	3.0	15.0	6.0
Weighted average ^(g)	52.47	7.4	15.5	15.8	3.91	4.67	42.84	2.09	3.1	11.7	1.42

Notes:

(a) Combined federal-provincial/territorial highest 2020 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) The federal backstop became effective April 1, 2019 in Manitoba, Ontario, Saskatchewan, and New Brunswick and July 1, 2019 in Nunavut and Yukon. Northwest Territories, British Columbia, Newfoundland & Labrador, and Prince Edward Island have provincially administered carbon taxes. Quebec and Nova Scotia have cap and trade systems. Alberta's carbon tax was repealed as of May 30, 2019 with the exception of the levy on large industrial emitters. The federal backstop became effective in Alberta on January 1, 2020. The NWT carbon tax came into effect September 1, 2019.

(d) 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. British Columbia and Quebec do 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, 2019.