



# Restoring Balance: A Fiscal Sustainability Strategy for the 20<sup>th</sup> Legislative Assembly

FEBRUARY 2024

Une version française de ce document est disponible.

Government of  
Northwest Territories

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English

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French

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Kīspin ki nitawih̄tīn ē nīhīyawih̄k ōma ācimōwin, tipwāsīnān.

Cree

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Tł̄chq̄ yatı k'èè. Dı wegodı newq̄ dè, gots'o gonede.

Tł̄chq̄

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ᑭerih̄tl'is Dēne Sų́līné yatı t'a huts'elkēr xa beyáyatı theᑭᑭ ᑭat'e, nuwe ts'en yóttı.

Chipewyan

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Edı gondı dehgháh got'je zhatıé k'éé edatl'éh enahddhę nıde naxets'é edahfı.

South Slavey

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K'áhshó got'jne xəᑭə k'é hederı ᑭedjhtl'é yerınwę nıde dúle.

North Slavey

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Jii gwandak izhıı ginjık vat'atr'ijah̄ch'uu zhit yinohtan jı', diits'at ginohkhıı.

Gwich'in

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Uvanittuaq ilitchurisukupku Inuvialuktun, ququaqłuta.

Inuvialuktun

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ᑕᑭᑕ ᑕᑕᑕᑕᑕ ᑕᑕᑕᑕᑕ ᑕᑕᑕᑕᑕᑕ ᑕᑕᑕᑕᑕᑕᑕ, ᑕᑕᑕᑕᑕᑕᑕ ᑕᑕᑕᑕᑕᑕᑕᑕ.

Inuktitut

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Hapkua titıqqat pijumagupkit Inuinnaqtun, uvaptinnut hivajarłutit.

Inuinnaqtun

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Indigenous Languages:

[request\\_Indigenous\\_languages@gov.nt.ca](mailto:request_Indigenous_languages@gov.nt.ca)

French:

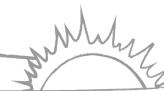
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# Scope

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Often people don't think about how governments receive its money, but in the Government of the Northwest Territories' (GNWT) case about 80% of the money we have to deliver programs and services to residents comes from the Government of Canada. Every year the amount of money we receive from the Government of Canada is set through standard funding agreements and formulas, that we do not control. There are some opportunities to increase the amount that the GNWT raises through other sources, but these are limited.

With these limitations in mind, there are some challenges with the GNWT's budget that need to be addressed. Over the next four years the amount of money that the GNWT collects in revenue is expected to grow by approximately 3% a year, but when we look at our planned expenses, they are expected to grow by 4.5% a year. This means we will be spending more than we receive.

## **Some of the reasons our planned expenses will grow in the coming years include:**

### **Health System Growth**

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- The cost of delivering health care has been increasing at unprecedented rates across all jurisdictions in Canada.
- Added to this are the unique challenges of delivering healthcare in the Northwest Territories (NWT).

### **Climate Change**

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- Extreme weather events across the NWT have resulted in several natural disasters that have threatened property and lives of Northerners.
- The cost of responding to these events are largely subsidized by a number of disaster relief programs offered by the Government of Canada, however in most cases the GNWT's recovery of these costs are often several years post event.
- This delay in relief funding adds to the GNWT's borrowing pressures and costs as the GNWT pays interest on outstanding emergency cost claims.

## **Inflationary Pressures**

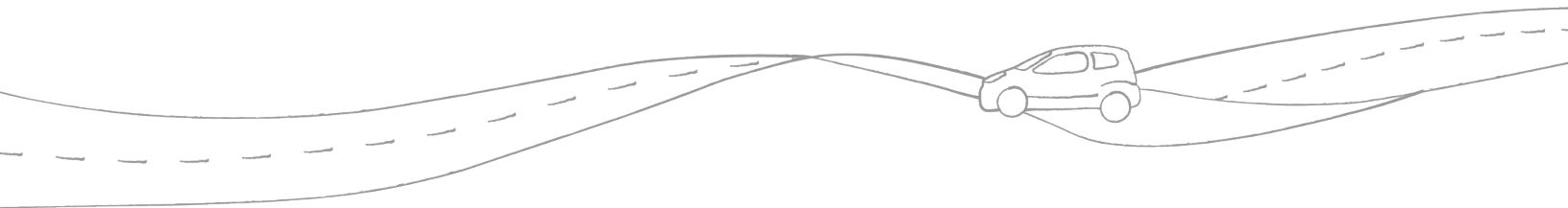
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- Rising fuel and material costs and persistent supply chain issues continue to impact the cost of construction and government operations.
- Statistics Canada’s Residential Building Construction Price Indexes shows a national average increase of over 50% in the cost of residential construction since 2019, or pre-Covid.
- These inflationary pressures also extend to third-party contribution arrangements with NGOs, Local Housing Organizations and public agencies.

## **Growth in the Public Sector**

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- Since 2019-2020, the consolidated GNWT public sector grew by 1,391 positions, or 27.3% for a total employee compliment of 6,482.
- When the public sector grows, associate costs such as employee benefits, pension, dental, health insurance, other ancillary supports like IT hardware and maintenance, office space, etc. also increase.



# Objective

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The *Fiscal Strategy for the Northwest Territories 20<sup>th</sup> Legislative Assembly* restores fiscal sustainability through adherence to the *Fiscal Responsibility Policy*.

## **Restoring fiscal sustainability over the life of the 20<sup>th</sup> Legislative Assembly will require:**

- increasing operating budget surpluses through a combination of new revenue generation and expenditure management by leveraging operating efficiencies;

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- reducing the GNWT's short-term debt;

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- realigning operating spending for health programs and services to make these programs sustainable;

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- addressing the costs incurred by the GNWT for Northwest Territories Power Corporation and Marine Transport Services related to low water levels;

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- allocating government spending appropriately to the priorities of the Northwest Territories' residents;

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- ensuring the GNWT is achieving value for money in the delivery of its programs and services; and

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- increasing fiscal capacity to ensure that the GNWT can continue to respond to expenditure shocks such as natural disasters and economic disruptions.

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# Fiscal Strategy Targets

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**To achieve the overall fiscal strategy the following targets will be monitored and tracked:**

- Short-term debt repayment by a minimum of \$150 million by March 31, 2028.

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- Capital projects funded 100% from operating surpluses (the Fiscal Responsibility Policy requires a minimum of 50%).

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- Annual supplementary reserves held to \$35 million;
  - Supplementary funding requests must be accompanied by evidence that the cost pressure has been mitigated by internal budget adjustments or temporary budget deferrals, and
  - No expansion to a department's existing programs and no new positions added without equal budget adjustments or temporary deferrals within the department's budget.

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- Annual forced growth and new initiatives held to \$10 million.

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## 20<sup>th</sup> Legislative Assembly Fiscal Outlook

(\$ Millions)						
<b>Operating Balance</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
Total Revenue	2,457	2,602	2,653	2,703	2,729	2,759
Operating Expenditure	2,335	2,581	2,463	2,459	2,523	2,592
<b>Operating Surplus (deficit)</b>	<b>122</b>	<b>22</b>	<b>190</b>	<b>244</b>	<b>206</b>	<b>168</b>
<b>Debt Repayment Plan</b>				<b>50</b>	<b>50</b>	<b>50</b>
<b>Capital Investment</b>	<b>217</b>	<b>181</b>	<b>214</b>	<b>189</b>	<b>195</b>	<b>170</b>
<b>Debt</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
Short-Term Debt	483	685	651	600	550	500
Long-Term and Guaranteed Debt	842	980	965	935	918	901
<b>Total at year-end (March 31)</b>	<b>1,325</b>	<b>1,665</b>	<b>1,616</b>	<b>1,535</b>	<b>1,468</b>	<b>1,401</b>
Borrowing Limit	1,800	1,800	1,800	1,800	1,800	1,800
FRP Borrowing Limit Cushion	120	120	120	120	120	120
<b>Available Borrowing Capacity</b>	<b>355</b>	<b>15</b>	<b>64</b>	<b>145</b>	<b>212</b>	<b>279</b>

## Fiscal Strategy Reporting

### Reporting on the fiscal strategy will be through:

- Regular reporting to Ministers and Members of the Legislative Assembly as part of the regular budget cycles.
  - Fiscal updates will be provided as part of the annual preparation of Main Estimates (approximately January of every year) and Capital Estimates (approximately August of every year); and
- Public accounts that will report the fiscal year results and compliance to the *Fiscal Responsibility Policy* and amount of short-term debt that has been repaid in the year.